I am introducing the "Erroneous Payments Recovery Act of 2001." This bill would require Federal departments and agencies to use a process called recovery auditing to identify and recover overpayments made to government contractors.

Overpayments occur for a variety of reasons, including duplicate payments, pricing errors, missed discounts, and fraud. They are payments that should not have been made or that were made for incorrect amounts. They are a serious problem. They waste tax dollars and detract from the efficiency and effectiveness of Federal operations by diverting resources from their intended uses.

Since most agencies do not identify, estimate, and report their improper payments, the full extent of the Federal government's overpayment problem is unknown. However, the General Accounting Office has reported that each year the Department of Defense alone overpays its contractors by hundreds of millions of dollars.

My bill would require Federal agencies procuring more than $500,000,000 in goods and services each year to carry out recovery auditing programs. Agencies could either conduct recovery audits in-house, or they could use private contractors, whichever is most efficient. Part of the money recovered would be used to pay for the recovery audits and to credit appropriations accounts from which the erroneous payments were made. Amounts recovered would also be used by agencies to improve management practices and would be refunded to the General Treasury.

In the last Congress, the Congressional Budget Office estimated that the "Erroneous Payments Recovery Act" would save taxpayers $100 million per year by giving agencies the tools and the incentive to implement recovery auditing programs to detect mistaken payments. The bill passed the House in March of 2000, but it stalled in the Senate and didn't make it to the President's desk for his signature before Congress adjourned.

Recovery auditing is an established private sector business practice with demonstrated financial returns. It has also been successfully used in a few Federal programs. Also, President Bush has identified reducing payment errors as one of a series of management reforms to be pursued by the Office of Management and Budget.

The "Erroneous Payments Recovery Act of 2001" would expand the Federal government's use of recovery auditing to ensure that the hundreds of millions of dollars overpaid each year, that would otherwise remain undetected, are identified and recovered.

I urge my colleagues to cosponsor this legislation.