

FOLLOW THE MONEY: TACKLING IMPROPER PAYMENTS

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT AND
REFORM

HOUSE OF REPRESENTATIVES
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The documents are available at: docs.house.gov.

FOLLOW THE MONEY: TACKLING IMPROPER PAYMENTS

Thursday, March 31, 2022

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND REFORM
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:33 a.m., in room 2154, Rayburn House Office Building, and via Zoom; Hon. Gerald E. Connolly (chairman of the subcommittee) presiding.

Present: Representatives Connolly, Norton, Davis, Sarbanes, Lynch, Raskin, Porter, Brown, Hice, Keller, Clyde, Biggs, and LaTurner.

Mr. CONNOLLY. The subcommittee will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

I welcome everybody to the hearing which seeks to introduce—I'm sorry, examine strategies the Federal Government could adopt to better address improper payments. This is a subject of this subcommittee going way back. In fact, one of my first hearings, I remember, was with a former chair of this subcommittee, Todd Platts, talking about improper payments almost 14 years ago. Hopefully things have improved, but we will see.

The chair now recognizes himself for my opening statement.

The Federal Government manages and allocates trillions of dollars each year to programs that help individuals, families, and businesses, whether that be Social Security, Medicare, crop insurance for farmers, school lunch benefits, health insurance for children, and a host of other essential programs, but that money does not always go where Congress intends. For Fiscal Year 2021, 86 high-risk Federal programs estimated improper payments. Of their \$3.9 trillion in outlays, 7.2 percent were paid improperly, it is estimated. That translates into \$281 billion, more than any other Fiscal Year since 2003. Today's hearing examines the causes of those improper payments and explores solutions for reducing them.

The law defines an improper payment as “any payment that should not have been made or that was made in an incorrect amount, including an overpayment or an underpayment, under a statutory, contractual, administrative, or other legally applicable requirement.” Improper payments are an imperfect, but valuable, way of measuring program integrity. In short, they help us to answer the question, is the Federal Government distributing money in the way Congress intended. If Federal improper payments were low, the answer would clearly be “yes.” Unfortunately, they are not.

I should be clear. There are many causes of improper payments. Some improper payments could be attributed to fraud, but many are simply paperwork errors, for example, when an individual or business accidentally checks a box on a form perhaps because of confusing instructions, language barriers, or bad internet access, and by checking that box, it affects the amount provided. Some improper payments are even underpayments when the government pays less than the amount for which they, in fact, qualified.

Unfortunately, more often than not, government does not know the cause of any particular improper payment. Not knowing a payment's error cause makes it difficult to distinguish fraud from anything else. And without good data to help us identify root causes of these improper payments, the government can't make evidence-driven decisions that enhance program integrity to prevent fraudsters from gaining unlawful access to government services and to ensure individuals and businesses access those services for which they qualify. In short, bad data and deteriorating IT infrastructure all too often makes it, in fact, near impossible to fix the problem we see today without reinvigorating our IT investments. History seems to agree.

Though improper payments have been a priority of Congress since the beginning of the 21st century, they remain high and they continue to grow as that chart, which I hope will be up, as that chart shows.

[Chart.]

Mr. CONNOLLY. Thank you, Joshua. If you look at the screen, you will see how improper payments have steadily grown since Congress first required tracking and measurement under the Improper Payments Information Act of 2002. As the figure shows, Congress has enacted five bills into law that sought to identify and reduce these improper payments in 2002, in 2010, in 2012, 2016, and 2019. Despite the efforts, improper payments are at an all-time high, so we have gotten better at reporting, not so good at reducing.

According to the 2020 American Customer Satisfaction Index, the Federal Government ranks among the bottom of all industries in the United States in customer satisfaction. Public trust in government remains near a historic low. As of April of last year, only 24 percent of individuals expressed trust in government. These low scores are the result, all too often, of poor customer experience and excessive improper payments. We can and must do better to enhance program integrity in the Federal Government and ensuring Federal assistance goes to everyone Congress intended to receive it and nobody we didn't.

Clearly, things have to change. To help enact such change, I hope today's hearing will hit home three main points. First, we must keep in mind our motivation for reducing improper payments. Put simply, it is to ensure that money goes where Congress intends. That means we must do everything we can to stop those elements from stealing government funds, those criminal syndicates who are organized to do that, and it also means we must ensure government funds go to everyone Congress intends to reach, in an accurate way. Second, there exists a false tradeoff in the minds of some between preventing fraud and designing accessible, intuitive, and

equitable services. In fact, when done right, governments can deploy modern technologies that prevent fraud and improve the customer experience, designing more elegant and simple platforms by which families, and businesses, and individuals can apply for and access the services they need and for which they qualify. Government programs can combat waste, fraud, and abuse while they save and improve lives.

Finally, I want to highlight that good-quality data and the modern IT infrastructure that can support its collection sharing and analysis are foundational to tackling improper payments. Data is key to reducing paperwork errors and fraud without putting a burden on the public. Using data as a solution is not a counter-intuitive thing. Last July, the Office of Management and Budget and the Pandemic Response Accountability Committee issued a payment integrity alert on the use of automation and data analytics to “support agency missions while mitigating payment integrity risks.” Using and matching datasets to identify potential improper payments, fraudulent or otherwise, is fundamental and nonpartisan. We need the will to make it happen.

I plan to introduce legislation built upon these three principles. The bill will establish an office dedicated to program integrity to implement robust oversight of Federal agencies’ program integrity efforts. Importantly, the office will shift from a compliance-based to an action-oriented approach by requiring Federal programs with significant risk of improper payments to implement proactive, data-driven, and outcome-oriented anti-fraud controls. In addition, the bill would ensure that agencies minimize the burden of their anti-fraud controls on the public. By focusing efforts on data collection, sharing, and analysis, the new office would enhance program integrity in the highest-priority Federal programs without putting undue burdens on those programs’ customers.

At its core, the bill would be about getting money to the places Congress wants it to go and preventing that money from going to places we don’t. Republicans or Democrats, I think, can all agree that that is our ultimate goal. I look forward to working with my colleagues on both sides of the aisle on this legislation and hope we can pass it into law to get these numbers down.

I now recognize the ranking member for his opening statement.

Mr. HICE. Thank you so much, Chairman Connolly. I appreciate you calling this long-overdue hearing. Republicans often are skeptical, I think it is fair to say, of government programs and how they will work, and my Democratic colleagues often hold a different view on these things. But we know with certainty that government assistance will be totally ineffective if those funds never even reach the intended recipients.

Improper payments have been a thorn in the side of our government probably forever. The problem, however, is certainly getting worse, and it was getting worse even before COVID. But the trillions of dollars that were spent in pandemic assistance ushered in a wave of fraud, quite frankly, the likes of which we have never experienced before. Estimates literally range into the hundreds of billions of dollars, and much of that is feared to have been lost to organized crime in even countries like Nigeria, China, and Russia.

For all we know, American tax dollars could actually be helping to fund Putin's war against Ukraine.

Reports began to surface last year regarding the magnitude of the problem, and yet here we are over a year since the American Rescue Plan and another \$2 trillion gone, signed into law, and this is the first hearing we have had on this subject. If the state and local funding of the American Rescue Plan is any guide, it appears the Democratic plan to fight fraud is simply to let people spend it any way they want to spend it: no rules, therefore, no fraud. Earlier this month, the White House put out a fact sheet on what they had done or what they were going to do around fraud and improper payments. That is good. That is fine. That is great. But it talks about how last May, they got a lot of people together from ARP, the coordinator, PRAC, IGs, GAO, NSC, and others, in order to discuss governmentwide steps to prevent individuals from defrauding public benefit programs.

But the question is what has been done. We don't need more meetings. We need action to stop the fraud and the abuse that has been taking place. And, quite frankly with all, and I mean this sincerely, with all due respect to every one of our witnesses that are here today, frankly, Chairman, we should be hearing directly from the Biden administration today. And then there is this that was also in the fact sheet that I saw this morning: "Reestablished respect for and transparency with the oversight community." I guess the result of that means more meetings, but in all honesty, give me a break. We literally have no idea what is being done on anything other than more talk that has been taking place.

This should be a top priority. This should be considered an emergency for this administration. You know, appointing special prosecutors is fine, and I am sure Democrats will talk about how they have appropriated more money for inspectors generals, but, quite frankly, that is like slamming the door on the barn after the horse is already gone. The fact is the money is already gone. You might get a little back, might get a little back, but for all intents and purposes, the money is gone. There may have been funding for fraud prevention in the American Rescue Plan and the omnibus, but the question is how were those funds used. How will it be used? This is basic oversight. This is our responsibility, and so far, as I can tell, there has been no real oversight, nor is there any real oversight on the horizon.

Again, I would like to thank Chairman Connolly for at least pulling together a conversation on this topic, and I am sure you are under certain constraints as to who you can call as witnesses. But I believe there is one thing that will be clear today is the tension between fraud prevention and getting money to the recipients as easily and quickly as possible. During the initial steps and stages of the pandemic when we were all facing unprecedented action that was needed to keep the economy afloat, it is understandable in that type of circumstance that we would have erred on the side of getting aid out. But as we will hear today, it does not have to be an either/or choice.

There are actions that states could have taken, but they didn't. Why? We need to know. If we are talking about Federal dollars, how much do states even care about program integrity, especially

if nobody is holding them accountable? There were certain things that Federal agencies could have done, but they didn't. Why not? Was it a question of focus, was it a question of resources, or was it a question of leadership? Congress first attempted to address improper payments some 20 years ago at least, but those solutions obviously are not working today. The pandemic laid bare the sorry state of fraud prevention and program integrity at all levels of our government. And to be very honest, this is true of Democratic administrations, and it is also true of Republican administrations, but something has to change.

Since I came to Congress, I have been amazed at how a simple recitation of a problem is construed as insightful or is construed as, in itself, problem solving. It is not enough just to talk about a problem. We have got to take action, and the reality is that agencies don't share data. Agencies don't have access to data in many instances, and you can't do things across a whole of government. There are no incentives. We could go on and on and on and on with the problems that are out there, but, frankly, it is just admitting defeat. We have literally swung wide the door of our Treasury and invited our enemies to come in and help themselves, and if we are not willing to fix the problem now, I fear that we will never be ready to fix and address the problem. And, frankly, this is not an issue to slip in halfway through the State of the Union. This is a disgrace. It is an emergency. It is something that demands attention now. Chairman, we do hearings twice a year on FITARA. That is fine, but this is an issue that needs to be highlighted twice a year. We have got to do something about this problem.

I look forward to hearing from our witnesses today, and I appreciate each of you for being here, but I really look forward to demanding answers from the administration and demanding action. And with that, Mr. Chairman, I yield back.

Mr. CONNOLLY. I thank the gentleman. Let me now introduce our witnesses.

Our first witness today is Linda Miller, principal of advisory services at Grant Thornton. Formerly, Ms. Miller served as deputy executive director of the Pandemic Response Accountability Committee, and as assistant director of the Government Accountability Office where she worked over 10 years and specialized in fraud risk and program integrity. Next, we will hear from Scott Jensen, chief executive officer of Researching Improving People's Lives, a non-profit that works with governments to help them use data, science, and technology to improve policy delivery. Formerly, Mr. Jensen served as the director of Rhode Island's Department of Labor and Training.

Then we will hear from Adrian Haro, chief executive officer of The Workers Lab—

Where is Adrian? I guess you are on virtually. Are you, Adrian? Yes, there you are. OK.

—that invests in new ideas for the modern worker. And Adrian prefers to be addressed by his first name, "Adrian." Then we will hear from Rachel Greszler, senior research fellow in economics, budgets, and entitlements at the Heritage Foundation. And finally, we will hear from Parker Gilkesson, senior policy analyst in the Income and Work Supports at the Center for Law and Social Policy.

So if you, Adrian, could unmute yourself and raise your right hand. If you all would rise and raise your right hand to be sworn in.

Do you swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

[A chorus of ayes.]

