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**\$20 Billion Erroneously Paid By Federal Government in '01, Says New Report; OMB  
Sends Financial Management Plan to Congress**

WASHINGTON, DC -- According to a new OMB report sent today to Congress, erroneous payments cost American taxpayers \$20 billion in 2001. A copy of the report, which highlights the President's plan to improve financial management across the federal government, is available at: <http://www.omb.gov/financial/index.html>.

"We must maximize the use of every taxpayer dollar. This is especially critical to a nation at war. By ensuring that taxpayer dollars go only to rightful recipients, we can devote necessary resources to the safety of American citizens," said Mark W. Everson, Controller and Chairman of the President's Management Council.

Report Highlights:

- *Erroneous payments:* In 2001, erroneous payments cost the American taxpayer \$20 billion – equal to the total budgets of the Departments of State and Labor *combined*. Contributing to the \$20 billion total, Medicare made \$12.1 billion in erroneous payments – 6.3 percent of the program's total expenditures. The Department of Housing and Urban Development (HUD) made erroneous rental subsidy payments of \$3.3 billion – 10.7 percent of its expenditures. The Administration is working to ensure that every dollar of every benefit program goes directly to the people it is meant to serve. For the first time, California and Michigan, with Food Stamp error rates of 17.37 percent and 13.93 percent respectively, are being assessed cash sanctions called for under law.
- *Accelerated Reporting:* Not satisfied with the release of agency financial statements five months after the end of the fiscal year, the Administration is accelerating the agency financial statement deadline from February 27 in 2002 to November 15 in 2004, and plans to produce a consolidated government report on December 15 of that year.
- *Performance and Budget Integration:* In an effort to improve budget and performance integration, the Administration is requiring agencies to integrate their FY '02 financial statements with other statutorily required reports, including performance reports. Such integration provides a direct link between the costs of programs and the results they achieve and therefore enhances transparency and enables budgeting for results.

- *Financial Mismanagement at the Department of Defense (DOD):* DOD presently has 1,127 separate financial systems, with interfaces between these systems numbering over 3,500. The Administration is working to reengineer DOD's processes to improve financial management at the government's largest agency.
- *Intragovernmental Transactions:* The federal government is currently unable to account for billions of dollars in intra-agency transactions. The Administration is working to ensure that federal agencies handle all transactions consistently, removing another barrier that prevents auditors from commenting on government-wide financial statements.
- *Asset Management:* The federal government currently has vast physical and financial assets. There is substantial evidence that the federal government has acquired unneeded or poorly performing assets. As part of the President's Freedom to Manage Initiative, the Administration will require agencies to aggressively pursue strategies that identify and dispose of underperforming and underutilized assets.
- *E-Payroll:* The E-Payroll initiative, led by the Office of Personnel Management, seeks to lessen the administrative burden on agencies by better defining, standardizing, and reengineering payroll processing. The Administration will consolidate 16 Executive Branch civilian payroll systems now in place into just three.

The Administration also sent to Congress recommendations on statutory and administrative changes necessary to improve and streamline the process by which the Federal Government administers grants. Such changes would greatly enhance the Administration's E-Grants initiative, an effort to better automate and track the administration of Federal grants.

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