WAGNER PROGRAM SERVICES

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Regulated Twice: Why Compliance Is the Hardest Deliverable in Federal Financial Services Contracting

Contractors supporting federal financial programs answer to two masters at once: the contract and the regulatory ecosystem around it. Payment integrity mandates, consumer protection statutes, examination regimes, and audit trails converge on the same operations — and the government's own watchdogs are documenting what happens when those operations fall behind. This paper maps the terrain as it stands in 2026.

WAGNER PROGRAM SERVICES LLC

SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS

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EXECUTIVE SUMMARY

The compliance burden is the mission — not overhead on it

Federal agencies estimated **$186 billion** in improper payments in fiscal year 2025 — up $24 billion from the prior year, across 64 programs at 15 agencies, bringing the cumulative total since 2003 to roughly **$3 trillion**.[1] Most of the operations where those payments succeed or fail — eligibility verification, documentation, servicing, receivables, recovery — are run in whole or in part by contractors. In federal financial services, compliance is not a supporting function of the deliverable. It *is* the deliverable.

$186B	82%	19	50%
Estimated federal improper payments in FY2025, across 64 programs	Share of FY2025 improper payments that were overpayments	Programs reporting improper payment rates of 10% or higher	Of major agencies violated at least one PIIA requirement per their IGs

Source: U.S. Government Accountability Office, Payment Integrity reporting on fiscal year 2025 estimates.[1]

This paper examines the regulatory concerns that define contracting in and around federal financial programs: the dual-oversight structure that exposes contractors to both contract enforcement and financial regulation; the payment integrity mandate that turns operational error rates into statutory compliance failures; the consumer protection statutes that follow every borrower-facing and debtor-facing interaction; and the widening gap between what agencies are staffed to oversee and what they will eventually be compelled to enforce.

The through-line is uncomfortable but consistent: in this sector, the contractor's compliance program is examined more ways, by more parties, against more standards than in almost any other corner of government contracting — and the evidence it can produce on demand, not the effort it expends, is what every one of those parties will judge.

Who should read this: executives and compliance leaders at firms that service loans or receivables under federal contracts, administer or support payment programs, perform collections or case processing, or are weighing a bid into any of these markets — and the primes who team with them.

SECTION 01

Regulated twice: the dual-oversight reality

A manufacturer that misses a spec answers to its contracting officer. A contractor operating inside a federal financial program answers to a far larger room. The contract itself carries clauses, certifications, and quality standards enforced through CPARS ratings, cure notices, and the False Claims Act. Around the contract sits the financial-regulatory ecosystem: the program office and its servicing standards, the agency Inspector General, GAO, and — for consumer-facing work — the Consumer Financial Protection Bureau, whose supervisory authority extends to service providers, and state regulators who license and examine servicers and collectors directly.

These oversight channels do not coordinate their calendars, share their findings, or apply the same standards. Each can demand evidence independently. An operational weakness that surfaces in one channel routinely migrates to the others: a CFPB supervisory finding becomes an OIG interest item; an OIG audit becomes a contracting officer's corrective action demand; and any of them can become the factual predicate for a qui tam complaint.

The certification layer compounds it

Financial services contracts are dense with representations — data security postures, staffing and training levels, quality control rates, servicing standards, timeliness metrics. Under the False Claims Act, each of those representations is a potential liability theory if operations drift from what was certified. FY2025 produced a record **$6.8 billion** in FCA recoveries, and financial and payment programs sit squarely in the largest recovery categories.[2]

Reputation is a regulated asset too

In consumer-facing programs, a compliance failure is rarely private. Supervisory findings are published, OIG reports are public, and borrower complaints aggregate in public databases. Recompete evaluations read all of it.

> *"In federal financial services, you are never explaining yourself to one audience. Every artifact your program produces should be written for the hardest reader it could reach."*

SECTION 02

The payment integrity mandate: error rates are law now

The Payment Integrity Information Act (PIIA) obligates agencies to estimate improper payments, identify root causes, and demonstrate reduction — and their Inspectors General grade them on it annually. In FY2025, half of the 24 major agencies failed at least one PIIA compliance criterion, with IGs flagging deficient risk assessments and unreliable estimates.[1] Agencies under that pressure pass it down: to the contractors who verify eligibility, process claims, maintain documentation, and execute recoveries.

For those contractors, the mandate has three practical consequences.