Mr. CONNOLLY. Thank you. Let the record show the witnesses all answered in the affirmative.

Without objection, your written statements will be entered into the record in full.

With that, Ms. Miller, you are now recognized for your five minutes of summary testimony. Welcome.

STATEMENT OF LINDA MILLER, PRINCIPAL, ADVISORY SERVICES, GRANT THORNTON, FORMER DEPUTY EXECUTIVE DIRECTOR, PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE, AND FORMER ASSISTANT DIRECTOR, GOVERNMENT ACCOUNTABILITY OFFICE

Ms. MILLER. Thank you, Chairman Connolly, and Ranking Member Hice, and esteemed members of the committee. It's a pleasure to be with you this morning.

I'm a principal at Grant Thornton where I lead our Fraud and Financial Crimes Practice, but as Chairman Connolly mentioned, today I'm going to discuss my experience both an executive at GAO as well as my time spent being deputy executive director of the PRAC.

Much has been written about the unprecedented fraud that occurred during the pandemic. I spent almost 20 years in the anti-fraud space, and there's no question that this was the largest fraud event in our Nation's history. It comes as no surprise, though, to those of us who have been working in the anti-fraud industry. We live in the age of the data breach where criminals now have data on literally every American citizen, and today's fraud actors are a sophisticated adversary. They take data purchased on the dark web, often for less than a dollar a piece, and they apply advanced tools and techniques: automated bots, artificial intelligence, and sophisticated counterfeiting tools, deep fake technology. They've honed their craft.

And how do Federal and state agencies fight this adversary? With very limited data, with rudimentary analytics, with IT systems that run on software developed in the 1960's, with next to no leadership commitment. If the pandemic fraud alarmed people, that's simply because they haven't been paying attention. The fleeing that we saw was the direct result of years of inattention from senior leadership on the need for proactive fraud risk management.

Three key areas must urgently be addressed. The first is data. By and large, agencies are struggling to effectively use data to fight fraud and improper payments. Even the most basic use of data—data matching—is not being done widely. California paid \$810 million in pandemic unemployment benefits to 45,000 prisoners because they hadn't developed the capacity to match prisoner data with their claims data. And 11 years after Treasury created the Do

Not Pay System, today, in 2022, that system still lacks the Social Security Administration's full death data or prisoner data.

Let that sink in. The fraudsters have detailed information about you—your address, your date of birth, social security numbers, the passwords to your most sensitive accounts—and Treasury cannot even access data to find out if an applicant is alive. Our adversaries are using our own data against us. Those who say we must choose between fraud prevention and privacy are creating a false dichotomy. We have the technology to do both, but agencies need the will to make fraud prevention on par with privacy protection.

The second area is leadership priority, which, I am afraid to say, is woefully lacking in this area. Agency leaders have few, if any, real incentives to prioritize integrity over the delivery of benefits. It makes sense because they only get an angry call from a citizen if a benefit has not been paid. Nobody calls to talk about fraud. When I was at GAO, agency officials directed us to the OIG when we wanted to talk about fraud risk management. They simply did not see fraud prevention as their responsibility.

The third area is technology where government badly lags its private sector peers. The banking sector has been using tools, like Know Your Customer, that pull real-time, updated information instantly on applicants and customers, and these tools have been in place for years. What we saw during the pandemic was an almost total removal of the guardrails. We asked people if they were eligible for a benefit, and when they said "yes," we gave it to them. Congress and the administration made the calculated decision that the need justified the profound risk but make no mistake. There was fraud and improper payments before the pandemic, and there will be even more fraud and improper payments after the pandemic if action is not taken.

The current approach is simply not working. There have been five iterations of legislation focused on improper payments over the last 20 years, and during that time, the improper payment rate has steadily risen. As currently written, the Payment Integrity and Information Act creates burdensome compliance requirements while doing little to address the root cause of the problem. Most improper payments are caused by a lack of data verification, yet when we ask agencies to do check-the-box compliance, we fail to ask them to address the root cause of the problem.

First and foremost, agency leadership needs to prioritize integrity of the funds they disperse almost as much as they prioritize getting those funds out the door. This imbalance must be addressed. And agencies need to proactively address the root causes of the problem, not with more burdensome compliance activities, but by using data and analytics that verifies the identity and eligibility of an applicant: technology like device fingerprinting, and threat intelligence from deep and dark web sources, and other tools. These are complex problems, and there are no easy answers. Therefore, a dedicated anti-fraud office must be created to work on these issues solely. The United Kingdom established such an office in 2018 and has seen great success.

Fraud is not going away with the end of the pandemic. Indeed these fraud actors are only emboldened, and they will continue to

target these ill-prepared agencies. The time for action is now. Thank you.

Mr. CONNOLLY. Thank you, Ms. Miller.

Mr. Jensen, you are now recognized for your five-minute opening statement.

**STATEMENT OF SCOTT JENSEN, CHIEF EXECUTIVE OFFICER
AND VICE PRESIDENT OF EXTERNAL AFFAIRS, RESEARCH
IMPROVING PEOPLE'S LIVES, AND FORMER DIRECTOR,
RHODE ISLAND DEPARTMENT OF LABOR & TRAINING**

Mr. JENSEN. Thank you, Mr. Chairman and members of the committee. It is an honor to be here. My name's Scott Jensen. I'm the CEO of Research Improving People's Lives, but I think I am here today really to talk about my experience as the Rhode Island director of Labor and Training during the pandemic, leading the unemployment insurance effort there. In terms of leadership, that is all we did for two years. As the director, I led it right from the front, and I learned a lot, and I wanted to share just a couple of things to add some color to great ideas that, you know, I've heard today.

To begin with this, it is not an either/or—either fraud or paying folks. It has to be a both/and, and the one thing about my experience in Rhode Island's pandemic was it was, I think, the hardest C-minus I've ever earned in my life. That was a very, very difficult time, and nobody, none of these programs were going to make it through in one piece just because of the massive scale of what we had to do during the pandemic. Five thousand people. It was the biggest week Rhode Island had ever had in unemployment insurance, and we were doing that every day for months: 5,000 new people, 5,000 new people.

So the central challenge that I think we faced that allowed us to get a C-minus, and make it through the pandemic, and give decent service but also do a fairly decent job with fraud, was that, you know, we used UI data, the data the UI program itself generates, in order to improve the administration of the program. And let me try to explain that a little bit with some specificity.

So the first thing, when we talk about technology and the old technology that UI programs are faced with, is absolutely true, of course. New technology is a necessary, but not sufficient, condition to solve the problems that we're looking at. You can't just buy an off-the-shelf new computer, put it in, and this problem is going to go away. So let me give you some context about how UI works and how we might do this.

First off, there are three steps to unemployment insurance. Very simple. One, get information from somebody so you can figure out whether they are eligible or they're not eligible; two, use that information to make a judgment about the benefit; and three, either pay it or don't pay it. And while those three things seem rather straightforward, they're hard, and in some instances, it's very difficult. And there's tough cases and you need a real expert to take a look at that, and in other cases it's pretty straightforward: a straightforward "yes" or "no."

What we faced in Rhode Island and everywhere else was that effort, when you're relying on people to make judgments like that, it doesn't scale. So you have a lot of new claimants coming in, and

you can't hire quick enough to train folks quick enough, to get them to be able to keep up with the volume, so then you begin to get swamped. You know, in all of your states, I'm sure you have a lot of experience with swamped UI programs.

So what we tried to do, and it was a little naive, we tried to attack both fraud and deal with pain quickly. With fraud, when somebody comes to apply for unemployment insurance, they leave a footprint in the metadata of your system, and if you can distinguish between the fraudster and the right person by using sophisticated artificial intelligence and other techniques, it's like probable cause. You can really scrutinize somebody who's presenting as if they're a fraudster, and you can be a little bit more sure that somebody else who's presenting normally, you can get them paid quicker. So that was broadly the strategy on the fraud side. And on the payment side, we were trying very hard to distinguish between a clean claim, which is an obvious "yes" or "no," and a complex claim that is going to require a person to solve it.

Data is crucial to do either of those things, and they're both an enormous undertaking. If you don't have data, you can't make the difference between either one. And the biggest problem we had during the pandemic, we're one of those states with those old AS400 computer systems from the 1980's. In order to get data out of that thing, you had to code it from scratch, so a really, really inefficient way, impossible really, to do continuous improvement and change the way you're re administering these benefits.

So it was clear to——

Mr. CONNOLLY. If you could sum up, Mr. Jensen. Your five minutes is up.

Mr. JENSEN. The summary is simply we have to use data better, and we need the technology to do it. But then the further step is continuous improvements so we can achieve the kind of customer service we're all getting used to in the private sector.

Mr. CONNOLLY. Thank you.

Mr. JENSEN. Yep.

Mr. CONNOLLY. And I got to admit, the image of a footprint in the metadata system will stick with me.

Mr. JENSEN. Good.

Mr. CONNOLLY. OK. Adrian, you are recognized, Mr. Adrian Haro, who prefers to be known by his first name, "Adrian." Adrian, you are recognized for your five-minute opening statement. Adrian, you need to unmute yourself. Adrian, we cannot hear you. All right, Adrian. Let's try to work that technical problem out, and we will go to our next witness.

Ms. Greszler, you are recognized for your five-minute opening statement. Welcome.

STATEMENT OF RACHEL GRESZLER, RESEARCH FELLOW IN ECONOMICS, BUDGET AND ENTITLEMENTS, THE HERITAGE FOUNDATION

Ms. GRESZLER. Good morning and thank you for the opportunity to be here today.

We've heard about the recent rise in improper payments, but I wanted to highlight this graph here to help convey the magnitude of that increase.

[Chart.]

Ms. GRESZLER. We have here a chart between 2005 and 2021, so on the bottom is GDP growth. That grew 76 percent, the green line there. Total program outlays grew by 221 percent. That's the green line, so those are the government payments. The red line skyrocketed 633 percent. That's improper payments, so improper payments grew at eight times the rate of GDP growth. If improper payments had their own budget category, it would've been the Federal Government's fifth largest expenditure in 2021.

Multiple factors have contributed to this rise, including the increased use of online government services, the failure of agencies to utilize sufficient security measures, and the pure enormity of government transfer payments. Three things are crucial to reducing improper payments. First is to identify that people are who they say they, second is to make sure that people are eligible for the benefits they claim, and third is to minimize the number of government programs that individuals have to rely on for their ordinary needs.

The Pandemic Unemployment Insurance programs, which will likely go down as the biggest fraud in U.S. history, provides some important lessons. In March 2020, Congress passed a massive expansion in state unemployment benefit programs, and it was supposed to last for only four-and-a-half months but instead lasted for 18. These programs were highly problematic. The \$600 bonus payments on top of existing state payments created a high-value target for fraud. Benefits were extended to people who weren't part of the unemployment system and for whom it was nearly impossible to verify their eligibility. And then broad qualifications meant that nearly anybody could come up with a seemingly legitimate claim. These expansions opened the floodgates to woefully outdated and ill-prepared state UI systems, inviting massive fraud and abuse, and allowing international crime rings, even state-sponsored Chinese hackers, to steal Americans' identities and taxpayers' money.

I estimate that the pandemic unemployment benefits likely exceeded a 40-percent improper payment rate. That's based on the data that shows that we paid out 1.365 billion unemployment checks, but had we simply paid out 100 percent of people who are actually unemployed, that would've cost—required 807 million checks. So what that means is those excess checks amounted to \$357 billion of taxpayers' money that went above and beyond actually covering every single person who was unemployed. That is a \$2,700 cost per household in the U.S. just for the pandemic unemployment fraud. Unfortunately, there are many other government programs that regularly impose massive improper payment bills on Americans. The earned income tax credit, Medicaid, and CHIP all have improper payment rates between 22 percent and 32 percent, and there's a total of \$123 billion in improper payments in those three programs alone.

