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**Statement of Richard L. Gregg
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**Before the Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security
U.S. Senate Committee on Homeland Security and Governmental Affairs**

Hearing on “Assessing Efforts to Eliminate Improper Payments”

Good afternoon Chairman Carper, Ranking Member Brown, and members of the Subcommittee. Thank you for the opportunity to testify on the Treasury Department’s work to help reduce improper payments throughout the Federal government.

Background

In FY 2004, the first year of government-wide improper payment reporting under the Improper Payments Information Act of 2002 (IPIA), agencies measured 30 programs and reported an estimated \$45 billion in improper payments. Between FY 2004 and the most recent reporting year in FY 2010, improper payments reported by agencies increased to \$125 billion.¹ While the amount of improper payments increased, the reported government-wide improper payment rate declined from 5.65 percent in FY 2009 to 5.49 percent in FY 2010.² This percentage decrease represents real progress, since it produced a \$4 billion savings to taxpayers relative to if the error rate remained unchanged from FY 2009.³

In 2010, the Department of the Treasury and the Office of Management and Budget (OMB) collaborated to form a work group to examine the root causes of improper payments and ways that information could be shared between agencies to address these root causes. The group identified key pieces of information throughout the government that could be utilized to help prevent some improper payments. If agencies have access to accurate and timely data on death, employment status, income levels, incarceration, location of dependent children, whether or not applicants are already receiving benefits and whether or not applicants are suspended or debarred from doing business with the Federal government, the number of improper payments can be drastically reduced. In addition, the work group determined that Federal agencies have much data that can significantly reduce improper payments. While some data is being shared between agencies, more can be done to improve and streamline the process to enable agencies to have the right data available when a payment decision is being made.

This Administration has made reducing improper payments a very high priority. In a November 2009 Executive Order and a June 2010 memorandum, President Obama reinforced his

¹ <http://www.gao.gov/products/GAO-11-575T>

² www.paymentaccuracy.gov

³ http://oversight.house.gov/images/stories/Testimony/4-15-11_GovOrg_Werfel_Testimony.pdf

commitment to eliminate waste, fraud, and abuse in Federal programs, including reducing erroneous payments. There are many causes of improper payments, but whatever the cause, we can agree on one thing: even one improper payment is one too many, and additional steps need to be taken to reduce them.

Rather than trying to manage improper payments using only an expensive and, in many cases, unsuccessful "pay and chase" improper payments recovery model, we will work with agencies to help them validate payment eligibility data before payments are made. In fact, our goal is to efficiently and effectively provide accurate data to agencies early in their payment eligibility decision processing. We are working toward the goal established in President Obama's directive that agencies must check several data sources prior to making payments,⁴ and we are one step closer to meeting the Administration's goal of reducing improper payments by \$50 billion over three years.⁵

Treasury's Vision to Reduce Improper Payments

If funded, the Department of the Treasury will establish a verification portal, where agencies can verify information about potential recipients of Federal payments. Treasury's vision of the portal expands to include risk modeling and the creation of a centralized data analytics center. To the extent permitted by law, the center will provide Federal and state agencies a one-stop shop for verifying eligibility and for employing fraud detection tools and data analytics to help further reduce the amount of improper payments. We envision a business solution where key data from many sources can be accessed through various methods including directly accessing databases, copying databases, individual queries, or queries against portals that are already commercially available. A call center will be established as part of the operations center to assist users, and support in-depth analysis or pro-actively investigate patterns of behavior. Our plan is for Treasury to work with agencies to expand their participation—both as data users and as data providers.

We believe there are many benefits to this holistic approach. Streamlining data access and providing data analytic tools will help reduce the expensive and in many cases unsuccessful "pay and chase" efforts currently used by agencies to recover improperly made payments. Accessing the data through the portal will greatly reduce the amount of time needed to verify contract and program eligibility. Building upon lessons learned through previously conducted pilots, we plan to improve efficiency by providing bulk file processing and online capability through one access mechanism, therefore eliminating the multiple individual database searches which agencies have needed to do in the past. Ultimately, the center will work to expand the number of data sources available to agencies and create a more complete picture for those making decisions on payment of Federal funds in Federal and state governments, and help agencies meet their Improper Payment Elimination and Recovery Act targets for reducing improper payments.

