



# Government agencies with big spending also have big waste

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Cabinet-level departments that have the biggest budgets waste billions more tax dollars than smaller agencies, according to information from internal watchdogs.

A *Washington Examiner* analysis found that inspectors general at the departments that spent the most money reported the greatest amount of waste — both in actual dollars and as a share of total spending by the agency. In fact, the ratio of waste to spending at the three most expensive agencies was significantly greater than at 10 of the remaining 12 departments.

"The bigger the organization, the harder it is to manage," said Cato Institute tax expert Chris Edwards. "The bigger the federal agencies get, the more impossible it is to let policy makers manage them. [Fraud and corruption] will get bigger over time."

The Department of Health and Human Services, which administers Medicare and Medicaid, was the most expensive agency in 2014 and spent nearly \$950 billion. It also wasted the most, with almost \$21 billion caught by its inspector general.

Health and Human Services spent well over 100 times more than the least expensive agency, the Department of Commerce — the agency that administers the census. In fact, it spent about \$300 billion more than the bottom 12 agencies combined.

Waste and fraud at HHS was more than 2.5 times greater than the entire budget for the Commerce Department, \$8 billion.

HHS was also the costliest department in 2007 and 2005, and was caught with the most and the second most waste for each year, respectively. Its amount of waste compared to spending was also among the top three departments for both years.

The agencies with the lowest spending typically had the least waste, both proportionately and in actual dollars. In fact, the average percentage of waste for the five most expensive agencies was about six times greater than that of the five lowest-spending agencies.

The inspectors general at the least expensive departments typically found less than 1 percent of their spending wasted.

Another department among both the three biggest spenders and wasters for 2005, 2007 and 2014 was the Department of the Treasury, which collects taxes through the Internal Revenue Service and prints money.

The Treasury Department's two inspectors general found \$83.4 billion in waste in 2005 — more than any other department that year, and more than twice as much as the second biggest waster, HHS. It also had the second highest proportion of waste with 17 percent.

The Treasury Department's waste as a share of spending is understated, since the interest on the national debt accounts for the majority of the agency's expenses.

The department's rank dropped one place in 2007, even though it only caught \$2 billion of waste that year, which was 40 times less than in 2005.

Comparing each agency's waste year-to-year, however, can vary greatly because of the nature of some departments' expenditures and the nature of the watchdogs' work.

Inspectors' findings can fluctuate each year depending on what programs they audit and the size of the returns from their investigations. Some audits also may be conducted years after a program or grant ends, which would inflate the current year's identified savings.

Additionally, agencies with high loan expenditures, such as the Department of Education, vary greatly each year, as repayments offset costs, Edwards explained. Years where a high number of borrowers don't make payments would indirectly cause more spending.

Such factors could explain major outliers, such as the Department of Housing and Urban Development — the agency that helps low-income households pay rent — which averaged the third highest proportion of waste compared to spending for the three years, but falls in the middle of the pack for its expenditures.

Another cause of spikes in the proportion of waste could be caused by a rapid spending increase, such as in the event of a disaster.

"There's no doubt that when there's a big surge in spending, there's a big surge in waste," Edwards said. "Why? Because the government wants to shove money out the door as quickly as possible."

For example, the Department of Veterans Affairs spending increased by more than a third from 2001 to 2005, during which time the Afghanistan and Iraq wars began.

The VA watchdog's audits and investigations found one quarter of the department's spending in 2005 was wasted.

Each department's spending information came from a [chart](#) created by Cato that used data from the Office of Management and Budget.

The amount of waste was calculated by adding factors such as the dollar value of watchdogs' recommendations and the money recovered from civil and criminal investigations reported by the inspectors general.

The Treasury Department's calculated waste included the IRS's Treasury Inspector General for Tax Administration.

The Department of Defense's share of waste was understated, as findings by the Special Inspector General for Afghanistan Reconstruction was not included in the analysis since its work overlaps several federal agencies.