

Opening Statement of Chairman Thomas R. Carper
“Curbing Federal Agency Waste and Fraud: New Steps to Strengthen the Integrity of
Federal Payments”
May 8, 2013

As prepared for delivery:

Today’s hearing will focus on the very high levels of improper payments made by federal agencies, as well as our efforts to curb these very wasteful and sometimes fraudulent payments.

As everyone in this room knows, we’ve faced record budget deficits in recent years. Our national debt stands at about \$16.8 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. While we are beginning to see reports showing a somewhat improved fiscal situation, our country clearly has to take the fiscal problems seriously. These budgeting challenges require a comprehensive, bi-partisan approach. They require us to make tough decisions with respect to both spending and revenues – and also with respect to entitlements. They should also force us to take a tough and honest look at how we can better manage the resources taxpayers entrust to the federal government and demand that we find ways to get better results for less money.

One of this committee’s main responsibilities – and one of my top goals as committee chairman – is to demand that, through better management of government programs that agencies deliver better services to the American people more efficiently, and at a lower cost.

I will continue to work with my colleagues and the Administration to ensure that federal programs across government are improving key management functions, monitoring results, and finding ways to do more with less in everything they do. A key part of these efforts will involve programs managers sharpening their pencils and stopping the kind of expensive, avoidable mistakes that lead to improper payments.

Before going any further, I think it is important first 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 – a medical procedure or a piece of equipment, for example – that it didn’t receive, or maybe even pays them twice. It can occur when a recipient has died or is for some other reason no longer eligible for the federal program. Improper payments also occur when a vendor is no longer permitted for some reason to do business with the federal government.

And, of course, sometimes people or companies receive payments that are actually fraudulent.

According to the Government Accountability Office, the federal government made an estimated \$108 billion in improper payments in fiscal year 2012. This was down from \$116 billion from the year before, and from record high of \$123 billion in fiscal year 2010. I am encouraged that we’re seeing these small, but significant drops in the levels of improper payments.

Despite some progress that has been made, error rates – and the amount of money lost to avoidable errors – still clearly remain at unacceptably high levels. And what disturbs me most about this problem 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.

Very often, we know what we need to do to fix this problem. The testimony we'll hear today shows that we're making important progress. But more needs to be done. Fortunately, there are several very real and effective tools available to curb wasteful and fraudulent payments that are now being put to use.

In 2010, Congress passed and President Obama signed into law the *Improper Payments Elimination and Recovery Act*, which I co-authored with Senator Coburn, and others. The law aims to make agencies and agency leadership far more accountable for the expensive mistakes they make and represents a bipartisan and bicameral success in preventing waste and fraud.

And then last year, Congress enacted an additional law on how to further curb improper payments, called the *Improper Payments Elimination and Recovery Improvement Act*. Among other steps, it established in law the "Do Not Pay" Program. This effort, which was initiated by President Obama through executive action, involves screening federal fund recipients 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 for some other reason. Our witness from the Department of Treasury will describe how the Do Not Pay Program has or has not been successful in preventing improper payments before they happen.

The same Do Not Pay program will also stop payments to ineligible beneficiaries. Of course, those watching this hearing may ask the obvious question of why a federal agency would ever pay, say, unemployment benefits to an individual who has died or to someone who 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 cutting checks to the wrong people.

There is a specific type of improper payments made by federal agencies that we will highlight during today's hearing. In press stories, we hear about agencies making payments to people who are actually deceased. For example, the Office of Personnel Management Inspector General reported just two years ago that \$601 million in improper payments were made to federal retirees found to have died over the previous five years. However, such payments to dead people were not unique to this one program. A couple of years ago, one of my home state newspapers reported that, 28 years after a Delaware woman had died, one of 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.

It is time that Congress and the Administration finally end this frustrating, but also solvable problem of improper payment to dead people. The federal government simply has not made it a high enough priority to keep track of the people who have died, and to share that information with the key agencies, to prevent payments to deceased individuals.

Last year, some work by the Government Accountability Office highlights why we need to give more attention to the Death Master File, a database maintained by the Social Security Administration. The GAO witness will testify that they found some surprising errors in the data.

These include 130 records where the date of birth was after the date of death. Also, there were 1,295 records where the age of death was between 111 and 129, certainly a significant overstatement of the number of Americans who live that long. And these are just the most glaring errors.

Our witnesses, including Mr. Danny Werfel, the Controller at the Office of Management and Budget, will discuss some simple, straightforward and effective steps we can take to dramatically improve the way the federal government maintains its database of people who have died and are no longer eligible for Social Security and other federal payments. Equally important, we will talk about how to ensure that agencies have a secure and effective way to share information about who in the United States has died so that all agencies that make payments have access to the best and most accurate information. It is my hope that we will have a good dialogue among our witnesses and the members of our panel, leading to some clear consensus on solutions.

