

**REPORT** Published June 26, 2025 • 7 minute read

# How Democrats Fight Waste, Fraud, and Abuse



*Annie Shuppy, Senior Fellow, Zach Moller, Director of the Economic Program*

There is an irony at the heart of the so-called Department of Government Efficiency: the party that has actually done the most to improve program integrity and transparency in the federal government is not the Republicans but the Democrats. Over the last 15 years, improper payments and the ability to get that money back (recovery rates) improved under President Obama, worsened under President Trump, and further improved under President Biden. <sup>1</sup>

Is there still waste and fraud in government spending? Yes. Do lawmakers need to increase their focus on rooting out wasteful spending? Absolutely. Unfortunately, the Trump administration has failed to correctly identify the real problems hampering government effectiveness or offer meaningful solutions. Instead, it has repeatedly—and, some believe, deliberately—caused real damage in the name of eliminating waste, fraud and abuse.

It is tempting to reflexively defend government spending in the face of so many cruel and destructive cuts taking place. Democrats will obviously fight for critical programs, but they shouldn't completely dismiss the continued need to combat actual waste, fraud, and abuse where it exists. They can do this by highlighting how DOGE and Trump's actions contribute to government corruption, fighting for proven accountability measures, and working across the aisle on proactive fixes for programs in need of reform.

## **Keep Republicans accountable for governance failures.**

Recent Trump administration actions make the federal government more vulnerable to inefficiencies and fraud. Here are three that policymakers should call out and fight against:

**1. Republicans are protecting tax cheats and weakening the IRS.** The tax gap, an estimate of taxes owed but not paid, was \$606 billion for 2022. <sup>2</sup> After correcting for years of underinvestment in tax compliance initiatives, the Biden administration was making progress on reducing tax evasion. In 2024, the amount of past-due taxes the IRS collected from millionaires alone topped \$1 billion. But Republicans moved to claw back funding and fire IRS agents as soon as they had the power to do so. The IRS has warned that cuts similar to these "prevented the IRS from keeping pace with the increasingly complicated maneuvers that the wealthiest taxpayers use to hide their income and evade paying their share." <sup>3</sup>

**2. Federal contracting under Republicans is ripe for corruption.** Back in 2011, Republicans threatened a government shutdown over the failed solar company Solyndra, which had received a few hundred million dollars in federal loan guarantees. This pales in comparison to the tens of billions of dollars now flowing from federal coffers to companies owned by Elon Musk and other Trump orbiters. <sup>4</sup> Musk and other business leaders with close ties to this administration stand to profit handsomely from the federal government. <sup>5</sup> Democrats are already working to track and provide the public with information on these conflicts of interest, which can emerge when an agency authorizes a contract or when Congress appropriates earmarked funds. They should redouble these efforts and do more to amplify their findings. <sup>6</sup>

**3. DOGE's unprecedented actions have created tremendous risks for taxpayer data privacy and national cybersecurity.** Recent reporting has suggested that DOGE's ultimate goal may be to create a centralized federal database on taxpayers and beneficiaries of federal programs. There are several good reasons that these databases have historically been kept separate; placing all of an individual's personal details in one data basket may invite new vulnerabilities related to data security and privacy. <sup>7</sup> Democrats have introduced two pieces of legislation on taxpayer data protection in this Congress. <sup>8</sup> While these bills are a good start, Democrats need to use them to keep the public's attention on the risks of what the Trump Administration is doing.

# Fight for program integrity in the appropriations process.

In the upcoming appropriations process, Republicans will need votes from Democrats to keep the government funded. Democrats should get something in return. Part of that deal should include investments in what's called "program integrity" efforts—things that reduce waste, fraud, and abuse, as well as making government programs work better. Here are two fights worth having:

**1. Program integrity funding.** One major way good governance is prioritized in the appropriations process is with special funding carveouts called program integrity cap adjustments. These adjustments were exemptions to the legal limit on discretionary spending for certain programs that yielded more in savings from reduced waste, fraud, and abuse than what they cost. But cap adjustments are slated to expire at the end of FY 2025. The level of spending should continue or, better yet, grow without the process carveout.<sup>9</sup> For example, the spending levels for the program integrity cap adjustments as proposed by the Biden administration should be a floor, not a ceiling. That funding was estimated to have a return of investment between \$1.20 and \$3 per dollar invested.<sup>10</sup> And program integrity funding should expand to include all of Social Security, Medicare, and Medicaid as well as bring in defense and veterans' health care.<sup>11</sup>

**2. Inspectors General and the IRS.** Democrats should push to increase funding—or at least mitigate cuts—to agency IG offices and the IRS. Funding for both lags behind the spending growth of the broader federal budget and the tax gap, respectively.<sup>12</sup> The Trump administration went in the other direction, as the IRS has already lost 11% of its workforce since Trump's inauguration.<sup>13</sup> These reductions have particularly hit the IRS units dealing with small businesses, the self-employed, and taxpayer services.<sup>14</sup> Meanwhile, even before the IRS was gutted, the federal revenue lost to the tax gap was projected to grow 11% between now and the end of the decade.<sup>15</sup>

