

Hearing Testimony – Senator Tom Carper
House Subcommittee on Government Organization, Efficiency and Financial Management
“Solutions Needed: Improper Payments Total \$115 Billion in Federal Misspending”
February 7, 2012

I wish to Thank Chairman Todd Platts, Ranking Member Edolphus Towns and all of the panel members for the opportunity to testify on this morning’s important topic of improper payments.

First, I think it is important to explain what it means for a federal agency to make improper payments. An improper payment occurs when an agency pays a vendor for something it didn’t receive or, maybe, even pays them twice. It can occur when a recipient has died and is no longer eligible for payment, or when a vendor owes the government money and legally should not be getting a payment until this debt is repaid. And, of course, sometimes people or companies receive payments that are actually fraudulent.

Federal agencies have had estimated improper payments at levels of more than a \$100 billion dollars annually during the past few years. These payments come from over 70 programs at more than 20 agencies and include programs like Medicare and Medicaid, civilian and military pay at the Department of Defense; and the Federal Emergency Management Agency, to name just a few.

Clearly this level of payment inaccuracy, particularly as the federal government struggles with our massive debt and deficit, is completely unacceptable.

Fortunately, we can do something about this problem. There are several very real and effective tools available to curb wasteful and fraudulent payments. Today, I would like to outline some steps that Congress can take that will make a big dent in improper payments and help get federal spending back on track.

According to the Government Accountability Office, the federal government made an estimated \$121 billion in improper payments in fiscal year 2010. I was encouraged to learn that the early data for fiscal year 2011 shows a slight drop in the level of improper payments to approximately \$115 billion, even though more agencies were reporting their improper payments. For example, the 2011 estimate includes improper payments for the Medicare prescription drug program for the first time.

Having said that, error rates – and the amount of money lost to avoidable errors – still remain at unacceptably high levels. While agencies are beginning to make progress in implementing new anti-waste and fraud controls and procedures, I believe that much more work needs to be done to identify, recover, and prevent improper payments.

But what disturbs me about the problem here in the federal government is that we seem to make these kinds of mistakes at a rate much higher than a business or the average family would tolerate or could afford. And we keep making them over and over again.

The drain of improper payments on our federal budgets is a major problem. Our nation faces considerable economic challenges. Partly as a result of those challenges, we've faced record budget deficits in recent years. Our national debt stands at about \$15.4 trillion, well over double what it was just ten years ago. The last time the debt was this high was at the end of World War II. That level of debt was not sustainable then, and it is not sustainable today.

We need to establish a different kind of culture in Washington when it comes to spending. We need to establish a culture of thrift to replace what some would call a culture of spendthrift.

We need to look in every nook and cranny of federal spending – domestic, defense and entitlements, along with tax expenditures – and ask this question, “Is it possible to get better results for less money?” If not, is it possible to get better results for the same amount of money we're spending today?

But in order to be effective in that important work of identifying areas where we can spend money more efficiently, we need to sharpen our pencils and stop making the kind of expensive, avoidable mistakes that lead to improper payments.

The good news is that we are seeing some progress in curbing improper payments. In 2010, Congress passed and President Obama signed into law the *Improper Payments Elimination and Recovery Act*. This new law aimed to make agencies and agency leadership much more accountable for the expensive mistakes they make, and represented a bipartisan and bicameral success in preventing waste and fraud. The 2010 law requires more transparency from agencies with regard to waste and fraud within their programs. It also forces managers to take additional steps to end the practices that lead to improper payments and, where appropriate, recover the funds they spend improperly.

We are already seeing the early fruits of success from this legislation and other efforts by Congress and the Administration. This year's numbers show a small, but real reduction in the level of improper payments. And I expect to see further reductions in the coming years.

A wide variety of ideas have been put forward on how to further curb improper payments, and in the process, reduce our budget deficit and begin whittling down our debt, as well. For example, recognizing that more than half of all federal improper payments estimates are from the Medicare and Medicaid program, last year Sen. Tom Coburn and I teamed up to introduce legislation to curb waste and fraud in both programs. The bipartisan legislation – S. 1251, the Medicare and Medicaid Fighting Fraud and Abuse to Save Taxpayer Dollars Act- would take a series of common sense steps to identify and prevent waste and fraud. It drills down into specific waste and fraud challenges within health care, such as physician identity theft, the need for improved fraud data sharing between the federal government and state agencies, and quicker identification of improper payments to medical providers.

