

April 2013

2013 Annual Report:
Actions Needed to
Reduce Fragmentation,
Overlap, and
Duplication and
Achieve Other
Financial Benefits



G A O

Accountability * Integrity * Reliability



G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

April 9, 2013

Congressional Addressees

As the fiscal pressures facing the nation continue, so too does the need for executive branch agencies and Congress to improve the efficiency and effectiveness of government programs and activities. Opportunities to take such action exist in areas where federal programs or activities are fragmented, overlapping, or duplicative. To highlight these challenges and to inform government decision makers on actions that could be taken to address them, GAO is statutorily required to identify and report annually to Congress on federal programs, agencies, offices, and initiatives, either within departments or government-wide, that have duplicative goals or activities.¹ In light of today's challenging fiscal environment, we have also identified additional opportunities to achieve greater efficiency and effectiveness by means of cost savings or enhanced revenue collection.

In March 2011, we issued our first annual report in this series, which presented 80 areas where opportunities existed for executive branch agencies or Congress to reduce fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue.² Figure 1 outlines the definitions we use for fragmentation, overlap, and duplication for this work. In February 2012, we issued our second annual report, which identified an additional 51 areas. In these two reports, we have identified a total of approximately 300 actions that executive branch agencies and Congress could take to improve the efficiency and effectiveness of government programs and activities.

¹Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note. See appendix I for the list of congressional addressees for this work.

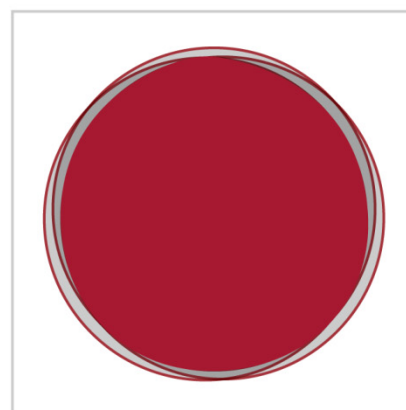
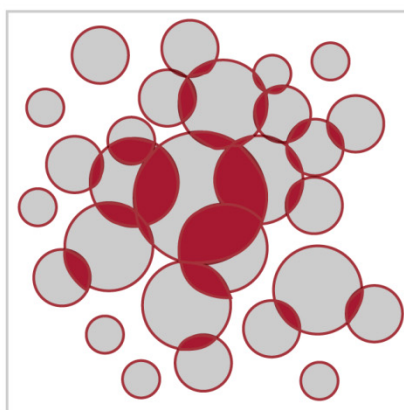
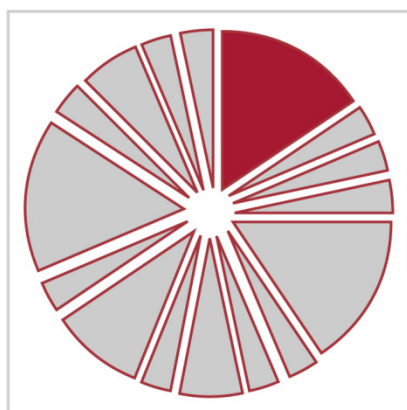
²In assessing progress on the 81 areas we identified in our 2011 annual report for this year's report, we combined two areas related to the Department of Homeland Security's management of acquisitions (Areas 75 and 76) into one area. Therefore, we are evaluating progress for 80 areas identified in our 2011 annual report and 51 areas identified in our 2012 annual report. See appendix II for additional information on scope and methodology.

Figure 1: Definitions of Fragmentation, Overlap, and Duplication

Fragmentation refers to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities exist to improve service delivery.

Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.

Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.



Source: GAO.

This third annual report for 2013 identifies an additional 31 areas where agencies may be able to achieve greater efficiency or effectiveness. Within these 31 areas, we identify 81 actions that the executive branch or Congress could take to reduce fragmentation, overlap, or duplication, as well as other cost savings or revenue enhancement opportunities. In addition to identifying new areas, we have continued to monitor the progress executive branch agencies and Congress have made in addressing the areas we previously identified. With the release of this report, we are also concurrently launching [GAO's Action Tracker](#), a publicly accessible website containing the status of actions suggested in our first three reports. The website will allow executive branch agencies, Congress, and the public to track the progress the government is making in addressing the issues we have identified.

Section I of this report presents 17 new areas in which we found evidence that fragmentation, overlap, or duplication exists among federal programs or activities. Although it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the

nature or magnitude of the federal effort, the instances of fragmentation, overlap, or duplication we describe in Section I occur in areas where multiple programs and activities may be creating inefficiencies. Section II describes 14 new areas where the federal government may achieve cost savings or enhance revenue collections. This report is based upon work GAO previously conducted in accordance with generally accepted government auditing standards. See appendix II for more information on our scope and methodology.

Opportunities Exist to Improve Efficiency and Effectiveness across the Federal Government

In this report, we first identify 17 areas in which we found evidence of fragmentation, overlap, or duplication among federal programs or activities. These areas cover a broad range of government missions and functions. Section I of this report discusses all of these areas in greater detail.

We consider programs or activities to be fragmented when more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities may exist to improve how the government delivers services. We identified fragmentation in multiple programs we reviewed. For example, we found that the Department of Defense's (DOD) fragmented approach to developing and acquiring uniforms could be more efficient. Since 2002, the military services have shifted from using two camouflage patterns to seven service-specific camouflage uniforms with varying patterns and colors. Although DOD established a board to help ensure collaboration and DOD-wide integration of clothing and textile activities, we continue to identify inefficiencies in DOD's uniform acquisition approach. We have identified several actions DOD should take to realize potential efficiencies and up to \$82 million in development and acquisition cost savings through increased collaboration among the military services. These actions include directing the Secretaries of the military departments to actively pursue partnerships for the joint development and use of uniforms, as well as identifying and implementing actions necessary to enable the board to develop and issue joint criteria for uniforms prior to the development or acquisition of any new camouflage uniform.

Similarly, we found DOD obligated over \$6.8 billion from fiscal years 2008 through 2012 on contracts to acquire a range of foreign language services and products, such as translation and interpretation services. Although DOD has gained some efficiencies by centralizing contracting for certain services under an executive agent, it has not taken steps to comprehensively assess whether additional opportunities exist to gain

efficiencies in fragmented contracts for foreign language support, which are estimated to cost more than \$1 billion annually. Our prior work has found that agencies, including DOD, reported savings ranging between 5 and 20 percent by implementing more coordinated acquisition approaches rather than fragmented contracting. Given the department's level of obligations for foreign language support services, DOD could achieve significant cost savings by assessing and addressing the fragmentation in its current approach for managing these contracts.

In some of the programs and activities where there was fragmentation, we also found instances of overlap. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We found overlap among federal programs or initiatives in a variety of areas such as joint veterans and defense health care services, export promotion activities, drug abuse prevention and treatment programs, and veterans' employment and training programs, among others.

For example, within the Department of Homeland Security (DHS), we found six department components involved in research and development activities. We examined 50 research and development contracts awarded by these components and found 35 instances among 29 contracts in which the contracts overlapped with activities conducted elsewhere in the department. Taken together, these 29 contracts were worth about \$66 million. An example of the overlap we found: two DHS components awarded five separate contracts that each addressed detection of the same chemical. Moreover, DHS did not have the policies and mechanisms necessary to coordinate or track research and development activities across the department. Without adequate coordination, components may engage in overlapping research and development activities. To prevent such overlap of efforts, we suggested that DHS develop and implement policies and guidance for defining and overseeing research and development.

In other instances we found evidence of duplication, which occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. Our 2013 report includes several areas where we identified potentially duplicative federal efforts, such as rural water infrastructure programs. Moreover, in some of these areas—including catfish inspection and geospatial investments—we identified financial benefits that may result if executive branch agencies or Congress took action to address the issues we discuss.

For example, we identified duplication in the Medicaid Integrity Program, which provides federal support and oversight of state programs.³ Specifically, we identified duplication in two Medicaid Integrity program activities: (1) the National Medicaid Audit Program, which consists of audits of state Medicaid claims data to identify overpayments, and (2) state program integrity assessments, one of several tools through which the Centers for Medicare & Medicaid Services (CMS) collects data on state program integrity activities. To address this duplication, we suggested that CMS merge certain functions of the federal review and audit contractors and discontinue the annual state program integrity assessment to eliminate or avoid duplicative activities.

In addition to these 17 areas of fragmentation, overlap, and duplication in federal efforts, we present 14 areas in which we identified opportunities for executive branch agencies or Congress to reduce the cost of government operations or enhance revenue collections for the Treasury. For example:

- We report concerns about CMS's Medicare Advantage Quality Bonus Payment Demonstration, which will cost \$8.35 billion over 10 years, most of which will be paid to plans with average performance. Medicare Advantage provides health care coverage through private health plans offered by organizations under contract with CMS. The agency's stated research goal for the demonstration is to test whether an alternative bonus structure leads to larger and faster annual quality improvement for Medicare Advantage plans. We found that the demonstration's design precludes a credible evaluation of its effectiveness because it lacks an appropriate comparison group needed to isolate the demonstration's effects, and because the demonstration's bonus payments are based largely on plan performance that predates the demonstration. Based on these concerns, we suggest that HHS cancel the Medicare Advantage Quality Bonus Payment Demonstration. In addition, the demonstration's design raises legal concerns about whether it falls within the Department of Health and Human Services' (HHS)

³Medicaid is the joint federal-state health care financing program for certain low-income individuals and is one of the largest social programs in federal and state budgets. We have had long-standing concerns about Medicaid's program integrity because of problems with the sufficiency of federal and state oversight. For example, the Centers for Medicare & Medicaid Services estimated that in fiscal year 2012, \$19.2 billion (7.1 percent) of Medicaid's federal expenditures involved improper payments.

demonstration authority. Although the demonstration is now in its second year, HHS still has an opportunity to achieve significant cost savings—about \$2 billion, based on GAO’s analysis of CMS actuaries’ estimates—if it cancels the demonstration for 2014.

- Additional cost savings and increased revenue collections may be realized by improving the Internal Revenue Service’s (IRS) enforcement of tax laws. IRS has estimated that the net tax gap—the difference between taxes owed and taxes paid on time or recovered—was \$385 billion for tax year 2006 (the most recent year for which data were available). To help reduce this gap, in fiscal year 2012, Congress appropriated \$7.5 billion to IRS for its enforcement and taxpayer service activities. Notwithstanding IRS’s enforcement and service programs, the net tax gap remains large. To help close this gap, we have identified several areas where IRS can improve its programs, reduce its costs, and facilitate voluntary compliance with existing tax laws. For example, we suggested that IRS should complete a broad strategy, including a timeline and performance measures, for how it intends to use information collected to improve tax compliance. These and other actions we have identified could help the federal government increase revenue collections by billions of dollars.

As we have previously reported, the net tax gap has been a persistent problem and reducing it will require applying multiple strategies over a sustained period of time.⁴ One such strategy is additional information reporting. Taxpayers are much more likely to report their income accurately when the income is also reported to IRS by a third party. By matching information received from third-party payers with what payees report on their tax returns, IRS can detect income underreporting, including the failure to file a tax return. Additionally, taxpayers who rent out real estate are required to report to IRS expense payments for certain services, such as payments for property repairs, only if their rental activity is considered a trade or business. Expanding third-party information reporting on rental real estate service payments and service payments to corporations could increase revenues by an estimated \$5.9 billion over 10 years, according to the Joint Committee on Taxation.

⁴GAO, *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources*, [GAO-13-151](#) (Washington, D.C.: Dec. 5, 2012).

-
- Opportunities may also exist for the Department of Energy (Energy) to generate additional revenue by increasing the price for isotopes that it sells to commercial customers.⁵ Energy's Isotope Development and Production for Research and Applications program (Isotope Program) sells isotopes to commercial customers for a variety of uses, such as medical procedures and radiation detection equipment. To achieve its mission, the Isotope Program relies on annual appropriations and revenues from isotope sales. Although revenues from sales of isotopes alone totaled over \$25 million in fiscal year 2012, we found that Energy may be forgoing revenue because it is not using thorough assessments to set prices for commercial isotopes. Thus, we suggested that Energy examine the prices it sets for commercial isotopes to determine if prices can be increased.

Suggested Actions to Achieve Greater Efficiency or Effectiveness in Government

Within these 31 areas, we identified 81 actions that the executive branch and Congress could take to reduce or eliminate fragmentation, overlap, or duplication or achieve other financial benefits. Given that the areas identified extend across the government and that we found a range of conditions among these areas, we suggest a similarly wide range of actions for the executive branch and Congress to consider. For example, the actions we suggest in the report include, among many others, canceling a demonstration program, strengthening oversight of certain payments and investments, and limiting or reducing subsidies for a particular program. Although the actions vary depending on the conditions we found, several themes emerged among our suggested actions, including the following:

- *Improving planning:* Given the crosscutting policy areas included in this report, planning is an important action in helping federal agencies address challenges, particularly those related to fragmentation, overlap, or duplication. Planning can help federal agencies manage their programs more effectively and guide progress in achieving desired results. For example, we report that a total of 31 federal departments and agencies invest an estimated billions of dollars to collect, maintain, and use geospatial information—information linked to specific geographic locations that supports many government functions, such

⁵Isotopes are varieties of a given chemical element with the same number of protons but different numbers of neutrons. For example, the helium-3 isotope, which is used in research and to detect neutrons in radiation detection equipment, has one less neutron than the helium-4 isotope, which is the helium isotope commonly used in party balloons.

as maintaining roads and responding to natural disasters. We found that federal agencies had not effectively implemented policies and procedures that would help them to identify and coordinate geospatial data acquisitions across the government. As a result, the agencies make duplicative investments and risk missing opportunities to jointly acquire data. Better planning and coordination among federal agencies could help reduce duplicative investments and provide the opportunity for potential savings of millions of dollars.

- *Measuring performance and results:* Performance measurement, because of its ongoing nature, can serve as an early warning system to management and a vehicle for improving accountability to the public. To ensure that their performance information will be both useful and used by decision makers, agencies need to consider the differing information needs of various users—including those in Congress. As we have previously reported, agency performance information must meet Congress’s needs for completeness, accuracy, validity, timeliness, and ease of use to be useful for congressional decision making.⁶ Similarly, in this report, we find that better evaluation of performance and results is needed for multiple federal programs and activities to help inform decisions about how to address the fragmentation, overlap, or duplication identified. For example, federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. We have reported that a reduction of 1 percent from selected agencies’ procurement spending would equate to over \$4 billion in savings.⁷ However, a lack of clear guidance on metrics for measuring success has hindered the management of ongoing strategic sourcing efforts across the federal government. By establishing metrics to measure progress toward goals and identifying spending categories most suitable for strategic sourcing, the Office of Management and Budget (OMB) can help federal agencies better implement strategic sourcing

⁶GAO, *Managing for Results: A Guide for Using the GPRA Modernization Act to Help Inform Congressional Decision Making*, [GAO-12-621SP](#) (Washington, D.C.: June 15, 2012).

⁷These selected agencies include DOD, DHS, Energy, and the Department of Veterans Affairs, which accounted for 80 percent of the \$537 billion in federal procurement spending in fiscal year 2011.

practices and maximize their ability to realize billions of dollars in potential savings annually.

- *Improving management oversight:* When issues span multiple organizations or multiple entities within an organization, improved management oversight is needed to avoid potential overlap and duplication. For example, although OMB guidance calls for agencies to analyze whether their information technology investments are continuing to meet business and customer needs and are contributing to meeting the agency's strategic goals, we found that agencies did not conduct such an analysis on 52 of the 75 major existing information technology investments we reviewed.⁸ As a result, there is increased potential for these information technology investments in operations and maintenance—totaling \$37 billion in fiscal year 2011—to result in waste and duplication. To avoid wasteful or duplicative investments in operations and maintenance, we suggest that agencies analyze all information technology investments annually and report the results of their analyses to OMB. These actions could help agencies achieve cost savings by strengthening the oversight of their existing information technology investments in operations and maintenance, resulting in the potential for billions of dollars in savings.

Similarly, we found that many states are making Medicaid payments to many providers that are far in excess of those providers' costs of providing Medicaid services. Specifically, 39 states made payments to certain providers in excess of Medicaid costs by a total of about \$2.7 billion. To improve the transparency of and accountability for certain high-risk Medicaid payments, we suggest that Congress consider requiring CMS to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles. Such action could lead to cost savings in the hundreds of millions, or even billions, of dollars.

- *Enhancing interagency coordination and collaboration:* When executive branch agencies carry out activities in a fragmented and uncoordinated way, the resulting patchwork of programs can waste scarce funds, confuse and frustrate program customers, and limit the

⁸Our review included major information technology investments at DOD, HHS, DHS, Treasury, and VA.

overall effectiveness of the federal effort. Our report includes several areas in which improved interagency coordination and collaboration could help agencies better leverage limited resources or identify opportunities to operate more efficiently. For example, the Department of Veterans Affairs (VA) and DOD operate two of the nation's largest health care systems, together providing health care to nearly 16 million veterans, service members, military retirees, and other beneficiaries at estimated costs for fiscal year 2013 of about \$53 billion and \$49 billion, respectively. As part of their health care efforts, the departments have established collaboration sites—locations where the two departments share health care resources through hundreds of agreements and projects—to deliver care jointly with the aim of improving access, quality, and cost-effectiveness of care. However, we found that the departments do not have a fully developed and formalized process for systematically identifying all opportunities for new or enhanced collaboration, potentially missing opportunities to improve health care access, quality, and costs.

- *Considering legislative changes:* Although executive branch agencies have authority to implement the majority of the suggested actions, this report includes several areas where legislative changes are needed. For example, we found that when the U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service begins the catfish inspection program as mandated in the Food, Conservation, and Energy Act of 2008, the program will duplicate work already conducted by the Food and Drug Administration and by the National Marine Fisheries Service. To avoid this duplication, we suggest that Congress repeal the provisions of the act that assigned USDA responsibilities for examining and inspecting catfish and establishing a catfish inspection program. Taking this action could save taxpayers millions annually, according to Food Safety and Inspection Service estimates of the program's cost.⁹

⁹To create this potential savings, Congress would need to repeal the provision in the Food, Conservation, and Energy Act of 2008, or direct in the Food Safety and Inspection Service's appropriation that no funds may be spent on the program. If Congress enacts a legislative restriction, there may be some opportunity to rescind appropriated amounts. Because the inspection program is funded from a lump sum appropriation to USDA, funds that would have been used for the program could be available for new obligations within the appropriations account. USDA could identify the amount of funds currently available for obligation that would have been used for the catfish inspection program and Congress could rescind those amounts.

As another example, we report that unlike many farm programs, the Federal Crop Insurance program, which provides subsidies to pay for part of a farmer's crop insurance premium, does not have statutory income and payment limits. Congress could achieve up to \$1.2 billion per year in cost savings by limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of both.