Your operational metrics are the agency's statutory metrics

When a contractor's verification queue backs up or its documentation standards slip, the error lands in the agency's published improper payment estimate. A contractor whose performance degrades a compliance number the agency reports to Congress is not managing a service level issue — it is managing a political one.

Root-cause discipline is non-negotiable

PIIA's machinery runs on root-cause classification: was the payment improper because of insufficient documentation, eligibility error, or failure to verify against available data? Contractors whose case management cannot produce that taxonomy — reliably, at volume, with an audit trail — leave the agency unable to answer its IG, and agencies remember who put them in that position.

Recovery work inherits the full consumer protection stack

Recovering overpayments means collections — and collections against citizens is among the most regulated activities in American commerce, as the next section details.

> THE SCALE OF THE PROBLEM
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> Nineteen federal programs reported improper payment rates of at least 10% in FY2025; six exceeded 25%. GAO cautions that even the $186 billion figure likely *understates* the government-wide total.[1] The corrective burden implied by those numbers will not be absorbed by federal staff alone — it is contract work, and it will be examined work.

SECTION 03

The consumer-facing minefield: servicing and collections

Contractors that touch borrowers, beneficiaries, or debtors operate under a statutory stack that applies regardless of who the client is: the Fair Debt Collection Practices Act, the prohibition on unfair, deceptive, or abusive acts or practices (UDAAP), electronic funds transfer rules, privacy and data safeguarding obligations, and state servicing and collection laws layered on top.

Supervisory examinations show what failure looks like in practice. Recent CFPB examination findings against loan servicers and debt collectors documented validation notices that missed the statutory five-day window, collectors who concealed their identity, more than one hundred calls placed to consumers who had asked for contact to stop, excessive hold times and understaffed call centers that effectively denied borrowers access to their own accounts, and inaccurate guidance about the forms borrowers needed to claim benefits.[3]

Two features of these findings deserve a contractor's attention. First, almost none of them describe intentional misconduct — they describe **capacity and control failures**: staffing models that could not absorb volume, scripts and letters that drifted from legal requirements, telephony and case systems that could not honor consumer preferences. Second, every one of them was discovered by an examiner reading operational evidence — call logs, letter templates, timestamps, complaint files. The examination did not test what the contractor intended. It tested what the records showed.

Treasury's collection ecosystem raises the bar again

Debt referred through Treasury's centralized cross-servicing program is worked by private collection agencies operating under Fiscal Service oversight, detailed program procedures, and federal debt collection authorities.[4] Participation is a privilege that performance and compliance findings can revoke — and the compliance record follows the firm to every future procurement.

> *"The examiner never asks what you meant to do. The examiner asks what the record shows — and in servicing and collections, the record is everything."*

SECTION 04

The oversight paradox: less supervision is more risk

A contractor might assume that when government oversight recedes, contractor risk recedes with it. The record suggests the opposite.

In March 2026, GAO reported that the Department of Education had halted key account-level reviews of federal student loan servicers — the routine checks that historically caught servicing errors while they were still correctable.[5] Whatever the budgetary logic, the practical effect for servicers is stark: errors that routine oversight would have surfaced early now accumulate silently, at portfolio scale, until a later audit, a borrower-litigation discovery process, a state enforcement action, or a change of administration surfaces them all at once — with years of compounded exposure attached.

Why thin oversight is a trap, not a reprieve

The obligations never paused. Servicing standards, consumer statutes, and contract terms remain fully enforceable; only the early-warning system stopped. A contractor relying on the government to find its errors has outsourced its quality control to a function that no longer runs.

Enforcement is counter-cyclical. Oversight gaps become oversight scandals, and scandals produce retroactive scrutiny. The contractors examined hardest after a lapse are the ones who treated the lapse as relief. The whistleblower channel, meanwhile, never paused at all — qui tam filings hit a record 1,297 in FY2025.[2]

Self-surveillance becomes the differentiator. When the agency stops checking, the only programs with defensible records are the ones that kept checking themselves: internal QC sampling, independent QA review, metrics that would show degradation, and corrective action files that prove problems were found and fixed contemporaneously — not reconstructed after the subpoena.

THE RECOMPETE ANGLE

Servicing and program-support contracts turn over. When they do, the evaluation record — CPARS, audit findings, complaint volumes, supervisory history — is the incumbent's real proposal. A self-surveilled compliance record is the strongest past-performance narrative a financial services contractor can carry into a recompete.

