



Government Waste, Fraud, and Abuse

Intro: Waste, fraud, and abuse of public funds are among the oldest and most persistent issues in American history. When tax revenue – the product of citizens’ labor, risk taking, and thrift, taken for public purposes—is squandered or stolen, the government breaks faith with the people. Unlike ordinary disputes over the size or priorities of government, waste, fraud, and abuse strike at the basic compact that tax revenue remains the product of private labor held in trust for legitimate public ends. Successive reforms—from early congressional accounting requirements to inspectors general and the Government Accountability Office—have sought to restrain the problem, yet low-scrutiny budgeting and weak program controls continue to divert resources on a scale that erodes both fiscal integrity and public trust.

What Exactly Is “Waste, Fraud, and Abuse”?

While ideas of waste, fraud, and abuse might be generally understood as improper use of taxpayers’ money, the Government Accountability Office (GAO) and Office of Inspector General distinguish these three related but distinct concepts.¹

Waste occurs when taxpayer funds or government resources are spent and used carelessly, extravagantly, or without purpose to the detriment or potential detriment of the United States government. Most waste is not necessarily a violation of the law but stems from mismanagement of funds or inadequate oversight.² Consequently, taxpayers do not receive reasonable value for the money they pay to state, local, and federal governments.

Fraud, however, is defined as intentional and criminal deception or willful misrepresentation for financial or personal gain. This includes misrepresentation of facts, false statements, and concealment of information.

Lastly, abuse is the improper exercise of authority or the mishandling of public resources in a way that a reasonable person would consider unnecessary or unacceptable. This includes bending rules, exploiting a position for personal or political gain, or treating taxpayer funds and government programs as private assets. Abuse is not always a crime, and it can occur in both financial settings (billing, grants, contracting) and nonfinancial ones (personnel decisions, regulatory discretion, use of official position).³

Concern over these problems is older than the nation itself. Colonial grievances against taxation without representation and royal monopolies helped fuel the American Revolution. After independence, Alexander Hamilton’s Funding Act of 1790 and early congressional accounting requirements sought to establish greater fiscal credibility.

The Antideficiency Act (codified after the Civil War) prohibited agencies from spending beyond appropriations.⁴ Progressive Era reforms and the creation of the GAO in 1921 further institutionalized financial oversight.⁵ President Jimmy Carter declared a “war on waste and fraud”⁶; Ronald Reagan’s Grace Commission estimated that one-third of income-tax revenues were consumed by waste.⁷

Inspectors general, strengthened by the 1978 Inspector General Act, have since uncovered billions more.⁸ Despite these efforts, cumulative improper payment estimates since FY 2003 have reached approximately \$3 trillion, demonstrating that the problem is persistent and structural rather than episodic in nature.⁹

Federal-Level Waste and Fraud: How It Enters the Budget and the Scale of the Problem

Much of the waste that persists at the federal level does not arrive through standalone pieces of legislation that would invite public scrutiny. Instead, it becomes embedded in the ordinary machinery of appropriations. Congress routinely packages hundreds of programs and projects into massive omnibus spending bills or year-long continuing resolutions (CRs).¹⁰ With omnibus spending bills, individual line items—whether to low-value research grants, outdated agencies, or parochial earmarks—rarely receive independent debate or cost-benefit analysis. Members horse-trade provisions that lack majority support on their own; once bundled, the entire package advances under pressure to avoid a government shutdown. Continuing resolutions simply freeze prior-year funding levels, allowing programs that have long outlived their justification, or that have never been reauthorized, to continue automatically.¹¹

In fiscal year 2025 alone, 457 expired authorizations (so-called “zombie” programs) were still associated with approximately \$500 billion in appropriations, often without meaningful committee review.¹² The Federal Election Commission’s authorization expired in 1981 (last authorized at \$9.4 million for that year); by FY2024 Congress was still appropriating roughly \$81 million despite the expired authorization.¹³ The National Endowment for the Arts’ authorization expired in the 1990s, but recent appropriations still provided over \$200 million.¹⁴ The Corporation for Public Broadcasting authorization expired in 1996 but it continued receiving federal money until Congress rescinded funding in July 2025.¹⁵

Points of order that could block such unauthorized spending are routinely waived through special rules, suspension of the rules, or unanimous consent.¹⁶ Emergency designations and supplemental packages further reduce scrutiny, as large sums move with minimal floor time or public transparency. The result is that wasteful or low-priority spending enters the budget largely unnoticed and uncontested, sustained by inertia and the political cost that comes with challenging any single provision inside a multi-thousand-page bill.

