

Listening Helps

Each year, business owners and employers pay trillions of dollars (\$2.28 trillion in 2016 to be exact) to the federal government in the form of taxes for income, unemployment insurance, Social Security, and Medicare.³⁴⁴ To process those tax filings in a timely manner, the IRS is only able to examine a tiny fraction each year, a staggering 0.2% in 2016.³⁴⁵ Since it closely examines so few filings, it is imperative that the IRS have in place functional processes that can help detect potential fraud and ensure questionable filings are reviewed. Unfortunately, it seems the IRS does not always do that.



Earlier in 2017, the GAO highlighted that while the IRS has a program called the National Research Program (NRP) to study tax filings to find new ways to detect compliance issues, it does not actually listen to the advice of the program.³⁴⁶ For the first time in 30 years, the NRP analyzed business tax filings to find areas of non-compliance and found major issues in areas including employee classification and taxable wages and benefits.³⁴⁷ However, according to the GAO, the IRS “has not developed formal plans to analyze the results” or use them to adjust current processes and procedures.³⁴⁸

It is estimated that in 2016 there was a \$458 billion difference between taxes that were actually owed and were actually paid,³⁴⁹ which severely impacts our budget and our ability to pay down the national debt.

You Are Not Authorized to Do That

In the complex world in which your federal government operates, departments, agencies, and even programs are supposed to be funded and operate because Congress has both authorized and actually funded their operations. From the Department of State to grants that support Tribally operated colleges and universities, agencies and programs should only receive funds if Congress has first passed a law that says they are authorized to operate and receive funding.

This is a wonky problem that has real-world implications for American taxpayers. For example, in late 2002, Congress enacted the Foreign Relations Authorization Act, which authorized operations of the Department of State for FY03.³⁵⁰ This law was Congress’s way of setting into statute the policies and priorities for the Department of State until the end of FY03.³⁵¹ Congress would not pass another authorization bill for the Department of State until December 2016,³⁵² which means for 13 years Congress was funding the department (a total of \$313 billion)³⁵³ but was failing to fully use its authority to set priorities for foreign policy. And this problem is not limited to just one department. According to the CBO, in FY17 Congress appropriated \$648 billion to programs with authorizations that were expired or would expire at the end of FY17.³⁵⁴

While this may not seem like a major issue, Congress is spending more than half-a-trillion of your tax dollars programs, for which it has not taken time to enact legislation to update priorities, rules, or expectations. While Congress may hold an oversight hearing or a Senator may send a letter to an agency head, only laws can require agencies and departments to make improvements or changes to their activities. Just as small business owners should review and possibly update their expectations and duties of employees from time to time, Congress should enact legislation to update the expectations and priorities for all agencies, departments, and programs that continue to receive appropriations.



Must Be Present to Win

In 2016, 50 million Americans collected Social Security retirement checks.⁴⁰⁴ An additional 10 million were received what is usually known as a disability check.⁴⁰⁵ Both programs brought in \$957.5 billion and spent \$922.3 billion, an apparent surplus of \$35.2 billion.⁴⁰⁶ While that sounds like the Social Security Trust Fund is earning money, it actually is not because when you remove interest earned on the trust fund assets, the fund actually lost \$53 billion last year.⁴⁰⁷ This trend, which is projected to continue into the future, is one of many reasons why we need to reform our nation's Social Security system.

Federal Fumbles has identified multiple issues within the SSA. In 2015, SSA's \$5.7 billion fumble of a duplicative benefit program and SSA's failure to maintain an accurate death record file were both highlighted.⁴⁰⁸ These highlights have shown that there is a great deal of work for SSA and Congress to do to ensure that the program operates in an efficient way, which also ensures the US keeps its promise to retirees. Several of the entries that follow throughout the book discuss just a few more problems with SSA.

For instance, SSA provides Supplemental Security Income (SSI) for low-income senior adults and disabled individuals.⁴⁰⁹ For senior adults, these funds are on top of retirement benefits paid out to retirees by SSA.⁴¹⁰ By law, there are multiple requirements to obtain SSI, one of which is that the individual must live and be present inside the US to receive benefits.⁴¹¹ However, it seems SSA treats that more as a suggestion than a requirement.