So what should be done? For starters, government programs should be required to follow security measures similar to the NIST standards. For example, Arizona had a time when it was receiving more unemployment insurance claims than it had people in its entire work force, but after it partnered with a NIST-certified provider, its claims fell by 99 percent. There's a 2019 OMB memo that

requires Federal agencies to utilize these standards, but most are not doing it. Next, the Federal Government should optimize secure information sharing across government agencies through its Do Not Pay data base. Lawmakers need to improve eligibility verification and maintain a competitive market for cybersecurity so that taxpayers can benefit from the most responsive and innovative systems out there.

Perhaps most important, however, is the need to limit the size and the scope of government programs. In 2022, the U.S. will spend \$3.9 trillion in transfer payments. That is \$4 out of every \$5 tax dollars that we'll collect. Constantly expanding entitlement programs without any consideration of what they'll cost is unsustainable, and taking people's money and requiring them to jump through bureaucratic hoops to get some of it back from proposed government programs, like government-directed childcare, government-determined paid family leave, or purchasing government-approved electric vehicles, is inefficient, and it will leave people with lower incomes and less control over their lives.

A few steps to reduce the Federal Government's tax and transfer footprint and empower people instead of bureaucrats include eliminating tax credits in favor of lowering overall tax rates, enacting universal savings accounts to make savings simpler and more affordable, rejecting new entitlement programs and reforming existing ones.

Thank you.

Mr. CONNOLLY. Thank you very much, and you had time to spare. Great job.

Have we solved with the problem Adrian? Have we solved the problem?

Voice. Not yet.

Mr. CONNOLLY. Thank you. Ms. Gilkesson, you are recognized for your five-minute opening statement.

STATEMENT OF PARKER GILKESSON, SENIOR POLICY ANALYST, INCOME AND WORK SUPPORTS, THE CENTER FOR LAW AND SOCIAL POLICY

Ms. GILKESSON. Good morning, Chairman Connolly, Ranking Member Hice, and distinguished members of this committee. Thank you for inviting me today. My name is Parker Gilkesson, and I'm senior policy analyst at the Center for Law and Social Policy. My experience as a North Carolina case worker led to my commitment to become a researcher/advocate and expert on SNAP, TANF, and Medicaid. CLASP is a national, nonpartisan, anti-poverty nonprofit advancing policy solutions for people with low incomes. My testimony summarizes a detailed paper I published analyzing the racialized history of fraud in SNAP.

I'd like to make four key points. One, the intense focus on fraud in SNAP is tied closely to a history of racist stereotypes; two, actual SNAP fraud is rare; three, the focus on fraud makes programs less effective at reducing hunger; and four, Federal and state agencies have many practical fixes to reduce the barriers to SNAP caused by unnecessary fraud provisions.

Healthcare, food, secure housing, and a livable wage are basic human needs, and seeking the help you need to succeed is a state-

ment of human dignity and justice. However, coded language, dog whistling, and racist stereotypes have reinforced the lie that folks receiving public benefits are exaggerating how poor they are and are likely committing fraud. The perception of fraudulence based on poverty and race has a long history here. Anti-black images borne out of slavery labeled black people as biologically inferior, inherently lazy, promiscuous, and untrustworthy. These harmful tropes were used to justify the forced labor of black people and are still reflected in many U.S. policies today.

In the last 50 years, policymakers have used tropes like “welfare queen” to insinuate that people experiencing poverty, especially black people, are fraudulent and must be forced to work. Legislators have used this dog whistle to justify benefit cuts while increasing spending to protect program integrity. Even those promoting expansions for public benefits have reinforced stereotypes by emphasizing how these programs would only benefit the so-called deserving poor.

Fraud is quite rare, contrary to media portrayals, yet despite that rarity, Federal and state legislators prioritize fraud prevention with millions in grants and targeted funding for program integrity. States even have tip lines for the public to report suspected fraud, although most reports are based on personal vendettas or a belief that a person using SNAP is too nicely dressed to qualify for benefits. Also, due to complex SNAP rules, many honest mistakes get lumped in with fraud because recipients often misunderstand reporting rules. Eligibility workers are often better trained to look for fraud than to provide trauma-informed care or refer families to other necessary assistance based on the many challenges of living in poverty. This isn’t surprising as Federal rules penalize states for any benefits granted in error but not for failing to help people in need. Also, difficult and time-consuming applications meant to catch people attempting to commit fraud often present barriers to applicants and caseworkers, reducing access and increasing stigma and shame.

Of course no program can survive if it doesn’t take abuses seriously. However, when actions taken to improve program integrity have a strong negative and racially skewed impact that decreases access to basic life necessities, policymakers have a moral obligation to find less harmful ways to fight fraud. They also must repair the harm of these actions on innocent recipients’ dignity and trust in government. Recipients accused of fraud are often considered guilty until proven innocent. While they’re supposed to be able to defend themselves in a hearing, they aren’t entitled to representation, and some states have coerced people into signing away their rights by threatening criminal prosecution.

Historically, anti-hunger advocates have been afraid to criticize the negative consequences of the focus on program integrity and its disproportionate impact on people of color for fear of being accused of defending fraud or legitimizing racist tropes. However, we must discuss and address fraud, program integrity, and the over policing of people experiencing poverty to achieve policies that reflect equity, trust, and truth, instead of mistrust, mistreatment, and systemic oppression.

Here are just a few of the equitable solutions state and Federal policymakers should try: simplifying SNAP rules so clients understand what changes to their income need to be reported, especially for the growing share of workers in the gig economy. Many improper payments are caused by confusion and honest mistakes; rethinking quality controls so we measure timeliness and accuracy while also reaching all eligible households and ensuring customer service satisfaction; providing oversight and accountability to states for incorrect determinations of fraud sanctions and overpayments, as well as for violations of recipients' right to due process.

For more detailed research, I would like my report to be officially submitted into the congressional record. Thank you, and I look forward to your questions.

Mr. CONNOLLY. Without objection, it is so ordered.

Mr. CONNOLLY. Perfect timing. You had one second left. Thank you, Ms. Gilkesson.

[Laughter.]

Mr. CONNOLLY. Adrian, are you ready now?

Adrian HARO. I believe I am, Chairman. Can you hear me?

Mr. CONNOLLY. Yes, you got it. You are recognized for your five-minute opening statement.

Adrian HARO. OK. Terrific.

**STATEMENT OF ADRIAN HARO, CHIEF EXECUTIVE OFFICER,
THE WORKERS LAB**

Adrian HARO. Good morning, Chairman Connolly, Ranking Member Hice, and all the members of this Subcommittee on Government Operations. My name is Adrian Haro, and I'm the chief executive officer of an organization called The Workers Lab. Thank you for the opportunity to share how our work is contributing to the important enterprise of tackling improper payments.

So many of the ways that we serve and take care of workers in this country are outdated and exclusive, so we need new ideas about how to better serve more and every kind of worker in this country. That's why at The Workers Lab we are on a mission to give new ideas for and with workers a chance to succeed. Over the last year, one of those ideas has been about how automating the process of verifying income in the administration of unemployment benefits could both increase the efficiency of the system and make it more equitable and accessible for non-traditional gig and contract workers that have historically been excluded. And what we're learning is that automating income verification in the administration of unemployment benefits can be a win-win, a win for gig workers in that it can make the process of applying for unemployment benefits faster and more user-friendly, and a win for government in that it can increase the efficiency of the process and allow for better service delivery to its constituents.

Our learning journey started at the beginning of the pandemic when, for the first time ever, gig workers were made eligible for unemployment benefits, a tremendous and novel achievement but one that presented many administrative challenges for states all across the country. An estimated 57.3 million Americans generate income from gig work, which represents 35 percent of the U.S. work force and is expected to grow to 50 percent by 2025. One of

the biggest challenges for states was how to make sense of and verify income from gig work, which can often be generated from multiple sources at multiple times, sometimes even within the same day. Our unemployment system was simply not designed to verify income that looks like this. So we brought gig workers together with Steady, a platform that helps give workers track, understand, and optimize their income to develop what we call an Income Passport to help fix this problem.

At The Workers Lab, we believe deeply in user-centered design and that any innovation for workers should be done in partnership with workers. The Income Passport automates an otherwise manual process for verifying income in unemployment benefits applications. Rather than relying on the often complex and sprawling paper trail that documents income generated from gig work, it instead pulls that income data directly from trusted financial sources. We tested the Income Passport with hundreds of workers in Alabama and Louisiana to demonstrate that automating income verification can make the process of administering unemployment benefits easier and more efficient for government staff and gig workers.

Here is what we are learning about how automating the process of verifying income can help mitigate improper payments. First, the Income Passport reduces the potential for fraud. Because the solution safely and securely pulls income data directly from trusted sources and then transmits that income data directly to the state, it leaves very little room for fraudulent activity. Initial findings show that of applicants that chose not to use the passport, 90 percent of them were likely bad actors. Second, the Income Passport increases accuracy in the determination of benefit amounts for the state in that it has access to a trusted and tailored record of income generated from gig work, and for gig workers in that they have unprecedented access to see past income from multiple sources and, thus, more control over how their income is reported.

Third, the Income Passport optimizes efficiency for states in that it automates an otherwise manual process, reducing the potential for human error, reducing processing time from as much as half an hour to 1 to 2 minutes and allowing for benefits payouts in less than 24 hours, and for workers in that it simplifies the daunting task of organizing income from gig work, thus enhancing the quality of the data submitted to the state. Finally, and perhaps most importantly, we're learning that the Income Passport holds promise beyond temporary pandemic assistance programs to automate the verification of income from gig work across the entire menu of public benefits programs in states all around the country.

The Federal Government can do three things to help states make this happen. First, it should use its resources to evaluate potential technology solutions and support states that want to test them, providing funding and advice so that states can take advantage of innovation. Second, it can also establish policy guidelines and requirements across Federal agencies that incentivize states to adopt more innovative worker-centered technologies. And third, it can share best practices and successful technologies across states and help it to be adopted at scale through funding and other incentives. And, of course, The Workers Lab stands ready and willing to help.

Thank you again for this opportunity, and I look forward to your questions.

Mr. CONNOLLY. Wow. You had five seconds left. Great job, Adrian. Thank you.

Adrian HARO. Thank you, Chairman.

Mr. CONNOLLY. We now enter into member questioning. The chair recognizes the distinguished Congresswoman from the District of Columbia, Eleanor Holmes Norton, for her five minutes of questioning. Welcome, Eleanor.

Ms. NORTON. Hi. I appreciate the chair, my good friend, my next-door-neighbor recognizing me.

Maybe we need—we have been thinking about improper payments all wrong. If solving the problem of improper payments means ensuring that government benefits, like Social Security and Medicare, military pay, reach those who Congress intended, perhaps we should focus more on those who cannot even access these benefits. Let me use a couple of examples. Nee Hall from Mount Hall, New Jersey was a victim of fraud and could not access unemployment insurance for seven months because the system locked him out. Refavo from Paris, Tennessee, a 45-year-old retail worker who worked in both New Jersey and Tennessee, got laid off in July 2020. He is still waiting for the state of Tennessee to send the state of New Jersey information on his earnings so he can access benefits he qualifies for.

Mr. Jensen, you have seen firsthand cases where incorrectly checked boxes, language barriers, agency processes and operations, and confusing program applications prevented an individual from accessing a benefit. In your experience, who are the individuals and families most hurt by byzantine applications or other barriers to program access?

Mr. JENSEN. Thanks for the question. I think that in the pandemic, one thing that we saw and so many people heard across the board: folks who couldn't use technology well, folks who weren't familiar with the byzantine structures that you are describing because they are byzantine. But we have to, as a number of folks have said here on this panel, focus on a user-centered design when we are designing these programs because our mission has to be right down the middle.

We have to make it easy and straightforward to get access to benefits when you are deserving of them, when you qualify for them, and keep others who aren't qualifying from getting paid. And that that really requires a lot more thinking about how we are going to make sure that folks who, just because they were confused by the technology, just because they were defrauded and had to wait for months and months for benefits. That is not acceptable.

