



Highlights of [GAO-03-1030T](#), testimony before the Committee on Ways and Means, House of Representatives

Why GAO Did This Study

The hearing today deals with the important congressional obligation to exercise oversight over the use of taxpayer funds, recognizing that waste, fraud, abuse, and mismanagement are not victimless activities. When resources are diverted for inappropriate, illegal, inefficient, or ineffective purposes, both taxpayers and legitimate program beneficiaries are cheated. Beyond preventing obvious abuse, government also has an obligation to modernize its practices and processes and fundamentally reexamine and reprioritize its activities to meet the demands and needs of today's changing world.

What GAO Recommends

Tackling areas at risk for fraud, waste, abuse, and mismanagement will require determination, persistence, and sustained attention by both agency managers and Congressional committees. In addition, there is a need to fundamentally review and reassess, the proper role of the federal government, how the government should do business in the future, and—sometimes—who should do the government's business in the 21st century. Periodic review of programs on the mandatory and discretionary sides of the budget, as well as tax preferences, can prompt a healthy reassessment of our priorities and of the changes needed in program design, resources and management to achieve results. Congressional support and oversight will be key.

www.gao.gov/cgi-bin/getrpt?GAO-03-1030T.

To view the full product, click on the link above. For more information, contact Susan J. Irving, (202) 512-9142, irvings@gao.gov.

FEDERAL BUDGET

Opportunities for Oversight and Improved Use of Taxpayer Funds

What GAO Found

This testimony focuses on program reviews, oversight, and stewardship of taxpayer funds in three tiers: (1) areas vulnerable to fraud, waste, abuse, and mismanagement. For example, payments made to ineligible recipients drain resources that could otherwise go to the intended beneficiaries of a program. Everyone should be concerned about the diversion of resources and subsequent undermining of program integrity. (2) improving the economy, efficiency and effectiveness of federal programs and activities to enhance and maintain government performance. (3) fundamental reassessment and reprioritization of government programs, policies & activities to meet the challenges of the 21st century, especially in light of the demographic tidal wave looming on our fiscal horizon.

Each of these tiers is relevant to the areas on which the Committee is focusing attention as part of this hearing: Social security programs, Medicare, and tax compliance and preferences.

- The Social Security Administration (SSA) must modernize its disability programs to bring them in line with the current status of science, medicine, technology, law, and labor market conditions. GAO placed federal disability programs on its high-risk list in 2003 to focus attention on this multi-agency challenge. SSA needs also to ensure the integrity of its programs, and in particular should give continuing management attention to problems in the SSI program.
- Medicare is one of the largest and most complex programs in the federal government, making it highly vulnerable to waste, fraud, abuse, and mismanagement. GAO designated the Medicare program as a high-risk area in 1990, and the risk remains. Weaknesses in contractor performance and agency oversight increase the risks of improper payments, and—along with difficulties in payment setting—lead to wasteful spending. Structural reform is also necessary given the pressures of demographics and rising health care costs.
- Ensuring that taxpayers meet their tax obligations under an increasingly complex tax code has long presented the Internal Revenue Service (IRS) with daunting challenges. The potential revenue losses and the threat to voluntary compliance make the collection of unpaid taxes a high-risk area. Congress and others have been concerned that declines in IRS's enforcement programs are eroding taxpayers' confidence in the fairness of our tax system. Further, any reassessment of government's activities must include tax preferences. These often are not subject to the same review processes applied to spending programs but, given their growth and importance, they must be part of any comprehensive approach to the challenges ahead.