A recent IG investigation found that SSA provided SSI benefits to 1,196 people who received their benefits in banks outside the US. Over the course of three and a half years, SSA paid more than \$1 million in benefits to the same foreign bank for 246 recipients who resided outside the US. From May 2014 to April 2015, these beneficiaries received \$379,295, and according to the IG, SSA "will continue issuing improper payments without corrective action."

The IG found that the policies SSA has in place to ensure SSI benefits are not paid to recipients of other SSA programs who are known to be outside the US "were not always effective."⁴¹² Since it is reasonable to expect that SSA beneficiaries may travel abroad, SSA should have in place firm controls to track when a beneficiary is abroad and ineligible for SSI. Certainly setting up direct deposit at a foreign bank is a decent clue. Congress should require SSA to implement stronger controls to prevent improper payments to ineligible beneficiaries and require those who have received these payments to repay them to Treasury.

I've Got a Ticket to Work



In 1999, Congress enacted the Ticket to Work and Work Incentives Improvement Act, which required SSA to provide disability beneficiaries with a "ticket" that could be used to access free assistance from either a state vocational rehabilitation agency or an employment network.⁴¹³ These "ticket holders" can then obtain help or training needed to find a job.⁴¹⁴ While the bill was designed with grand goals, its impact was not so grand.

Even though SSA has realized "significant savings" when a person gained employment after using his or her ticket, the IG found "few beneficiaries used their tickets" and "SSA incurred significant costs to operate the ticket program."⁴¹⁵ In fact, in the first half of this decade, SSA never had more than 3.15% of eligible recipients per year either requesting a ticket or using a ticket.⁴¹⁶ Since 2000, SSA has spent more than \$234.5 million to operate the program.⁴¹⁷

The IG cites an investigation that "failed to provide strong evidence of the [program's] impact on employment and concluded that many successful program participants might have been equally successful without SSA-financed services."⁴¹⁸ Congress should work with SSA to evaluate the continued viability of the program and determine whether it should be eliminated. Obviously, SSA should support able-bodied individuals seeking employment. However, the benefits of SSA's efforts should outweigh the costs of the program.

Where's My Money?

In 2012, SSA began allowing recipients to use a website to set and change the bank accounts into which their monthly checks are deposited,⁴¹⁹ which enables recipients to decide how to receive their Social Security checks without traveling to an SSA office or filling out paperwork that may take time to process. At the same time, these bank changes open the door to cybersecurity issues and identity theft.

In August 2017, the SSA IG released a report showing that from 2014 to 2016, almost \$11 million in Social Security benefits were stolen from 7,200 beneficiaries by someone altering their direct deposit information on the SSA website.⁴²⁰ While SSA has been able to recover about \$4.7 million of those funds, the IG pointed out that banks will only return the funds if they are still in the same bank account, which means to recover the funds, SSA must move very quickly.⁴²¹



As most Americans who use technology or watch the news know, the risk of computer hacking or online identity theft is always present. Account users have a responsibility to ensure that their log-in information is secure, but agencies like SSA have a responsibility to ensure that bad actors cannot easily access beneficiaries' personal information or monthly income. SSA should work with Congress and cyber experts to develop tools to ensure only beneficiaries are able to receive their monthly checks and work to recapture any lost funds.

Spending Someone Else's Money

Most small business owners can tell you how much money they spend each month, on what they are spending it, and to whom they are giving it. These business owners know they have to work hard to earn the money and want to ensure they spend it wisely. This is not always true in government.

The Department of Education gives billions in grants each year through 80 different grant programs to more than 7,000 grantees.⁴²² While the obvious goal of this funding is to contribute to a well educated society, the department does not effectively track how all of the funds are used.⁴²³ A recent audit of 75 random grants given by the department found that all but two "were incomplete in terms of certain key documents" such as performance reports or post-award conference records.⁴²⁴ There are even some areas of the department that give grants without having any written rules regarding the review of grant files.⁴²⁵

While the department has a \$700,000 program to monitor awarded grants, it is used "rarely."⁴²⁶ The fumble here is not necessarily the funding spent but that the department requires grantees to fill out applications and provide information that it apparently does not need, review, or care about when absent. The department should always prioritize the efficient use of American tax dollars, but it should not overburden partner businesses and groups. The department should reevaluate the information requirements for grantees to ensure it requests the information necessary and then actually requires grantees to provide the information.