

**Fact Sheet: Reducing Improper Payments
November 17, 2009**

Each year, taxpayers lose billions of dollars in wasteful, improper payments by the federal government to individuals, organizations, and contractors. In 2008, improper payments totaled \$72 billion; in 2009, it totaled \$98 billion – an increase driven by improved detection and the significant increase in federal outlays associated with the economic downturn. In 2008, more than 90 percent of the government-wide errors – representing more than \$64 billion -- were driven by errors in 12 programs.

We can no longer tolerate these errors, mistakes, and misdeeds. Taxpayers deserve to know that their dollars are being spent wisely and effectively. Every dollar misspent is a dollar not going to help an unemployed worker, a family in need of help buying groceries, or a senior who relies on Medicare to stay healthy. Reining in improper payments is a way to make programs more effective and efficient, and we can accomplish these goals while protecting access to these essential programs for all Americans, particularly the most vulnerable.

In response, the President will sign an executive order to rein in these improper payments so that the right people receive the right payment amount for the right reason. The response revolves around three categories of action: boosting transparency, holding agencies accountable, and creating strong incentives for compliance.

Boost transparency and public participation. In line with the President's commitment to openness, the Administration will take the following steps to bring the bright light of public scrutiny to these errors:

- Create an online dashboard of key indicators and statistics so that everyone can access information on improper payments, view payment error rates by agency and program, and see a list of the most egregious actors.
- Create and publicize a single mechanism – such as a website or email -- for the public to report suspected incidences of waste, fraud, or abuse committed by an entity receiving federal funds.
- Require agencies to establish more frequent error reduction targets (e.g., semi-annual targets in addition to annual targets), and more frequent error measurement for certain high-priority programs (e.g., flash reporting).
- Issue recommendations on ways to measure program access for intended beneficiaries to guard against adverse effects on program access from occurring and make this information publicly available.

Hold agencies accountable for waste. To hold agencies accountable for misusing taxpayer dollars by allowing improper payments, the Administration will:

- Require each agency to designate a Senate-confirmed appointee to be accountable to the President for meeting improper payment reduction targets and consolidating program integrity activities.
- Require that all targets for improper payments show reduction and/or improvement and share the agency's measurement methodology and plans for meeting the reduction targets with the agency's Inspector General.
- Issue recommendations on new internal control techniques agencies could use to better detect and mitigate improper payments (including deployment of forensic auditing tools by management and internal control testing requirements).
- For programs where targets for reducing payment error rates are not met for two years in a row, require the agency head, in consultation with the Chief Financial Officer and the agency Inspector General to provide the OMB Director a report describing the likely causes of the agency's failure and actions it will take to meet reduction targets.
- Increase data-sharing among agencies (and where applicable, states and localities) to improve eligibility verification and pre-payment scrutiny so if one agency stops payment to an individual due to non-eligibility, other agencies learn of the stop payment before paying the same individual.
- Require agency quarterly submissions and publication of reports on any high-dollar errors identified by the agency and actions the agency will take to recover the improper payment and to prevent future improper payments.
- Demand that agencies' plans for reducing program error do not unduly burden program access and participation for legitimate beneficiaries.

Create incentives for compliance. To create incentives for states, agencies, and recipients to report and reduce payment errors, the Administration will:

- Pursue administrative actions to provide state, local, and other organizations with incentives for reducing improper payments (such as allowing states the ability to recoup more federal grant dollars to cover administrative expenses if they commit to, and achieve, improved results in program integrity).
- Seek to enhance contractor accountability by pursuing methods such as subjecting contractors to debarment, suspension, and financial penalties for

failing to timely disclosing credible evidence of significant overpayments received on government contracts.

- Revisit the Single Audit Act requirements, including whether the emphasis of single audit requirements should be shifted to improper payment from existing compliance activities.