Congress could also consider taking action to help reduce the tens of billions of dollars spent each year developing and launching U.S. government satellite systems. To save money, several federal agencies are actively using or exploring nontraditional approaches to managing their space-based programs, such as developing public-private partnerships and hosting government capabilities on commercial spacecraft.¹⁰ While these approaches hold promise for providing lower-cost access to space in the future, there are also a variety of technical, cultural, logistical, legal, and policy challenges. For example, federal law and policy have limited the government's access to some hosted payload arrangements where government instruments are placed on commercial satellites, and ride sharing arrangements where multiple satellites share the same launch vehicle. We identify actions that Congress may wish to consider to address these legal challenges and better take advantage of nontraditional approaches.

¹⁰Several federal agencies, including DOD, the National Aeronautics and Space Administration, the Federal Aviation Administration, the National Oceanic and Atmospheric Administration, and the U.S. Coast Guard, are actively using or beginning to look at these approaches in order to save costs.

The Executive Branch and Congress Have Made Some Progress in Addressing the Areas That We Previously Identified

In addition to the new actions identified for this report, we have continued to monitor the progress that the executive branch agencies and Congress have made in addressing the issues we identified in our 2011 and 2012 annual reports. In these reports, we identified approximately 300 actions that the executive branch and Congress could take to reduce or eliminate fragmentation, overlap, or duplication or achieve other potential financial benefits.¹¹

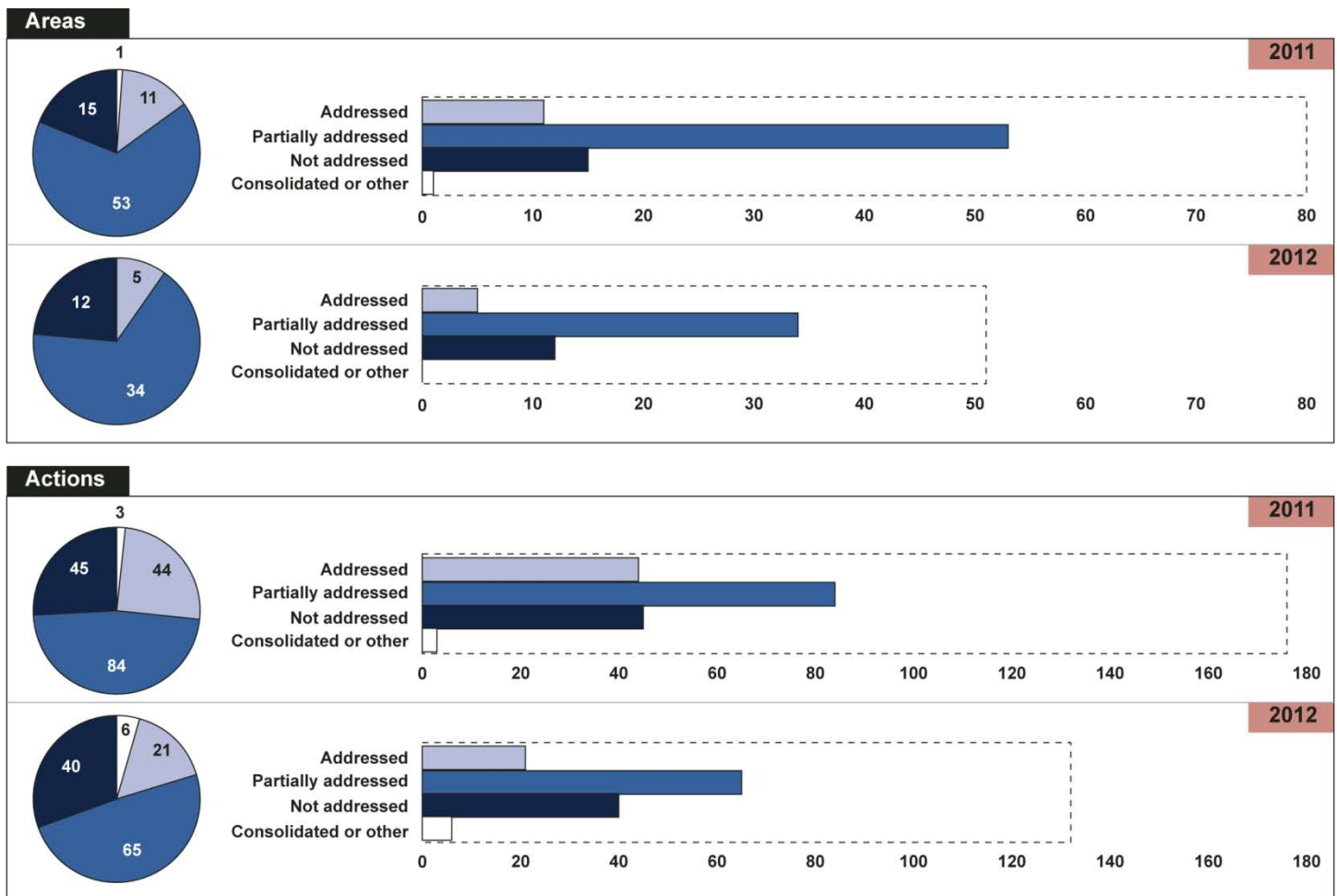
We evaluated progress by determining an “overall assessment” rating for each area and an individual rating for each action within an area (see fig. 2). We found that the executive branch agencies and Congress have made progress in addressing the 131 areas we identified in 2011 and 2012. As of March 6, 2013, the date we completed our audit work, 16 of the 131 areas were addressed; 87 were partially addressed; and 27 were not addressed.¹² We also found that of the approximately 300 actions needed within these areas, 65 were addressed; 149 were partially addressed; and 85 were not addressed.¹³

¹¹An additional 9 actions reported in 2011 and 2012 were not assessed this year due to additional audit work or other information we considered. See appendix II for additional information on our scope and methodology for monitoring the progress of actions.

¹²In assessing overall progress for an area, we determined that an area was “addressed” if all actions in that area were addressed; “partially addressed” if at least one action needed in that area showed some progress toward implementation but not all actions were addressed; and “not addressed” if none of the actions needed in that area were addressed or partially addressed. In addition, 1 area reported in 2011 was not assessed this year due to additional audit work or other information we considered.

¹³In assessing actions suggested for Congress, we applied the following criteria: “addressed” means relevant legislation has been enacted and addresses all aspects of the action needed; “partially addressed” means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and “not addressed” means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. In assessing actions suggested for the executive branch, we applied the following criteria: “addressed” means implementation of the action needed has been completed; “partially addressed” means the action needed is in development, or started but not yet completed; and “not addressed” means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

Figure 2: Assessment of 2011 and 2012 Areas and Actions Needed, as of March 6, 2013



--- Total

Source: GAO.

Note: In assessing overall progress for an area, we determined that an area was “addressed” if all actions in that area were addressed; “partially addressed” if at least one action needed in that area showed some progress toward implementation but not all actions were addressed; and “not addressed” if none of the actions needed in that area was addressed or partially addressed.

In assessing actions suggested for Congress, we applied the following criteria: “addressed” means relevant legislation has been enacted and addresses all aspects of the action needed; “partially addressed” means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and “not addressed” means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. In assessing actions suggested for the executive branch, we applied the following criteria: “addressed” means implementation of the action needed has been completed; “partially addressed” means the action needed is in development, or started but not yet completed; and “not addressed” means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

Consolidated areas and actions were not assessed this year due to additional work or other information GAO considered. See appendix II for more information.

An example of the progress made is DOD's efforts to implement our suggested action related to the area of overseas defense posture. Specifically, in our 2012 annual report, we suggested the Secretary of Defense should direct appropriate organizations within DOD to complete a business case analysis, including an evaluation of alternative courses of action, for the strategic objectives that have to this point driven the decision to implement tour normalization in South Korea—that is, a DOD initiative to transform its defense posture in South Korea. Based on the resulting business case analysis, DOD officials stated that United States Forces Korea determined that the tour normalization initiative was not affordable. This decision not to move forward with the tour normalization initiative resulted in cost avoidance of \$3.1 billion from fiscal years 2012 through 2016.

Congress has also taken steps to address some of our suggested actions. For example, in our 2011 annual report, we stated that Congress could reduce revenue losses by more than \$5.7 billion annually by addressing duplicative federal efforts directed at increasing domestic ethanol production. To reduce these revenue losses, we suggested that Congress consider whether revisions to the ethanol tax credit were needed and we suggested options to consider, including allowing the volumetric ethanol excise tax credit to expire at the end of 2011. Congress allowed the tax credit to expire at the end of 2011, which ended the ethanol tax credit for fuel blenders that purchase and blend ethanol with gasoline.

Although the executive branch and Congress have made some progress in addressing the issues that we have previously identified, additional steps are needed to address the remaining areas to achieve associated benefits. A number of the issues are difficult to address, and implementing many of the actions identified will take time and sustained leadership. Table 1 outlines selected actions that we reported in 2011 and 2012 that, when addressed, may result in or lead to cost savings or enhanced revenue.

Table 1: Selected Areas with Associated Cost-Savings and Revenue-Enhancement Opportunities in 2011 and 2012 Annual Reports

Annual report	Areas identified	Overall assessment of 2011 – 2012 actions ^a
2011	Farm Program Payments (Area 35): Reducing farm program direct payments could result in savings from \$800 million over 10 years to up to \$5 billion annually.	○
2011	Federal Data (Area 15): Consolidating federal data centers provides an opportunity to improve government efficiency.	◐
2011	Competition for Federal Contracts (Area 47): Promoting competition for the over \$500 billion in federal contracts could potentially save billions of dollars over time.	◐
2012	Passenger Aviation Security Fees (Area 48): Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs.	○
2011	Social Security Offsets (Area 80): Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, which could result in an estimated \$2.4 billion to \$2.9 billion in savings over 10 years.	○
2011	Oil and Gas Resources (Area 45): Improved management of federal oil and gas resources could result in approximately \$2 billion in revenues over 10 years.	◐
2012	U.S. Currency (Area 42): Legislation replacing the \$1 note with a \$1 coin would provide a significant financial benefit to the government over time.	○
2011	Baggage Screening Systems (Area 78): More efficient baggage screening systems could result in about \$470 million in reduced Transportation Security Administration personnel costs over the next 5 years.	◐
2011	Federal Facility Ownership and Leasing (Area 51): Improved cost analyses used for making federal facility ownership and leasing decisions could save millions of dollars.	○
2012	Immigration Inspection Fee (Area 49): The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than using general fund appropriations.	◐
2012	Auto Recovery Office (Area 39): Unless the Secretary of Labor can demonstrate how the Auto Recovery Office has uniquely assisted auto communities, Congress may wish to consider prohibiting the Department of Labor from spending any of its appropriations on the Auto Recovery Office and instead require that the department direct the funds to other federal programs that provide funding directly to affected communities.	○

Source: GAO.

^aAs of March 6, 2013.

Legend:

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

○ = Not addressed, meaning none of the actions needed in that area were addressed.

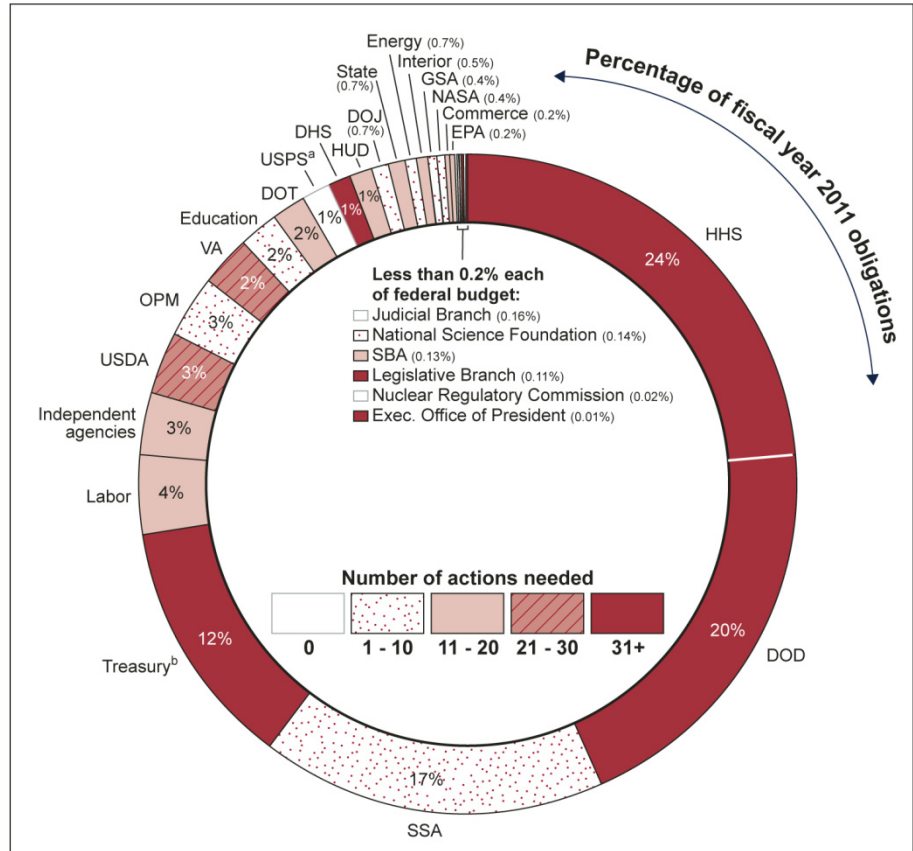
To help maintain attention on these issues, as mentioned earlier, we are concurrently releasing *GAO's Action Tracker*, a publicly accessible, online website of the 162 areas and approximately 380 actions needed presented in our 2011, 2012, and 2013 reports. *GAO's Action Tracker* includes progress updates and assessments of legislative and executive branch actions needed. We will add areas and suggested actions identified and future reports to *GAO's Action Tracker* and periodically update the status of all identified areas and activities.

Over 3 Years, GAO Has Identified 162 Areas Where Federal Programs Could Achieve Greater Efficiency or Increase Effectiveness

Our 2013 annual report completes our 3-year systematic examination across the federal government to identify major instances of fragmentation, overlap, or duplication. Through our three annual reports, we have identified a total of 162 areas with actions that the executive branch and Congress could take to address fragmentation, overlap, and duplication or achieve cost savings (see app. III). Collectively, these reports show that, if the actions are implemented, the government could potentially save tens of billions of dollars annually.

These three reports touch on areas in virtually all major federal departments and agencies. Specifically, the reports collectively identify opportunities to reduce fragmentation, overlap, and duplication or achieve other financial benefits within all 15 cabinet-level executive departments and at least 17 other federal entities. Figure 3 illustrates actions needed that we directed to federal departments and agencies in our three annual reports. As the figure shows, we have directed numerous actions to large federal departments and agencies that represent the majority of the federal obligations, including 90 actions directed to DOD, 51 to Treasury, and 44 to HHS, representing 56 percent of fiscal year 2011 obligations.

Figure 3: Actions Needed Directed to Federal Departments and Agencies in 2011-2013 Annual Reports



Source: GAO.

^aU.S. Postal Service obligations are primarily funded by postal revenues, although the U.S. Postal Service receives minimal appropriations for overseas voting and mail for the blind. Additionally, the U.S. Postal Service has a maximum \$15 billion in borrowing authority.

^bTreasury's percentage of fiscal year 2011 obligations includes interest on the national debt.

Note: Individual actions needed are counted multiple times, when they are directed to more than one federal department or agency.

Our systematic examination required a multiphased approach. First, we reviewed the budget functions of the federal government representing nearly all of the overall federal funds obligated in fiscal year 2010.¹⁴ Because federal budget functions classify budget resources by national need (such as National Defense, Energy, and Agriculture), instances in which multiple federal agencies obligate funds within a particular budget function may indicate potential duplication or cost savings opportunities (see fig. 4 for spending patterns by executive branch agency and budget function). Although this type of analysis cannot answer the question of whether overlap or fragmentation exists—nor indicate whether the overlap identified is duplicative—it can help in the selection of areas for further investigation. Using this information, we identified each instance in which an executive branch or independent agency obligated more than \$10 million within these 18 budget functions for further consideration.

¹⁴Our examination did not include two budget functions: Allowances, because there were no actual obligations, and Undistributed Offsetting Receipts, because no obligations are charged to agencies.

Figure 4: Spending Patterns by Executive Branch Agency and Budget Function, Fiscal Year 2010

Executive Branch	Budget Function ^a																	Number of functions charged by agency
	National Defense (050)	International Affairs (150)	General Science, Space, and Technology (250)	Energy (270)	Natural Resources and Environment (300)	Agriculture (350)	Commerce and Housing Credit (370)	Transportation (400)	Community and Regional Development (450)	Education, Training, Employment and Social Services (500)	Health (550)	Medicare (570)	Income Security (600)	Social Security (650)	Veterans Benefits and Services (700)	Administration of Justice (750)	General Government (800)	
Department of Agriculture					●	●	●	●	●	●	●	●						9
Department of Commerce	●				●	●		●	●									5
Department of Defense	●	●			●					●		●		●		●		7
Department of Education									●					●				2
Department of Energy	●		●	●														3
Department of Health and Human Services	●								●	●	●	●			●			6
Department of Homeland Security	●		●		●	●	●	●	●			●		●	●			10
Department of Housing and Urban Development						●		●				●		●				4
Department of Justice	●	●													●			3
Department of Labor	●								●	●		●		●				5
Department of State		●			●							●						3
Department of Transportation	●					●	●											3
Department of Veterans Affairs														●				1
Department of the Interior					●		●	●	●	●					●			6
Department of the Treasury			●	●	●	●	●	●	●	●	●	●		●	●	●		10
Environmental Protection Agency				●														1
Executive Office of the President																●		1
General Services Administration						●									●			2
Independent Agencies	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	14
National Aeronautics and Space Administration			●				●		●									3
National Science Foundation	●		●															2
Nuclear Regulatory Commission				●														1
Office of Personnel Management										●		●			●			3
Postal Service						●												1
Small Business Administration						●		●										2
Social Security Administration											●	●	●	●				4
Number of executive agencies charging this function	10	5	4	5	9	3	10	5	8	8	8	2	11	1	5	7	9	1

Source: GAO analysis.

^aTwo budget functions are not shown above: Allowances, because there are no 2010 actual obligations, and Undistributed Offsetting Receipts, because no obligations are charged to agencies.

Second, we reviewed key agency documents, such as strategic plans, performance and accountability reports, and budget justifications, as we have found that when multiple executive branch agencies have similar missions, goals, or programs, the potential for fragmentation, overlap, or duplication exists. Third, we reviewed key external published sources of

information. In particular, we reviewed reports published by the Congressional Budget Office, Inspectors General, and the Congressional Research Service, as well as the President's budgets, to identify potential overlap and duplication among agency missions, goals, and programs.¹⁵ We relied on our previous work and professional judgment to target areas for further review by considering a variety of factors, including the extent of potential cost savings; opportunities for enhanced program efficiency or effectiveness; the degree to which multiple programs may be fragmented, overlapping, or duplicative; whether issues had been identified by GAO or external sources; and the level of coordination among agency programs.

