



National Association of State Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

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New Report Calls for Federal Intervention in State Pension Funding

The Rockefeller Institute, in cooperation with the State Budget Crisis Task Force, released a new report on the underfunding of public sector defined benefit plans. The report, entitled “Strengthening the Security of Public Sector Defined Benefit Plans,” calls for federal intervention into the activities of state governments and how they handle their pension funding. Specifically, the report says:

“There is a... federal role in encouraging or establishing rules to help address the problems caused by failed state and local pension systems and preventing future failures... The federal government should explore options for regulatory action by the Municipal Securities Rulemaking Board, the Securities and Exchange Commission, and Congressional oversight to enhance reporting and transparency... the federal government should consider more intrusive action to monitor and police state and local government retirement systems.”

The Rockefeller Institute calls the document a “Blinken Report,” the first in a series of annual analyses by the Rockefeller Institute of Government of key fiscal issues affecting state and local governments. Citing internal calculations, the report claims:

“State and local government defined benefit pension systems, which pay benefits to more than eight million people and cover more than fourteen million workers, are deeply troubled. They are underfunded by at least \$2 to 3 trillion using standard economic measures.”

The full report can be read at www.rockinst.org/pdf/government_finance/2014-01-Blinken_Report_One.pdf.

CIGIE Asks for Exemption from Computer Matching and Privacy Protection Act

The House Oversight and Government Reform Committee held a hearing last week entitled “Strengthening Agency Oversight: Empowering the Inspectors General Community.” This hearing delved into the requests by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to expand their audit abilities across federal agencies and into the area of improper payments. One of the featured panelists was the Small Business Administration’s inspector general, Peggy Gustafson. From 1999-2007, Ms. Gustafson served as general counsel in the Missouri State Auditor’s Office, where she worked closely with the state auditors on issues of the scope of their duties, the auditors’ need to access records, and other legal issues arising in the course of the audits.

One of the requests from the CIGIE was that the IGs should be exempted from the Computer Matching and Privacy Protection Act relative to using electronic means to identify those who improperly receive federal assistance and/or payments. Ms. Gustafson noted in her testimony that the Computer Matching and Privacy Protection Act requires a protracted review and approval process before computer matching can be performed to identify improper or fraudulent disaster or other assistance payments. She went on to say:

“The timely use of computer matching to identify those who improperly received Federal assistance... improves program efficiency and enables the government to focus resources on eligible applicants. Moreover, timely computer matching can, under optimum conditions, prevent improper payments from occurring in the first instance and, even following payments, usually leads to enhanced recovery of improper payments.”

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Full testimony from all of the IGs and the hearing video can be seen at:

<http://oversight.house.gov/hearing/strengthening-agency-oversight-empowering-inspectors-general-community/>.

Testimony from the panelists can be found at

<http://waysandmeans.house.gov/calendar/eventsingle.aspx?EventID=366388>.

SSDI Fraud Case Explained in Subcommittee Hearing

Last Thursday, the House Ways and Means Social Security Subcommittee held a hearing on the recent discovery of massive benefits fraud in New York. On January 7, 2014, the New York County District Attorney's Office announced the indictment of 106 defendants for their alleged involvement in a criminal conspiracy to defraud taxpayers. The defendants, who include many retirees of the New York Police and Fire Departments, are accused of stealing over \$22 million in benefits from the Social Security Disability Insurance (SSDI) Program.

Subcommittee Chairman Sam Johnson (R-TX) began the hearing by noting that his subcommittee has held 11 hearings on the disability program, with three focused specifically on disability fraud. Witness Patrick O'Carroll, Jr., inspector general at the Social Security Administration, went into the scheme's details in his testimony, outlining some of the ways that the fraud was perpetrated:

“Even after applicants were awarded benefits, they were coached on how to report their conditions and to continue receiving treatment from the same New York doctors, even if they relocated away from the New York City area, to demonstrate that their conditions never improved and they could not be gainfully employed.”

Hearing video can be seen at http://waysandmeans.granicus.com/MediaPlayer.php?view_id=2&clip_id=677.