Ms. NORTON. Ms. Miller, does the Federal Government even know how many people are eligible for benefits and cannot access them?

Ms. MILLER. No, the government has not undertaken any effort to try to estimate how many people would need to access benefits. That would be a very difficult calculation, I think, for the government to even try to undertake.

Ms. NORTON. I guess it would be. So, Adrian, in your testimony, you stated that your projects create a win-win for workers and the

government. Can you talk a bit more about what you mean by “win-win?”

Adrian HARO. Absolutely. Thank you for the question. I guess I mean that what we have demonstrated in this project is that you can actually do both, right: increase access to public benefits, and, at the same time, also increase efficiency inside government simultaneously. Like it has been said before today, it is a false tradeoff to say that you have to sacrifice efficiency to increase access. I believe that doing so can stifle innovation in the public sector, and we should be doing everything we can to encourage it.

Ms. NORTON. Thank you very much. I yield back.

Mr. CONNOLLY. Thank you. Thank you, Ms. Norton.

Mr. HICE, you are recognized for your five minutes of questioning.

Mr. HICE. Thank you, Mr. Chairman. Ms. Greszler, let me start with you, and it may be kind of a loaded question because there is a lot to answer within this. But it is no secret the rampant fraud came about through the pandemic programs, but also unemployment insurance, Medicaid, and a host of other things. Are there any actions that the Federal Government could be taking that they just simply are not?

Ms. GRESZLER. Yes, I think there are definitely standards out there that exist that say what are the right steps the program should be taking. They are simply not using them. I mean, they have been directed to do this, and yet they are not. And I think this comes down to an accountability problem because, at the end of the day, if there is no consequence for not reducing your own improper payments or staying within a limit, then the programs are not going to take them. I mean, in the UI payments, there were multiple problems there, and certainly the Federal Government put mandates on the states that they weren't capable of enforcing those identity checks and those eligibility checks.

Looking to going forward with you UI, I think it would be very problematic to open this up to a group of workers who you really can't make those proper eligibility checks there. For those who don't have an employer, there is no verification in the process.

Mr. HICE. OK. So they have been directed to take certain steps, but they have not, and there is no accountability. Why?

Ms. GRESZLER. Well, and this gets to the nature of government programs. A lot of that \$3.9 trillion is entitlement programs. The money is essentially there no matter what. It doesn't matter how many claims are made and improper payments come out of the door, there is unlimited access to taxpayer money even if it is deficit finance. You know, if you tell me I need to lock my door so that my money and my things don't get stolen, but I don't lock it and somebody comes in and robs me, but by the time I get back, all my money and my things have been replaced, I am not going to lock my door in the future. And so we need to have accountability in place. The standards exist, but if nothing happens when the programs don't meet those standards, we are not going to get to a better solution here.

Mr. HICE. This is so infuriating to hear this kind of stuff. What needs to happen for our agencies to care? I mean, what is behind the lack of attention being directed toward fraud?

Ms. GRESZLER. It is the lack of accountability. You know, you here in Congress are not in charge of micromanaging those agencies. You know, administrations are the ones that are in charge of running the programs, and they are not taking the measures they should, but what could you do is, Congress, you have the power of the purse. And so I would recommend that there need to be some limits placed on there, whether it is setting a pathway toward reducing improper payments and actually having penalties that happen if they don't achieve those standards.

Mr. CONNOLLY. Would the gentleman—

Ms. GRESZLER. Unless there is a consequence—

Mr. CONNOLLY. I am sorry.

Ms. GRESZLER. Go ahead.

Mr. HICE. I will yield.

Mr. CONNOLLY. If the gentleman would yield without penalty, if we could freeze his time just for a second. I am also infuriated when I think about it, as Mr. Hice is. Ms. Miller suggested that one of the problems we face is that managers don't see it as their responsibility. That is someone else's problem, so I don't have to worry about improper payments, whether it be fraud or just mistakes. That goes to the IG or somebody else.

Ms. GRESZLER. Mm-hmm.

Mr. CONNOLLY. Is that, from your point of view, a big part of the problem or at least part of the problem, and is that corrected somehow by our building in evaluation criteria so that, no, it is your problem. It isn't just someone else's problem. If the gentleman would allow me—

Mr. HICE. Yes.

Mr. CONNOLLY [continuing]. Because I think this is consistent with where you are headed to. Thank you. Thank you for yielding.

Ms. GRESZLER. Yes. I mean, at the end of the day, if whoever is in charge of that agency knows that there are going to be consequences—perhaps it is their job, perhaps it is a reduction in funding, and then they can't actually perform the service that they are supposed to do—then they are going to do more to reduce those improper payments. And it is unique across every program. It is not to say that there is one set of rules that should apply holistically because Medicaid is different than SNAP benefits, than the EITC, or the UI. Most agencies and programs need to have the flexibility to determine what are the right steps that they need to take. They have different eligibility criteria. They have different people they are serving. They have different ways of making the payments. So that flexibility still needs to be there, but it is the accountability that is missing.

Mr. HICE. Thank you, Mr. Chairman. Listen, accountability starts right here in this committee, Mr. Chairman. We have got to do our business of oversight and hold accountable these agencies that are not doing their job to protect the American tax dollars. This is inexcusable to me. Ms. Miller, let me just ask your opinion. Is there anything you would add to this in terms of what are some of the obstacles that are keeping our agencies from protecting funds and preventing fraud?

Ms. MILLER. Yes. Look, I think people respond to whatever they are being measured on, right, and so most Federal agency leaders

see themselves as their job is delivering the benefits. When you ask someone what is my mission in this agency, it is delivering benefits, getting benefits out the door. If you ask them is my mission to ensure that only eligible beneficiaries get it, they don't see that as much as their mission. They see it as, sure, of course, it is necessary. But if you are incentivizing people to adjudicate a certain number of applications in a given period of time, they aren't incentivized to slow down and look and see if this application looks like fraud and go check some things, because at the end of the day, it is the number of applications that they approved. So we have to change the incentive structure from the top all the way down.

Mr. HICE. Absolutely. OK. So while you were at the PRAC, was there anything, any steps from Federal agencies that moved in the direction of preventing fraud and abuse?

Ms. MILLER. Yes. The Small Business Administration, when they went into the second round of PPP funding, they started employing some Know Your Customer tools that the banks employ, and that did help with identity theft. I think that Ms. Greszler is right. Identity theft was the biggest fraud issue in the pandemic, and so, you know, Know Your Customer, the concept that banks use, is an effective tool to identify whether someone is who they say they are. Identity theft is a growing problem in fraud, but I want to make sure that we are clear that the pandemic fraud is in the past, and we can talk about all of the problems that happened, but really, we are looking forward. How are agencies going to solve these problems going forward? They are going to have to take a much more proactive approach using data.

Mr. HICE. Well, it is not in the past to ignore it. We can't go down that path, but thank you, Mr. Chairman. I yield back.

Mr. CONNOLLY. I thank the chair—I thank the gentleman and promise, let's find some common ground to look at metrics that actually incorporate responsibility and accountability for improper payments across the board so that managers have an incentive to pay attention to this, because right now they don't have much, as the data would show. I thank the gentleman.

The gentleman from Illinois, Mr. Davis, is recognized for his five minutes of questioning.

Mr. DAVIS. Thank you, Mr. Chairman, and I also want to thank all of the witnesses for their informative testimony.

You know, during this year's State of the Union Address, President Biden announced his plan to appoint a chief prosecutor to focus on the most egregious forms of pandemic fraud by criminal syndicates. The White House published an estimate that between Fiscal Year 2020 and Fiscal Year 2021, the governmentwide improper payment rate rose from 5.6 percent to 7.2 percent. Clearly, addressing fraud then is important. Ms. Miller, let me ask you, what steps can Federal managers take to achieve a more strategic, risk-based approach to managing fraud and developing effective anti-fraud control?

Ms. MILLER. Sure. Well, there is a framework. GAO put the framework out in 2015. It is called the Framework for Managing Fraud Risks in Federal Programs, and it outlines steps for taking a proactive, strategic approach to managing fraud risks. If agencies had done these kinds of activities prior to the pandemic, they

would have recognized that things, like not collecting device identity information, IP addresses, was going to create significant fraud issues during a large event like the pandemic. Fraud risk management needs to be proactive and needs to be at the management level, and it needs to be in a strategic, not after the fact, recovery focus, which is where we are now in the pay-and-chase mode.

I also want to be a little provocative here and suggest that we might consider combining improper payments and fraud for the purposes of agencies' implementation because they see these as two unfunded mandates, and they don't take either of them seriously. They take a very compliance orientation to both. And if we were to reduce the separate and burdensome compliance activities around improper payments and fraud, combine them and require them to be more strategic, proactive, and outcome oriented, I think we could see a lot more progress.

Mr. DAVIS. Well, thank you very much. You know, program integrity means more than just preventing fraud. It also means getting money to everyone Congress intended. Ms. Gilkesson, what happens to lifesaving Federal programs and the individuals and families who rely on them when policymakers focus solely on reducing fraud by adding to an application an eligibility review process?

Ms. GILKESSON. Thank you so much for that question. When there is a focus on fraud, it causes unnecessary burdens on both clients and case workers, and, particularly, in terms of public benefits like SNAP, TANF, and Medicaid. Instead of spending time catering to the needs of their customers, case workers have to be hyper-vigilant about finding any fraud or risk losing their jobs. For example, I used to be a case worker for the state of North Carolina, and one thing that I do know is that quality control measures do exist, and states are held really tightly to that and are often held accountable to pay if they aren't held to that. But some of those quality control measures don't allow for people to be able to get their jobs done effectively.

And one thing that I would say is that public benefit recipients have to endure over-policing, privacy invasions, difficult and time-consuming applications, unnecessary verifications, all to prove that they aren't committing fraud, and this burden causes errors and burdens to access. Thank you.

Mr. DAVIS. Well, thank you very much, and let me just say that I think we surely need to spend as much time, energy, and effort on the big guys as we do the small guys, and much more needs to be done. Thank you both, and I yield back.

Mr. CONNOLLY. If the gentleman would yield to me for a minute. Let me just say I agree with you completely. We need to be looking at every level of improper payments. It is not just fraud. But Ms. Gilkesson, I would just say, and I think you would agree, there is an opportunity cost, however, when mistakes are made or fraud occurs. So if I have \$100 for a good program and \$20 of it is siphoned off improperly, whatever category that is \$20 I am not providing to the people who need it. And so it seems to me that, you know, every effort we can make to try to make sure that the integrity of the program is preserved so that the benefits are flowing to those who need it and are eligible for it is a good public policy goal. And I am sure you agree with that.

Ms. GILKESSON. Yes, absolutely.

Mr. DAVIS. Thank you, Mr. Chairman, and I agree wholeheartedly.

Mr. CONNOLLY. Thank you, Mr. Davis. Yes, ma'am?

Ms. GILKESSON. Yes, I definitely agree with that, and I want to make sure that we are understanding that having streamlined access for people to actually be able to have access to the programs is super important. And I love all of the technology fixes that a lot of my co-testimonials here are mentioning because it really is important to streamline access and make sure that people actually have the ability to get access, because there so many barriers with applications, with verifications, that folks just, some of them walk away and say they are not even going to try to go through with it

Mr. CONNOLLY. Yes.

Ms. GILKESSON. And we want to make sure that all of the technology put in place is something that is encouraging people who are eligible to apply.

Mr. CONNOLLY. Yep. Thank you. I think that is an important point.

The gentleman from Pennsylvania, Mr. Keller, is recognized for his five minutes of questioning.

Mr. KELLER. Thank you, Mr. Chairman, and thank you to Ranking Member Hice and all our witnesses for being here at today's hearing.

Improper payments continue to be an area of concern in the Federal Government. According to the GAO, improper payments have been estimated to cost \$1.7 trillion governmentwide from 2003 through Fiscal Year 2019. These improper payments were concentrated in three program areas: Medicaid, Medicare, and the Earned Income Tax Credit. As spending for Medicare continues to increase, it is crucial that these funds are properly managed and distributed because, as it was mentioned, improper payments take benefits away from people who are truly in need.

