



# WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 February 19, 2013

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## GAO Announces High-Risk Programs in the Federal Government

The U.S. Government Accountability Office has released its 2013 report on the federal programs and agencies that are most susceptible to waste, fraud and abuse. Every two years, GAO provides Congress with an update of its “high-risk list.” The 2011 report detailed 30 high-risk programs. Two programs improved enough between 2011 and 2013 to be removed from the list: (1) management of interagency contracting and (2) Internal Revenue Service business systems modernization. However, two new programs were added to the 2013 list: (1) limiting the federal government’s fiscal exposure by better managing climate change risks and (2) mitigating gaps in weather satellite data.

In 2011 the report noted that there are billions of dollars in estimated Medicare and Medicaid improper payments. This did not change much for the 2013, with GAO reporting that “Medicaid remains high-risk due to concerns about the adequacy of fiscal oversight of this large, diverse, and growing program.”

GAO identified the following areas where program oversight has been insufficient:

- Improper payments to Medicaid providers serving program beneficiaries.
- Financing methods that are inappropriate, and large supplemental payments that are not always transparent.
- Managed care rate setting and the quality of data used to set such rates

has not been consistently reviewed by the Centers for Medicare and Medicaid Services (CMS).

Although steps have been taken since the 2011 report to improve the fiscal integrity of the Medicaid program, GAO suggests that more federal oversight of the Medicaid’s fiscal and program integrity is needed. The report recommends that CMS should continue efforts to improve data reliability and timeliness, and it says that “States also have key roles in reducing improper payments to providers in developing, implementing, and evaluating the effectiveness of corrective plans to reduce improper payments.”

GAO’s full 2013 “High-Risk Series: An Update” can be found at [www.gao.gov/products/GAO-13-283](http://www.gao.gov/products/GAO-13-283).

## Tax Policy Working Groups Take Shape in House

House Ways and Means Chairman Dave Camp (R-MI) announced last week that his committee has created bipartisan working groups that will help prepare a report on options for overhauling the tax system by April 15. Each working group will be led by one Republican and one Democrat, who will be tasked with reviewing the current laws in a designated issue area and then conducting research and compiling feedback. The 11 working groups topics are:

- Charitable and exempt organizations.
- Debt, equity and capital.

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- Income and tax distributions.
- Multinational businesses.
- Manufacturing.
- Pensions and retirement.
- Real estate.
- Small and “pass-through” businesses.

In his statement announcing the groups, Chairman Camp stated:

“Regardless of party or politics, everyone can agree that comprehensive tax reform should result in a simpler, fairer tax code... These working groups will be one more way for the committee to gather the necessary information to produce the best possible legislation.”

The Debt, Equity and Capital Workgroup will be led by Kenny Marchant (R-TX) and Jim McDermott (D-WA), while the Pensions and Retirement Workgroup will be led by Pat Tiberi (R-OH) and Ron Kind (D-WI).

### Online Sales Tax Bill is Jumpstarted

Sen. Dick Durbin (D-IL) has re-introduced a bill that will allow states to collect sales tax from online retailers. The Marketplace Fairness Act of 2013 is experiencing a surge of bipartisan support after some legislative fixes were added to previous versions of the bill. The new legislation:

- Will exempt the online tax collection for small online retailers to \$1 million in annual sales, up from \$500,000.

- Would require states to provide tax software to retailers, if they request it, to make compliance easier.

Bill co-sponsor Sen. Mike Enzi (R-WY) stated:

“For over a decade, congressional inaction has created one of the largest tax loopholes of our lifetime... It’s time to stop discriminating through the tax code and put local and Main Street retailers on a level playing field with their out-of-state and online counterparts.”

Sen. Lamar Alexander (R-TN) took it one step further:

This is an 11-page bill about a two-word issue: states’ rights. States have a right to decide what taxes to impose and whether they’re going to collect those taxes from some or all of the people who owe them, and whether they’re going to subsidize some businesses at the expense of others.”

Reps. Steve Womack (R-AK), Jackie Speier (D-CA), John Conyers (D-MI) and Peter Welch (D-VT) will introduce companion legislation in the House.

The National Governors Association reported last year that states could collect more than \$23 billion in foregone sales taxes if they were allowed to tax online sales.

### Webinar Examines Eligibility Fraud

GOVERNING magazine held a webinar last Thursday entitled “Are You Ready to Reduce Government Fraud?”

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To see past  
issues of the  
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[www.nasact.org](http://www.nasact.org)

The webinar focused on a key audit and financial issue: verifying eligibility for social services payments. The webinar looked at:

- Providing improved real-time information to social service employees.
- Identifying and resolving discrepancies in application information.
- Monitoring profiles in real time for changes that might influence eligibility.
- Implementing next-generation approaches to verification.

Secretary Gary Alexander of the Department of Public Welfare for the commonwealth of Pennsylvania highlighted some of the interesting efforts that are underway in his office to combat improper payments. He also pointed out some of the more pervasive challenges that his state faces:

- Massive growth in waste, fraud and abuse (escalating costs and increasing risks).
- “Pay and chase” analytical approaches are not effective (inefficient in identifying fraud).
- Difficult to recover inappropriate funds once claims have been paid (highly resource intensive).

The webinar can be viewed at [www.governing.com/events/webinars/Beyond-Traditional-Eligibility-Verification.html](http://www.governing.com/events/webinars/Beyond-Traditional-Eligibility-Verification.html).