Based on our multiphased approach, we have identified, to date, 162 areas in which there are opportunities to reduce fragmentation, overlap, or duplication or to achieve cost savings or revenue enhancement. The areas included in our reports, however, do not represent the full extent of our systematic evaluation; we evaluated many additional areas but determined for various reasons that the available evidence did not support their inclusion at this time. The federal inmate reentry grant programs administered by the Departments of Justice, Labor, and Health and Human Services illustrate this point. Although the federal programs are fragmented, we found that overlap is minimal and the risk of duplication is low because the programs vary across eligible applicants, beneficiaries, and primary services. Moreover, the departments have taken steps to coordinate their reentry efforts to prevent duplication and share promising practices.

As another example, we examined the extent to which functions or activities provided under DOD's civil augmentation programs—which are designed to help meet the military services' logistics requirements during operations—are potentially fragmented, overlapping, or duplicative. We found no instances of overlap or duplication in the implementation of these programs. Further, we examined the cost or savings implications of consolidating the planning, execution, and oversight of the civil augmentation programs and did not identify clear opportunities to improve the effectiveness or efficiency of the programs.

¹⁵Our examination did not include the fiscal year 2014 President's budget because of the timing of its release.

In still other instances, agencies took steps to address issues we identified during the course of our audit work. For example, through our review of the federal government's aerostat and airship acquisition efforts, we identified two concurrent and potentially duplicative airship development efforts—one was being developed by the U.S. Army and the other by the U.S. Air Force. However, the potential duplication ended before we issued our report when the Air Force terminated its program due to technical problems experienced with the airframe and the need to avoid the effort's substantially increasing costs. We were not able to determine any cost savings that resulted from the program's termination because the Air Force had not budgeted for program costs beyond fiscal year 2012. In addition, in February 2013 the U.S. Army terminated its effort because of schedule delays and increasing costs. The U.S. Army had budgeted approximately \$80 million between fiscal years 2013 and 2015 for this effort.

Although our three annual reports provide extensive coverage across the federal government, the areas identified in our annual reports are not intended to represent every instance of fragmentation, overlap, or duplication within the federal government. As statutorily required, we will continue to identify new issues for executive branch agencies and Congress to consider. Likewise, we will continue to monitor developments in the areas we have already identified in this series.

GPRM Modernization Act Can Help Address Challenges in Identifying and Addressing Fragmentation, Overlap, or Duplication

During the past two decades, our work on managing for results has suggested how effective implementation of the Government Performance and Results Act of 1993 (GPRM) could improve collaboration to achieve meaningful results. Congress used our work in crafting the GPRM Modernization Act of 2010 (GPRAMA), which updates GPRM to establish a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance.¹⁶ Effective implementation of GPRAMA could help clarify desired outcomes, address program performance spanning multiple organizations, and facilitate future actions to reduce fragmentation, overlap, and duplication. Moreover, effective implementation could help address challenges to identifying and addressing the areas of fragmentation, overlap, and duplication we highlight in this series. These challenges include the lack

¹⁶Pub. L. No. 103-62, 107 Stat. 285 (1993); Pub. L. No. 111-352, 124 Stat. 3866 (2011).

of a comprehensive list of federal programs and funding information and the need for improved and regular performance information. GPRAMA, if effectively implemented, could help address these challenges as well as improve information sharing and coordination among federal agencies—both of which are needed to help address issues of fragmentation, overlap, and duplication.

First, this series highlights challenges associated with the lack of a comprehensive list of federal programs and funding information. A first step in identifying potential fragmentation, overlap, or duplication among federal programs or activities involves creating a comprehensive list of programs along with related funding information. Currently, no comprehensive list exists, nor is there a common definition for what constitutes a federal “program.” The lack of a common definition of program makes it difficult to develop a comprehensive list of all federal programs. The lack of a list, in turn, makes it difficult to determine the scope of the federal government’s involvement in particular areas and, therefore, where action is needed to avoid fragmentation, overlap, or duplication. We also found that federal budget information is often not available or sufficiently reliable to identify the level of funding provided to programs or activities. For example, agencies could not isolate budgetary information for some programs because the data were aggregated at higher levels. Without knowing the full range of programs involved or the cost of implementing them, gauging the magnitude of the federal commitment to a particular area of activity or the extent to which associated federal programs are duplicative is difficult.¹⁷

To help address these challenges, GPRAMA requires the Director of OMB to compile and make publicly available a comprehensive list of all federal programs, and to include the purposes of each program, how it contributes to the agency’s mission, and recent funding information. According to OMB, agencies currently use the term “program” in different ways, and OMB plans to allow them to continue to define programs in ways that reflect their particular facts and circumstances within prescribed guidelines.¹⁸ OMB expects 24 large federal agencies to publish an initial

¹⁷In addition, see appendix IV for a listing of federal programs or other activities related to areas in this report, along with budgetary information, if available.

¹⁸OMB, Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, Aug. 3, 2012.

inventory of federal programs by May 2013.¹⁹ In future years, this effort will be expanded to other agencies that will update their inventories annually to reflect the annual budget and appropriations process. OMB also expects to enhance the initial program inventory by collecting related information, such as financing and related agency strategic goals.

Second, this series calls repeated attention to challenges associated with the need for improved and regular performance information. The regular collection and review of performance information, both within and among federal agencies, could help executive branch agencies and Congress determine whether some of the federal programs or initiatives included in this series are making progress toward addressing the identified issues and could determine the actions that need to be taken to improve results. However, as we previously noted, our annual reports highlight several instances in which executive branch agencies do not collect necessary performance data. For example, in our 2011 annual report we noted that OMB has not used its budget and performance review processes to systematically review tax expenditures and promote integrated reviews of related tax and spending programs. Coordinated performance reviews of tax expenditures with related federal spending programs could help policymakers reduce overlap and inconsistencies and direct scarce resources to the most effective or least costly methods to deliver federal support. Similarly, we have previously reported that as Congress oversees federal programs and activities, it needs pertinent and reliable information to adequately assess agencies' progress, ensure accountability, and understand how individual programs and activities fit within a broader portfolio of federal efforts. The lack of reliable performance data also makes it difficult for decision makers to determine how to address identified fragmentation, overlap, or duplication.

GPRAMA requires that federal agencies regularly collect performance information for federal programs and ensure that it is made publicly available. Specifically, agency leaders are required to conduct quarterly,

¹⁹These 24 agencies are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs, as well as the Agency for International Development, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Office of Personnel Management, Small Business Administration, Social Security Administration, and the U.S. Army Corps of Engineers Civil Works program.

data-driven reviews of their performance in achieving priority goals and identify strategies to improve performance where goals are not being met. In addition, OMB has directed agencies to take our work in this series into consideration when establishing their budget and management plans. As we recently reported, according to our survey of Performance Improvement Officers in 24 agencies, all 24 agencies were conducting performance reviews at least quarterly as required by GPRAMA.²⁰ While we found the reviews have shown promise in improving internal agency coordination and collaboration, few agency Performance Improvement Officers reported they are using the reviews to coordinate or collaborate with other agencies that have similar goals. We recommended that the Director of OMB identify and share promising practices for including other relevant entities that contribute to achieving their agency performance goals. OMB agreed with our recommendation.

In addition, GPRAMA requires OMB to coordinate with executive branch agencies to establish crosscutting priority goals and to develop a federal government performance plan that defines the level of performance needed to achieve them.²¹ As we reported in May 2012, the President's 2013 budget submission included the first list of 14 interim crosscutting priority goals.²² For each of the interim goals, as required by GPRAMA, OMB listed the agencies and programs that contribute to the goal in the federal government performance plan. However, based on our prior work, we identified additional agencies and programs that should be included. Accordingly, we recommended that OMB consider adding those additional contributors to the crosscutting priority goals. OMB concurred with this recommendation, and in its December 2012 update to the federal government performance plan, OMB added some of the additional agencies and programs that we identified. GPRAMA also requires agencies to describe how they are working with each other to achieve their strategic and performance goals, as well as any relevant

²⁰These 24 agencies are those covered by the Chief Financial Officers Act of 1990, which are subject to GPRAMA's requirements. See GAO, *Managing for Results: Data-Driven Performance Reviews Show Promise but Agencies Should Explore How to Involve Other Relevant Agencies*, [GAO-13-228](#) (Washington, D.C.: Feb. 27, 2013).

²¹31 U.S.C. §§ 1120(a)(1), 1115(a). See also GAO, *Managing for Results: GAO's Work Related to the Interim Crosscutting Priority Goals under the GPRAMA Modernization Act*, [GAO-12-620R](#) (Washington, D.C.: May 31, 2012).

²²[GAO-12-620R](#).

crosscutting priority goals. Moreover, each agency, for each of its performance goals, has to identify the various federal organizations, programs, and activities—both within and external to the agency—that contribute to the goal. These new requirements provide additional opportunities for collaboration across executive branch agencies. We have previously identified key practices that can help federal agencies enhance and sustain their collaborative efforts along with key features to consider as they implement collaborative mechanisms.²³

Furthermore, our work has identified strategies for addressing duplicative government functions and improving efficiency. Efficiency initiatives generally fell within two categories: (1) reexamining programs, structures, and functions to determine whether they effectively and efficiently achieved their mission; and (2) streamlining and consolidating operations to make them more cost effective. To help federal departments implement these initiatives we identified key practices, such as targeting both short-term and long-term efficiency initiatives, that they could use to improve efficiency.²⁴ In addition, we have identified key questions that agencies should consider when evaluating whether to consolidate physical infrastructure or management functions.²⁵

In order for information from performance measurement initiatives to be useful to executive branch agencies and Congress in making decisions, garnering congressional support on what to measure and how to present this information is critical. Thus, GPRAMA significantly enhances requirements for agencies to consult with Congress. Specifically, at least once every two years, OMB is required to consult with relevant committees with broad jurisdiction on crosscutting priority goals, while agencies must consult with their relevant appropriations, authorization, and oversight committees when developing or making adjustments to their strategic plans and agency priority goals. We recently prepared a

²³GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005) and *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012).

²⁴GAO, *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011).

²⁵GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, [GAO-12-542](#) (Washington, D.C.: May 23, 2012).

guide to help ensure that these consultations and the performance information produced by executive branch agencies are useful to Congress in carrying out its various decision-making responsibilities.²⁶

Beyond providing input to OMB and agencies during the consultations to shape their goals, Congress can foster results-oriented cultures in the federal government by using performance information in carrying out its various legislative responsibilities and oversight activities. In addition, in two recent reports we highlighted several instances in which Congress has used performance information in its decision making to (1) identify issues that the federal government should address, (2) measure progress towards addressing those issues, and (3) identify better strategies to address the issues, when necessary.²⁷

Congressional use of agency goals and measured results in its decision making will send an unmistakable message to agencies that Congress considers agency performance a priority. For example, in our 2011 annual report, we noted that the federal government distributed surface transportation funding without regard to performance. However, in July 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) was enacted, reauthorizing surface transportation programs through 2014.²⁸ This law identified seven national performance goals for surface transportation and requires the Secretary of Transportation to establish performance measures for them. In addition, states must establish performance targets for those measures and report their progress in achieving them, thereby incorporating accountability for results. Moreover, MAP-21 links funding to performance by requiring states to use federal funds to improve interstate system pavement and bridge conditions to meet minimum standards.

²⁶[GAO-12-621SP](#).

²⁷[GAO-12-621SP](#) and GAO, *Managing for Results: Opportunities for Congress to Address Government Performance Issues*, [GAO-12-215R](#) (Washington, D.C.: Dec. 9, 2011). For example, three case studies from our June 2012 report demonstrate how Congress has used performance information to inform its decision making. The case studies covered efforts to (1) transform the processing of immigration benefits, (2) coordinate U.S. efforts to address the global HIV/AIDS pandemic, and (3) identify and address improper payments made by federal programs.

²⁸Moving Ahead for Progress in the 21st Century Act, Pub. L. No. 112-141, 126 Stat. 405 (2012).

Realizing the intent of GPRAMA for improving government performance and accountability and reducing fragmentation, overlap, and duplication will require sustained oversight of implementation. To assist Congress with this oversight, GPRAMA includes provisions requiring us to review its implementation at several critical junctures. First, following a period of initial implementation, we are to report by June 2013 on implementation of GPRAMA's planning and reporting requirements, at both the government-wide and agency levels. Subsequently, following full implementation, we are to evaluate by September 2015 and 2017 whether performance management is being used by federal agencies to improve the efficiency and effectiveness of agency programs. Also in September 2015 and 2017—and every 4 years thereafter—we are to evaluate the implementation of the federal government priority goals and performance plans and related reporting required by GPRAMA.

This report was prepared under the coordination of Orice Williams Brown, Managing Director, Financial Markets and Community Investment, who may be reached at (202) 512-8678 or williamso@gao.gov, and A. Nicole Clowers, Director, Financial Markets and Community Investment, who may be reached at (202) 512-8678 or clowersa@gao.gov. Specific questions about individual issues may be directed to the area contact listed at the end of each summary.

A handwritten signature in black ink, reading "Gene L. Dodaro". The signature is written in a cursive style with a large, stylized initial "D".

Gene L. Dodaro
Comptroller General
of the United States

Abbreviations

AFF	Assets Forfeiture Fund
APHIS	Animal and Plant Health Inspection Service
BBG	Broadcasting Board of Governors
BRAC	Base Realignment and Closure
CBP	U.S. Customs and Border Protection
CHIPRA	Children's Health Insurance Program Reauthorization Act of 2009
CMS	Centers for Medicare & Medicaid Services
Commerce	Department of Commerce
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOT	Department of Transportation
DSH	disproportionate share hospital
EDS	explosives detection system
Education	Department of Education
Energy	Department of Energy
EPA	Environmental Protection Agency
ETD	explosives trace detection
FAA	Federal Aviation Administration
FAFSA	Free Application for Federal Student Aid
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FGDC	Federal Geographic Data Committee
FSIS	Food Safety and Inspection Service
FSSI	Federal Strategic Sourcing Initiative
GPRA	Government Performance and Results Act
GPRAMA	GPRA Modernization Act of 2010
GPS	Global Positioning System
GSA	General Services Administration
HHS	Department of Health and Human Services
HIDTA	High-Intensity Drug Trafficking Areas
Interior	Department of the Interior
IRS	Internal Revenue Service
IT	information technology
MA	Medicare Advantage
NASA	National Aeronautics and Space Administration
NOAA	National Oceanic and Atmospheric Administration
NSDI	National Spatial Data Infrastructure
NTIS	National Technical Information Service
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
PPACA	Patient Protection and Affordable Care Act
R&D	research and development

RMA	Risk Management Agency
ROI	return on investment
S&T	Science & Technology Directorate
SAMHSA	Substance Abuse and Mental Health Services Administration
SBA	Small Business Administration
SBDC	Small Business Development Centers
SOI	Statistics of Income
SRF	State Revolving Fund
SSA	Social Security Administration
State	Department of State
TFF	Treasury Forfeiture Fund
TPCC	Trade Promotion Coordinating Committee
Treasury	Department of the Treasury
TSA	Transportation Security Administration
USDA	U.S. Department of Agriculture
USPS	U.S. Postal Service
VA	Department of Veterans Affairs

Report at a Glance

Section I of this report presents 17 areas in which we found evidence of fragmentation, overlap, or duplication among federal government programs.

Table 1: Fragmentation, Overlap, and Duplication Areas Identified in This Report

Mission	Areas Identified	Page
Agriculture	1. Catfish Inspection: Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture’s Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of federal programs and could save taxpayers millions of dollars annually without affecting the safety of catfish intended for human consumption.	34
Defense	2. Combat Uniforms: The Department of Defense’s fragmented approach to developing and acquiring uniforms could be more efficient, better protect service members, and result in up to \$82 million in development and acquisition cost savings through increased collaboration among the military services.	37
	3. Defense Foreign Language Support Contracts: The Department of Defense should explore opportunities to gain additional efficiencies in contracts for foreign language support, which is estimated to cost more than \$1 billion annually, by addressing fragmentation in the department’s acquisition approach.	45
Energy	4. Renewable Energy Initiatives: Federal support for wind and solar energy, biofuels, and other renewable energy sources, which has been estimated at several billion dollars per year, is fragmented because 23 agencies implemented hundreds of renewable energy initiatives in fiscal year 2010—the latest year for which GAO developed these original data. Further, the Departments of Energy and Agriculture could take additional actions—to the extent possible within their statutory authority—to help ensure effective use of financial support from several wind initiatives, which GAO found provided duplicative support that may not have been needed in all cases for projects to be built.	51
Health	5. Joint Veterans and Defense Health Care Services: The Departments of Veterans Affairs and Defense should enhance their collaboration to reduce costs, overlap, and potential duplication in the delivery of health care services.	60
	6. Medicaid Program Integrity: The Centers for Medicare & Medicaid Services needs to take steps to eliminate duplication and increase efficiency in two Medicaid Integrity Program activities—provider audits and the collection of state program integrity data.	66
Homeland security/law enforcement	7. Department of Homeland Security Research and Development: Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help the Department of Homeland Security address fragmentation, overlap, and potential unnecessary duplication.	71
	8. Field-Based Information Sharing: To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, the Departments of Justice and Homeland Security and the Office of National Drug Control Policy could improve coordination among five types of field-based information sharing entities that may collect, process, analyze, or disseminate information in support of law enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers.	77
	9. Justice and Treasury Asset Forfeiture: Conducting a study to evaluate the feasibility of consolidating the Departments of Justice’s and Treasury’s multimillion dollar asset forfeiture activities could help the departments identify the extent to which consolidation of potentially duplicative activities would help increase the efficiency and effectiveness of the programs and achieve cost savings.	90
Information technology	10. Dissemination of Technical Research Reports: Congress may wish to consider whether the fee-based model under which the National Technical Information Service currently operates for disseminating technical information is still viable or appropriate, given that many of the reports overlap with similar information available from the issuing organizations or other sources for free.	96

Mission	Areas Identified	Page
	11. Geospatial Investments: Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of millions of dollars.	103
International affairs	12. Export Promotion: Enhanced collaboration between the Small Business Administration and two other agencies could help to limit overlapping export-related services for small businesses.	111
	13. International Broadcasting: The Broadcasting Board of Governors—with a budget of \$752 million in fiscal year 2012—has recognized the need to reduce overlap and reallocate limited resources to broadcasts that will have the greatest impact, but the agency could do more to achieve this goal, such as systematically considering overlap of language services in its annual language services review.	117
Science and the environment	14. Rural Water Infrastructure: Additional coordination by the Environmental Protection Agency and the Department of Agriculture could help three water and wastewater infrastructure programs with combined funding of about \$4.3 billion avoid potentially duplicative application requirements, as well as associated costs and time developing engineering reports and environmental analyses.	121
Social services	15. Drug Abuse Prevention and Treatment Programs: More fully assessing the extent of overlap and potential duplication across the fragmented 76 federal drug abuse prevention and treatment programs and identifying opportunities for increased coordination, including those programs where no coordination has occurred, would better position the Office of National Drug Control Policy to better leverage resources and increase efficiencies.	128
Training, employment, and education	16. Higher Education Assistance: Federal agencies providing assistance for higher education should better coordinate to improve program administration and help reduce fragmentation.	138
	17. Veterans' Employment and Training: The Departments of Labor, Veterans Affairs, and Defense need to better coordinate the employment services each provides to veterans, and Labor needs to better target the Disabled Veterans' Outreach Program so that it does not overlap with other programs.	145

Section II of this report summarizes 14 additional opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury.