According to the Centers for Medicaid and Medicare Services, in Fiscal Year 2019, Medicaid made \$57 billion in improper payments. This amount rose to \$87 billion in Fiscal Year 2020, meaning more than 1 out of 5 payments under the Medicaid program was improper. I think we all agree it is unacceptable that any funds are going to ineligible recipients or made in incorrect amounts. We need more accountability and oversight of the outlay funds so we can ensure we are using taxpayer dollars appropriately. Reducing these improper payments is crucial to protecting Federal programs that serve Americans.

So if we take a look at all the things that have happened, and I guess I will just ask Ms. Greszler. Have we seen payments increase over the years, or have we seen the scorecard getting any better with improper payments?

Ms. GRESZLER. No. We have seen kind of a double whammy because both the number of payments that are going out are increasing, and also the rate of improper payments are also increasing there. And so that is why we have seen 633-percent growth in the number of improper payments, you know, just since 2005.

Mr. KELLER. And this actually was happening prior to the pandemic.

Ms. GRESZLER. Yes. The UI was specific to the pandemic because just the size and scope of it, but all these other improper payments were already increasing prior to.

Mr. KELLER. So had we put in place plans prior to the pandemic, we wouldn't have seen so much trouble through the pandemic in getting payments made properly?

Ms. GRESZLER. Correct.

Mr. KELLER. OK. And that, I guess, is the point. We have these government agencies that are responsible to make payments. So the same people that run these programs and responsible for making the accurate payments, are they the same people that have been in charge of them for many years?

Ms. GRESZLER. I think that the problem is that the people who are in charge of the program's mission, as Ms. Miller pointed out, are getting the payments out the door. And I see that problem in two ways.

Mr. KELLER. No, but I would disagree with that. Getting the payments out the door accurately is the mission.

Ms. GRESZLER. It should be. It should be.

Mr. KELLER. Let me ask you a question. If you had an accountant that you were running a business and they were making improper payments, their mission is to get the payment out the door, right? But if your accountant isn't doing their job properly, would you continue to hire them and employ them?

Ms. GRESZLER. And that is exactly the point here is that—

Mr. KELLER. OK.

Ms. GRESZLER [continuing]. Is that we don't have the accountability. There is no consequence when improper payments are—

Mr. KELLER. Well, that goes back to my point. Is it the same people in these government agencies that have been overseeing these payments for years at the head of the agencies? I mean, I guess I am just—

Ms. GRESZLER. Yes. I mean, they change with administrations, but the same ones are in there.

Mr. KELLER. Yes, and what needs to happen is some of them need to lose their jobs because they are not doing them properly. I mean, government is the only entity where we do less with more, right?

Ms. GRESZLER. Mm-hmm.

Mr. KELLER. And we reward bad behavior. I mean, I guess I would just look at that, even with unemployment insurance. I am sure states have had issues. I know Pennsylvania has had issues. I toured Pennsylvania's Unemployment Division and Department of Labor when I was a state rep—

Ms. GRESZLER. Mm-hmm.

Mr. KELLER [continuing]. And I looked at the inefficiencies there at that point in time. Would it be safe to say that some of the payments are made improperly because we hand the money over to the states, and then the states don't make sure that—

Ms. GRESZLER. That was a big problem with the Pandemic Unemployment Insurance benefits is that it was Federal money, and there was no consequence to just simply approving those claims be-

cause they were paying the \$600 and they were paying the ordinary benefit. And so even if you thought, well, hey, maybe some of this money is going to get spent in my economy in a good way as opposed to going to criminal enterprises overseas, the incentive was there to utilize those and to send the payments out the door.

Mr. KELLER. So would it make sense that when we give money to states, if the state isn't able to distribute that money effectively, they shouldn't get the dollars?

Ms. GRESZLER. Exactly. There have to be requirements there that if you are getting this Federal money, you are going to be protecting Federal taxpayers through that.

Mr. KELLER. I mean, because we can talk about putting all this money out, but, ultimately, our kids and grandkids are going to be the ones paying it back because we are borrowing it. So I think it should be imperative on all of us, a priority of all of us to make sure it gets done effectively.

So I am out of time. Thank you, Mr. Chairman.

Mr. CONNOLLY. Thank you. The gentleman from Maryland, Mr. Raskin, is recognized for his five minutes.

Mr. RASKIN. Mr. Chairman, thanks so much. You know, many of our Federal programs and benefit systems have not been updated to serve the needs of the contemporary economy and work force. Consider how different our service economy and work force are today compared to just 10 or 15 years ago. Many workers are in the gig economy now, like Uber drivers, graphic designers, freelance writers, web developers. The Fed estimated that nearly a third of adults engage in gig economy work. Ms. Miller, let me ask you. Are current Federal laws and benefit structures conducive to serving this population of today's workers?

Ms. MILLER. I don't believe they are. I mean, this is a very new area that we are moving into where we have got lots more people working remotely and gig workers. And, I mean, the systems that are in place now aren't even really set up all that well to work. They are traditional systems. So, no, I think we have a ways to go to adapt to this new work force.

Mr. RASKIN. Yes.

Ms. MILLER. And I don't think we are even close to where we need to be.

Mr. RASKIN. Well so, Secretary Jensen, it is good to see you. I assume that gig workers in Rhode Island benefited from some of the big improvements to state programs that took place under your leadership. How did you work with an existing state law or change state laws in order to design better systems to make it easier for people to access while also preserving the integrity of the programs?

Mr. JENSEN. Thanks for the question. What we did with the pandemic unemployment assistance verification was we did a data sharing agreement with the state income tax department and used cloud computing to check to make sure that gig workers, when they applied for PUA benefits, that their gross income was accurate. And if they were accurate, we were able to pay that person quickly, and if they weren't, that person had to go through a much more arduous process, which, you know, we were taking very seriously

because fraud is something that, I think, my colleagues definitely cared about, and so did I, during the pandemic.

Mr. RASKIN. So, Ms. Gilkesson, can you tell us briefly what are the first steps Congress should take now to renovate our laws to make them more applicable to the real economic situation of workers, families, and businesses?

Ms. GILKESSON. Thank you, Congressman. It is important for Congress to think about people who are benefiting from these programs. So many of them experience the worst moment of their lives seeking help because of sickness, a job loss, fleeing domestic violence, and so much more. They deserve to be treated with respect and dignity, and they deserve to be defined by who they are, not by stereotypes or false media portrayals. And last, they deserve to have a seat at the table, not just to share their stories but to share with you all policy changes that they know would help to serve them and their families. So it is also important to keep in mind how essential these programs are to people's livelihoods. They help to bring so many people out of poverty and really are programs that are helpful to people when they are going through some of the worst moments in their lives.

So I think that Congress should consider really working along with their constituents to hear their thoughts on how they are being treated at the public benefits agencies, and really create policies that are centered in trust and truth and what they believe and deserve is best for them.

Mr. RASKIN. Thank you. And, Adrian, in your project on helping gig workers receive unemployment benefits, did you see an actual increase in people's access to the benefits, and did you see improper payments go down?

Adrian HARO. Yes and yes.

Mr. RASKIN. And how do you make sure that the projects you are investing in are sustainable and effective in the long term?

Adrian HARO. That is a great question, Congressman. Thank you. So really quickly, we follow the data, and in the case of gig work and this project, the data show that there will be growth in this part of the economy, right? We also know that these workers have very little access to public benefits programs because of challenges like verification of their income. So we stood up this project to help, both in the crisis moment but also over the long haul. And as I mentioned in my testimony, the Income Passport holds promise beyond the temporary pandemic assistance programs, right, to income across the entire menu of public benefits. That is everything from SNAP, to Medicaid, to TANF, CHIP, right?

We could take the Medicaid example really quickly and just say, unlike unemployment benefits in which eligibility is tied to work status and dependent on employers paying in on behalf of workers, and where gig workers do not currently qualify for the most part, Medicaid, on the other hand, is largely depended on income level, not work status. So all forms of non-traditional income—1099, self-employment, et cetera—count toward the thresholds for eligibility.

So we need a better and more efficient way to verify this kind of income in these types of programs so that qualified people are getting the benefits they are legally entitled to, no more, no less.

Mr. CONNOLLY. Thank you.

Mr. RASKIN. Well, thank you. Thank you, Mr. Chairman, and I yield back.

Mr. CONNOLLY. I thank the gentleman.

The gentleman from Arizona, Mr. Biggs, is recognized for five minutes.

Mr. BIGGS. Thanks, Mr. Chairman. I am grateful that you are having this hearing today. I think is an important topic.

Ms. Greszler, is there a focus in our agencies, our executive agencies, on fraud prevention?

Ms. GRESZLER. I think there is—you know, at a surface level they will say that they are looking into it, but I don't think at the core that they actually are. And I think that the problem there is that they are looking more toward serving customers, toward making sure that they are getting payments out as opposed to protecting the integrity of those payments.

Mr. BIGGS. So it is not—there is a superficial level. There is a verbal commitment but no actual commitment. Ms. Miller, would you agree with that?

Ms. MILLER. Absolutely.

Mr. BIGGS. So when I look at this, we currently have more than a \$30 trillion national debt, and in 2021, there was more than \$280 billion in improper payments. The recent omnibus gave DOJ \$35 billion in discretionary funding. The legislative branch receives \$6 billion. The President requested \$773 billion for an agency that wastes nearly one-third of it, the Department of Defense. And according to the White House's own analysis, between Fiscal Year 2020 and 2021, the governmentwide improper payment rate rose from 5.6 to 7.2 percent, and it really skyrocketed—UI fraud and improper payments—during the pandemic, which I never use that term, but from the 12-month non-pandemic compared to the 12-month normal period.

So we look at this, and we say DOJ has brought over 1,000 criminal cases related to pandemic relief programs totaling over a billion, another 1,800 civil cases for an additional \$6 billion, and, according to the Secret Service, more than \$100 billion was illegally obtained from COVID relief programs. So, one of the things that you testified to, Ms. Miller, is that we don't have a balance, and that is point I really want to get to today before I submit things for the record, but this balance of putting money or benefits out the door versus preventing fraud and improper payments.

And you have said that there are, since 2015, a GAO fraud risk, basically a template. Tell me a bit about that, if you will.

Ms. MILLER. Sure. Yes. And I will say that, you know, in the private sector, I have a number of private sector clients, and they would go out of business, as has been mentioned earlier. It is not like you can't do this. It is not as though you can't safeguard taxpayer funding while also effectively getting benefits out the door. It is just a matter of the will to do so.

The Fraud Risk Management Framework that GAO put out has four areas to focus on. The first one, frankly, the one that I would like to focus on the most is commit. That is the very first one. Designate an entity who will be committed to managing fraud risks. Every private sector company that I work with as a client has a dedicated fraud program. They have a fraud office. They have a

special investigations unit, someone whose job it is to make sure that their money isn't getting stolen. No agency in any Federal agency, aside from the Center for Medicare and Medicaid Services, has such an entity. It is going to be really important to make this on par with getting benefits out the door if we want to see something change.

Mr. BIGGS. So when you mention that, implicit in that statement and something that Ms. Greszler talked about earlier as well is incentives to find and stop fraud. And there seems to be very little incentive within Federal agencies to stop fraud. They are rewarded, and Ms. Gilkesson actually testified to this as well. They are rewarded by moving benefits out, but there is no carrot and stick approach, quite frankly, to stopping improper payments and fraud.

I think that this hearing, Mr. Chairman, and I am glad we are having it, but I think we need to expand this so we can actually get some more specific, concrete evidence. I mean, me trying to get five minutes, and then trying to get to everybody who is sitting there, and trying to get some response, this is not the most conducive way to tackle something, I think, is a really, really serious problem. And I am hoping that we will revisit this again, Mr. Chairman. I know you are going to say something. Do you want to respond to that?