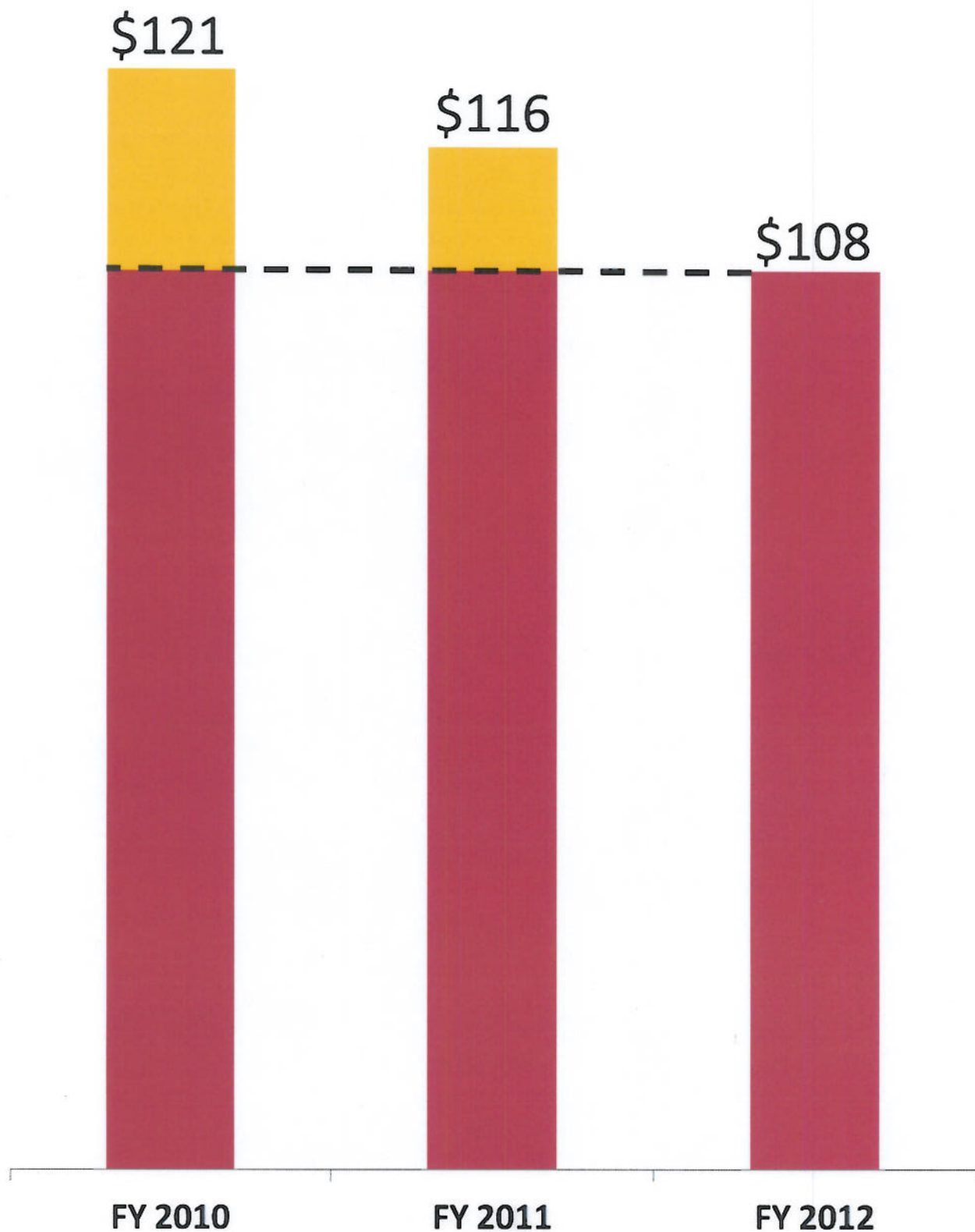
Let me conclude by noting that we are here today in large part because we believe that we have a moral imperative to ensure that the scarce resources we put into federal programs are well spent. We must use every tool available to put our fiscal house back in order and give the American people the government they expect and deserve. It is the right thing to do on behalf of the taxpayers of this country who entrust us with their hard-earned money. By working together on this latest in a series of common sense initiatives, we can take another important step forward in earning their trust once again.

Now, I'd like to turn to our Ranking Member, Senator Coburn, for any comments he would like to make.

###

FEDERAL IMPROPER PAYMENTS

\$ BILLIONS



Source: GAO and CRS

EXAMPLES OF AVOIDABLE ERRORS IN DEATH MASTER FILE

- **130 Death Records** where the date of death was recorded to occur before the date of birth
- **1,295 Death Records** where the recorded age at death was between 111 and 129
- **1,791 Death Records** where the recorded death preceded 1936 (the year SSNs were first issued)

Source: GAO

Federal Agencies Using Incomplete/Inaccurate Death Data

- Department of Homeland Security
- Department of Agriculture
- Department of Justice
- Department of Labor
- Department of State
- Drug Enforcement Administration
- Federal Black Lung Benefits Program
- Federal Bureau of Investigation
- Federal Retirement Thrift Investment Board
- Department of Treasury
- General Services Administration
- Centers for Disease Control
- Pension Benefit Guaranty Corporation

Federal Agencies Using More Complete Death Data

- Office of Personnel Management
- Department of Defense
- Centers for Medicare & Medicaid Services
- Department of Veterans Affairs
- Internal Revenue Service
- Railroad Retirement Board
- Government Accountability Office