

**Congress of the United States**  
**Washington, DC 20515**

April 20, 2011

The Honorable Robert F. Hale  
Under Secretary (Comptroller) and Chief Financial Officer  
Office of the Secretary of Defense  
United States Department of Defense  
1100 Defense Pentagon, Room 3E770  
Washington, DC 20301-1100

Dear Under Secretary Hale:

We are writing to express our concerns over the Department's efforts to estimate, identify, recover and eliminate improper payments.

During your time as Under Secretary (Comptroller) and Chief Financial Officer, the Department has taken encouraging steps towards establishing department-wide financial management improvements that allow for timely, reliable, accurate, and useful information for operational and financial decision making. However, there is much more to do in order to overcome pervasive financial management problems that affect the Department's ability to controls costs, anticipate future expenditures, measure performance, and prevent and detect fraud, waste, and abuse. Ultimately, preparing auditable financial statements by 2017 is an important requirement established by Congress.

As you know, the Improper Payments Information Act of 2002 requires estimates of overpayments and other payments made in error. The Department is also required to comply with an Executive Order on improper payments (EO13520). Further, the recently enacted Improper Payments Elimination and Recovery Act will require more stringent and complete estimates of improper payments by the Department, as well as new plans and steps to identify, recoup and avoid improper payments.

For fiscal year 2010, the Department reported roughly \$1 billion in improper payments (the federal-wide total was approximately \$125 billion). However, work by both the Government Accountability Office (GAO) and the Department of Defense (DOD) Office of Inspector General (OIG) shows that Department's improper payment estimates have not been complete or accurate. The GAO in a 2009 report ("*Improper Payments: Progress Made but Challenges Remain in Estimating and Reducing Improper Payments*," GAO, April 22, 2009) determined that \$322 billion in payments were excluded from improper payment review. The OIG this year ("*DOD Needs to Improve the High Dollar Overpayment Review and Reporting*," DOD OIG, March 16, 2011) detailed that the Department's improper payments reviews included less than half of the fiscal year 2010 first quarter gross outlays. Further, the DOD OIG determined that the reporting was incomplete and, at times, inaccurate. In fact, the DOD OIG concluded that unless the

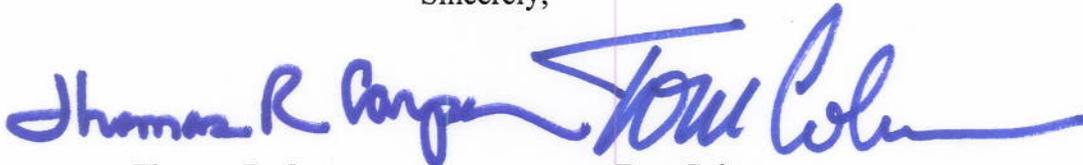
Department improves its methodology, it will continue to understate its reporting of overpayments and errors.

Without a thorough process to review expenditures and identify the full extent of improper payments, the Department will not be able to identify internal controls aimed at reducing improper payments and better protecting the taxpayer. Nor will the Department be able to effectively recover improper payments. In these times of ever tightening budgets, a soaring deficit, and record levels of improper payments across the government, the Department has to do a much better job in identifying and eliminating improper payments. We need to look in every nook and cranny of federal spending -- domestic and defense -- to find ways to cut waste and fraud.

We encourage you to quickly and thoroughly implement both the requirements and intent of the new improper payments law. Further, we ask that you provide us with your plans to improve improper payments reporting, including steps to meet the requirements of the Improper Payments Elimination and Recovery Act.

We appreciate your continued dedication and leadership in improving the Department's financial management systems. We look forward to working with you during the months ahead.

Sincerely,



Thomas R. Carper  
United States Senator

Tom Coburn  
United States Senator



Mark Begich  
United States Senator

Scott Brown  
United States Senator



Susan M. Collins  
United States Senator

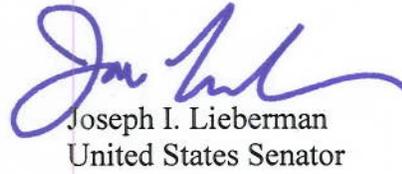
Bob Corker  
United States Senator

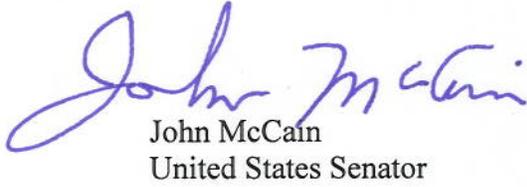


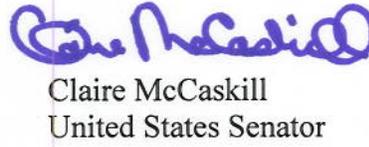
John Cornyn  
United States Senator

John Ensign  
United States Senator

  
Charles E. Grassley  
United States Senator

  
Joseph I. Lieberman  
United States Senator

  
John McCain  
United States Senator

  
Claire McCaskill  
United States Senator

  
Mike Conaway  
United States Representative