Mr. CONNOLLY. I agree with you.

Mr. BIGGS. OK.

Mr. CONNOLLY. And let me just tell you, this has been one of my kind of pet topics, and I see Mr. Lynch is on. He will recall when Todd Platts, Republican chairman of this subcommittee, was heavily involved in this along with Mr. Lynch and got me involved. And here we are, four bills later, you know, 14 years later, and things are not better, and so we do need a new approach. And I do think this provides an opportunity for bipartisan cooperation to figure out what is that approach that hopefully will be efficacious and bring that number and percentage down and incentivize Federal managers to take this seriously.

Mr. BIGGS. Yes, I think that this is a nonpartisan issue. This is an American issue. And so I need to read into the record just a couple things. I yielded to you.

Mr. CONNOLLY. Absolutely.

Mr. BIGGS. Thanks. I want a piece from *The New Jersey Monitor* that says New Jersey fisheries net \$2.4 million in improper COVID payments. This is a Business Insider piece that says a man was arrested after allegedly spending \$5 million in COVID-19 relief money on a Ferrari, Bentley, and Lamborghini sports cars. At least he had good taste. Then we move to the next one, *Austin American-Statesman* says, "Will prisoners also receive 1,400 stimulus checks? Mostly true."

Mr. CONNOLLY. Is the gentleman seeking unanimous consent?

Mr. BIGGS. Yes, I am on these. I am sorry.

Mr. CONNOLLY. Without objection, it is so ordered, understanding, however, that when we are talking about improper payments, it is very rare. It is about a Lamborghini.

[Laughter.]

Mr. BIGGS. And continuing on, Mr. Chairman.

Mr. CONNOLLY. Yes.

Mr. BIGGS. Another one. “Rand Paul Stops Democrats’ Attempt to Get Free Money to Planned Parenthood,” and I have a series of pieces on that. Moving to, “Stimulus Turns Political as SBA Tries to Claw Back Funding from Planned Parenthood.” Some more on that. And then how about this one: “Made Out Like Bandits: New York Prisoners Got \$34 million in COVID Stimulus Funds”. “Biggest Fraud in a Generation, the looting of the COVID Relief Plan Known as PPP.” “Criminals Have Stolen Nearly a Hundred Billion Dollars in COVID Relief Funds, Secret Service Says.” That is from NBC.

Another, NBC News, “Man Who Used COVID Funds on a \$57,000 Pokemon Card Received 3 Years in Prison.” What the heck, a Pokemon card. And then the next one from CNBC: “Florida Businessowner Got \$3.9 Million in Coronavirus Relief Money. Spent It on a Lamborghini and Luxury Hotels.” And it goes on, and I got a whole stack of these things. They are just a small droplet in the big bucket of fraud and waste that occurred in the skyrocket of the last two years. But, believe me, as the testimony goes, Mr. Chairman, and you know this, this was on the rise before we ever hit the end of COVID relief.

So thank you, Mr. Chairman.

Mr. CONNOLLY. Without objection, it is so ordered into the record.

Mr. CONNOLLY. I would also ask unanimous consent to enter the GAO’s report, “A Framework for Managing Fraud Risk in Federal Programs” into the record as well.

Without objection, it is so ordered.

Mr. CONNOLLY. The gentleman from Maryland, Mr. Sarbanes, is recognized for his five minutes. Welcome.

Mr. SARBANES. Yes, Mr. Chairman. Thanks very much, and I want to thank our witnesses.

I want to make sure I understand something. Maybe, Ms. Miller, you could help with this. You know, there are obviously situations in which payments go out to people that are intending to commit fraud against the system, and recovering that becomes very important, and having accountability measures in place up front is vital. But a lot of this overpayment is going to people that are deserving of the dollars. It is just the efforts to get those out the door in a time-sensitive way. Some of the problems with the technologies and systems that are delivering those dollars are such that an overpayment may occur to someone who is deserving, and then we have the challenge of trying to recover it. Is that lion’s share of what the overpayments look like, Ms. Miller?

Ms. MILLER. Well, I think the short answer is “no” and “no one really knows” because I think estimation of improper payments and certainly root causes is extremely difficult, and agencies have been unsuccessful to date in doing that effectively. But I would argue that, in my experience at GAO, the majority of improper payments, while we don’t know, and I don’t think it is really important to try to understand someone’s intent for the purposes of trying to make sure that money that someone is not getting a benefit that they are entitled to, all you really need to know is did they circumvent a control, advertently or inadvertently, that enabled them to get something they weren’t entitled to. I think getting intent out of this

discussion is actually helpful because we are really just trying to make sure we are safeguarding the integrity of the funds, not necessarily determining whether somebody had malintent.

Mr. SARBANES. Which is why building in these protections on the front end is so important because, as you indicate, you are not dependent on the intent in terms of the analysis you are doing around the overpayment. Mr. Jensen, why did the pay-and-chase approach become the norm for governments? Give me your perspective on that.

Mr. JENSEN. Thanks, Congressman. I don't think it is the norm. I think that, daily, people running unemployment insurance programs, at least is what I am familiar with, are trying to do everything they can to stop improper payments. The entire UI system is meant to do that, and so is, you know, trying to catch identity fraudsters and others. You know, I think that we wind up in that circumstance too often similar to, you know, police departments trying to stop burglaries. But, you know, I think it is an overstatement to say that no one is motivated to stop fraud, and no one is doing it.

Mr. SARBANES. OK. Let me ask you and Ms. Miller this question. We have talked about if there was more accountability in terms of these program managers and others who are in a position to push dollars out the door, that that would be helpful, and then we also know that technology is a huge part of this. What is the relative impact of those two things? In other words, you could have program managers who know that they are, you know, they are accountable, and they could have a terrible system available to them in terms of the technology, and there is not a lot that they can do, and you could also have the alternative scenario. How much is the technology preventing us from getting to a place where, with real accountability in place, we would actually fix this problem? And, Ms. Miller, maybe you can start, and, Mr. Jensen, it would be interesting to hear your perspective from the field.

Ms. MILLER. Sure. I think that technology is a significant limitation in doing more to prevent and detect fraud and improper payments. I think it is technology, and I think it is data. Honestly, data sharing is so broken in government right now that even if you had technology, frankly, you wouldn't really be able to use it very well because there is so little data that agencies can access and use to meaningfully understand the extent that a payment might be improper. But technology, from a perspective of, you know, the pandemic and the new wave that we are in now, the way that that fraud is happening through cyber channels. So fraudsters are using all kinds of very advanced techniques to steal identities, and the agencies are still using, in many cases, knowledge-based authentication. They are not even using multi-factor authentication to verify the identity of an applicant. So it is a technology and a data problem, absolutely.

Mr. CONNOLLY. Thank you.

Mr. SARBANES. Mr. Jensen?

Mr. CONNOLLY. Mr. Jensen, real briefly if you want to respond because the gentleman's time has expired.

Mr. JENSEN. Sure. I think it is an application of check technology challenge. So you need the technology, and you need to apply it prudently to what you are trying to do.

Mr. CONNOLLY. Thank you. We got to apply things.

Mr. SARBANES. Thank you.

Mr. CONNOLLY. That is another watchword, “apply things prudently.” We should all live by that.

All right. The gentleman from Georgia, Mr. Clyde, is recognized.

Mr. CLYDE. Thank you, Chairman Connolly and Ranking Member Hice, for holding this very important hearing today.

Part of this committee’s mission is to look for and prevent government waste, fraud, and abuse, and today we are finally holding a hearing that is highlighting the Biden administration’s failure to conduct oversight of government programs awarding improper payments, costing the Federal Government and American taxpayers billions of dollars every year.

Improper payments have cost American taxpayers \$281 billion alone in Fiscal Year 2021. This is an increase from \$108 billion in Fiscal Year 2012. Just imagine if the Federal Government spent more time ensuring proper payments were being made. Our national debt would probably not be as high as it is today. It is imperative that the Federal Government be good stewards of taxpayer funds as each improper payment further erodes the trust of the American people and the security in the Federal Government.

While Federal agencies were quick to deliver financial relief to American taxpayers when COVID hit, it is extremely important to note that many of these agencies did not have the safeguards in place to forestall improper payments. In fact, in Fiscal Year 2020 and Fiscal Year 2021, the governmentwide improper payment rate rose from 5.6 percent to 7.2 percent, largely due to problems with COVID-related relief funds. For example, experts believe that millions of dollars of unemployment benefits went to bad actors, and there is proof of it. Just yesterday, a man in Rhode Island was indicted for using stolen identities of others to file for COVID-related unemployment benefits.

Mr. Miller, a question for you, ma’am. During his State of the Union address, President Biden acknowledged that fraud within the Unemployment Insurance Program was egregious. What actions must the Biden administration immediately take to better investigate and to retrieve improperly received taxpayer funds distributed for Pandemic Unemployment Insurance?

Ms. MILLER. Well, I believe that there are a number of initiatives under way right now to do recovery. He obviously identified a Federal prosecutor that would be in charge of COVID funding. There are also several law enforcement agencies. I worked at one of those oversight entities, the PRAC, which coordinates the work of several law enforcement agencies. There is a fraud task force that PRAC has created. The DOJ has multiple task forces, Secret Service, FBI. There are a variety of law enforcement agencies currently going after the fraud in the pandemic.

The problem is there is not a limited number of oversight. At this point, there is actually a limited number of people that can actually go back and do all of the investigative work that is going to be needed, time to build cases to get prosecutions, but, honestly, very

little of that money is going to get to get recovered. Most of the pandemic spending was identity theft-based fraud. Identity theft, you are not going to recover that. Those guys are gone. They were not using identities that can be identified through a law enforcement investigation, unless they can find a criminal ring, which is extremely challenging for them to find, so especially when they are offshore.

So, I mean, to me, I don't think it was a problem with the prosecutor, and I think it is great that we are going to try to claw back as much as we can. But going forward, I think the focus has to be on prevention and not so much on recovery.

Mr. CLYDE. Thank you, ma'am. So you think that pretty much what is out there that is gone is gone already, and there is not much chance of getting it back?

Ms. MILLER. I mean, I think some programs are more likely to recover more funding. PPP loans in particular are ones that are going to be more likely to get money back, but I think a lot of the unemployment assistance payments are going to be very difficult, if not impossible, to recover.

Mr. CLYDE. So, therefore, we need to increase the safeguards on those programs right now, make them much more robust. All right. Well, thank you. A question for Ms. Greszler. Do you believe the lack of safeguards implemented within the Unemployment Insurance Program made these programs more vulnerable to bad actors, or, if not, what do you think did make them more vulnerable?

Ms. GRESZLER. Yes, I think it was absolutely that lack of safeguards and lack of any consequence when the payments went out the door. What I think is particularly troubling going forward is, yes, we have to address the existing improper payments within government programs already, but we are seeing from this Administration proposals to make Americans dependent on the government, not just for things like unemployment insurance and Social Security, but for every part of their life: for childcare, for paid family leave, for pre-K. And so the bigger that the government grows, the more improper payments that are out there, but it is also not helpful for people.

We have heard from Ms. Gilkesson, these programs are not easy to navigate. Who wants to go and fill out a bunch of paperwork and submit medical information to be able to receive paid family leave with what we have seen in some of the states that have that? Washington state, for example, people were waiting weeks, if not months, when they weren't even able to apply until they had a need for leave, and so they didn't find out until months after they needed the money whether or not they were eligible for it. And so expanding government's reach into people's lives is not what empowers them. We need to look toward changing the nature of the programs that are out there and also toward not expanding them any further.

Mr. CONNOLLY. Thank you.

Mr. CLYDE. I would agree with that. Thank you very much, and with that, Mr. Chairman, I yield back.

Mr. CONNOLLY. Thank you, Mr. Clyde. Just for the record, I want to be clear that this hearing is not about any particular administration. It is a hearing in a long series of hearings this committee

has had over the years looking at a chronic problem that has afflicted every administration, namely improper payments, and our hope is that we can arrive at some nonpartisan solutions that get at this. I thank the gentleman.

