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Opening Statement of Ranking Member Gerald E. Connolly (VA-11)

Subcommittee on Government Operations

Committee on Oversight and Government Reform

Examining Solutions to Close the \$106 Billion Improper Payments Gap

July 9, 2014

Chairman Mica, thank you for holding today's important hearing to examine how we can continue making progress in closing our Nation's massive improper payments gap. I look forward to discussing lessons learned to date and examining opportunities for Congress and the Administration to work in a bipartisan fashion to not only sustain, but accelerate, our government-wide campaign to reduce improper payments.

The Federal Government has reduced the reported government-wide improper payment rate by 35 percent over a four year period, down from 5.42 percent in fiscal year 2009 to 3.53 percent in fiscal year 2013. However, Federal agency improper payment estimates still added up to an astounding \$106 billion in 2013 alone, an unacceptable amount by any standard. Clearly, the Federal Government's long-standing fight against improper payments is not nearly over and much work remains to be done.

Fortunately, reducing improper payments appears to be the rare national priority which presents a tremendous opportunity to eliminate waste, fraud, and abuse across government, and boasts strong, bipartisan support – no rare feat in this Congress.

Despite the imposing magnitude of the problem, I am confident that we can bring this figure under control. As GAO notes in its written testimony, only 5 programs spread across 3 departments accounted for approximately \$82.9 billion or 78 percent of the \$106 billion total estimate in 2013.

While no silver bullet exists to completely “solve” the complex and multifaceted improper payments challenge – a targeted approach focused on these concentrated high-risk programs represents an incredible opportunity to reap a massive return on investment for our efforts. Further, having examined this issue in-depth, I am confident that when it comes to combating improper payments, we would be wise to heed Benjamin Franklin's famous axiom that, quote “*An ounce of prevention is worth a pound of cure.*” Antiquated “pay and chase”

approaches that seek to recover improper overpayments after the fact are labor-intensive and time-consuming, yet often reap relatively low returns on investment for taxpayers.

And finally, successfully bolstering the Federal Government's ability to prevent improper payments requires two to tango, and Congress is not off the hook. As Deputy Director Cobert's written testimony notes, quote "There is compelling evidence that investments in administrative resources can significantly decrease the rate of improper payments and recoup many times their initial investment."

From the Social Security Administration saving taxpayers an estimated \$9 in avoided improper payments for every \$1 spent on disability review; o the Health Care Fraud and Abuse Control Program recovering \$8.10 for every \$1 spent on health care fraud and abuse investigations over the past three years. It is an indisputable fact that investing taxpayer dollars into administrative resources may significantly reduce the deficit.

Yet, when Members seek to off-set amendments in appropriations acts, it is invariably these very same valuable administrative resource programs that are first up on the guillotine.

As Commissioner Koskinen can attest, Congress' unfortunate "penny wise and pound foolish" approach to management is not limited to improper payments. Consider that the independent National Taxpayer Advocate's 2013 Annual Report to Congress reported that for every dollar appropriated to the Internal Revenue Service in Fiscal Year 2013, the IRS collected an astounding \$255 in legally owed taxes. As the National Taxpayer Advocated noted, quote: *"if the Chief Executive Officer of a Fortune 500 company were told that each dollar allocated to his company's Accounts Receivable Department would generate multiple dollars in return ... It is difficult to see how the CEO would keep his job if he chose not to provide the department with the funding it needed. Yet that is essentially what has been happening with respect to IRS funding for years."*

However, it appears that the revulsion for the IRS exhibited by my friends on the other side of the aisle is so deeply ingrained that since 2010, they have relinquished a golden opportunity to strengthen enforcement of our laws to catch tax-cheats and reduce the deficit. Instead, the majority has chosen to slash the IRS' funding in inflation-adjusted terms by 14 percent, while reducing IRS staffing by 10,400 employees, or 11 percent, over that same time period!

And it appears their job is not done, as the House Appropriations Committee majority recently voted to further cut the IRS' budget by an additional \$340 million.

In closing, I would simply note that the fight against improper payments is a long-standing challenge that transcends Presidential Administrations and partisan lines. While there is no question that agencies must do a better job in enhancing payment accuracy – the bottom line is that our Nation's ultimate success in dramatically reducing improper payments will depend on Congress taking decisive action.

Fortunately, I believe the witnesses before us today have provided the Subcommittee with a robust roadmap forward. In reviewing today's prepared statements, I counted at least nine legislative proposal submitted by the Administration that would strengthen program integrity and enable agencies to better predict, detect, and prevent improper payments. I am also a proud original cosponsor of the common sense, bipartisan *Improper Payments Agency Cooperation Enhancement Act*, which was introduced this Congress by my friend from Illinois, Congresswoman Bustos, but has yet to be marked up by our Committee.

It is my hope that moving forward, my colleagues will join me in working to advance these legislative proposals to ensure that we not only conduct diligent oversight, but actually bring about tangible government reform.

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