Table 2: Cost Savings and Revenue Enhancement Opportunities Identified in This Report

Mission	Areas Identified	Page
Agriculture	18. Agricultural Quarantine Inspection Fees: The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as \$325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.	152
	19. Crop Insurance: To achieve up to \$1.2 billion per year in cost savings in the Federal Crop Insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.	158
Defense	20. Joint Basing: The Department of Defense needs an implementation plan to guide joint bases to achieve millions of dollars in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another.	163
Energy	21. Department of Energy's Isotope Program: Assessing the value of isotopes to customers, and other factors such as prices of alternatives, may show that the Department of Energy could increase prices for isotopes that it sells to commercial customers to create cost savings by generating additional revenue.	170

Mission	Areas Identified	Page
General government	22. Additional Opportunities to Improve Internal Revenue Service Enforcement of Tax Laws: The Internal Revenue Service can realize cost savings and increase revenue collections by billions of dollars by, among other things, using more rigorous analyses to better allocate enforcement and other resources.	174
	23. Agencies' Use of Strategic Sourcing: Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories—savings of one percent from selected agencies' procurement spending alone would equate to over \$4 billion.	181
	24. Opportunities to Help Reduce Government Satellite Program Costs: Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving hundreds of millions of dollars to date from using these innovative mechanisms.	186
Health	25. Medicare Prepayment Controls: More widespread use of prepayment edits could reduce improper payments and achieve other cost savings for the Medicare program, as well as provide more consistent coverage nationwide.	195
	26. Medicaid Supplemental Payments: To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare & Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis of providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars.	200
	27. Medicare Advantage Quality Bonus Payment Demonstration: Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare & Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014.	205
Homeland security/law enforcement	28. Checked Baggage Screening: By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.	210
Information technology	29. Cloud Computing: Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars.	217
	30. Information Technology Operations and Maintenance: Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.	222
International affairs	31. Tobacco Taxes: Federal revenue losses were as much as \$615 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.	227

Table 3: Appendixes

Appendixes	Page
Appendix I: List of Congressional Addressees	232
Appendix II: Objectives, Scope, and Methodology	233
Appendix III: Areas Identified in 2011-2013 Annual Reports, by Mission	239
Appendix IV: Lists of Programs Identified	251

Section I: Areas in Which GAO Has Identified Fragmentation, Overlap, or Duplication

This section presents 17 areas in which we found evidence of fragmentation, overlap, or duplication among federal government programs.

1. Catfish Inspection

Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture's Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of federal programs and could save taxpayers millions of dollars annually without affecting the safety of catfish intended for human consumption.

Why This Area Is Important

The U.S. food safety system is characterized by inconsistent oversight, ineffective coordination, and inefficient use of resources; these characteristics have placed the system on GAO's high-risk list. Assigning responsibility for examining and inspecting domestic and imported catfish to the Food Safety and Inspection Service (FSIS) adds to the potential for the ineffective coordination and inefficient use of resources in food safety. Specifically, giving the U.S. Department of Agriculture (USDA) such authority would introduce duplication into the already fragmented U.S. food safety system. Historically, FSIS has been responsible for meat, poultry, and processed egg products, and the Department of Health and Human Service's Food and Drug Administration (FDA) is responsible for all other food, including seafood. Moreover, the National Oceanic and Atmospheric Administration's National Marine Fisheries Service, through its fee-for-service inspection program, assesses seafood processors' compliance with federal food safety regulations.

What GAO Found

The Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) assigned regulatory responsibility for catfish inspection to USDA once the agency issues final regulations for the catfish inspection program. As GAO reported in May 2012, should USDA begin the catfish inspection program as mandated in the 2008 Farm Bill, the program would duplicate work already being conducted by FDA, and by the National Marine Fisheries Service, which provides fee-for-service inspections of seafood for industry.

Under FSIS's proposed program, processors would implement written sanitation and hazard control plans; FSIS would conduct continuous inspections of domestic catfish processing; and for imported catfish—which equal about 3 percent of all seafood imports—foreign countries would need to demonstrate equivalence to U.S. standards. According to FSIS's estimate, the annual cost to the federal government to implement this program would be about \$14 million dollars. We did not independently audit FSIS's estimate, but we observed some limitations with FSIS's cost data and assumptions that would affect the final accuracy of the agency's estimate.

If FSIS's proposed program were implemented, GAO expects it would cause duplication and inefficient use of resources in several key areas. First, the program would require implementation of hazard analysis plans that are essentially the same as FDA's hazard analysis requirements. For

example, both agencies' programs would require industry participants to identify hazards that are reasonably likely to occur; identify a point, step, or procedure in the production process where controls can be applied to deal with the hazard; establish corrective action plans; and establish record-keeping and documentation procedures, among other things. Second, if the program is implemented, as many as three agencies—FDA, FSIS, and the National Marine Fisheries Service—could inspect facilities that process both catfish and other types of seafood. Both FDA and National Marine Fisheries Service officials stated that continuous inspection will not improve catfish safety and, according to FDA officials, is counter to the use of FDA's hazard analysis requirements, in which systems are most efficiently monitored periodically rather than daily. Third, the FDA Food Safety Modernization Act, enacted in January 2011, gives FDA authority to establish a system to recognize accreditation bodies to accredit third-party auditors, including foreign governments, to conduct food safety audits to determine compliance with the Federal Food, Drug, and Cosmetic Act, and to certify that foreign seafood processors and imported seafood meet FDA regulatory requirements. FDA officials stated that this new authority complements FDA's existing authority to obtain assurances about the safety of seafood exports from countries with food safety systems FDA determined are comparable to those of the United States. With its new authority under the FDA Food Safety Modernization Act, FDA has an opportunity to enhance the safety of all imported seafood—including catfish—and to avoid the duplication of effort and cost that would result from FSIS's implementation of its proposed program.

Actions Needed and Potential Financial or Other Benefits

With FDA's new authority under the FDA Food Safety Modernization Act, the federal government has an opportunity to enhance the effectiveness of the food safety system of all imported seafood, including catfish, and avoid the duplication of effort and costs that would result from FSIS's implementation of its proposed catfish inspection program. GAO recommended in May 2012 that Congress may wish to consider the following action:

- repealing provisions of the 2008 Farm Bill assigning USDA responsibility for examining and inspecting catfish and for creating a catfish inspection program.

Doing so could save U.S. taxpayers about \$14 million dollars annually, according to FSIS estimates of the program's cost.

Agency Comments and GAO's Evaluation

In commenting on the May 2012 report on which this analysis is based, USDA stated that it appreciated our work in planning, conducting, and issuing the report and added that it was committed to completing the rulemaking process on catfish inspection in a manner that was consistent with the 2008 Farm Bill provisions.

GAO provided a draft of this report section to the Departments of Agriculture, Commerce, and Health and Human Services for review and comment. The Departments did not have any comments on this report section and the Department of Agriculture reiterated its commitment to completing the rulemaking process on catfish inspection.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO product section. To conduct this work, GAO reviewed FSIS's proposed catfish inspection program and related documents, including the risk assessment and impact analysis. In addition, GAO reviewed written public comments on the proposed regulations provided by industry and consumer groups. GAO interviewed officials from FSIS involved in the development of the proposed regulations and officials from FDA, the National Marine Fisheries Service, and other federal agencies, as well as representatives from industry and consumer advocacy groups. We reviewed the FDA Food Safety Modernization Act to identify the additional authorities to enhance the oversight of imported seafood this legislation granted FDA. We interviewed officials from FSIS, FDA, and the National Marine Fisheries Service to better understand FSIS's proposed program, its costs and benefits, and the similarities and differences between it and FDA and the National Marine Fisheries Service inspection programs. Table 1 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Product

Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA. [GAO-12-411](#). Washington, D.C.: May 10, 2012.

Contact Information

For additional information about this area, contact J. Alfredo Gómez at (202) 512-3841 or gomezj@gao.gov.

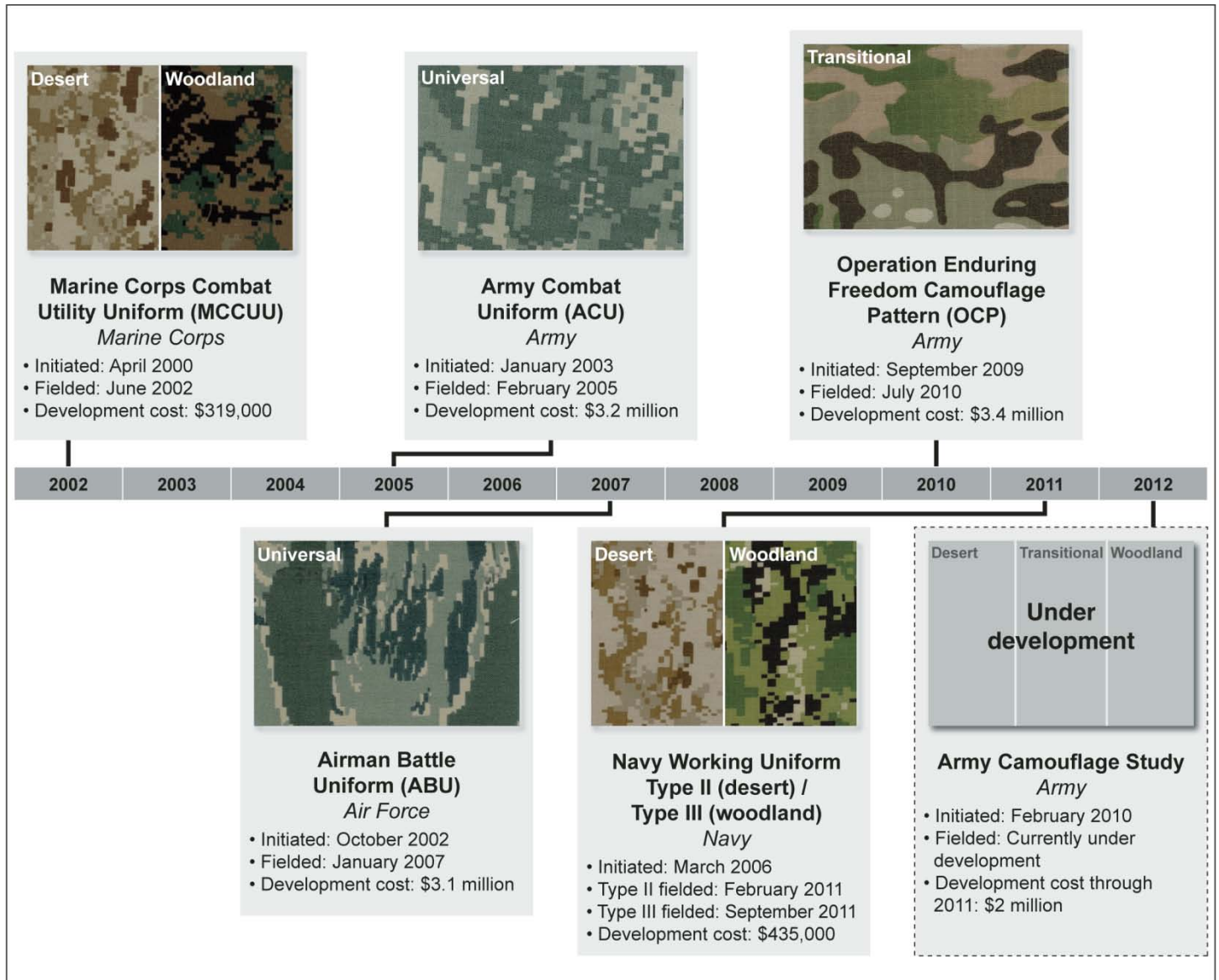
2. Combat Uniforms

The Department of Defense's fragmented approach to developing and acquiring uniforms could be more efficient, better protect service members, and result in up to \$82 million in development and acquisition cost savings through increased collaboration among the military services.

Why This Area Is Important

Since 2002, the military services went from using two camouflage patterns—a four-color woodland pattern, known as the Battle Dress Uniform, developed in 1981, and a three-color desert pattern, known as the Desert Camouflage Uniform, developed in early 1990—to seven service-specific camouflage uniforms with varying patterns and colors. In recent years, the services spent about half of a billion dollars to procure camouflage uniforms. In addition, the Army is developing new combat uniform options and associated protective gear, such as camouflage body armor and helmets, which officials estimate may cost up to \$4 billion to procure over 5 years. The following figure provides additional information on camouflage uniforms developed by the military services since 2002.

Services' Camouflage Uniforms, Dates of Initiation and Fielding, and Development Costs, 2000 through 2012



Source: DOD.

A provision in the National Defense Authorization Act for Fiscal Year 2010 required the Secretaries of the military departments to establish joint criteria for future ground combat uniforms that ensure that new technologies, advanced materials, and other advances in ground combat uniform design may be shared between the military services and are not precluded from being adapted for use by any military service due to

service-unique proprietary arrangements.¹ The Secretaries of the military departments were to establish the joint criteria by February 22, 2011.² Also, in June 2010, the Senate Committee on Armed Services directed the Secretary of Defense to report by August 2010 on the steps that the Department of Defense (DOD) had taken and planned to take to implement the requirement for joint criteria, including the steps the Secretaries of the military departments took or would take—in conjunction with the Joint Staff and combatant commands—to update their ground combat uniform standards and develop operational performance criteria for camouflage, among other information.³

DOD established the Joint Clothing and Textiles Governance Board (the Board) to ensure collaboration and DOD-wide integration of clothing and textile activities, such as uniforms.⁴ The Board is the forum the military departments are using to establish joint criteria for the performance of camouflage uniforms. The Board and its working group include representatives from the Office of the Secretary of Defense, the Joint Staff, and all of the military services. The Director of the Defense Logistics Agency is responsible for chairing the governance board. In addition, under DOD's instruction on clothing and textile management, the Under Secretary of Defense (Acquisition, Technology, and Logistics) is responsible for the development of DOD policy and implementing guidance on all matters relating to the clothing and textiles supply chain.⁵

What GAO Found

In a September 2012 report, GAO found that the military services employ a fragmented approach for acquiring combat uniforms. DOD and the services have not collaborated to establish joint criteria for ground combat uniforms. Further, DOD has not taken steps to ensure equivalent levels of uniform performance and protection for service members conducting joint

¹The military departments are the Department of the Air Force, Department of the Army, and the Department of the Navy. The military services are organized within the military departments: the Army within the Department of the Army, the Air Force within the Department of the Air Force, and the Navy and Marine Corps within the Department of the Navy. See National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, § 352 (d), 123 Stat. 2190, 2263 (2009) (10 U.S.C. § 771 note prec.).

²See *id.* The provision required the establishment of joint criteria no later than 270 days from the date of our report on ground combat uniforms required by section 352(c). We fulfilled the requirement with a report submitted to the congressional defense committees on April 26, 2010, but the report was published on May 28, 2010, as [GAO-10-669R](#).

³See S. Rep. No. 111-201, at 117 (2010) (accompanying S. 3454, a proposed bill for the National Defense Authorization Act for Fiscal Year 2011).

⁴DOD directed the establishment of the Joint Clothing and Textiles Governance Board in 2008. See DOD Instruction 4140.63, *Management of DOD Clothing and Textiles (Class II)*, encl. 2, para. 3(a) (Aug. 5, 2008).

⁵The DOD Supply Chain includes the government and private-sector organizations, processes, and systems that play a role in planning, acquiring, maintaining, and delivering materiel resources to the warfighter.

military operations in different uniforms, potentially exposing them to increased risk on the battlefield.⁶ Moreover, the services have not pursued partnership opportunities to reduce uniform-related costs. As a result of DOD's fragmented approach, military personnel could be exposed to increased risk on the battlefield and DOD may lose opportunities to save millions of development and acquisition dollars.

First, DOD has not yet established joint criteria for ground combat uniforms. DOD issued a report in February 2012, in response to the June 2010 Senate Armed Services Committee direction, on the steps it planned to take to establish joint criteria for ground combat uniforms;⁷ however, DOD has not yet met the statutory requirement to establish such criteria. According to governance board officials, a working group of the Joint Clothing and Textiles Governance Board met in 2010 to begin discussions on the joint criteria. However, according to members of the governance board, the group's leadership did not meet the February 2011 deadline for issuing joint criteria because members of the working group were unable to obtain consensus and faced competing demands from logistics efficiency initiatives. During GAO's review, governance board officials said that they planned to convene a new working group and complete the joint criteria by December 2012. In its February 2012 report to congressional committees, DOD acknowledged that it could do more to promote and enhance interservice collaboration and coordination with the Defense Logistics Agency. As of December 2012, DOD estimates it will complete the development of the joint criteria by March 2013. Without joint criteria on the performance of uniforms, one or more services may develop uniforms without knowing whether they include the newest technology, the newest materials or designs, and meet an acceptable joint level of performance.

Second, DOD does not have a policy to ensure that the services' fragmented uniform programs comply with statutory policy to provide service members equivalent levels of performance and protection commensurate with their respective assigned combat missions and minimize the risk to individuals operating in joint combat environments, to the maximum extent practicable.⁸ As a result, service members wearing uniforms consisting of different camouflage together in the same joint environment may be exposed to different levels of risk. For example, some Navy units, such as construction and intelligence units, were issued

⁶DOD and the Joint Staff have described the modern-day battlefield as a place with no clearly defined front lines or safer rear area where combat support operations are performed.

⁷DOD, *Report on Requirements for Standard Ground Combat Uniforms* (Washington, D.C.: February 2012).