The gentlelady from Ohio, and forgive me if I overlooked you previously, Ms. Brown. I didn't mean to do that. You are recognized for your five minutes of questioning. Welcome.

Ms. BROWN. No worries. Thank you, Chairman Connolly, for holding this hearing, and thank you to all the witnesses for joining us today.

The Do Not Pay Program within the Bureau of the Fiscal Service at the Treasury Department enables agencies, and even states, to access data bases from across the government to verify payment criteria. Ms. Miller, can you please explain how Federal and state agencies can utilize Do Not Pay to identify and prevent improper payments?

Ms. MILLER. Yes. Well, agencies are encouraged, and actually almost required by the Payment Integrity Information Act, to use Do Not Pay to the extent that they can prior to making a payment. GAO has reported numerous over the years on agencies' limited ability to use Do Not Pay and the limitations within Do Not Pay. It is my opinion that Do Not Pay is broken and it needs significant enhancing, and if a centralized anti-fraud office were created, I think it would be really important to assign responsibility for improving that dramatically.

The Pandemic Response Accountability Committee, the PRAC, where I was a deputy executive director, created a center of excellence called the Pandemic Accountability Center of Excellence. And in just a short period of time, less than a year, the PACE, as it is known, has been able to pull in numerous data sources from the private sector and across government, including a lot of hotline data that has been really valuable to them in their oversight efforts. I believe that Do Not Pay really needs significant overhaul. The data bases in it need to be expanded, and agencies need to have more ability to access those datasets in order to be able to identify fraud because, right now, that system is not working anywhere nearly as well as it was intended to work.

Ms. BROWN. Do Not Pay has identified or prevented \$780 million in improper payments in its lifetime, and that is a lot of improper payments avoided. Yet only 40 percent of states, and not many more than 20 Federal agencies out of hundreds that exists, currently use the program. My question to this panel is why. Why are many states and so many Federal agencies choosing to forgo Do Not Pay?

Ms. MILLER. Well, I will just say that I think it is because a lot of them don't even know how to access it, and because, right now, there are only limited numbers of datasets that they could use to access them. But I think also, as Mr. Jensen has mentioned, a lot of times at the state level, the data systems that states use, and Mr. Jensen can probably speak better to this, can have challenges accessing some of these data sources that the Federal Government offers. There needs to be a lot better Federal and state data sharing and accessing each other's systems, and I think that would improve the use of Do Not Pay.

Mr. JENSEN. And data infrastructure as well. During the pandemic, there are other systems like that to check on wages that were earned in other states and unemployment insurance. That immediately crashed, and if you had a claim that was in two states, you were not going to get paid for months and months until that system came back up. So, to me, that is a function of not being on the cloud, not using contemporary technology.

Ms. GILKESSON. One thing that I would also mention is that the states have a focus on fraud in terms of individual people, but like Ms. Miller has talked about today, she has mentioned identity stealing, cyberattacks. The technology that states have right now are not meant to catch people who are doing cyberattacks or who are stealing identities. It is meant to catch individual people. And oftentimes, the technology that is in place is catching people who are actually innocent.

So there are a lot of people who are being accused of fraud who have benefits taken away from them who actually were eligible and didn't do anything wrong. But the systems that are set up are catching those individual people versus focusing on international rings that have been mentioned today. And I think that is important to have on the record because what we have that exists are solely based on, like I talked about in my oral testimony, stereotypes and things of that nature that are trying to catch people committing fraud that are not committing fraud, right?

And so the increase in improper payments is based on not necessarily individual people who are all deserving, but based on, like Ms. Miller talked about, identity stealing, cyberattacks, the dark web. And right now, I can tell you that state systems are not equipped whatsoever to take on those threats and attacks.

Ms. BROWN. Thank you so much. My final question is for Ms. Miller. What can Congress do to encourage or require agency and state participation in Do Not Pay?

Ms. MILLER. Well, I am not sure that this is necessarily a Congress solution. I think that Treasury needs to improve the access to data that exists right now in Do Not Pay. I think OMB really needs to prioritize putting datasets into Do Not Pay, and Congress has already told agencies to use Do Not Pay prior to making payments. GAO has found that Do Not Pay actually matches payments after they are already made, so it is not even actually a prepayment system. So I am not sure, besides Congress dedicating funding and leadership to overhauling and fixing Do Not Pay, I am not sure how much more Congress can do.

Mr. CONNOLLY. Thank you. I thank my friend from Ohio.

The gentleman from Kansas, Mr. LaTurner, is recognized for his five minutes.

[No response.]

Mr. CONNOLLY. Mr. LaTurner is not here?

Voice.

[Inaudible.]

Mr. CONNOLLY. OK. All right. The gentleman from Massachusetts, Mr. Lynch, is recognized for his five minutes, a longtime proponent of addressing this subject, improper payments. Mr. Lynch.

Mr. LYNCH. You are too kind, Mr. Chairman. Thank you very much, and I want to compliment you as well for pulling together such great witnesses who have been very helpful.

I do want to remind my colleagues on the other side of the aisle that they seem to have forgotten the CARES Act, \$2 trillion was actually signed into law and deployed by the Trump administration, so I appreciate the bipartisan tone that the chairman has set. There should be room for facts as well.

After the CARES Act was passed, we got a report, I believe it was from GAO that 75 percent of the fraud committed in connection with that funding occurred on financial technology platforms and APIs. So I would like to know from Ms. Miller, are we focusing on that fact and targeting where most of this fraud occurred? Is there any hope that perhaps two-factor authentication might be required by recipients in order to more deeply secure the funding flow of people who are deserving of those benefits?

Ms. MILLER. Yes, I believe that multi-factor authentication is one of many tools that agencies need to employ to ensure that applicants are who they say they are. There has been some NIST guidance. I think there has been some White House executive orders recently that have required agencies to use multi-factor authentication as well as things like Zero Trust architecture. So there are a variety of cybersecurity initiatives underway.

What I believe is there needs to be coordination between an anti-fraud entity that hopefully will exist at some point if some legislation is introduced that creates that office. That office needs to coordinate with the Cybersecurity Group, with CISA, and with NIST to make sure that there are anti-fraud controls that are required to be put in place, like the private sector currently has, things like device fingerprinting, things like IP address checking, to make sure that somebody who is using a phone, or a computer is who they say they are. You can even use more advanced tools like behavioral biometrics. And so it is really important, I think, for this coordination to happen between the cybersecurity offices and the anti-fraud effort in order to make sure that these technologies are put in place and being able to be used to their greatest effect.

Mr. LYNCH. Well, I appreciate that. Ms. Miller, I would just note that we have been at this, at least Mr. Connolly and I, for about 14 years. So, you know, my own observation is that the government has not been known for its speed in this area. You know, multi-factor authentication is something that we can adopt very simply. It is at the front end of this process. So while certainly the need for an anti-fraud agency won't go away, I think we can stop at the front end a lot of this happening. If 75 percent of the fraud occurred on these, you know, Fintech applications and Fintech platforms that should tell us something, right? The balance of it occurred, you know, through manual processes.

You know, the SBA was trying to push out the money as quickly as possible. It was emergency funding and it needed to get out, so, you know, we own part of that because of the haste at which we acted and the President acted. But, Ms. Greszler, do you have any different perspective on, you know, multi-factor authentication that might prevent some of this stuff at the front end?

Ms. GRESZLER. I think just allowing the agencies and the programs to determine what steps are necessary in their unique program. Sometimes it is as simple as verifying an ID and an income that might be already on a W-2 form. Other cases it is verifying is this child, you know, the legal guardian of this person. Are they living in the household? It gets more and more complicated along the way across these various programs. And so ensuring that the agencies can have the flexibility to choose which metrics are right for them, but that at the end of the day they are held accountable to meet certain criteria to protect the integrity of those programs.

Mr. LYNCH. Thank you. And, Ms. Gilkesson, do you have any thoughts on this as well?

Ms. GILKESSON. Thank you so much. Yes, I do. I think it is really important for us to begin to simplify access for people by streamlining eligibility. I think it is a really great point that you mentioned that 75 percent, just like I have mentioned before, of the fraud that was taking place was indeed technology systems. So I think it is important, as we simplify access for actual people and open the door for them to be able to have easier access, be able to submit their verifications more easily, that we can get access to folks better, and then be able to prevent those cybersecurity systems from causing fraud.

Mr. LYNCH. Thank you so much, Mr. Chairman. I yield back. Thank you.

Mr. CONNOLLY. I thank the gentleman and look forward to working with him on the legislation I mentioned a little bit earlier. You know, this is ground he has plowed before, and I know we all share the same goal of ultimately, in theory, trying to get improper payments down to zero. So we will work together in that. I thank him.

The chair recognizes himself for his five minutes.

Mr. JENSEN, if you would put your state hat on for a minute. Does the Federal Government run Rhode Island's unemployment insurance system?

Mr. JENSEN. No.

Mr. CONNOLLY. Who runs it?

Mr. JENSEN. The state runs it.

Mr. CONNOLLY. Would that be true in, say, Georgia, too?

Mr. JENSEN. That would be true in every state.

Mr. CONNOLLY. Every state. So we have 50 different unemployment insurance systems. Is that correct?

Mr. JENSEN. That is right.

Mr. CONNOLLY. And how would you characterize the data base management, the IT systems, of those 50 states? Would you say they are in great shape and pretty efficient in catching errors?

Mr. JENSEN. They are old, many of them, and they are modernizing right now. And the virtue of some of the old ones is the people running those programs know how to use them, but there needs to be improvement in the tech.

Mr. CONNOLLY. I think you would concede, let's say you got a system based on COBOL. The population that knows COBOL is dwindling.

Mr. JENSEN. That is correct.

Mr. CONNOLLY. Yes, and I can tell you that, to Ms. Gilkesson's point, as someone doing constituent work, when we had the begin-

ning of the pandemic when there were tens of millions of people filing for unemployment, even though it is a state responsibility, not a Federal responsibility, I was inundated. And all of the cases were people who qualify but weren't getting their benefits, to your point, Ms. Gilkesson. So, I mean, we can't lose sight while we are also trying to make sure every penny is accounted for, but there were lots of people desperate for that assistance. And because of the IT systems that could not handle the programming changes we made at the Federal level, and then the volume of demand, it just overwhelmed the system, and it was really quite problematic. I don't know if that reflected your experience.

Mr. JENSEN. Absolutely. That is why I referred to our experience in Rhode Island as the hardest C-minus I have ever earned.

Mr. CONNOLLY. Yes, thank you. I can tell you that was true in Virginia, too. Ms. Miller, talking about fraud, a few years ago, the U.S. attorney in Boston decided to make Medicare fraud a priority for her office. And in that one year, they identified and mostly recovered about \$3 billion in Medicare fraud. Now, that is 1 of 99 U.S. attorneys across the country. Do you believe that U.S. attorneys are taking this kind of fraud, whether it be Medicare, or Medicaid, or anything else for that matter, seriously? I mean, is it a high enough priority, because when I saw that, I thought, well, that is pretty low-hanging fruit apparently, and could that be replicated in other offices. And are we missing an opportunity here to, in fact, both make a statement in terms of criminal prosecution to disincentivize people from cheating or frauding, but also recovering taxpayer dollars?

Ms. MILLER. I mean, I definitely think that there is no question that if you persevere and that is your focus, you are going to have results, and that is the main reason why we see such disparate results across agencies as well as, you know, U.S. attorneys or law enforcement agencies, U.S. attorneys' offices, from my experience at the PRAC, working with other law enforcement agencies to refer cases, you know, they are also, like many other agencies, very overwhelmed with cases. And so what they want is a really winnable case to get onto their desk.

If we can develop really, really winnable cases to turn over to the U.S. attorney's office and the U.S. attorney makes that their priority, yes, I think we could see significant increases in prosecution. But, again, I do believe prevention is a better area for us to focus on.

