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Opening Statement Congressman Todd R. Platts May 13, 2003

The President has made the reduction of improper payments a significant part of his management agenda. In support of that agenda, this subcommittee believes that taxpayers have a fundamental right to know how their tax dollars are being spent. Improper payments by federal agencies are a serious and growing problem which costs taxpayers billions of dollars each year. We have seen some estimates that put the improper payment figure as high as \$35 billion.

The lack of consistency in calculating, defining and accounting for erroneous payments further complicates agencies' efforts to combat this problem. The "Improper Payments Information Act" is designed to address these very concerns and requires OMB to issue guidance by May 26, 2003, which will establish government-wide procedures for dealing with erroneous payments.

An improper payment is any payment that should not have been made. It can be incorrect payment, an over- or under- payment, and can include, among other things, a payment to an ineligible recipient, a payment for an ineligible service, a duplicate payment or a payment for a service not received.

While we do not yet have our arms around the total extent of the problem, what we do know is that these mistakes, which occur throughout government, are made because agencies do not have adequate internal financial controls and business process systems to protect against these types of errors. As we have pointed out time and time again during our last three hearings; agencies can get clean audit opinions without having sound internal financial controls that would prevent improper payments.

Over the years, various agencies have estimated the amount of improper payments, but many believe that these estimates represent only the tip of the iceberg. Last year, my esteemed former colleague, Congressman Steve Horn, who served as Chairman of this Subcommittee, was successful in securing the enactment of the

“Improper Payments Information Act of 2002” (P.L. 107-300). This law has helped bring to the forefront the need to address this issue more aggressively. Now, agencies will be required to make estimates of erroneous payments and, if those estimates are more than \$10 million annually, to develop plans to reduce or eliminate these errors.

Today, we look forward to exploring the draft guidance from OMB and learning from GAO about strategies to identify and reduce improper payments. We’re also eager to hear from HHS on the challenges they’ve faced and the successes they’ve had in dealing with this problem.