In fiscal year 2025, fifteen federal agencies reported an estimated \$186 billion in improper payments across sixty-four programs—an increase of \$24 billion from the prior year. Roughly 82 percent of that total consisted of overpayments.¹⁷ These figures understate the full problem. They exclude certain programs known to be susceptible to significant improper payments, and GAO has separately estimated that the federal government loses between \$233 billion and \$521 billion annually to fraud alone (based on data from FY 2018–22).¹⁸ Medicare, Medicaid, the Earned Income Tax Credit, the Supplemental Nutrition Assistance Program (SNAP), and the Shuttered Venue Operators Grant together accounted for about 73 percent of reported improper payments.¹⁹

Sen. Rand Paul’s annual “Festivus” reports catalog concrete examples of wasteful spending that survive these processes. The 2025 edition tallied more than \$1.6 trillion in identified waste, including over \$1 trillion in interest alone on the national debt. Notable line items included more than \$1 million spent by the Department of Veterans Affairs teaching teenage ferrets to binge-drink alcohol; \$5.2 million for National Institutes of Health experiments dosing dogs with cocaine; \$14.6 million to make monkeys play a “Price Is Right”-style video game; \$13.8 million continuing beagle experiments; \$2.5 million by the National Science Foundation promoting insects as human food; \$2.1 million for researchers to collect saliva samples and survey electronic-dance-music festival attendees about drug use; and \$244,252 for a Pakistani television cartoon series teaching children to combat climate change²⁰; and billions allocated for electric-vehicle charging stations of which only about 68 stations had been completed.²¹ Such examples illustrate how spending of dubious public value can persist year after year once it is locked into the baseline of CRs and omnibus packages.

Pandemic-era programs amplified the problem. The Small Business Administration’s Paycheck Protection Program and Economic Injury Disaster Loans saw SBA OIG estimate more than \$200 billion in potentially fraudulent disbursements.²² Unemployment-insurance fraud during the pandemic

is estimated by GAO at roughly \$100–135 billion.²³ These episodes underscore how rapid, large-scale disbursements with weakened controls—often enacted through hastily assembled emergency or supplemental packages—create opportunities for both error and deliberate fraud.

State-Level Fraud and Waste: Structural Patterns and Present-Day Cases

Many of the largest federal benefit programs—including Medicaid, SNAP, and unemployment insurance—are administered by the states, with federal grants to states and localities totaling about \$1.1 trillion in FY2024.²⁴

This division of labor has long created a structural vulnerability. Because states typically bear little or no fiscal cost for overpayments and fraud, their incentive to invest in rigorous verification, provider screening, and real-time auditing is weaker than it would be if the losses fell primarily on their own budgets. Historically, the pattern has repeated: rapid program expansion, reliance on nonprofit or for-profit intermediaries, complex eligibility rules that invite documentation games, and limited investigative capacity relative to the volume of claims. When federal dollars surge—as they did during the pandemic or after eligibility expansions—the same weak controls scale up the opportunity for abuse. The result is a recurring cycle of scandals spanning decades and geographies, not isolated failures of a few officials.

In New York, prosecutors have secured convictions in adult day care and home health schemes that stole roughly \$56–64 million in Medicaid funds in a major Brooklyn adult-daycare case, and federal investigators have flagged organized networks targeting the program.²⁵

Arizona has seen alleged overbilling on the order of roughly \$2–2.5 billion, with more than 300 providers suspended (see also investigative reporting on the Arizona Medicaid fraud probe) amid substance-abuse and sober-living fraud investigations.^{26, 27} Similar provider-level schemes and improper-payment problems have surfaced in Ohio, Nevada, Kentucky, and elsewhere. National healthcare fraud takedowns in 2025 charged 324 defendants in connection with over \$14.6 billion in alleged fraud, and 2026 takedowns charged 455 defendants in connection with over \$6.5 billion in alleged fraud.^{28, 29} Against this broader backdrop, the most widely documented recent cases in Minnesota and California illustrate how the structural incentives play out at scale.

Minnesota Daycare and Nutrition Fraud

Minnesota has experienced multiple large-scale fraud schemes involving federally funded, state-administered programs. The Feeding Our Future scandal diverted approximately \$250 million intended for child nutrition during the COVID-19 pandemic.³⁰ Nonprofit sponsors and shell companies claimed to have served tens of millions of meals that were never provided; proceeds financed luxury vehicles, real estate, and international travel. More than seventy individuals have been charged, with dozens of convictions, including a multi-decade sentence for the scheme’s ringleader. Parallel concerns have arisen in the state’s Child Care Assistance Program. Viral investigations and subsequent federal raids and investigations in 2025 and 2026 targeted numerous Minneapolis day care centers alleged to have billed for services not rendered or to have operated with minimal attendance.³¹ Weak attendance verification, limited investigative capacity, and heavy reliance on nonprofit intermediaries enabled rapid expansion of questionable providers. Federal audits have documented systemic overpayment risks, and state inspectors have repeatedly cited facilities for licensing and billing irregularities.