Mr. CONNOLLY. I agree with you, but I am harkening back to something you also said. If we don't make this a priority for people, it won't be a priority. And it seems to me, you know, protecting taxpayer investments so that the people who need it are getting it as opposed to it being diverted by fraudulent characters or even just mistakes, is in the public interest.

Ms. MILLER. For sure, and I don't think it needs to be even, right? Like, I think there is this balance, and we are seeing agencies, the scale is toward get money out the door, and payment integrity, program integrity is very, very little. I don't think we are going to get it to 50/50, but we really need to move the needle. And again as Ms. Greszler was saying earlier, we don't see anyone sitting up here today, you know, having to be held to account for why

their improper payments rates are continuing to rise. They are not addressing the root causes of these problems. They are just reporting higher and higher rates, and there needs to be more accountability, I agree. And there needs to be a focus on incentives and performance metrics that prioritize integrity to the degree that they also prioritize mission delivery.

Mr. CONNOLLY. And real briefly, if I could indulge just one more question for you. I mentioned that we have passed, you know, four bills in this time period that Mr. Lynch and others—

I just see Ms. Porter coming. OK. I am going to recognize you in a second, Katie.

OMB, pursuant to those laws, requires agencies to have a corrective action plan. Given your experience when you were at GAO, how well are those working, because we don't seem to see the numbers coming down, and have we just succeeded in sort of getting more accurate data about how bad it is as opposed to actually getting that number down, because that would seem to be what the charts, both Ms. Greszler's and my own, would seem to suggest.

Ms. MILLER. Yes, I would say that we have gotten better at admiring the problem, but we have made almost no progress in actually fixing the problem.

Mr. CONNOLLY. Thank you. My time has expired.

Ms. Porter, you are recognized for your five minutes of questioning. Welcome.

Ms. PORTER. Thank you very much, and thank you, Mr. Chair and to our staff on the committee for pulling together this hearing. I really appreciate it.

Policymakers and our minority witness often talked about the tradeoffs between fighting fraud and expanding access to programs. They say we can do one or the other but not both, but when done right, governments can design programs to prevent improper payments and fulfill customer needs. Adrian, our witness from The Workers Lab, stated that government and the people it serves can both win.

In December, President Biden issued an executive order with the title, "Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government." The executive order directed Cabinet secretaries and 17 agencies to implement reforms to make government service easier to use and more transparent. These reforms have the potential to improve the Federal customer experience and reduce improper payments. This executive order is a great step forward that we should be building on. In the past, the government has been way too slow to adapt new technologies, to streamline government operations, make it easier to administer programs, and prevent fraud.

Mr. Jensen, your organization is focused on helping the government use data and technology to improve programs. Mr. Jensen, can you provide an example of how technology can help the government reduce fraud while also providing benefits to those who qualify?

Mr. JENSEN. Sure. Thanks for the question. You know, I would like to congratulate Adrian on the solution they came up with because that is exactly the kind of thing that needs to be done. For example, you know, I mentioned this earlier, but to verify to verify

income for the PUA program, we were able to configure a way on the cloud where both the labor department and the tax department could say with a straight face that PII was not being shared between the two, so that both departments could be safe just in terms of not having any data breaches in that context. It worked great. So what we need to do is prioritize the kind of performance metrics that do require both a fraud detection and service delivery, and it can be done.

Ms. PORTER. Ms. Miller, what private sector practices can government adopt or borrow to improve service delivery and program integrity?

Ms. MILLER. The private sector focuses on something called friction when they apply technology to consider their customer user experience. The goal is to reduce friction to the lowest level possible because you will lose a customer, right? If you make it too difficult to get onto your app on your phone, or to transfer a payment, or to access any kind of service or benefit in a private sector company, they run the risk of losing that customer. So that friction piece is incredibly important.

The government can learn from the private sector in the tools that they have employed that reduce friction, and today, we can use real-time data checks. There are data providers out there that have an enormous amount of data on every American citizen, data that can be checked within milliseconds of when you apply for something. So as soon as you log into an application, onto a website, it can tell you really quickly whether or not that is me or not. And these kinds of tools, they are used every single day in private sector companies across the country and the globe.

And these are the kinds of things we need to start to push government agencies to do so that they are not making it harder for citizens to access benefits, but at the same time, they are reducing the likelihood that they are actually a fraud actor and not a legitimate beneficiary.

Ms. PORTER. I completely agree, Ms. Miller. And, you know, the Federal Government has to store and process massive amounts of information, massive amounts of data created by applicants for Federal programs, but automation, data sharing, the techniques that you mentioned, including reducing friction, can help government agencies handle this challenge. There are just so many examples in this hearing of how government can use modern technology to both reduce fraud and improve customer experience for taxpayers.

Ms. Gilkesson, can you give an example or talk about from, your perspective, is this possible? Can we reduce improper payments without making government services more difficult to access?

Ms. GILKESSON. Absolutely. I definitely believe we can reduce—could you repeat the question one more time? I apologize.

Mr. CONNOLLY. I think the question was, can't we reduce the probability of fraud or improper diversion of payments without making it harder for people who need the benefits to apply and get them?

Ms. GILKESSON. Absolutely. I think it goes back to the point that I made earlier of us shifting our focus on individual people who are innocent, and shifting our focus toward, like Ms. Miller talked

about, the computer systems. And I love that you made the point about reducing friction—I am going to take that word, that phrase that you said—the ability to reduce friction and make it easier for folks to access benefits.

In an OMB report, it reports that administrative burden and difficult applications often block those who need benefits the most from receiving them and exacerbates racial inequity. So making the application process, making it harder to access benefits, that is the issue that we are experiencing right now as to why improper payments are higher because it increases the error rate. So reducing friction, like Ms. Miller mentioned, I think will be great in helping to make sure that we reduce fraud and also increase access.

Mr. CONNOLLY. Thank you, and I thank the gentlelady.

Mr. LaTurner, you are back. You are recognized—

Mr. LATURNER. I am back, Mr. Chairman.

Mr. CONNOLLY. You are back, so you are recognized for your five minutes of questioning. Welcome.

Mr. LATURNER. Thank you. Good morning, and thank you for having this hearing, Mr. Chairman. I really do appreciate it.

My first questions are for Ms. Greszler. Ms. Greszler, the pandemic relief funds were disproportionately susceptible to fraud and abuse, which many of my Republican colleagues predicted prior to their passage. However, fraud and overpayments have been a consistent problem in other Federal programs for years. In your testimony, you use the Earned Income Tax Credit as one example, pointing out that, on average, about a quarter of EITC dollars were claimed incorrectly over the past decade. You talked about possible actions the administration could take, but what legislative actions have been taken in the past or could be taken now to mitigate these issues?

Ms. GRESZLER. Yes. So specifically dealing with the Earned Income Tax Credit, it is verifying the income that was made, and it also depends on whether or not you are married and the number of children who are in the home, and so that that is where it gets difficult. And this is not an easy thing to design a government program and to get the benefits to the people you need when those needs get more specific in terms of what you want because it gets to the eligibility side. And so ID checks are pretty simple. That is something that across the board we should absolutely be doing. But then you have the eligibility standards unless we get to a point where people are going to be comfortable with the government having direct access to their bank account, having access to their medical records, perhaps even having a video into their home to see if this child who you say is living with you actually living there. You know, those are the types of things there has to be a check that that child exists, they are living there, and then also the income that is coming in, and not all the time is that income going to be on a W-2 Statement, you know.

As Adrian mentioned, we have more than a third of the work force now that are working independently in these flexible type jobs. Some of the time, that will show up easily on an app if you are driving for Uber where all the money is in one place, but if you are doing things on the side through your own business and maybe it was a cash payment, it is a lot more difficult to track. And hav-

ing to gather all of that information and to submit it is difficult, and that is where we hear it. People don't get the benefits that they may be entitled to because it is a cumbersome process, and oftentimes it is the people who need them most who find it the most difficult to do that, and it is the criminals who understand the system who can get access to the benefits easiest.

Mr. LATURNER. Yes. No, I understand what you are saying, and it certainly is not without a lot of difficulty.

At the beginning of this month, as I know you are aware, the White House released a statement which claimed the Biden administration had begun to take actions to combat fraud in the pandemic relief programs. Beyond implementing new retroactive reporting requirements and payment audits, how can we leverage existing Federal information security infrastructure to make more accurate eligibility determinations?

Ms. GRESZLER. I think it is important that the administration tasks these agencies and the programs that they are running with clear standards and what is their expectation. If your improper payment rate is 22 percent this year, it should be expected to get down to 10 percent over X time period, and what will be the consequences if it doesn't in terms of your funding levels. There need to be actual teeth put on these so that people will be held accountable. Otherwise, you are just not going to get to the outcomes.

Mr. LATURNER. I appreciate that and thank you for your time. Ms. Miller, I would like to speak to you on your experience as a former assistant director in the Forensic Audits and Investigative Services Division of the Government Accountability Office. When making eligibility determinations for Federal programs, agencies often need access to sensitive data—we were just talking about this—such as income, Social Security numbers, tax information. In your opinion, is our current cybersecurity infrastructure prepared to accommodate increased data sharing across Federal agencies?

Ms. MILLER. I don't think that data sharing is a cybersecurity issue. I think getting access to data and being able to create the secure portals to use that data, the ability to mask personally identifiable information, none of this is beyond the capabilities of Federal agencies. They are all able to do this. The key is to require them to do it, and the challenge that they have is these data sharing agreements, they take a very long time to access.

I mean I was speaking with my former chief data officer at the PRAC, and he said anytime I ask for a dataset, the first answer is always "no." They start with "no," and then we try to get to "yes." I mean, that is what so challenging. We are not setting up a system for data sharing in the government that encourages it. There is a deep discouragement of sharing data, and you have to have enormous amounts of will to overcome the political, the legislative, and the technological and bureaucratic barriers in order to be able to do it, and we have to remove those barriers. So what can Congress do? Help remove those barriers.

Mr. LATURNER. I understand what you are saying, and my time is running out, but really quickly. I don't want to mischaracterize what you were saying, but we have the ability to do it and we should do more of it, but you don't have concerns about the security of that data once we have it or once we have more of it.

Ms. MILLER. I don't want to get technical here, but we can hash data. Many agencies hash data now. IRS hashes data. So there are tools that Federal agencies can use to mask personally identifiable information to encrypt it so it can be only used—you can use public encryption keys. Agencies have the technology right now. It is not that they don't have that technology. It is that they aren't using it.

Mr. LATURNER. Thank you. Thank you, Mr. Chairman. I yield back.

Mr. CONNOLLY. I thank you Mr. Turner, and to your point, Ms. Miller, I remember when the OPM—the Office of Personnel Management—breach occurred two administrations ago. They had not yet installed the Einstein 2 encryption that could have helped prevent the breach or mitigated the breach. And as a result, of course, the data of 24 million fellow citizens was compromised.

Ms. MILLER. I do want to note that data breaches are going to happen. They are just a fact of life. We aren't going to be able to say—the solution is not let's not share personally identifiable information because we don't want to be compromised.

Mr. CONNOLLY. Right.

Ms. MILLER. It is going to get compromised, and every single U.S. citizen's data has already been compromised and for sale right now on the dark web. The important thing here today, I think, is to understand that they are already using this data. They have the data. They are using the data against us, and we are limiting our ability to fight them by protecting privacy to the degree that we are protecting it right now at the expense of being able to use technology to fight fraud.

Mr. CONNOLLY. Thank you. Anything for the record, Mr. Hice?

Mr. HICE. No, I am good.

Mr. CONNOLLY. Seeing and hearing none, without objection, all members will have five days in which to submit through the chair additional questions for our witnesses. And I would ask should such questions be presented to you, if you could try to answer them in an expeditious fashion for the record that would be great.

Mr. CONNOLLY. If there is nothing else to come before us, we are adjourned. I thank our witnesses.

[Whereupon, at 11:42 a.m., the subcommittee was adjourned.]