# Continue modernizing government and fighting waste, fraud, and abuse.

If Democrats want to seize the anti-fraud narrative from the Trump administration and connect with voters on this issue, they will need a proactive agenda to root out waste, fraud, and abuse. There are several opportunities to advance broader reforms and modernize the federal government so it can better serve all:

**1. Unemployment insurance.** UI is in desperate need of an update, ideally before any recession strains an already troubled system. One vetted and bipartisan bill is already on the table—the Unemployment Insurance Integrity and Accessibility Act.<sup>16</sup> This legislation from Senators Ron Wyden (D-OR) and Mike Crapo (R-ID) focuses on recovering fraud and overpayments by extending the statute of

limitations for pandemic UI fraud and allows states to keep some of recovered overpayments to fund continued modernization. The bill also expands fraud prevention and detections by cross matching data between various sources and makes states offer employers easier ways to verify claims.

**2. Fraud deterrence policies.** Many anti-fraud program integrity efforts focus on recouping lost or stolen funds. While that is essential, research has shown that increasing lawful compliance and deterring fraud could yield savings that are at least twice as large as merely “paying and chasing.”<sup>17</sup> Unfortunately, it can be hard to measure the impact of policies that stop fraud before they happen. Policies to allow estimated savings as a measure of success could help align agency incentives to focus on prevention.<sup>18</sup> Other policies that could promote prevention include better communication between the Department of Justice and agencies that are defrauded and piloting new AI systems to check for payment fraud.

**3. Disaster relief reform.** Natural disasters have increased in frequency and cost. As of March 2025, they have already caused \$110 billion in damages in FY 2025.<sup>19</sup> There should be bipartisan interest in getting this right and reducing waste. Major disasters affect both red and blue states, and the GAO has identified improving federal disaster relief delivery as one of the top ways policymakers can reduce future waste.<sup>20</sup> Unfortunately, the Trump administration has ignored this advice, fired its own chosen FEMA leader, and threatened to disband the agency.<sup>21</sup> Democrats have introduced a disaster management reform bill that aims to restore FEMA’s independence, get funds to states faster, and increases transparency around disaster aid.<sup>22</sup> Legislation like this could help drive the point home after a disaster that the Trump administration has decided to throw the baby out with the bathwater.

## Conclusion

There will come a time when Democrats will be in position to rebuild the capacity of the federal government after the destructive and self-serving actions of President Trump and DOGE. That moment will offer a rare opportunity: to rebuild the federal bureaucracy, not as it was, but with new capacities and capabilities to effectively and honestly serve Americans of the 21st century and beyond. In reclaiming the narrative around waste, fraud, and abuse, Democratic policymakers and future policymakers can lay the groundwork today for a better tomorrow.

## ENDNOTES

1. More specifically, the improper payment rate decreased by 0.74 percentage points between President Obama's first and last years in office, increased by 1.08 percentage points between President Trump's first and last years in office, and decreased by 3.20 percentage points between President Biden's first and last years in office—cutting the rate were nearly cut in half. The improper payment rate reached a high of 7.16% in 2021 due to pandemic effects, but it decreased to a 10-year low of 3.97% in 2024.

Recovery rates averaged 70.2% during the Obama administration, 45.3% during the Trump administration, and 57.0% during the Biden administration. Aside from recovery rates, the dollar amount of identified overpayments declined by 41% between the first and last years of the Biden administration.

President Joseph R. Biden White House Office of Management and Budget. "OMB Releases Annual Data Showing Lowest Government-wide Improper Payment Rate Since 2014." White House Office of Management and Budget, 27 November 2024, <https://bidenwhitehouse.archives.gov/omb/briefing-room/2024/11/27/omb-releases-annual-data-showing-lowest-government-wide-improper-payment-rate-since-2014/>. Accessed 20 June 2025. And; U.S. Department of the Treasury. "Payment Accuracy Annual Improper Payments Datasets, 2024 Dataset." U.S. Department of the Treasury, 2025, <https://www.paymentaccuracy.gov/payment-accuracy-the-numbers/>. Accessed 20 June 2025.

This success in program integrity also stems from stable funding levels from program integrity cap adjustments that were signed into law under Democratic presidents and have continued with help from Democrats. The Biden administration proposed increasing program integrity spending.

In addition, great strides in government transparency were pioneered under Democratic presidents: Recovery.gov led the way to the DATA Act and USASpending.gov. President Obama signed the 2009 executive order that created the PaymentAccuracy.gov website. The Payment Integrity Information Act of 2019, which requires federal agencies to report information on improper payments, was sponsored by a Democratic senator, and executive actions by the Biden administration helped improve on that reporting.