California Hospice Fraud

California has become a focal point for hospice care fraud. In 2026 alone, state authorities charged twenty-one individuals in a \$267 million scheme in which personal identifying information was purchased on the dark web, nonresidents were enrolled in Medi-Cal, and straw-owned hospice companies billed for services never rendered.³² Federal prosecutors simultaneously charged multiple

defendants in schemes exceeding \$50 million that enrolled individuals who were not terminally ill as hospice patients.³³ Earlier investigations revealed clusters of hospice agencies operating from shared addresses and other locations lacking clinical capacity. Despite a state moratorium on new licenses and the revocation of hundreds of licenses, the volume of fraudulent billing has continued, illustrating how fragmented oversight between federal Medicare, state Medi-Cal, and licensing agencies creates exploitable gaps.

California High-Speed Rail

California's high-speed rail project, approved by voters in 2008 with an initial cost estimate of roughly \$33–45 billion and a promised completion date of 2020, has become a textbook case of infrastructure waste. By 2026, projected full-system costs had risen to as high as \$231 billion under legacy assumptions (or roughly \$126 billion under optimistic “right-sizing” scenarios). After more than \$15 billion spent over sixteen years, not a single mile of high-speed track was operational.³⁴ The Federal Railroad Administration terminated approximately \$4 billion in unspent federal funds in 2025 after concluding the project could not meet its contractual milestones.³⁵ Change orders, land-acquisition disputes, funding shortfalls measured in the billions, and repeated schedule slips have characterized the effort. The episode demonstrates how ambitious, multi-decade public projects with weak cost controls and shifting political incentives can absorb vast sums while delivering little tangible public benefit.

Common enabling conditions across these cases—and the wider set of state scandals—include heavy dependence on nonprofit and for-profit intermediaries that face limited real-time auditing; complex eligibility rules that create documentation loopholes; political reluctance to tighten verification for fear of denying legitimate beneficiaries; and the diffusion of responsibility between federal funders and state administrators. When oversight capacity does not scale with program growth, fraud and waste flourish.

Why It Matters: Principle, the Taxpayer, and the Limits of “Waste, Fraud, and Abuse” Rhetoric

At its core, the issue is one of principle. Tax revenue is not the government's money; it is the product of citizens' labor, risk taking, and thrift, taken in by the federal government for public purposes. When that money is wasted, abused, or stolen through fraud, it erodes public trust.³⁶

Every dollar lost is a dollar that could have remained in the pockets of the families, workers, and entrepreneurs who produced it—available for private investment, consumption, charity, or simply the freedom to decide how one's own earnings are used. Wasted tax dollars means less money for ordinary Americans to save, spend, and otherwise support the broader economy.

The practical consequences reinforce the principle. Interest payments on the national debt already exceed \$1 trillion annually and have surpassed defense spending—a threshold historically associated with the decline of great powers.³⁷ When improper payments and fraud run into the hundreds of billions each year, they accelerate debt accumulation, crowd out productive public and private investment, and raise borrowing costs for families and businesses.³⁸

Higher interest rates on mortgages, auto loans, and credit cards; inflationary pressure from excessive deficit spending; and the eventual prospect of higher taxes or reduced Social Security and Medicare benefits all flow from fiscal indiscipline. Public trust—the intangible capital on which voluntary tax compliance and democratic legitimacy rest—erodes when citizens see nonprofits, contractors, and agencies fail to safeguard funds intended for social welfare, infrastructure, or national defense.

Political leaders have at times claimed that eliminating waste, fraud, and abuse alone could balance the federal budget.³⁹ The scale of the problem is undeniably large. GAO's upper-bound estimate of annual fraud losses reaches \$521 billion, and improper payments added another \$186 billion in FY 2025. Yet the annual budget deficit has recently run about \$1.8 trillion in FY2024 and FY2025.⁴⁰

Even if every dollar of estimated fraud were recovered—an optimistic assumption given the difficulty of detection and recovery—the savings would close only a fraction of the gap.

Structural drivers of the deficit, particularly mandatory spending on entitlements and rising net interest costs, far exceed the recoverable portion of waste and fraud. Serious efforts to reduce losses are therefore essential, but they cannot substitute for the harder work of restraining overall spending growth and reforming the programs that generate the bulk of long-term fiscal imbalance. Treating waste, fraud, and abuse as the sole solution risks becoming an excuse to avoid those reforms.⁴¹

America's exceptionalism has historically rested on the ability to mobilize resources efficiently, innovate under competitive pressure, and maintain civilian control over public power. Waste, fraud, and abuse undermine those strengths. Closing the gap between spending and the return value from that spending requires clearer definitions of program success, real-time data and verification, stronger incentives for state and local administrators to police federal dollars, and a political culture that treats fiscal stewardship—and the property rights of taxpayers—as a first-order obligation. The historical record shows that sustained attention can reduce losses; the present scale of the problem shows that such attention is urgently needed.



ENDNOTES

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