



# Washington Update



## GOVERNMENT SHUTDOWN AVERTED ON THE FINAL DAY OF FISCAL YEAR

Congress passed a continuing resolution last Wednesday, the final day of the fiscal year, to continue funding the operations of the federal government and avoid a second shutdown in the past three years. The CR will fund operations through December 11, 2015. The CR also contained an extension of the Internet Tax Freedom Act, which bans state and local government's taxing of Internet access.

## GAO UNVEILS CENTER OF AUDIT EXCELLENCE

The U.S. Government Accountability Office has unveiled its new Center for Audit Excellence. The Center is an organization within the GAO, but it will operate separately from GAO's audit teams and functions on a fee-for-service basis. The Center's mission is to promote

good governance and build the institutional capacity of both domestic and international accountability organizations by providing high quality training and technical assistance. The Center will offer a variety of products and services that can be customized to meet the needs of accountability organizations around the world. Some examples of these services include:

- Help organizations develop strategic plans.
- Establish sound quality assurance processes.
- Implement performance measurement systems.
- Develop strategies for stakeholder engagement.
- Provide training on how to design and apply performance audit methodologies.

The Center will be staffed primarily by former senior-level GAO experienced auditors and managers to ensure independence from GAO units that provide routine audit and oversight services.

The Center's webpage can be found at [www.gao.gov/resources/centerforauditexcellence/overview](http://www.gao.gov/resources/centerforauditexcellence/overview).

## GAO LOOKS AT IMPROPER PAYMENTS AND THE TAX GAP

The U.S. Government Accountability Office has released its latest report on actions needed to address improper payments government-wide and strategies to reduce the tax gap. The report, entitled "Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position," is based on GAO's recent work on improper payments, agency financial reports and inspectors general reports, as well as prior reports on



the tax gap, including those with open recommendations or matters for congressional consideration that could potentially help reduce the tax gap.

Some state-level recommendations in the report include:

- **Increasing Oversight of Managed Care:** Most Medicaid beneficiaries receive services through a managed care system, and Medicaid managed care expenditures have been growing at a faster rate than fee-for-service expenditures. In May 2014, GAO reported that most state and federal program integrity officials they interviewed said that they did not closely examine managed care payments, focusing on fee-for-service claims instead. The U.S. Department of Health and Human Services agreed with GAO's recommendation to update Medicaid managed care guidance on program integrity practices and effective handling of managed care organization recoveries. On June 1, 2015, the agency issued a proposed rule to revise program integrity policies. The rule, if finalized, would require states to conduct audits of managed care organizations' service utilization and financial data every three years and standardize the treatment of recovered overpayments by plans.
- **Strengthening Program Integrity:** In November 2012, GAO reported that the Centers for Medicare and Medicaid Services could do more to eliminate duplication and improve efficiency of its Medicaid integrity efforts. Since then, CMS has taken positive steps to oversee program integrity efforts in Medicaid, including reconfiguring its approach in 2013 to reduce duplicate reviewing and auditing of states' claims and improve efficiencies in its audits, redesigning its comprehensive reviews of states' program integrity activities toward a more targeted risk assessment approach, and increasing its efforts to hold states accountable for reliably reporting program integrity recoveries. However, CMS has not strengthened its efforts to calculate return on investment for its program

integrity efforts. In January 2015, CMS officials confirmed that the agency is developing a methodology for measuring and calculating a single ROI that reflects the Center for Program Integrity's initiatives for both Medicare and Medicaid, and they expect to have their methodology finalized later this year.

The full improper payments report can be found at [www.gao.gov/products/GAO-16-92T](http://www.gao.gov/products/GAO-16-92T).

## SEC Fines Underwriters for Fraudulent Muni Bond Offerings

The U.S. Securities and Exchange Commission has announced enforcement actions against 22 municipal underwriting firms for violations in municipal bond offerings. The actions are the second round of filings against underwriters under the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative, a voluntary self-reporting program targeting material misstatements and omissions in municipal bond offering documents. The SEC found that between 2010 and 2014, the 22 underwriting firms violated federal securities laws by selling municipal bonds using offering documents that contained materially false statements or omissions about the bond issuers' compliance with continuing disclosure obligations. Andrew Ceresney, director of the SEC's Enforcement Division, stated:

"The MCDC Initiative has revealed that in recent years, a large number of municipal bond underwriters failed to conduct adequate due diligence before selling municipal bonds to their customers. In addition to effectively addressing this past misconduct, we believe the initiative has been effective in improving underwriter due diligence in municipal securities offerings on a going forward basis."

The full list of underwriters and their fines can be viewed at [www.sec.gov/news/pressrelease/2015-220.html](http://www.sec.gov/news/pressrelease/2015-220.html).

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