2. Treasury Inspector General for Tax Administration. "Snapshot Report: IRS Workforce Reductions as of March 2025." Treasury Inspector General for Tax Administration, 2 May 2025, <https://www.tigta.gov/sites/default/files/reports/2025-05/2025ier017fr.pdf>. Accessed 20 June 2025.
3. Internal Revenue Service. "IRS tops \$1 billion in past-due taxes collected from millionaires; compliance efforts continue involving high-wealth groups, corporations, partnerships." Internal Revenue Service, 11 July 2024, <https://www.irs.gov/newsroom/irs-tops-1-billion-in-past-due-taxes-collected-from-millionaires-compliance-efforts-continue-involving-high-wealth-groups-corporations-partnerships>. Accessed 20 June 2025.
4. O'Brien, Michael. "GOP wields report on Solyndra as cudgel against Obama." NBC News, 4 August 2012, <https://www.nbcnews.com/politics/politics-news/gop-wields-report-solyndra-cudgel-against-obama-flna924966>. Accessed 20 June 2025.
5. Shuppy, Annie and Moller, Zach. "The Increased Risk of Waste, Fraud, and Abuse in Trump 2.0." *Third Way*, 27 May 2025. <https://www.thirdway.org/report/the-increased-risk-of-waste-fraud-and-abuse-in-trump-2-0>. Accessed 20 Jun. 2025.  
And; United States Government Accountability Office. "Testimony Before the Committee on Oversight and Government Reform, House of Representatives, High Risk Series, Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness." GAO, 25 February 2025, <https://oversight.house.gov/wp-content/uploads/2025/02/Dodaro-Written-Testimony.pdf>. Accessed 20 June 2025.

- 6.** House Committee on Oversight and Government Reform Democrats. “100 Days of Corruption: Oversight Democrats Highlight 100 Conflicts of Interest as President Trump Clears the Path for Corruption.” House Committee on Oversight and Government Reform Democrats, 30 April 2025, <https://oversightdemocrats.house.gov/news/press-releases/100-days-corruption-oversight-democrats-highlight-100-conflicts-interest>. Accessed 20 June 2025. And; Senator Elizabeth Warren. “Warren, Stansbury, Democratic Leaders Introduce Bill to Rein in Musk, Special Government Employees (SGEs).” Senator Elizabeth Warren, 14 April 2025, <https://www.warren.senate.gov/newsroom/press-releases/warren-stansbury-democratic-leaders-introduce-bill-to-rein-in-musk-special-government-employees-sges>. Accessed 20 June 2025. And; Senator Jeanne Shaheen. “US senator introduces conflict of interest bill aimed at Elon Musk.” Senator Jeanne Shaheen, 9 April 2025, <https://www.shaheen.senate.gov/news/in-the-news/us-senator-introduces-conflict-of-interest-bill-aimed-at-elon-musk>. Accessed 20 June 2025. And; Congressman Dave Min. “NEW: Rep. Dave Min, Sen. Ben Ray Luján Legislation to Hold Elon Musk, Special Government Employees Accountable, Prevent Them from Using Position for Financial Gain.” Congressman Dave Min, 27 March 2025, <https://min.house.gov/media/press-releases/new-rep-dave-min-sen-ben-ray-lujan-legislation-hold-elon-musk-special>. Accessed 20 June 2025.
- 7.** Natanson, Hannah, Menn, Joseph, Rein, Lisa, and Siegel, Rachel. “DOGE aims to pool federal data, putting personal information at risk.” The Washington Post, 7 May 2025, <https://www.washingtonpost.com/business/2025/05/07/doge-government-data-immigration-social-security/>. Accessed 20 June 2025.
- 8.** House Democratic Whip Katherine Clark. “Whip Clark, House Democrats Introduce the Taxpayer Data Protection Act.” House Democratic Whip Katherine Clark, 6 February 2025, <https://democraticwhip.house.gov/newsroom/press-releases/whip-clark-house-democrats-introduce-taxpayer-data-protection-act>. Accessed 20 June 2025. And; Congressman John B. Larson. “Protecting Americans’ Social Security Data Act.” Congressman John B. Larson, 5 March 2025, [https://larson.house.gov/sites/evo-subsites/larson.house.gov/files/evo-media-document/one-pager\\_protecting-americans-social-security-data-act.pdf](https://larson.house.gov/sites/evo-subsites/larson.house.gov/files/evo-media-document/one-pager_protecting-americans-social-security-data-act.pdf). Accessed 20 June 2025.