⁸A provision in the National Defense Authorization Act for Fiscal Year 2010 established policy permitting the design and fielding of service-unique ground combat uniforms, as long as the uniforms, to the maximum extent practicable, provided these and other benefits. See Pub. L. No. 111-84, § 352(a), 123 Stat. at 2262-63.

woodland uniforms to wear in desert environments, while other personnel in the same types of locations were dressed in desert camouflage. Although the Navy stated in a 2009 administrative message that its Type II desert and Type III woodland uniforms would increase the probability of mission success and survivability in combat and irregular warfare operations, the Navy indicated that only Naval Special Warfare personnel and sailors assigned to or directly supporting Naval Special Warfare units would be authorized to wear the Type II desert uniform, increasing the risk of some personnel standing out in the joint operating environment.⁹ Conversely, in September 2010, Air Force Central Command decided to enhance the level of protection for its personnel serving in Afghanistan by directing personnel to wear the Army's Operation Enduring Freedom Camouflage Pattern uniform, where available, rather than the Air Force's existing Airman Battle Uniform. Without a departmentwide policy to ensure that services develop and field uniforms with equivalent performance and protection, the services could fall short of offering equivalent protection for all service members.

Finally, the services' fragmented approach to developing camouflage uniforms has resulted in numerous inventories of similar uniforms at increased cost to the supply chain, but the services have not taken advantage of opportunities to reduce costs through partnering on inventory management or by collaborating to achieve greater standardization among their various camouflage uniforms. Under DOD's supply chain regulation on materiel management, DOD components are encouraged, but not required, to standardize basic materials and accessories and to standardize uniforms and other clothing items when possible to reduce costs.¹⁰ When the military services introduce a new item, the Defense Logistics Agency imposes an initial inventory fee if the cost of the new item is 10 percent greater than the cost of the item being replaced and if the item is introduced into inventory by only one DOD component. However, to encourage the services to reduce costs by standardizing materials and eliminate fragmentation and potential duplication, according to officials, the Defense Logistics Agency will waive the initial inventory fee if two or more services agree to jointly introduce an item into their inventories.¹¹ Although the Defense Logistics Agency could waive inventory fees for joint introductions of uniforms, according to Defense Logistics Agency officials, none of the services has partnered on

⁹See Chief of Naval Operations, NAVADMIN 374-09, *Navy Working Uniform Type II and III* (Dec. 29, 2009). This guidance was later updated to cover Coast Guard personnel assigned to or directly supporting Naval Special Warfare units. See Chief of Naval Operations, NAVADMIN 259-11, *Navy Working Uniform Type I, II and III, Camouflage Utility Uniforms* (Aug. 30, 2011).

¹⁰See Department of Defense Regulation 4140.1-R, *DOD Supply Chain Materiel Management Regulation*, chapter 8 (May 23, 2003).

¹¹The inventory fee covers the cost of acquiring initial inventory, and according to Defense Logistics Agency officials it includes the first 4 months of inventory, a 3-month safety level, and the cost of the remaining uniforms in inventory being replaced.

combat uniforms since they began separately replacing the woodland Battle Dress Uniform and the Desert Camouflage Uniform in 2002.

The military services have opportunities to potentially save tens of millions of dollars in initial inventory fees by partnering with another service in the introduction of new uniforms. First, the Army has estimated that it could avoid initial inventory fees of as much as \$82 million by partnering with another service or services. Air Force officials stated that they are considering using the Army's new uniforms if they meet the Air Force's needs. However, GAO found that, as of January 2013, Air Force officials had not reached an agreement with the Army on the joint use of a single uniform. Second, the Navy, as part of its acquisition planning in the spring of 2011, estimated potential cost savings of about \$6 million in initial inventory fees if it partnered with another service in the introduction of its Type II desert and Type III woodland uniforms. In March 2011, the Coast Guard requested approval from the Navy, Naval Special Warfare Command, and U.S. Special Operations Command to use the camouflage uniforms for maritime, counterterrorism, and security missions. However, Navy officials decided to introduce the uniform before establishing a formal partnership with the Coast Guard. As a result, the Navy incurred \$6 million in inventory fees, thereby increasing the overall cost of the uniforms. In the absence of DOD requirements that the services collaborate to standardize the development and introduction of camouflage uniforms, the services may continue to miss opportunities to increase efficiencies and forego millions of dollars in cost savings, in addition to possibly duplicating the uniform development efforts of other services.

Actions Needed and Potential Financial or Other Benefits

GAO recommended in September 2012 that the Secretary of Defense should take the following three actions:

- direct the Secretaries of the military departments to identify and implement actions necessary to enable the Joint Clothing and Textiles Governance Board to develop and issue joint criteria for uniforms prior to the development or acquisition of any new camouflage uniform;
- direct the Under Secretary of Defense (Acquisition, Technology, and Logistics) to develop a policy to ensure that future service-specific uniforms provide equivalent levels of performance and protection and minimize risk to service members operating in the joint battle space; and
- direct the Secretaries of the military departments to actively pursue partnerships for the joint development and use of uniforms to minimize fragmentation in the development of uniforms and to seek to reduce inventory and overall procurement costs.

By taking these three actions, the Office of the Secretary of Defense and the Secretaries of the military departments could facilitate the department's ability to meet the statutory requirement to develop and

issue joint criteria for uniforms, facilitate DOD's actions to better ensure that service members operating in joint combat environments are not exposed to unnecessary risks, and take advantage of potential efficiencies and tens of millions of dollars in cost savings each time one of the services introduces a new uniform.

Agency Comments and GAO's Evaluation

In commenting on the September 2012 report on which this analysis is based, DOD agreed with GAO's recommendations. DOD stated that draft joint criteria for camouflage uniforms have been developed and are going through the DOD approval process, which DOD estimated will be completed by March 2013. DOD also said that the Under Secretary of Defense (Acquisition, Technology, and Logistics) will disseminate policy guidance to the military departments that will include direction for using joint criteria and ensuring equivalent levels of performance and protection by the 3rd quarter of fiscal year 2013. Finally, DOD stated that it will use the Joint Clothing and Textiles Governance Board and the Cross-Service Warfighter Equipment Board to provide additional oversight and further pursue active partnerships for joint development and use of uniforms.

GAO provided a draft of this report section to DOD for review and comment. In an e-mail received on January 25, 2013, the Deputy Assistant Secretary of Defense for Supply Chain Integration reiterated the department's September 2012 comments. DOD plans to provide joint criteria and policy guidance for camouflage uniforms to the military departments by March 2013 and plans to use the Joint Clothing and Textiles Governance Board and Cross-Service Warfighter Equipment Board to provide additional oversight and further pursue active partnerships for joint development and use of uniforms.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from products listed in the related GAO products section. For that work, we analyzed requirements and policies found in DOD guidance and in the National Defense Authorization Act for Fiscal Year 2010. We also analyzed data on DOD's combat uniform development activities from 2010 to 2012 and interviewed officials from the military services and members of the Joint Clothing and Textiles Governance Board to determine if the services had established criteria for camouflage uniforms using a joint approach and met the statutory policy permitting future uniforms to uniquely reflect the identity of the individual services, as long as they provide service members equivalent levels of performance and protection, among other benefits, to the maximum extent practicable. Finally, we reviewed guidance and interviewed officials with the Defense Logistics Agency, Troop Support Office, to assess how they encourage the services to jointly reduce development and acquisition costs.

Related GAO Products

Warfighter Support: DOD Should Improve Development of Camouflage Uniforms and Enhance Collaboration Among the Services. [GAO-12-707](#). Washington, D.C.: September 28, 2012.

Military Uniforms: Issues Related to the Supply of Flame Resistant Fibers for the Production of Military Uniforms. [GAO-11-682R](#). Washington, D.C.: June 30, 2011.

Warfighter Support: Observations on DOD's Ground Combat Uniforms. [GAO-10-669R](#). Washington, D.C.: May 28, 2010.

Contact Information

For additional information about this area, contact Cary B. Russell at 202-512-5431 or e-mail russellc@gao.gov.

3. Defense Foreign Language Support Contracts

The Department of Defense should explore opportunities to gain additional efficiencies in contracts for foreign language support, which is estimated to cost more than \$1 billion annually, by addressing fragmentation in the department's acquisition approach.

Why This Area Is Important

In recent years, the Department of Defense (DOD) has invested billions of dollars to provide foreign language support to U.S. military personnel.¹ Specifically, DOD obligated over \$6.8 billion from fiscal years 2008 through 2012 on contracts to acquire a variety of foreign language support needed to carry out diverse missions and operations both within and outside of the United States. These contracts provide services that allow U.S. military personnel to communicate and interact with multinational partners, security forces, and local indigenous populations. DOD has recognized these abilities are critical factors to mission success, particularly in light of recent operational experiences in Afghanistan and Iraq. Changes to the size and location of DOD's forward-stationed or deployed military forces and a renewed emphasis on developing partnerships, particularly in the Asia-Pacific region and Africa, indicate that DOD will likely continue its investments in foreign language support contracts for the foreseeable future.²

Since 2009, GAO has identified a number of management challenges that DOD faces in providing foreign language and cultural awareness training to U.S. military personnel. For example, in May 2011, GAO reported that DOD lacked an approach to integrate department-wide training efforts, which contributed to some fragmentation and inefficiency in identifying requirements for language and cultural awareness training for ongoing operations. Moreover, in February 2012, GAO identified overlapping and potentially duplicative foreign language and culture training products that were either developed or contracted for by the military services. DOD's considerable investment in contracts for foreign language support both now and in the future, as well as the challenges GAO identified in prior work, suggests that additional opportunities may exist for DOD to gain efficiencies in its contracting approach.

¹DOD has not defined "foreign language support" as a specific set of services or products; however, officials representing DOD components, which include the military services, combatant commands, and defense agencies, identified a range of services and products that they consider foreign language support, such as translation and interpretation services, the assistance of personnel who possess language skills and serve as role players, and foreign language instruction. Therefore, GAO uses "foreign language support" to refer to this range of services and products.

²Department of Defense, *Sustaining U.S. Global Leadership: Priorities For 21st Century Defense* (Jan. 3, 2012).

What GAO Found

DOD contracts for a broad range of foreign language support and has taken some steps to centralize its contracting efforts to increase collaboration among the DOD components, gain efficiencies, and control spending; however, the scope of these efforts has been limited to only certain types of services, and DOD has not explored whether additional opportunities exist to gain efficiencies across a broader range of foreign language-related services and products. As a result, DOD's acquisition approach remains uncoordinated and fragmented. As GAO reported in February 2013, DOD sought to centralize and standardize contracting efforts for foreign language support across the department by designating the Army as an executive agent to manage contracting in this area. While the executive agent's responsibility generally extends to all foreign language support contracts, under certain circumstances, DOD components can contract independently for foreign language support. For example, under DOD policy, certain types of contracts are exempt, such as personal services contracts established by in-theater and intelligence organizations.³ In addition, exemptions for other types of contracts may be established by memorandum of agreement between the contracting entity and the executive agent.⁴

GAO found that the executive agent in performing its responsibilities has focused its efforts solely on arranging for contracts to acquire translation and interpretation services for contingency operations because of the rapidly increasing requirements for these services.⁵ For these types of services, DOD components submit their requirements to the executive agent, which then validates the need and oversees contracts for the desired services. From fiscal years 2008 through 2012, the Army, as executive agent, obligated about \$5.2 billion on contracts to provide components with translation and interpretation services for contingency operations. During the same time period, GAO reported that multiple DOD components contracted for foreign language support outside of the executive agent's contracts, resulting in an uncoordinated and fragmented approach. Specifically, to support the needs of contingency

³A personal services contract is characterized by the employer-employee relationship it creates between the government and the contractor's personnel. Federal Acquisition Regulation (FAR) § 37.104. These contracts, by their express terms or as administered, make the contractor personnel appear to be, in effect, government employees. FAR § 2.101. Personal services contracts are generally prohibited; however, personal services contracts that directly support the mission of a defense intelligence component, counterintelligence organization, or the Special Operations Command of DOD are authorized by statute. 10 U.S.C § 129b(d).

⁴Department of Defense Directive 5160.41E, *Defense Language Program*, (Oct. 21, 2005).

⁵A contingency operation is a military operation that either (1) is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against U.S. enemies or against an opposing military force or (2) results in the call or order to, or retention on, active duty of members of the uniformed services under certain statutory provisions or any other provision of law during a war or during a national emergency declared by the President or Congress. 10 U.S.C. § 101(a)(13).

operations, predeployment training, and day-to-day military activities, 159 contracting organizations in 10 different DOD components obligated approximately \$1.2 billion on contracts for foreign language support outside of those managed by the executive agent for translation and interpretation services for contingency operations.⁶ These organizations can have contracts that involve either one or more of the following foreign language support services. For example,

- 30 organizations obligated approximately \$955 million on contracts for foreign language and culture-enabled role players,
- 93 organizations obligated approximately \$25.4 million on contracts for foreign language interpretation or translation services for missions and activities other than contingency operations,
- 24 organizations obligated approximately \$2.1 million on contracts to provide language training for military personnel, and
- 65 organizations obligated approximately \$180.5 million on contracts that provided a combination of services.

DOD's efforts to centralize contracting for certain foreign language support services under an executive agent has resulted in some efficiencies, but DOD has not taken steps to comprehensively assess whether additional opportunities exist to gain efficiencies and reduce fragmentation across a broader range of foreign language support services. For example, executive agent officials stated that by establishing a standardized process for department-wide contracts in the area of translation and interpretation services in support of contingency operations, the executive agent was able to build upon department-wide efforts to improve the security clearance process and reduce the amount of time it took to complete the security clearance vetting process for potential contract interpreter/translators from about 4 months to 6 weeks. However, DOD has not analyzed requirements and costs in foreign language support spending in other areas, such as foreign language-enabled role players, to determine whether any additional foreign language-related services warrant collaboration in joint rather than fragmented contracting. Best practices for service acquisition suggest that DOD's acquisition approach should provide for an agency-wide view of service contract spending and promote collaboration to leverage buying power across multiple organizations. Implementing such an approach requires an analysis of where an organization is spending its money, which should be the starting point for gaining knowledge that can assist

⁶The total obligation amount does not include \$394 million in obligations for contracts that the executive agent considered exempted from its program. The number of contracting organizations does not add to 159 because several organizations had contracts for more than one type of foreign language support service as well as contracts to provide a combination of services.

agencies in determining what products and services warrant a more coordinated acquisition approach.⁷ Executive agent officials noted that their management efforts were focused on contracts specifically for foreign language translation and interpretation services associated with contingencies because of the escalating costs to provide these services for ongoing military operations. However, they agreed that a better understanding of the department's spending on contracts for a broader spectrum of foreign language support services could better inform areas where the executive agent could focus its management efforts.

Actions Needed and Potential Financial or Other Benefits

DOD has taken steps to centralize contracting for foreign language translation and interpretation services for contingency operations to increase collaboration and gain efficiencies, but its acquisition approach for other types of foreign language support services remains fragmented across multiple DOD components. Without a more complete understanding of where the department is spending resources on foreign language support contracts, DOD has not had the information it needs to make informed decisions about the types of services that could be managed by the executive agent or provide reasonable assurance that it is fully leveraging its buying power for foreign language support services. As a result, GAO recommended in February 2013 that the Secretary of Defense should take the following action:

- direct the Under Secretary of Defense for Personnel and Readiness to conduct an assessment of its current approach for managing foreign language support contracts. At a minimum, such an assessment should include (1) an analysis of spending for other types of foreign language support services and products that have been acquired by the DOD components outside of the executive agent, and (2) based on the results of this analysis, a reevaluation of the scope of the executive agent's efforts to manage foreign language support contracts to determine if any adjustments are needed.

Because multiple DOD components have contracted independently for other foreign language support outside of the executive agent's contracts in various ways and cost information is not collected in a centralized manner, determining definitive cost savings in this area is challenging. GAO was able to determine that DOD components have obligated at least a billion dollars since fiscal year 2008 to acquire foreign language support outside of the executive agent's contracts. GAO's prior work has found that agencies, including DOD, reported savings ranging between 5 and 20 percent when strategic sourcing contracts were used by implementing more coordinated acquisition approaches rather than fragmented contracting. Therefore, on the basis of the level of investment that DOD is making in foreign language support contracts, it appears that

⁷GAO, *Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement*, [GAO-04-870](#) (Washington, D.C.: Sept. 16, 2004).

DOD has viable opportunities to achieve significant cost savings if it increases its visibility of spending across a broader spectrum of services and products by implementing the action outlined above.

Agency Comments and GAO's Evaluation

In commenting on the February 2013 report on which this analysis is based, DOD agreed with our recommendation and stated that the Defense Language and National Security Education Office will lead the assessment for the Office of the Under Secretary of Defense for Personnel and Readiness. DOD stated the target date for completion of this effort is June 2015.

DOD also stated that requirements for foreign language capability are in constant flux and that the department is challenged to meet ad hoc and surge requirements, primarily because it takes years to develop organic capacity for these capabilities. DOD noted that it turns to contractors to help meet these ad hoc and surge requirements. DOD stated that GAO's February 2013 report employed a broader definition of "foreign language support" than understood between the Office of the Secretary of Defense and the Army G-2 when establishing their contracts for foreign language support under the executive agent relationship. DOD noted that under its definition, language training, cultural training, cultural advisors, cultural subject matter experts, and cultural role players would not fall under the current contract foreign language support executive agent or be subject to the same foreign language support contracts.

GAO agreed with DOD's characterization of the definition of the term "foreign language support" used in the report. As stated in the report, DOD had not defined foreign language support as a specific set of products and services. Therefore, GAO used a broader definition to reflect the range of services and products that were identified and considered by DOD officials to be foreign language support. The report also reflected DOD's point that the executive agent chose to focus its efforts solely on arranging for contracts to acquire translation and interpretation services for contingency operations because of the rapidly increasing requirements for these services. The report further noted that because there is a significant amount of spending for other types of foreign language-related services and products outside of the executive agent's contract, DOD may be able to gain additional efficiencies if it assesses its spending across a broader range of foreign language-related contracting activity. GAO also recognized that other foreign language-related services may involve other variables, such as different sets of skills, which DOD would need to take into account as it reassesses its current approach.

GAO provided a draft of this report section to DOD for review and comment. DOD provided no additional comments. However, in light of the continued budgetary challenges facing DOD and the federal government, GAO urges DOD to consider taking action sooner than its stated target date of June 2015. DOD also provided technical comments, which were incorporated where appropriate.

How GAO Conducted Its Work

The information in this analysis is based on findings from the products listed in the related GAO products section. GAO reviewed DOD's acquisition approach for foreign language support contracts, including all DOD organizations that had contracted for foreign language support from fiscal year 2008 through fiscal year 2012, and assessed the department's management effort to establish an executive agent for foreign language support. GAO obtained and estimated contract obligations on DOD contracts for foreign language-related services and products for fiscal years 2008 through 2012. In addition, GAO interviewed relevant DOD and military service officials. Table 2 in appendix IV lists the contracting organizations GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Defense Contracting: Actions Needed to Explore Additional Opportunities to Gain Efficiencies in Acquiring Foreign Language Support. [GAO-13-251R](#). Washington, D.C.: February 25, 2013.

Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue, [GAO-12-342SP](#). Washington, D.C.: February 28, 2012.

Language and Culture Training: Opportunities Exist to Improve Visibility and Sustainment of Knowledge and Skills in Army and Marine Corps General Purpose Forces. [GAO-12-50](#). Washington, D.C.: October 31, 2011.

Military Training: Actions Needed to Improve Planning and Coordination of Army and Marine Corps Language and Culture Training. [GAO-11-456](#). Washington, D.C.: May 26, 2011.

Military Training: Continued Actions Needed to Guide DOD's Efforts to Improve Language Skills and Regional Proficiency. [GAO-10-879T](#). Washington, D.C.: June 29, 2010.

Military Training: DOD Needs a Strategic Plan and Better Inventory and Requirements Data to Guide Development of Language Skills and Regional Proficiency. [GAO-09-568](#). Washington, D.C.: June 19, 2009.

Contact Information

For additional information about this area, contact Sharon Pickup at (202) 512-9619 or pickups@gao.gov.

4. Renewable Energy Initiatives

Federal support for wind and solar energy, biofuels, and other renewable energy sources, which has been estimated at several billion dollars per year, is fragmented because 23 agencies implemented hundreds of renewable energy initiatives in fiscal year 2010—the latest year for which GAO developed these original data. Further, the Departments of Energy and Agriculture could take additional actions—to the extent possible within their statutory authority—to help ensure effective use of financial support from several wind initiatives, which GAO found provided duplicative support that may not have been needed in all cases for projects to be built.

Why This Area Is Important

Americans' daily lives, as well as the economic productivity of the United States, depend on the availability of energy, the majority of which comes from fossil fuels, such as oil and coal. However, public concern over the nation's reliance on imported oil, volatile energy costs, and fossil fuels' emissions of greenhouse gases linked to global climate change have increased the focus on developing renewable energy resources to meet future energy needs. The Department of Energy's (DOE) Energy Information Administration projects that use of renewable energy to generate electricity and produce liquid fuels for transportation will continue to grow over the coming decades. One renewable energy source—wind energy—has been the fastest-growing source of U.S. electric power generation in recent years, increasing about 33 percent per year since 2001, according to the Energy Information Administration. In 2011, wind energy constituted 32 percent of all new additions to U.S. electricity-generating capacity and contributed 3 percent of the nation's total electricity generation, the largest share of any renewable source other than hydroelectric power.

Congress and some federal agencies have emphasized the importance of renewable energy as a means to address national concerns, including energy security, and have committed substantial federal resources to initiatives in this area. For example, the federal government subsidizes investment in certain types of renewable energy-related projects by providing tax credits or other types of favorable tax treatment (known as tax expenditures), to businesses and individuals for the production or consumption of renewable energy. The federal government is also uniquely positioned to affect the development of renewable energy resources through its land management and regulatory activities and as the single largest U.S. consumer of energy.

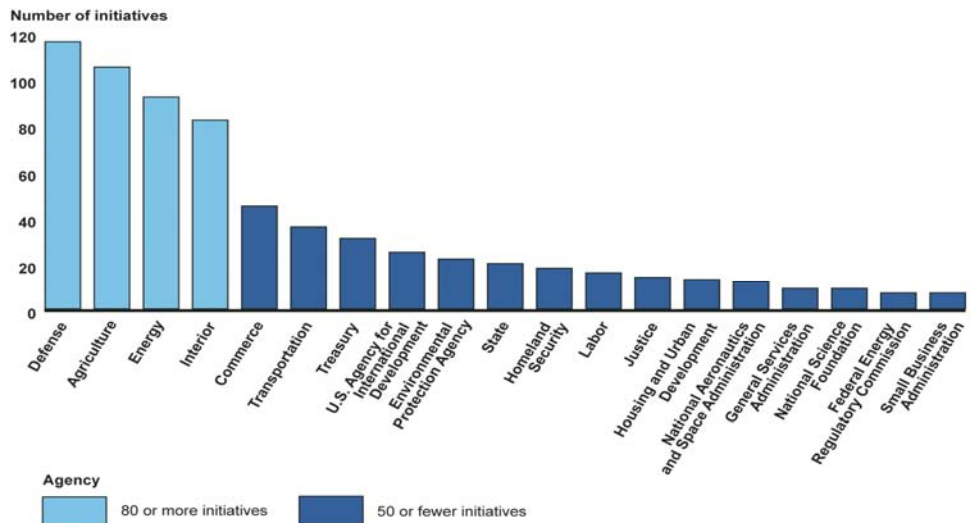
Federal support for renewable energy increased significantly in recent years as a result of the provisions of the American Recovery and Reinvestment Act of 2009, as well as other factors, such as the priority placed on renewable energy by agencies' leadership or by the administration. There is no comprehensive database that tracks federal renewable energy spending across agencies for all types of activities. While available third-party estimates vary in the types of activities they include and the time periods they cover, these estimates indicate that the level of federal financial support for renewable energy has averaged several billion dollars per year over the past decade. For example, third-

party estimates indicate that federal renewable energy spending over the 7-year period from 2002 through 2008 averaged about \$4 billion per year and increased to almost \$15 billion in fiscal year 2010, in part because of additional spending through the American Recovery and Reinvestment Act of 2009. For wind energy specifically, the Energy Information Administration estimated that federal agencies provided nearly \$5 billion in subsidies in fiscal year 2010 to support efforts to research, develop, and deploy wind energy technologies—more than 75 percent of federal subsidies for all renewable sources of electricity.

What GAO Found

GAO reported in February 2012 that 23 agencies and their 130 subagencies implemented 679 renewable energy initiatives in fiscal year 2010.¹ Four agencies—the Departments of Agriculture (USDA), Defense, Energy, and the Interior—implemented almost 60 percent of the initiatives GAO identified, and the other 40 percent of initiatives were implemented by a wide array of agencies (see the figure below for more information on the agencies implementing renewable energy initiatives in fiscal year 2010). Federal support for renewable energy was fragmented across numerous initiatives implemented by a wide array of agencies in fiscal year 2010. While the extent to which this fragmentation is necessary remains unclear, the magnitude of federal renewable energy efforts may increase the likelihood that some of this fragmentation is, in fact, unnecessary.

Number of Federal Renewable Energy-Related Initiatives by Agency, in Fiscal Year 2010



Source: GAO analysis of agencies' data.

Note: Data for the Department of Defense include data for five components—the Air Force, Army, Marine Corps, Navy, and other components that report to the Office of the Secretary of Defense.

¹GAO defined a renewable energy-related initiative as a program, tax expenditure, or group of activities serving a similar purpose or function that was related to renewable energy through a specific emphasis or focus, even if renewable energy was part of a broader effort.

These initiatives supported a range of renewable energy sources—most commonly bioenergy, solar, and wind—and while many initiatives supported multiple sources and types of recipients, many others targeted support to one source or recipient type. Agencies' renewable energy efforts increased in recent years as a result of the provisions of the American Recovery and Reinvestment Act of 2009 and other factors. For example, GAO found that 157 initiatives—nearly 25 percent of the renewable energy initiatives identified—were established, received additional funding, or were impacted in some other way by the American Recovery and Reinvestment Act of 2009. While the level of agencies' future renewable energy efforts is less certain with the expiration of these provisions, as well as the expiration of other authorities, in addition to depletion of available appropriations and continued budget constraints, agencies appear poised to continue to provide substantial support for renewable energy through those initiatives that are not scheduled to expire or whose funding has been renewed or is not tied to a specific appropriation. Although GAO examined characteristics, such as energy source and recipient type, for the nearly 700 renewable energy initiatives identified in its February 2012 report, GAO could not comprehensively assess the potential for overlap or duplication among the initiatives because existing agency information was not sufficiently complete to allow for such an assessment.

In a March 2013 report on federal support for wind energy—the largest recipient of federal support for renewable sources of electricity—GAO found that nine agencies implemented 82 wind-related initiatives in fiscal year 2011. Of these 82 initiatives, GAO found that 20 percent supported wind energy alone or primarily, while 62 percent supported other renewable energy sources or other activities either primarily or equally with wind energy.² The initiatives supported a range of wind issues, such as energy generation from land-based or offshore wind, or transmission of wind energy, as well as a variety of technology advancement activities from basic and applied research to deployment. Under these initiatives, agencies incurred obligations of about \$2.9 billion and provided estimated tax subsidies totaling at least \$1.1 billion for activities specifically related to wind in fiscal year 2011.³

GAO found that the 82 wind-related initiatives were fragmented across multiple agencies. Additionally, most of the 82 initiatives had overlapping

²For 18 percent of the initiatives, agency officials were not able to determine the extent to which the initiatives supported wind energy relative to other sources of renewable energy or other activities. In some instances, the officials were unable to make these determinations because of data limitations. For example, for several initiatives, agencies did not track program data separately for each energy source.

³The federal obligations and tax subsidies for fiscal year 2011 presented here cannot be compared with the Energy Information Administration's estimate of \$5 billion in total federal subsidies for wind in fiscal year 2010 because of differences in the period covered and methods used in calculating these numbers.

characteristics, and several of them have provided duplicative financial support to deploy wind energy projects. Specifically, regarding fragmentation, nine agencies implemented initiatives that involved the same broad area of national need—promoting or enabling wind energy development. Most initiatives, 68 of the 82 (83 percent), overlapped to some degree with at least 1 other initiative because, for example, they supported the same wind issues and technology advancement activities, and shared other key characteristics. Overlap did not necessarily lead to duplication of efforts because initiatives sometimes differed in meaningful ways—for instance, by targeting support to different types of recipients.

In evaluating wind initiatives that provided financial support to deploy wind energy projects in fiscal year 2011, GAO identified seven initiatives that have provided duplicative support—financial support from multiple initiatives to the same recipient for a single project.⁴ These seven initiatives included tax expenditures, as well as grant, loan, and loan guarantee programs implemented by Treasury, DOE, or USDA.⁵ In many cases, wind project developers combined the support of more than one Treasury initiative and, in some cases, received additional support from smaller DOE or USDA grant or loan guarantee programs. For example, projects supported by Treasury’s Section 1603 program also received support from DOE- or USDA-administered loan guarantees, as well as tax expenditure support.⁶ Wind projects may also receive financial support from state tax credits and grant and loan programs, as well as indirect support from state policies, most notably renewable portfolio standards.⁷ In addition, duplication of financial support among these initiatives may

⁴All of these initiatives were specifically established by Congress, as opposed to agency-created initiatives. Four of the seven initiatives, including two tax expenditures, a grant program, and a loan guarantee program recently expired or are scheduled to expire for wind projects at the end of 2013. However, policymakers may decide to create similar initiatives as a means for supporting wind energy or other renewable energy sources in the future.

⁵Of the seven initiatives, those implemented by Treasury—tax expenditures and a grant program—accounted for over 95 percent of the federal financial support for wind in fiscal year 2011, based on available estimates.

⁶Approximately 94 percent of the \$2.9 billion in fiscal year 2011 wind-related obligations GAO identified—over \$2.7 billion—was obligated under Treasury’s Section 1603 grant program, which was established by the American Recovery and Reinvestment Act of 2009 and provided cash payments of up to 30 percent of the total eligible costs of wind and certain other renewable energy facilities in lieu of tax credits for energy investment or production.

⁷Renewable portfolio standards do not provide direct financial support to particular wind projects; however, by requiring or encouraging that a percentage of the electricity consumed in a state be generated from renewable sources, they are designed to create market demand for electricity from sources such as wind.

not be limited to wind projects because the initiatives also provided support to projects involving a range of other renewable energy sources.⁸

Although these initiatives have, in some cases, provided duplicative support, their support may address different needs of wind project developers or the communities their projects serve. For instance, according to DOE officials, in many cases, a DOE loan guarantee program provided financing for innovative projects that were seen as too risky to obtain affordable private financing. Without this support, developers might not have been able to advance these projects to the point, such as being placed in service or beginning to generate electricity, where they would be eligible to receive tax credits. In addition, there can be limits on the extent to which individual projects can receive support from multiple initiatives. For instance, provisions of the tax code prevent project developers from combining Treasury's Section 1603 program grants with Treasury's energy investment or energy production tax credits to support a specific wind project. In addition, for some grant, loan, and loan guarantee programs, USDA and DOE reduce the value of support provided or deny support altogether for applicants who receive funding from other initiatives. Despite these limits, the initiatives GAO identified that have provided duplicative support were combined in many cases to provide cumulative financial support worth about half of project costs for wind projects, according to financial professionals active in the wind energy industry.

GAO also identified three other DOE or USDA initiatives that did not actually fund any wind projects in fiscal year 2011 but that could be combined with one or more other initiatives to provide duplicative support in the future based on the types of projects eligible for their support. For these initiatives, as well as those DOE or USDA initiatives that GAO found, in some cases, did provide duplicative support to wind projects in fiscal year 2011, GAO also found that DOE and USDA have discretion—to the extent allowed by their statutory authority—over the projects they support. This discretion allowed the agencies to allocate this support based on projects' ability to meet initiative goals, along with other criteria, such as financial and technical feasibility.⁹ For instance, DOE established initial screening criteria for projects under one of its loan guarantee programs, including that projects employ an innovative technology that is not commercially available and that projects be financially viable. To further evaluate projects that meet these initial screening criteria, DOE examines projects' potential contributions related to two program goals:

⁸The majority of the wind-related initiatives GAO identified supported a range of renewable energy sources in addition to wind, as well as other activities such as energy efficiency projects or rural development projects.

⁹Treasury provides support to projects based on the eligibility criteria in the tax code. In contrast to DOE and USDA, Treasury generally does not have discretion in allocating support to projects and therefore does not assess applicant need for the support of its initiatives.

expected reduction or avoidance of greenhouse gas emissions in relation to project costs, and support for clean energy jobs and manufacturing. Similarly, USDA allocates the support of its initiatives according to projects' ability to contribute to program goals, such as providing benefits for rural and other eligible communities, and other factors, such as technological feasibility and expected performance.

DOE and USDA consider applicant need for their initiatives' support; however, the extent to which the agencies use assessments of applicants' need to determine the amount of support to provide under their initiatives is unclear because the agencies do not document such assessments. Specifically, according to agency officials and program guidance, DOE and USDA consider applicant need for the financial support of some initiatives. For example, the solicitation for applications under one of DOE's loan guarantee programs states that DOE will take an unfavorable view of projects that could be fully financed on a long-term basis by commercial banks or others without a federal loan guarantee. Similarly, USDA considers applicants' need for support from some of its initiatives, according to agency officials. While agency officials reported that they consider applicant need in some cases, the officials did not provide any documentation that indicated how information they collected or examined about applicant need influenced their decisions on whether to provide support, or how much support to provide, under their initiatives for specific projects. As a result, the extent to which applicant need influenced agency decisions is unclear.

Moreover, whether initiatives' incremental support was always needed for wind projects to be built is also unclear.¹⁰ In particular, GAO's review of a briefing memorandum from White House staff, DOE documents, and other documentation related to two wind projects suggests that agencies' wind initiatives have, in some cases, supported projects that may have been built without their incremental support. In other cases, however, the incremental support provided by the initiatives may be necessary for wind projects to be built, according to agency officials and financial professionals active in the wind energy industry. Further, federal support in excess of what is needed to induce projects to be built could, instead, be used to induce other projects to be built or could simply be withheld, thereby reducing federal expenditures.

¹⁰The term "incremental support" refers to the support an agency provides to an individual project under one of its wind energy initiatives that is in addition to support provided to that project by that agency or other agencies under different wind energy initiatives.

Actions Needed and Potential Financial or Other Benefits

GAO recommended in its March 2013 report that, to support federal agencies' efforts to effectively allocate resources among wind projects, the Secretaries of Energy and Agriculture should take the following action:

- to the extent possible within their statutory authority, formally assess and document whether the incremental financial support of their initiatives is needed in order for applicants' projects to be built, and take this information into account in determining whether, or how much, support to provide. In the event agencies lack discretion to consider this information in determining what financial support to provide, they may want to report this limitation to Congress.

GAO could not estimate the potential financial benefits of preventing unnecessarily duplicative support for wind energy projects because the potential for unnecessary duplication is project-specific. Conducting the types of assessments GAO recommended could help identify the potential financial benefits of reducing unnecessarily duplicative support for projects or, at a minimum, provide greater assurance that unnecessarily duplicative support is not provided.

Agency Comments and GAO's Evaluation

In commenting on the March 2013 report on which this analysis is based, DOE agreed with GAO's recommendation, while USDA generally concurred with the information in the report related to its initiatives. DOE stated that it will now formally document its evaluation of applicants' assertions regarding their inability to finance their projects without a federal loan guarantee, and will clarify how it considers the financial need of applicants when determining what amount of support to provide. DOE and USDA also provided technical and clarifying comments, which GAO incorporated as appropriate.

GAO also provided a draft of this report section to DOE and USDA for review and comment. USDA provided comments via an e-mail attachment in which it neither agreed nor disagreed with the information in the report section. However, USDA noted that, for certain initiatives, loan guarantee applicants are required to state their need for the guarantee on the loan application form. USDA further noted that, for one initiative, financial need is no longer taken into consideration when making awards because the requirement to do so was not included in the provisions of the Food, Conservation, and Energy Act of 2008 and, therefore, USDA removed the requirement from program regulations. GAO believes that, while USDA may not be legally required to formally assess applicants' need for project support for this initiative, making that assessment could help allocate scarce resources. To the extent possible within its statutory authority, GAO recommends that USDA formally assess and document whether the incremental financial support of its initiatives is needed in order for applicants' projects to be built, and take this information into account in determining whether, or how much, support to provide. Furthermore, in response to this comment, GAO revised this report section to include language from the March 2013

report, where GAO recommended that in the event USDA or DOE lack discretion to consider this information in determining what financial support to provide, they may want to report this limitation to Congress. DOE provided technical comments, which GAO incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from products listed in the related GAO products section. To identify federal renewable energy initiatives that were funded, planned, implemented, or authorized in fiscal year 2010, GAO reviewed budget documents and other information sources for the 24 agencies subject to the Chief Financial Officers Act of 1990.¹¹ GAO then collected more detailed information on these initiatives using a structured data request and follow-up interviews with agency officials. GAO did not review the level of financial support provided by agencies' renewable energy-related initiatives because financial support for renewable energy is often not tracked separately from other activities. To examine federal wind energy initiatives, GAO focused on nine agencies' initiatives. GAO selected these nine agencies' initiatives because they promoted the research and development, commercialization, or deployment of wind energy technologies. GAO updated the data collected for its February 2012 report to reflect the extent to which initiatives implemented by these nine agencies were still active or new in fiscal year 2011.¹² After determining that the nine agencies implemented 82 wind initiatives in fiscal year 2011, GAO used a questionnaire to collect additional data on these 82 initiatives, and analyzed the data to categorize initiatives' recipients and goals, and to determine the extent of potential fragmentation, overlap, and duplication. To further examine the initiatives that have or could have provided duplicative support, GAO interviewed agency officials, and financial professionals from several of the major financial institutions and legal firms active in wind energy project financing in recent years. For these initiatives, GAO also collected information from other sources, such as a briefing memorandum from White House staff, and DOE or other project documentation to assess the financial support provided for projects.