SECTION 05

Underneath it all: five operational realities

Every regulatory concern in this paper lands, eventually, on the same five operational surfaces. These are where financial services contractors actually succeed or fail.

1 · Evidence production at examination speed

Every oversight channel converges on document requests with short clocks. Programs that treat evidence as something to compile when asked — rather than something operations produce continuously — turn every examination into a crisis project, and every crisis project into findings.

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2 · QC/QA that is independent and sampled, not incidental

A quality function that reports to the operation it reviews, or samples too thinly to detect real error rates, produces comfort instead of control. Examiners test independence and methodology before they test results.

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3 · Case management that carries the compliance load

Root-cause taxonomies, consumer contact preferences, statutory clocks, corrective action trails — in this sector the case management system is a compliance system. Legacy platforms that cannot hold that structure quietly convert operational volume into regulatory exposure.

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4 · Metrics that would actually show deterioration

KRIs and KPIs earn their keep only if they would visibly degrade before a regulator noticed the same thing. Measures chosen to look healthy are a liability dressed as a dashboard.

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5 · Corrective action that closes with proof

In a multi-regulator environment, an open finding is discoverable by every channel at once — and a finding closed without verification evidence is still open in the only sense that matters.

None of these five is exotic. All of them are hard to run well at contract scale, under staffing pressure, while the portfolio moves. That difficulty — not ignorance of the rules — is why capable firms end up in supervisory findings.

SECTION 06

Eight questions worth answering before someone else asks them

The fastest way to locate your exposure is to ask what an examiner, an IG auditor, or a source selection board will ask — and notice which answers require a meeting to assemble.

1

If a document request arrived tomorrow covering the last twelve months of QC results, could you produce them in days — with methodology, sampling rationale, and reviewer independence documented?

2

Can you reconstruct, for any individual case, every consumer contact, every statutory clock, and every decision — from the system of record, without manual archaeology?

3

Which of your contract certifications — staffing, quality rates, data safeguards, servicing standards — have been re-validated against current operations in the past year?

4

Does your root-cause classification match the taxonomy your agency reports under PIIA — and could you defend the mapping?

5

What would your own metrics have shown in the ninety days before your last finding — and did anyone look?

6

How many corrective actions are open, how old is the oldest, and what evidence exists that closed ones stayed closed?

7

Who in your organization has personally presented findings to a federal regulator — and would you send them into that room again?

8

If oversight of your program thinned tomorrow, what inside your own operation would catch the next material error?

Firms that can answer these from standing records hold a quiet advantage in every examination, audit, and recompete. The honest inventory of which answers are missing is where a defensible program starts.

ABOUT WAGNER PROGRAM SERVICES

Built where the examiners were already in the room.

Wagner Program Services LLC is a Service-Disabled Veteran-Owned Small Business supporting federal prime contractors with regulatory compliance operations: program design and QC/QA build-out, examination and audit response, risk assessment, KRI/KPI development, case management modernization, and corrective action management. Our leadership spent 12+ years running financial regulatory compliance operations inside a top-tier financial institution — building programs from zero and defending them, directly, to federal regulators. The questions in Section 06 are the ones we help contractors answer.

SDVOSB

Certified Service-Disabled Veteran-Owned Small Business — 100% of revenue counts toward SDVOSB subcontracting goals.

REGULATOR-FACING

Primary liaison experience compiling and presenting findings and risk assessments to federal regulators and internal audit.

IDENTIFIERS

UEI CZCNFX3F92X5 · CAGE 18TG4 · NAICS 541611, 541618, 541690, 541990

Let's see where you stand.

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SOURCES & NOTES

1. U.S. Government Accountability Office, "Payment Integrity: Agencies' Estimated Improper Payments Increased to $186 Billion in Fiscal Year 2025" (GAO-26-108694), including PIIA compliance results reported by agency Inspectors General.
2. U.S. Department of Justice, False Claims Act settlements and judgments statistics for fiscal year 2025 (announced January 2026).
3. Consumer Financial Protection Bureau, supervisory examination findings on loan servicing and debt collection practices, Supervisory Highlights (2024), documenting FDCPA and related violations.
4. U.S. Department of the Treasury, Bureau of the Fiscal Service, Treasury Financial Manual Vol. I, Part 3, Ch. 5000 (Cross-Servicing) and private collection agency program materials.
5. U.S. Government Accountability Office, "Federal Student Loans: Education Needs to Address Gaps in Servicer Oversight" (GAO-26-108534, March 2026), and contemporaneous reporting.