⁴ <http://www.whitehouse.gov/the-press-office/presidential-memorandum-enhancing-payment-accuracy-through-a-do-not-pay-list>

⁵ <http://www.whitehouse.gov/the-press-office/president-obama-sign-improper-payments-elimination-and-recovery-act>

Fiscal's Operational and Policy Making Capability

The Fiscal Service within the Treasury Department is uniquely positioned to support the President's directive to develop a single point of entry to access this needed information. Supporting efforts to prevent improper payments fits well within the scope of our mission, and is a natural extension of our current operational and policy setting roles across the Federal government.

The Fiscal Service's greatest strength is our ability to conduct day-to-day operations efficiently and effectively and our ability to work productively with agencies throughout the Federal government. We already have a payment relationship with a vast majority of Federal agencies, and work closely with them in payment and award verification via data matching. A good example of this is in the area of the Treasury Offset Program. In this program, agency payment files are matched against databases that have been submitted by Federal and state agencies, to ensure there is no outstanding Federal tax or non-tax debt, or in many cases, state debt. Built into this program is an automatic offset functionality, that actually stops the payment from being released and pays down the debt. This feature can be leveraged in the future. In addition, we have the DebtCheck program which allows agencies with lending authority to verify that applicants applying for Federal loans, loan guarantees or loan insurance do not have delinquent Federal debt.⁶ Providing portal access to multiple data sources would be an extension of the work already being done by the Fiscal Service.

Treasury's role in setting policy for financial management also enables us to develop an effective program to prevent improper payments. Congress has often looked to Treasury to play a key role in Federal financial management. The Budget Accounting and Procedures Act of 1950 and the Debt Collection Improvement Act of 1996 have codified Treasury's responsibility for coordinating financial accounting and disbursement systems. Treasury's support of the Financial Management Line of Business helped to develop government-wide standards, and leverage shared services to reduce costs and improve the quality and performance of financial management systems.⁷

Expected Challenges and Goals for the Future

While there has been tremendous support from Congress and the Administration to reduce improper payments, many challenges still remain. From a technological standpoint, obtaining, managing, sharing, and protecting such a large amount of data is a considerable undertaking. Additionally, synthesizing the work of individual agencies in preventing improper payments is a daunting task. Getting agencies to share critical information is a challenge when doing so does not fall under their scope, mission, or general business practices.

⁶ http://iasb.fmsapps.treas.gov/news/factsheets/delinquent_debtcollection_2006.html

⁷ Chief Financial Officers Council

(<http://www.cfoc.gov/index.cfm?function=specdoc&id=FMLOB%20Update&structure=OMB%20Documents%20and%20Guidance&category=Policy%20Letters/%20Memo>)

The Fiscal Service's overall goals for this initiative are two-fold: to help agencies achieve the Administration's goal of reducing improper payments by \$50 billion through FY 2012 while at the same time safeguarding the privacy of individuals. Managing this data is an enormous responsibility and requires sensitivity and a strong adherence to the law. With this in mind, we still feel that information sharing, where appropriate, is the best solution to the improper payments problem. With data security in the forefront, the Fiscal Service can provide a technical solution that is conceptually holistic, within its mission and scope, and capitalizes on current operational capabilities. We envision the program can accomplish some of its goals within existing law, but it is likely that new legislation will be required to expand agencies' ability to share the data necessary to prevent improper payments. Treasury is working with the Administration to identify the legislation we need to build an effective and efficient program.

Treasury sees its role as the organization that will facilitate on behalf of all agencies a streamlined process for sharing data and business analytic capability, and Treasury will work in a collaborative role to assist the Federal government in reducing improper payments. We are designing the verification portal so the decision to make a payment, award a contract, or enroll a program applicant resides where it should—in the hands of those who best know the program and its business. There is a significant amount of work being done at both the agency and inter-agency level to reduce improper payments. Treasury will work with these groups to learn and build upon their successes and lessons learned.

Thank you for this opportunity to speak with you and share our role in this important initiative. I would be happy to answer any questions.