Tables 3 and 4 in appendix IV list the wind energy initiatives GAO identified that might have similar or overlapping objectives, provide similar

¹¹GAO identified renewable energy initiatives at 18 of these agencies but reported data for 23 agencies in its February 2012 report and e-supplement because GAO reported data separately for each of the military services within the Department of Defense and also for the Federal Energy Regulatory Commission—an independent agency listed under DOE in the federal budget.

¹²Among other differences with the scope of the agencies and initiatives examined for GAO's February 2012 and March 2013 reports, GAO excluded certain agencies, such as the Departments of Defense, Homeland Security, and State, whose initiatives generally focused on development of wind energy and other technologies for use in a military, border security, or international aid setting, rather than for use in the domestic commercial energy market.

services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Wind Energy: Additional Actions Could Help Ensure Effective Use of Federal Financial Support. [GAO-13-136](#). Washington, D.C.: March 11, 2013.

Renewable Energy: Federal Agencies Implement Hundreds of Initiatives. [GAO-12-260](#). Washington, D.C.: February 27, 2012.

Renewable Energy: An Inventory of Fiscal Year 2010 Federal Initiatives (GAO-12-259SP, February 2012), an E-supplement to [GAO-12-260](#). [GAO-12-259SP](#). Washington, D.C.: February 27, 2012.

Contact Information

For additional information about this area, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

5. Joint Veterans and Defense Health Care Services

The Departments of Veterans Affairs and Defense should enhance their collaboration to reduce costs, overlap, and potential duplication in the delivery of health care services.

Why This Area Is Important

The Departments of Veterans Affairs (VA) and Defense (DOD) operate two of the nation's largest health care systems, together providing health care to nearly 16 million veterans, service members, military retirees, and other beneficiaries at estimated costs for fiscal year 2013 of about \$53 billion and \$49 billion, respectively. VA's health care system includes a network of approximately 150 hospitals, 130 nursing homes, and 800 community-based outpatient clinics, as well as other facilities to provide care to veterans. DOD's health care system includes approximately 60 military treatment facilities capable of providing diagnostic, therapeutic, and inpatient care, as well as hundreds of clinics, some of which are located in close proximity to VA medical facilities. Both VA and DOD also purchase care from private-sector providers as needed to provide services for their beneficiaries.

As part of their health care efforts, the departments have established collaboration sites—locations where the two departments share health care resources through hundreds of agreements and projects—to deliver care jointly with the aim of improving access, quality, and cost-effectiveness of care. For example, in some locations, one department provides a certain type of specialty care to both VA and DOD beneficiaries, rather than both departments separately providing that care to their own beneficiaries. The departments also have collaborated on the joint construction of medical facilities to serve both departments' beneficiaries, which is another opportunity to reduce overlap and potential duplication in the provision of services locally.

In March 2008, July 2011, and June 2012, GAO identified the need for improvement in the evaluation of current and potential VA/DOD collaboration efforts, as well as challenges VA and DOD face in their efforts to share health care resources. In addition, in March 2011 and February 2012, GAO identified opportunities for the departments, which have many common health care business needs (such as the need to record the patient care they provide and to reimburse private-sector providers for care they purchase) to jointly modernize their separate electronic health record systems that they rely on to create and manage

patient health information.¹ As GAO has reported for over a decade, VA and DOD lack information technology (IT) systems that permit the electronic exchange of comprehensive patient health information, a significant barrier in their collaboration efforts.² While VA and DOD have worked for many years to improve the ability of their separate IT systems to share medical information, most recently the departments have focused their efforts on developing a common, integrated, electronic health record. However, those efforts have not yet led to a comprehensive solution.

What GAO Found

Opportunities exist for VA and DOD to reduce overlap and potential duplication by enhancing their collaboration efforts. GAO's prior work has found that strategic direction is essential for collaboration. As such, defining roles and responsibilities and mechanisms for coordination can help agencies clarify who will lead or participate in which activities, organize their joint activities and individual efforts, and facilitate decision making. In addition, agencies can facilitate and enhance their collaboration efforts by establishing compatible ways of working together across agency boundaries.³ However, in September 2012, GAO reported that VA and DOD do not have a fully developed and formalized process for systematically identifying all opportunities for new or enhanced collaboration, which may lead to missed opportunities to improve health care access, quality, and costs.

Such opportunities for collaboration could, among other things, reduce overlap in their health care services. Instead, the identification of potential collaboration opportunities is largely left to local medical facility leadership. This occurs, in part, because local officials have more direct knowledge of their locations and are better positioned to determine which collaborations make the most sense, according to VA and DOD officials. While it is important to involve local officials in these efforts, relying solely on them rather than using a systematic process supported at the department level can be problematic for several reasons. For example, officials from both departments acknowledged that collaboration is dependent on local leaders' interest in and willingness to collaborate. Further, GAO found that local leaders may not have readily available access to information needed to examine what health care services might

¹GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011) and *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, [GAO-12-453SP](#) (Washington, D.C.: Feb. 28, 2012).

²GAO has made recommendations to address these issues. See, for example, GAO, *Electronic Health Records: DOD and VA Should Remove Barriers and Improve Efforts to Meet Their Common System Needs*, [GAO-11-265](#) (Washington, D.C.: Feb. 2, 2011).

³GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

benefit from collaboration, such as when providing services through collaboration rather than by purchasing care from community providers might result in significant cost savings. For example, some local officials we spoke with said they encountered difficulties obtaining purchased care information from their collaboration partner, and in one case encountered some resistance internally regarding sharing such information with their partner.

Although the departments do have a process for jointly identifying a select number of sites where there are opportunities for new or expanded collaboration, this process has limitations. For example, the process does not involve a systematic approach to reviewing and identifying all new or enhanced opportunities for collaboration across both health care systems. Further, it is not formalized in guidance, and there is no requirement that identified sites assign responsibilities for and move forward to explore or implement potential opportunities. Instead, the identification of collaboration opportunities is largely left to local medical facility leadership. Without a fully developed process to systematically identify and select additional collaboration opportunities, the departments may be unable to fully achieve their shared goals of improved health care access, quality, and costs, and reduce any overlap or potential duplication of services, such as by using additional resource-sharing agreements. GAO found that additional department-level actions are needed to address challenges faced by collaboration partners, which could incentivize local medical facility leadership to engage in new or enhanced collaboration.⁴

Finally, GAO has reported that interagency collaboration—which can help address duplication and overlap among agency programs—can be enhanced when agencies work toward a common goal, establish complementary strategies for achieving that goal, and use common performance measures when appropriate.⁵ GAO also has reported on the importance of developing and using performance measures for effective management and strategic planning, as well as for measuring the

⁴In September 2012, GAO also reported that several barriers, such as misaligned construction planning processes, have hindered the departments' efforts to jointly plan construction of medical facilities to serve both departments' beneficiaries, which can lead to missed opportunities to collaborate on construction projects. VA and DOD have taken several steps that have the potential to help overcome barriers and improve joint planning, such as efforts to improve data sharing between the departments to better identify collaboration opportunities early in the construction planning process.

⁵See for example, GAO, *Interagency Collaboration: Key Issues for Congressional Oversight of National Security Strategies, Organizations, Workforce, and Information Sharing*, [GAO-09-904SP](#) (Washington, D.C.: Sept. 25, 2009); *National Security: Key Challenges and Solutions to Strengthen Interagency Collaboration*, [GAO-10-822T](#) (Washington, D.C.: June 9, 2010); and *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012).

achievement of projected cost savings.⁶ Further, VA and DOD department-level officials said it is important to consider costs as a part of both departments' responsibilities to ensure their collaboration efforts are financially sound and improve care. Performance measures are important to show the extent of progress made in improving access and quality of care, in addition to cost savings achieved, if any, from collaboration. For example, although VA and DOD department-level officials believe that some savings occur when collaboration sites adopt sharing agreements in which partners pay each other less for care than they would otherwise pay community providers, the overall savings are unclear because sites are not required to develop performance measures to assess the extent of their savings.

In September 2012, GAO reported that VA and DOD do not require that all of their collaboration sites develop and use performance measures to assess their effectiveness and efficiency, including any cost savings achieved from their collaborative efforts. Officials cited several reasons for this, including not wanting to overburden sites with measures and monitoring requirements. Although VA and DOD require some limited performance information—such as the return on investment for pilot projects—without comprehensive performance measures, they lack information that could help decision makers assess all collaboration sites' overall progress in meeting the departments' shared goals, identify areas for improvement, and make more informed decisions. For example, the lack of comprehensive performance measures hinders the departments' ability to identify and share lessons learned about how VA and DOD can best work together to achieve efficiencies. Further, the departments cannot quantify the overall cost effectiveness of their collaboration efforts, including the overall cost savings they may have achieved, because sites are not required to develop performance measures to assess the extent of their savings. In the absence of required performance measures for all collaboration sites, some sites have developed their own measures. Officials from one site, for example, told GAO that discounts for inpatient services that DOD provides to VA patients through a resource-sharing agreement had resulted in cost savings. While this type of information may assist local leaders to understand the progress and areas for improvement at their sites, individual sites' efforts to assess performance do not provide department-level decision makers with adequate information about the overall performance or results of VA and DOD collaboration, including the extent of any cost savings achieved.

⁶See [GAO-06-15](#), [GAO-12-669](#), GAO, *VA and DOD Health Care: Opportunities to Maximize Resource Sharing Remain*, [GAO-06-315](#) (Washington, D.C.: Mar. 20, 2006), and *VA Health Care: Additional Efforts to Better Assess Joint Ventures Needed*, [GAO-08-399](#) (Washington, D.C.: Mar. 28, 2008).

Actions Needed

GAO recommended in September 2012 that the Secretaries of Veterans Affairs and Defense take the following two actions:

- further develop a systematic process for identifying and furthering collaboration opportunities, including reviewing the portfolios of the departments' health care facilities; ensuring information necessary to identify collaboration opportunities is available; identifying both new and expanded opportunities for collaboration; and assigning responsibility to ensure identified opportunities are explored and implemented as appropriate; and
- require collaboration sites to develop and implement a process for using performance measures to gauge their progress in achieving goals related to access, quality of care, and costs.

The first action would help VA and DOD to fully identify potential opportunities to improve access to and quality of care and reduce costs, as well as reduce overlap and duplication between VA and DOD health care systems. Such department-level action would further support and could create incentives for local-level collaboration. The second action would help VA and DOD assess progress, identify areas for improvement, and make informed decisions about health care collaborations. Currently, the departments cannot quantify overall cost savings as a result of their collaboration efforts because they do not require collaboration sites to collect and report on that information.

Agency Comments

In commenting on the September 2012 report on which this analysis is based, VA and DOD generally agreed with GAO's recommendations.

GAO also provided a draft of this report section to VA and DOD for review and comment. In e-mails received on January 23, 2013, VA and DOD indicated they had no comments on the draft.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the September 2012 report listed in the related GAO products section. GAO conducted site visits to two VA and DOD collaboration sites—which were selected because they represented a range of collaboration efforts as well as collaboration involving all three military services (the Army, the Air Force, and the Navy, which is responsible for providing health care to members of the Marine Corps and their beneficiaries)—and reviewed documents from those locations, including collaboration agreements and performance measures. GAO also reviewed departmental and joint VA/DOD guidance on collaboration options, approaches used to identify opportunities for collaboration, and to the extent that they existed, performance measures used by collaborating VA and DOD partners, and interviewed agency officials responsible for these areas. GAO assessed the status of these collaboration efforts against GAO's prior work on best

practices for federal agency collaboration efforts and for establishing evaluation criteria to assess federal programs.⁷

Related GAO Products

VA and DOD Health Care: Department-Level Actions Needed to Assess Collaboration Performance, Address Barriers, and Identify Opportunities. [GAO-12-992](#). Washington, D.C.: September 28, 2012.

VA/DOD Federal Health Care Center: Costly Information Technology Delays Continue and Demonstration Evaluation Plan Lacking. [GAO-12-669](#). Washington, D.C.: June 26, 2012.

VA and DOD Health Care: First Federal Health Care Center Established, but Implementation Concerns Need to Be Addressed. [GAO-11-570](#). Washington, D.C.: July 19, 2011.

VA Health Care: Additional Efforts to Better Assess Joint Ventures Needed. [GAO-08-399](#). Washington, D.C.: March 28, 2008.

Contact Information

For additional information about this area, contact Debra A. Draper at (202) 512-7114, or draperd@gao.gov, or Brenda S. Farrell at (202) 512-3604, or farrellb@gao.gov.

⁷See [GAO-06-15](#); GAO, *Limitations in DOD's Evaluation Plan for EEO Complaint Pilot Program Hinder Determination of Pilot Results*, [GAO-08-387R](#) (Washington, D.C.: Feb. 22, 2008) and *Tax Administration: IRS Needs to Strengthen Its Approach for Evaluating the SRFMI Data-Sharing Pilot Program*, [GAO-09-45](#) (Washington, D.C.: Nov. 7, 2008).

6. Medicaid Program Integrity

The Centers for Medicare & Medicaid Services needs to take steps to eliminate duplication and increase efficiency in two Medicaid Integrity Program activities—provider audits and the collection of state program integrity data.

Why This Area Is Important

GAO has had longstanding concerns about Medicaid’s program integrity, and included Medicaid on its list of high-risk programs because of concerns about the sufficiency of federal and state oversight.¹ The Centers for Medicare & Medicaid Services (CMS) estimated that in fiscal year 2012 \$19.2 billion (7.1 percent) of Medicaid’s federal expenditures involved improper payments—including payments made for treatments or services that were not covered by program rules, that were not medically necessary, or that were billed for but never provided.² Federal Medicaid expenditures in fiscal year 2011 were \$275 billion. Medicaid is the joint federal-state health care financing program for certain low-income individuals and is one of the largest social programs in federal and state budgets. The size and diversity of Medicaid make it particularly vulnerable to improper payments. The Deficit Reduction Act of 2005 created the Medicaid Integrity Program (integrity program) to provide federal support for and oversight of state Medicaid program integrity activities with an annual appropriation of approximately \$75 million.³ The following year, CMS established the Medicaid Integrity Group (integrity group) to implement this program.

What GAO Found

In November 2012, GAO reported that it had identified duplication in two of the integrity group’s six integrity program activities—the National Medicaid Audit Program, which consists of audits of state Medicaid claims data to identify overpayments, and state program integrity assessments, one of several tools through which CMS collects data on state program integrity activities.

National Medicaid Audit Program. The integrity group hired separate contractors for each state—one contractor to review states’ paid claims data in order to identify potential aberrant claims or billing anomalies and

¹See GAO, *Major Management Challenges and Program Risks: Department of Health and Human Services*, [GAO-03-101](#) (Washington, D.C.: January 2003).

²CMS is an agency within the Department of Health and Human Services.

³Pub. L. No. 109-171, § 6034, 120 Stat. 4, 74-78 (2006) (codified at 42 U.S.C. § 1396u-6). For each fiscal year since 2010, the amount appropriated has been the previous year’s appropriation adjusted for inflation. According to HHS, the fiscal year 2013 appropriation is expected to be approximately \$80 million.

another to audit such aberrant claims.⁴ This division of labor was inefficient and led to duplication in two key areas—understanding states’ Medicaid policies and data analysis. The Deficit Reduction Act of 2005 required CMS to hire contractors to review and audit provider claims. According to integrity group officials, they initially believed that the act required the use of separate contractors but, in hindsight, concluded that these activities could have been performed by the same contractor.⁵

The integrity group’s decision to use separate contractors to review and audit provider claims meant that both entities had to master the details of numerous state Medicaid policies related to eligibility, benefits, and claims processing to appropriately assess whether payments were improper. For example, the two contractors responsible for reviewing provider claims to identify potential audit targets had to learn and correctly apply the policies of 22 and 28 states, respectively. Similarly, the three contractors hired to audit provider claims were required to master the policies of 8 to 24 states. Officials from one state commented that becoming fully knowledgeable about all the state policies affecting program integrity audits could take 2 to 3 years. According to several state officials, the lack of an in-depth knowledge of state policy contributed to unproductive provider audits. For example, according to one state official, the integrity group and its contractors had mistakenly identified overpayments for federally qualified health centers because they assumed that centers should receive reduced payments for an established patient on subsequent visits. The contractors were not aware that these types of centers are paid on an encounter basis, which uses the same payment rate for the first and follow-up visits.

Moreover, the use of separate contractors to review and audit provider claims increased inefficiencies in data analysis, which also led to duplication of effort. The review contractors’ primary function was to use algorithms to analyze extracts of states’ Medicaid claims data to identify any potential improper payments.⁶ Audit contractors also analyzed the same data extracts to learn more about providers they were auditing and the services for which the providers billed. As a result, the audit contractors duplicated certain data analyses that had already been performed by the review contractors, such as verifying the completeness and accuracy of the data extracts. For example, one audit contractor reported that the presence of large numbers of duplicate claims in the

⁴As of July 2012, the integrity group had two review contractors and three separate audit contractors. One review and one audit contractor are assigned to each of five geographic areas.

⁵Integrity group officials told GAO that they consulted CMS’s Office of Acquisition and Grants Management before deciding to hire different contractors to review and audit provider claims. This office manages contracting activities and develops acquisition policy and procedures.

⁶An algorithm is a specific set or logical rules or criteria used to analyze data.

data resulted in a significant commitment of the contractor's analytical and data management resources for 66 provider audits that were subsequently discontinued because of the poor quality of the data.

The inefficiencies of having separate contractors both review and audit provider claims were exacerbated by the integrity group's communication policies. All communication, whether between review and audit contractors or between contractors and states, went through a multistep process that was controlled by the integrity group. As a result, the audit contractors could not easily communicate with the review contractors to verify specific details of the review contractors' data analyses. Two audit contractors' lessons learned reports recommended closer collaboration between audit and review contractors during the claims analysis process and the selection of audit targets to prevent duplicative data analysis. In addition, the inability to communicate freely with states inhibited the contractors from fully leveraging states' knowledge of their own Medicaid policies. The Department of Health and Human Services Office of the Inspector General reported a similar finding that the integrity group's communication policy contributed to a duplication of contractor functions.⁷

The integrity group has initiated changes to the National Medicaid Audit Program that may reduce, but will not eliminate, duplication. The integrity group has shifted to a more collaborative approach to National Medicaid Audit Program audits in which states can identify the audit targets. However, integrity group officials told GAO that in some cases the review contractors will continue to analyze extracts of states' Medicaid claims data to identify potential audit targets for audit contractors to pursue. According to integrity group officials, the review contractors conducted data analysis on 34 percent of the collaborative audits assigned to audit contractors from January 2010 through December 2011.⁸ Thus, review and audit contractors continue to be involved in the shift to a more collaborative audit approach, resulting in continued duplication of effort. In fiscal year 2011, integrity group expenditures for its review and audit contractors totaled about \$33.7 million, about half of which covered the cost of the review contractors' activities. Merging the functions of the review and audit contractors has the potential to significantly reduce overall expenditures on National Medicaid Audit Program contractors.

