Chairman's Statement
Senator Tom Coburn, M.D. (R-OK)
Improper Payments: Where are Truth and Transparency
in Federal Financial Reporting?
July 12, 2005

In Fiscal Year 2004, the federal government spent $2.5 trillion. At least $45 billion of those dollars were paid improperly, mostly in overpayments. $45 billion. This dollar amount could go to pay for much needed resources for Americans. As you can see, $45 billion would provide 300,000 up-armored humvees, at $150,000 per vehicle. This figure equates to *two* humvees per American Soldier. $45 billion dollars could also go to pay for seniors world-wide, to get flu vaccinations for the next *six years*. As you can see, it's difficult to even equate $45 billion to things needed by Americans.

Many of these payments were made without adequately supported claims, or for services not provided, or provided to ineligible beneficiaries in programs like Medicare, Social Security, Food Stamps, and Medicaid. I am still astounded by the lack of reporting for programs in the Department of Defense. So far, they have only reported for the Military Retirement Fund and Military Health Benefits programs.

In recent years, the Bush Administration and Congress have made the reduction of improper payments a priority, both through the President's Management Agenda, and the passage of the Improper Payments Information Act in November of 2002. The first line of the President's Management Agenda reads: "The President's Management Agenda strives to instill first class financial management practices in departments and agencies throughout the Executive Branch."

I applaud the Administration and the Office of Management and Budget for making *Eliminating Imroper Payments* a major focus of the President's Management Agenda. This initiative is a big step in helping to ensure that each taxpayer dollar is accounted for, and I look forward today to discussing ways in which agencies can continue to improve the integrity of their payments.

In Comptroller General Walker's manuscript, "Saving Our Nation's Future: An Intergovernmental Challenge," he estimates that "if we do nothing by 2040 we may have to cut federal spending by more than half or raise federal taxes by more than 2 and a half times to balance the budget." Walker contends that a crucial step in turning this dismal outlook around is "insisting on *truth* and *transparency* in government operations, including federal financial reporting."

I couldn't agree more with Mr. Walker's comments, and believe that the federal government should be able to provide an explanation for each and every dollar it spends—this means dollars spent properly AND improperly. Today's reality is that we have a current budget deficit of $462 billion.

According to the Office of Management and Budget, errors made by the federal government compose a total of at least $45 billion in improper payments for FY 2004. We must have "truth," AND "transparency" in government operations to combat these billions of dollars in payments that are in no way justifiable.

The astounding figure -- $45 billion-- did not even include 12 programs with outlays of about $249 billion that were required to report previously under OMB Circular A-11; and required to report at the end of fiscal year 2004 pursuant to OMB's implementation guidance to the Improper Payments Information Act of 2002. This amount is just the tip of an iceberg of an unknown size.

Furthermore, there were three agencies, NASA, DOJ, and DHS, who had reported they had performed risk assessments to see whether or not their programs could make improper payments. When outside auditors came in to check on this, they could not confirm that risk assessments had even been done. This is deplorable that agencies have allegedly reported assessments. I ***will*** look into this potential deceit to uncover the whole story.

I am also interested to hear why agencies that have been required to report improper payment information for several years are still unable to do so. Medicaid is one program that does not report improper payment information, though it has been required to do so since July 2001. Some have argued that because Medicaid is a state-based program, it is too hard to report improper payments. That argument is refuted by the progress the Food Stamp Program has made.

While the Food Stamp Program made payment errors totaling about $1.4 billion in Fiscal Year 2003, the national dollar payment error rate for the program has declined by almost one-third over the last five years to a record low rate of 6.63 percent. The decline in their error rate has been widespread, and I look forward to examining the reasons for their success, and remaining challenges in eliminating improper payments. An improper payment rate of 6.63 percent is still way too high considering any improper payment rate in the private sector would be intolerable.

Americans will not tolerate one more year where $45 billion of their hard-earned money is squandered. This problem is inexcusable, no matter how complex and labrynthine the government is. I cannot go back with a number like this to Oklahoma, where my patients and neighbors are struggling to make ends meet, while the government takes up to 40 percent of their income.

I know the witnesses share my outrage and commitment to ending this abuse of the taxpayer trust. Thank you for appearing today.