Our bipartisan legislation has 33 cosponsors in the Senate, there is a companion bill in the House led by Congressmen Roskam and Carney, and has garnered the support of a wide range of organizations such as the National Taxpayer's Union and Citizens Against Government Waste, to A-A-R-P. Most of the provisions are based on Government Accountability Office and inspector general recommendations.

Today I would like to focus on an important new measure that would help all federal agencies prevent, detect and recover improper payments. Bipartisan legislation that I co-authored, S. 1409, the *Improper Payments Elimination and Recovery Improvement Act*, is now making its way through the Senate. This bill builds upon the 2010 improper payments law and was recently passed by Unanimous Consent in the Homeland Security and Government Affairs Committee. I am hopeful that it will soon see floor action in the Senate.

I'll talk about just a few of the provisions in the bill.

Too often, federal agencies make improper payments to individuals that could easily be identified as ineligible. Some of these individuals are applying for benefits using a false address. Others may not meet the criteria for eligibility – for example, a person with a job applying for unemployment benefits. In too many cases, they may actually be deceased. Of course, those watching this hearing may ask the obvious question of why a federal agency would ever pay an individual who has died or is trying to commit fraud?

Unfortunately, the answer is that, all too often, agencies simply don't do a very good job of coordinating their efforts to prevent improper payments or communicating about best practices. Many also have antiquated databases and computer systems for tracking basic payment information. And all too often, we simply don't allow agencies to access the information they need to avoid giving scarce taxpayer dollars to the wrong people.

The Administration, through executive action, is establishing a "Do Not Pay Initiative." This effort involves screening recipients of federal funds against a list of those ineligible to receive those funds *before* we cut a check. For example, before an agency could award a contract to a company, the agency would have to cross check against the "Do Not Pay" database, which will include a central, comprehensive database of companies and entities that are no longer allowed to do work with the Federal government because of a fraud conviction or some other reason. Our improper payments legislation establishes the Do Not Pay Initiative in law throughout the federal government, makes a few important improvements to the initiative, and adds some tools and procedures to help agencies access data.

The legislation also addresses what is called "death fraud" and other improper payments to deceased individuals. In too many instances, agencies pay individuals who are deceased, and should therefore no longer be eligible under program rules. For example, the Office of Personnel Management Inspector General reported that \$601 million in improper payments were made to federal retirees found to have already died during the past five years. However, such payments to dead people were not unique to this one program. Last year, one of my home state newspapers reported that, 28 years after a Delaware woman died, her relative was still fraudulently collecting and cashing her Social Security checks. Improving the collection,

verification, and use by federal agencies of data on individuals who have died will help curb hundreds of millions, if not billions of dollars, in improper payments. Our legislation requires that the office of Management and Budget, in consultation with other agencies and stakeholders, identify specific solutions and report back to Congress.

The legislation also includes provisions that strengthen and make more consistent the methods used by agencies to estimate improper payments. This has been an issue identified by both the Government Accountability Office, and the inspector general community.

Finally, the bill establishes a series of recovery audit contracts to ensure that agencies actually recover overpayments. Recovery Audit Contracting has proven very successful in the private sector as well as in several federal agencies, including within the Medicare program where we have seen recoveries of improperly spent taxpayer dollars approaching \$2 billion.

Anticipating that the Senate will look as favorably on S. 1409 as it did on the *Improper Payments Elimination and Recovery Act*, I ask that this panel consider joining us in this new effort, perhaps even by introducing a companion bill.

We are here today in large part because I believe that we have a moral imperative to ensure that the scarce resources we put into federal programs are well spent. We must use every tool available to bring our fiscal house back in order and give the American people the government they deserve. It is the right thing to do on behalf of the taxpayers who entrust us with their hard-earned money.

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