9. Shuppy, Annie and Moller, Zach. "Four New Ways to Fight Waste, Fraud, and Abuse." *Third Way*, 24 Feb. 2025. <https://www.thirdway.org/report/four-new-ways-to-fight-waste-fraud-and-abuse>. Accessed 20 Jun. 2025.
10. Shuppy, Annie and Moller, Zach. "Five Ways Program Integrity is Underfunded." *Third Way*, 18 Dec. 2024. <https://www.thirdway.org/report/five-ways-program-integrity-is-underfunded>. Accessed 20 Jun. 2025.
11. Shuppy, Annie and Moller, Zach. "Program Integrity Cap Adjustments Explained." *Third Way*, 24 Oct. 2024. <https://www.thirdway.org/memo/program-integrity-discretionary-cap-adjustments-explained>. Accessed 20 Jun. 2025.
12. Shuppy, Annie and Moller, Zach. "Five Ways Program Integrity is Underfunded." *Third Way*, 18 Dec. 2024. <https://www.thirdway.org/report/five-ways-program-integrity-is-underfunded>. Accessed 20 Jun. 2025.
13. "Snapshot Report: IRS Workforce Reductions as of March 2025." *Treasury Inspector General for Tax Administration*, 2 May 2025, <https://www.tigta.gov/sites/default/files/reports/2025-05/2025ier017fr.pdf>. Report Number: 2025-IE-R017. Accessed 20 Jun 2025.
14. "Snapshot Report: IRS Workforce Reductions as of March 2025." *Treasury Inspector General for Tax Administration*, 2 May 2025, <https://www.tigta.gov/sites/default/files/reports/2025-05/2025ier017fr.pdf>. Report Number: 2025-IE-R017. Accessed 20 Jun 2025.
15. Shuppy, Annie and Moller, Zach. "Five Ways Program Integrity is Underfunded." *Third Way*, 18 Dec. 2024. <https://www.thirdway.org/report/five-ways-program-integrity-is-underfunded>. Accessed 20 Jun. 2025.
16. S.4663 "Unemployment Insurance Integrity and Accessibility Act." *Congress.gov, Library of Congress*, 10 July 2024, <https://www.congress.gov/bill/118th-congress/senate-bill/4663/text>. Accessed 20 Jun. 2025.
17. Leder-Luis, Jetson et al. "Measuring the Value of Healthcare Anti-Fraud Efforts." *Boston University*, May 2024, <https://www.cms.gov/files/document/measuring-value-healthcare-anti-fraud-efforts.pdf>. Accessed 20 Jun. 2025.



- 18.** Leder-Luis, Jetson. "Prioritizing Prevention: Value-for-Money in Anti-Fraud Efforts." Program Integrity Alliance, Mar. 2025, <https://sites.bu.edu/jetson/files/2025/04/V4M-WhitePaper.pdf>. Accessed 20 Jun. 2025.
- 19.** Currie, Chris. "DISASTER ASSISTANCE Improving the Federal Approach." GAO, 25 Mar. 2025, [https://transportation.house.gov/uploadedfiles/03-25-2025\\_edpbem\\_hearing\\_-\\_chris\\_currie\\_-\\_testimony.pdf](https://transportation.house.gov/uploadedfiles/03-25-2025_edpbem_hearing_-_chris_currie_-_testimony.pdf). Testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management, Committee on Transportation and Infrastructure, House of Representatives. Accessed 20 Jun. 2025.
- And; "House Passes Critical Disaster Relief for Americans." *Committee on Appropriations of the U.S. House of Representatives*, 20 Dec. 2024, <https://appropriations.house.gov/news/press-releases/house-passes-critical-disaster-relief-americans>. Press Release. Accessed 20 Jun. 2025.
- 20.** Dodaro, Gene L. "HIGH-RISK SERIES Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness." GAO, 25 Feb. 2025. <https://oversight.house.gov/wp-content/uploads/2025/02/Dodaro-Written-Testimony.pdf>. Testimony Before the Committee on Oversight and Government Reform, House of Representatives. Accessed 20 Jun. 2025.
- 21.** Flavelle, Christopher. "Leader of FEMA Is Dismissed as Trump Administration Takes Aim at the Agency." *The New York Times*, 8 May 2025, <https://www.nytimes.com/2025/05/08/us/politics/fema-cameron-hamilton.html>. Accessed 20 Jun. 2025.
- And; Spring, Jake and Dennis, Brady. "Head of FEMA removed after saying the agency should not be abolished." *Washington Post*, 8 May 2025, <https://www.washingtonpost.com/climate-environment/2025/05/08/trump-fema-cameron-hamilton/>. Accessed 20 Jun. 2025.
- 22.** "Graves, Larsen Release Draft Bill to Dramatically Reform FEMA." *The House Committee on Transportation & Infrastructure Ranking Member Rick Larsen*, 8 May 2025, <https://democrats-transportation.house.gov/news/press-releases/graves-larsen-release-draft-bill-to-dramatically-reform-fema>. Press Release. Accessed 20 Jun. 2025.

