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Obama Cracks Down on Fraud, Opens Door to Abuse: Caroline Baum

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Finally something the president and Congress can agree on.

Last week, President [Barack Obama](#) signed the Improper Payments Elimination and Recovery [Act](#) (IPERA), a bipartisan measure passed unanimously by both houses of Congress. [Improper payments](#) are those made “in the wrong amount, to the wrong person or for the wrong reason,” according to the White House. In most circles, that would be called fraud.

In 2009, improper payments totaled almost \$110 billion, the highest on record. Among the usual suspects were paying benefits to dead people and reimbursing providers for fraudulent health-care claims.

Obama expects the new law to save \$50 billion in wasteful spending by 2012. Good luck with that. At least he didn't appoint a commission or a waste czar (Her Improper Highness?) to fix the problem. And that's the best one can say about Obama's attempt to burnish his deficit-cutting credentials after 18 months of nothing but [spending](#).

Each new spending initiative or targeted benefit creates vast new opportunities for fraud and abuse as folks try to qualify, legally or illegally, for the handout.

The first-time homebuyers' tax credit ended up going to children, inmates serving life sentences and [homeowners](#) who bought houses before the law went into effect. The government's careful monitoring of stimulus funds was exposed as anything but when a group of independent journalists at [Watchdog.org](#) found that 440 phantom districts in the U.S. received \$6.4 billion of stimulus funds and created or saved 30,000 jobs. And that's just a reporting error. Who knows where the money really went.

Stimulating Abuse

In short, the Obama administration is creating incentives for fraud and abuse quicker than it can

clean up existing ones. Federal subsidy programs crossed the 2,000 mark early this year, according to the Cato Institute, a libertarian think tank in Washington.

“The problem is that whatever improvements are made, the size and scope of government is expanding so rapidly that federal auditors are still falling behind,” says [Chris Edwards](#), manager of Cato’s project on [downsizing government](#).

This is hardly the first time a president has made an effort to increase government efficiency and reduce waste and fraud. [Bill Clinton](#) was set on “Reinventing Government.” [George W. Bush](#) had his “Management Agenda.” [Ronald Reagan](#) outsourced the job to the Grace Commission. And [Teddy Roosevelt](#) appointed a “Keep Commission” in 1905 with the task of modernizing government.

Good Intentions, Bad Execution

When you throw in all the recommendations over the years from the Congressional Budget Office, the Office of Management and Budget, the Government Accountability Office, various congressional committees, presidential commissions and private groups, you have to wonder why we’re 234 years older (as a nation) and \$13.2 trillion deeper in [debt](#).

Clearly there’s something preventing presidential aspirations from becoming reality. That something is called Congress.

“The president can be well-intended, have the support of taxpayer groups and run into members of Congress who talk about cutting spending but not necessarily a project they like,” says [Tom Schatz](#), president of [Citizens Against Government Waste](#), a private, non-partisan group committed to exposing and eliminating wasteful spending.

‘Prime Cuts’

CAGW maintains a list of “[prime cuts](#),” which this year includes 763 recommendations drawn from various government [sources](#) that would save taxpayers \$350 billion the first year and \$2.2 trillion over five years.

Some of their proposals are hardly sexy, such as increased circulation of the \$1 coin, which would save \$522 million a year, according to a 2000 GAO report.

Then there’s the [alternate engine](#) for the Joint Strike Fighter.

“Bush wanted to eliminate it, Obama wants to eliminate it, everyone at the Pentagon agrees it should be eliminated,” Schatz says. Yet it’s a “\$485 million earmark” for Indiana, Ohio, Kentucky and

Massachusetts, where the GE/Rolls-Royce engine is manufactured. (The F-22 fighter was eliminated, and the C-17 cargo plane wasn't funded this year, according to Schatz.)

Better Roadmap

President Obama previously proposed a three-year freeze on non-security [discretionary spending](#) and a "Do-Not-Pay" list for agencies to easily identify repeat fraud offenders. The law he signed last week requires federal agencies to spend at least \$1 million annually to audit payments and impose penalties for non-compliance. (File this under, "spend money to save money.") It increases transparency and creates incentives for agencies to save money by allowing them to keep a portion of unspent balances at fiscal year-end.

Getting Congress to do something is another matter, although this year, as Schatz points out, lawmakers may have to cut, rather than increase, spending to appeal to anxious voters.

There's another problem. Proponents of big government programs can't seem to understand that spending other people's money is a lot easier than spending one's own. That's why the presumed savings in ObamaCare will turn out to be a chimera.

Think of how much simpler, cheaper and more effective it would be to give the elderly a voucher, as outlined in Wisconsin Congressman [Paul Ryan's Roadmap](#), and let individuals decide how and where to spend it rather than spend money to try and find \$60 billion in annual Medicare fraud.

I just have one question for President Obama. It may seem silly, I know, but do you think there's a connection between the burgeoning size of government and the increase in waste, fraud and abuse?

Just wondering.

([Caroline Baum](#), author of "Just What I Said," is a Bloomberg News columnist. The opinions expressed are her own.)

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