State Program Integrity Assessments. GAO also identified duplication in the information that the integrity group collects annually on state program integrity activities through its state program integrity assessments. For example, the number of Medicaid enrollees, managed care enrollment, the number of participating providers, the state program integrity

⁷HHS-OIG, *Early Assessment of Audit Medicaid Integrity Contractors*, OEI-05-1-00210 (March 2012).

⁸Integrity group officials also told GAO that it planned to retain its existing two review contractors, but reduce their workload and realign their geographic areas of responsibility.

organizational structure, the number of staff, use of contractors, and the number of state audits of claims are also collected during the triennial comprehensive reviews and are included in the published reports available on the integrity group's website.⁹ The state program integrity assessments also include state program integrity expenditures and recoveries—two key metrics for accountability and oversight—that are collected through required quarterly state reporting of Medicaid expenditures to CMS, which are subject to validation and audit. GAO found that the annual state program integrity assessments contained significant errors and were inconsistent with data in reports that covered the same year. Moreover, program integrity officials in several states also told GAO that state program integrity assessment reporting is not consistent or comparable across states. Correcting inconsistencies in the state program integrity assessment data would be of limited value. The 2-year time lag in the state program integrity assessment data (e.g., fiscal year 2009 assessments contain data for state fiscal year 2007) undermines its usefulness in determining which states would benefit from technical assistance or developing measures to assess states' performance. Other sources, such as triennial comprehensive reviews, provide more timely and useful information.

Actions Needed and Potential Financial or Other Benefits

In November 2012, to improve the efficiency and effectiveness of the Medicaid Integrity Program, GAO recommended that CMS take the following two actions:

- merge the functions of the federal review and audit contractors within a state or geographic region to eliminate duplication and more effectively use audit resources, which has the potential to significantly reduce National Medicaid Audit Program expenditures; and
- discontinue the annual state program integrity assessments to avoid duplication and the reporting of inaccurate data.

Agency Comments and GAO's Evaluation

In commenting on the November 2012 report on which this analysis is based, the Department of Health and Human Services agreed with GAO's recommendation to merge the functions of the federal review and audit contractors, indicating that it was evaluating options for consolidating the work of its contractors within current statutory and procurement requirements. The department partially concurred with GAO's recommendation to discontinue the state program integrity assessments but noted that its triennial comprehensive program integrity reviews alone

⁹The integrity group performs comprehensive state program integrity reviews of each state's Medicaid program every 3 years. These reviews assess each state's Medicaid program integrity procedures and processes. Topics covered include program integrity organization and staffing; post-payment review and fraud identification; investigation, and referral. The objective of the reviews is to assess the effectiveness of states' program integrity activities and compliance with federal program integrity laws.

might not provide adequate data to inform CMS oversight. It said, however, that it would suspend the assessments while taking steps to address the limitations GAO identified. For example, to address the reporting overlap between the assessments and comprehensive state program integrity reviews, it said CMS was now working to streamline the comprehensive review questionnaires to eliminate duplication. The department's comments did not articulate how it used the data collected through the assessments to inform its oversight or why the comprehensive review data are insufficient. As a result, GAO continues to believe that the assessments should be discontinued.

GAO provided a draft of this report section to the Department of Health and Human Services for review and comment. The Department of Health and Human Services provided technical comments, which were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the reports listed in the related GAO products section. For some of these reports, GAO analyzed the integrity group data on audit assignments as of February 29, 2012, and its contractors' lessons learned reports. GAO discussed the National Medicaid Audit Program with integrity group officials, representatives of its contractors responsible for conducting provider claims reviews and audits, and program integrity officials in 11 states. GAO selected these states to ensure geographic diversity and because they account for almost half of all Medicaid spending and beneficiaries. GAO also compared and contrasted the information collected through the integrity group's comprehensive reviews and state assessments. Table 5 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Medicaid Integrity Program: CMS Should Take Steps to Eliminate Duplication and Improve Efficiency. [GAO-13-50](#). Washington, D.C.: November 13, 2012.

National Medicaid Audit Program: CMS Should Improve Reporting and Focus on Audit Collaboration with States. [GAO-12-627](#). Washington, D.C.: June 14, 2012.

Medicaid Program Integrity: Expanded Federal Role Presents Challenges to and Opportunities for Assisting States. [GAO-12-288T](#). Washington, D.C.: December 7, 2011.

Contact Information

For additional information about this area, contact Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

7. Department of Homeland Security Research and Development

Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help the Department of Homeland Security address fragmentation, overlap, and potential unnecessary duplication.

Why This Area Is Important

Conducting research and development (R&D) on technologies for detecting, preventing, and mitigating terrorist threats is vital to enhancing the security of the nation. The Department of Homeland Security (DHS) conducts research, development, testing, and evaluation of new technologies that are intended to strengthen the United States' ability to prevent and respond to nuclear, biological, explosive, and other types of attacks within the United States. Since it began operations in 2003, DHS, through both its Science & Technology Directorate (S&T) and other components, has spent billions of dollars researching and developing technologies used to support a wide range of missions, including securing the border, detecting nuclear devices, and screening airline passengers and baggage for explosives. Managing and coordinating R&D across DHS represents one example of the cross-cutting management challenges facing the department. GAO designated implementing and transforming DHS as high risk because it had to transform 22 agencies—several with major management challenges—into one department, and failure to effectively address DHS's management and mission risks could have serious consequences for U.S. national and economic security.

What GAO Found

GAO reported in September 2012 that DHS does not have a departmentwide policy defining R&D or guidance directing components how to report R&D activities. As a result, the department does not know its total annual investment in R&D, which limits DHS's ability to oversee components' R&D efforts and align them with agencywide R&D goals and priorities. DHS officials recognized that spending in areas that cut across the department, like R&D, is difficult to manage and told GAO that DHS does not have visibility of R&D across the department. For example, in September 2012 GAO reported that budget data for DHS's R&D obligations that DHS submitted to the Office of Management and Budget were underreported because certain DHS components obligated money for R&D contracts that were not reported to the Office of Management and Budget as R&D. Specifically, for fiscal year 2011, GAO identified \$255 million in obligations for R&D that DHS did not report in the budget process as R&D contracts. DHS is taking some steps to address its lack of visibility over R&D across the department, including identifying R&D as a separate budget line in DHS's proposed unified account structure, which was submitted to Congress in the fiscal year 2013 budget for approval. GAO further reported that establishing policies and guidance for defining R&D consistently across the department and outlining the

processes and procedures for overseeing R&D would provide more oversight into the R&D investments across the department.

GAO also reported in September 2012 that R&D at DHS was inherently fragmented because several components within DHS—S&T, the Coast Guard, and the Domestic Nuclear Detection Office—were each given R&D responsibilities in law, and other DHS components could pursue and conduct their own R&D efforts as long as those activities were coordinated through S&T. GAO further reported that fragmentation among R&D efforts at DHS may be advantageous if the department determined that it could gain better or faster results by having multiple components engage in R&D activities toward a similar goal; however, it could be disadvantageous if those activities are uncoordinated or unintentionally overlapping or duplicative.

To illustrate overlap, GAO reviewed data on all 15,000 federal procurement contract actions coded as R&D taken by DHS components from fiscal years 2007 through 2012. Based on a keyword search of the 15,000 procurement actions and review of the project descriptions, GAO selected 50 R&D contracts awarded by six DHS components—S&T, the Transportation Security Administration, the Federal Emergency Management Agency (FEMA), the Office of Health Affairs, the Coast Guard, and Customs and Border Protection—that appeared to have similar goals, strategies, or activities with another contract, and interviewed component officials about those R&D activities.¹ On the basis of that analysis and interviews with these components, GAO identified 35 instances among 29 contracts where DHS components awarded R&D contracts that overlapped with R&D activities conducted elsewhere in the department. Taken together, these contracts were worth about \$66 million. For example:

- S&T awarded four separate contracts to develop methods of detecting ammonium nitrate and urea nitrate for the counter-improvised explosive detection program. The Transportation Security Administration also awarded a separate contract to investigate the detection of ammonium nitrate and ammonium nitrate-based explosives. These contracts overlapped in that all of the S&T and Transportation Security Administration contracts addressed the detection of the same chemical.
- S&T awarded four separate contracts to develop advanced algorithms for explosives detection while the Transportation Security Administration also awarded a contract to develop algorithms to evaluate images for explosives. We determined that these R&D

¹GAO obtained 47 of those 50 contracts and reviewed their statements of work. The Office of Health Affairs and DHS were unable to provide 3 contracts GAO requested. GAO also examined about 1,000 task orders sent to the national laboratories by DHS components, but the data did not include sufficient detail to use for that analysis.

contracts overlapped because both components were involved in developing algorithms for explosives detection.

- S&T awarded a contract to a private vendor for support and analysis for seismic hazards while FEMA also awarded a contract to develop seismic guidelines for buildings in the event of an earthquake. These contracts overlapped because they were both similar in scope.

GAO reviewed each statement of work for these 35 contracts and determined that while the scope and some goals were overlapping, they were not duplicative because they addressed different operational missions. GAO also discussed these contracts with component officials. Specifically, Transportation Security Administration officials stated that some of the contracts may have overlapped in the scope of work but were focused on different missions or modes of transportation, and thus were not duplicative. FEMA officials stated that FEMA research project contracts GAO identified were related specifically to earthquake hazards, rather than more broadly to multiple hazards like S&T's research contracts, and thus, the contracts did not duplicate one another.

According to S&T officials during the time of GAO's review, a process did not exist at DHS or within S&T to prevent overlap or unnecessary duplication. However, the officials stated that relationships with components mitigated these risks. They also stated that S&T has improved interactions with components over time. For example, S&T officials stated that when Customs and Border Protection requested mobile radios to improve communication among its field staff, S&T knew that the Secret Service and Immigration and Customs Enforcement were already conducting R&D in that area. To address this technology need, S&T provided a senior official to lead the Tactical Communication Team to address communication among different operational components and better coordinate those efforts.

Although GAO found that S&T had taken steps to coordinate R&D, GAO also reported in September 2012 that DHS and S&T did not have the policies and mechanisms necessary to coordinate R&D across the department and reduce the risk of unnecessary duplication. Specifically, DHS has not developed a policy defining who is responsible for coordinating R&D and what processes should be used to coordinate it. While S&T has R&D agreements with some components, S&T officials cited the Integrated Product Team process—comprised of S&T and component members—and personal relationships as the primary means to coordinate R&D activities with components and generally felt that they were coordinating effectively. However, other component officials GAO interviewed did not view S&T's coordination practices as positively. Specifically, GAO interviewed six DHS components to discuss the extent to which they coordinated with S&T on R&D activities. Four components stated that S&T did not have an established process that detailed how S&T would work with its customers or for coordinating all activities at DHS. Without an established coordination process, the risk for

unnecessary duplication increases because components can engage in R&D activities without coordinating them through S&T.

We also reported in September 2012 that S&T and DHS had not developed a mechanism to track all ongoing R&D projects conducted across DHS components. Specifically, neither DHS nor S&T tracked all ongoing R&D projects across the department, including DHS R&D activities contracted through the various Department of Energy National Laboratories. DHS officials agreed that such mechanisms to track R&D activities were necessary, and said they have faced similar challenges in managing other investments across the department. GAO reported that a policy that defines roles and responsibilities for coordinating R&D and coordination processes, as well as a mechanism that tracks all DHS R&D projects, could better position DHS to mitigate the risk of overlapping and unnecessarily duplicative R&D projects. GAO recognized that overlapping R&D activities across similar areas may not be problematic, but reported that DHS could increase oversight of R&D, and improve coordination of R&D activities to better ensure that any duplication in R&D activities is purposeful rather than unnecessary.

Fragmentation, overlap, and the risk of unnecessary duplication occur throughout the government, as GAO reported in March 2011 and February 2012, and are not isolated to DHS.² However, when coupled with consistent programmatic coordination, the risk of unnecessary duplication can be diminished. A policy that defines roles and responsibilities for coordinating R&D and coordination processes, as well as a mechanism that tracks all DHS R&D projects, could better position DHS to mitigate the risk of overlapping and unnecessarily duplicative R&D projects.

Actions Needed and Potential or Other Financial Benefits

GAO recommended in September 2012 that the Secretary of Homeland Security take the following action:

- develop and implement policies and guidance for defining and overseeing R&D at the department to ensure that DHS effectively oversees its R&D investment and efforts and reduces fragmentation, overlap, and the risk of unnecessary duplication. Such policies and guidance could be included as an update to the department's existing acquisition directive and should include the following elements: a well-understood definition of R&D that provides reasonable assurance that reliable accounting and reporting of R&D resources and activities for internal and external use are achieved; a description of the department's process and roles and responsibilities for overseeing and coordinating R&D investments and efforts; and a mechanism to track existing R&D projects and their associated costs across the department.

²[GAO-11-318SP](#) and [GAO-12-342SP](#).

While the potential financial benefit of this action cannot be quantified, GAO's work illustrates that implementation of this recommendation could position DHS to better define and manage its R&D investments and activities, mitigate the risk of overlapping and unnecessarily duplicative R&D projects, and provide greater oversight of R&D across the department.

Agency Comments and GAO's Evaluation

In commenting on the September 2012 report on which this analysis is based, DHS agreed with GAO's recommendation to develop and implement policies and guidance for defining and overseeing R&D at the department and described actions it planned to take to address the recommendation. Specifically, according to DHS, it planned to evaluate the most effective path forward to guide uniform treatment of R&D across the department in compliance with Office of Management and Budget rules and is considering a management directive, multi-component steering committee, or new policy guidance to better oversee and coordinate R&D. DHS planned to complete these efforts by May 2013. In responding to DHS's comments, GAO noted that it would be important that DHS's planned actions include developing a definition of R&D, defining roles and responsibilities for oversight and coordination, and developing a mechanism to track existing R&D projects and investments.

GAO provided a draft of this report section to DHS for review and comment. DHS provided technical comments, which were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. GAO reviewed data on all 15,000 federal procurement contract actions coded as R&D in the Federal Procurement Data System Next Generation by DHS components from fiscal years 2007 through 2011 to identify contracts that were overlapping or duplicative of other contracts issued by different components. Based on a keyword search of the 15,000 procurement actions and review of the project descriptions, GAO selected 50 R&D contracts that appeared to contain overlap, reviewed the statements of work for these contracts, and interviewed officials from the six components that issued them to discuss the nature of those contracts. GAO used its past work on fragmentation, overlap, and duplication across the federal government,³ *Standards for*

³GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012); *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, [GAO-12-453SP](#) (Washington, D.C.: Feb. 28, 2012); *Employment for People with Disabilities: Little Is Known about the Effectiveness of Fragmented and Overlapping Programs*, [GAO-12-667](#) (Washington, D.C.: June 29, 2012); and *Justice Grant Programs: DOJ Should Do More to Reduce the Risk of Unnecessary Duplication and Enhance Program Assessment*, [GAO-12-517](#) (Washington, D.C.: June 12, 2012).

Internal Control in the Federal Government,⁴ and prior work related to federal collaboration to assess DHS's coordination of R&D across the department.⁵ GAO also interviewed S&T leadership, technical division directors, and DHS component officials to discuss S&T and DHS's R&D coordination processes. Table 6 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or are fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Product

Department of Homeland Security: Oversight and Coordination of Research and Development Should Be Strengthened. [GAO-12-837](#). Washington, D.C.: September 12, 2012.

Contact Information

For additional information about this area, contact David C. Maurer at (202) 512-9627, or maurerd@gao.gov.

⁴[GAO/AIMD-00-21.3.1](#).

⁵GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005); *Cybersecurity: Key Challenges Need to Be Addressed to Improve Research and Development*, [GAO-10-466](#) (Washington, D.C.: June 3, 2010) and *Homeland Security: DHS Needs a Strategy to Use DOE's Laboratories for Research on Nuclear, Biological, and Chemical Detection and Response Technologies*, [GAO-04-653](#) (Washington, D.C.: May 24, 2004).

8. Field-Based Information Sharing

To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, the Departments of Justice and Homeland Security and the Office of National Drug Control Policy could improve coordination among five types of field-based information-sharing entities that may collect, process, analyze, or disseminate information in support of law enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers.

Why This Area Is Important

Sustaining a national information sharing capability to efficiently and effectively gather, analyze, and disseminate law enforcement, public safety, and terrorism-related information is critical to our nation's efforts to combat criminal and terrorist threats.¹ Over the past 3 decades, federal agencies and state and local governments have established a number of entities (e.g., units, centers, and task forces) in the field to support this effort. The federal government—specifically, the Department of Justice (DOJ), the Department of Homeland Security (DHS), and the Office of National Drug Control Policy (ONDCP)—operates or, through grant funding or personnel, supports these five types of field-based information-sharing entities. These five types of entities include:

- Joint Terrorism Task Forces, which are funded and managed by DOJ's Federal Bureau of Investigation (FBI), aim to prevent, preempt, deter, and investigate terrorism and related activities affecting the United States as well as to apprehend terrorists;
- Field Intelligence Groups are part of the FBI, support FBI investigations through the collection and analysis of intelligence that is used to create a variety of analytical products and share these products with the FBI's law enforcement and intelligence partners when applicable to those partners' missions;
- Regional Information Sharing Systems centers, which are funded through grants administered by DOJ's Bureau of Justice Assistance, support regional law enforcement efforts to, among other things, combat major crimes and terrorist activity, and promote officer safety by linking federal, state, local, and tribal criminal justice agencies through secure communications and providing information-sharing resources and investigative support;

¹For purposes of this report, terrorism-related information encompasses "terrorism information," which includes "weapons of mass destruction information" and "homeland security information," consistent with section 1016 of the Intelligence Reform and Terrorism Prevention Act of 2004, as amended, as well as law enforcement information relating to terrorism or the security of the homeland. See Pub. L. No. 108-458, § 1016(a), 118 Stat. 3638, 3664-65 (2004) (codified as amended at 6 U.S.C. § 485(a)). See also Pub. L. No. 107-296, § 892(f), 116 Stat. 2135 (2002) (codified at 6 U.S.C. § 482(f)).

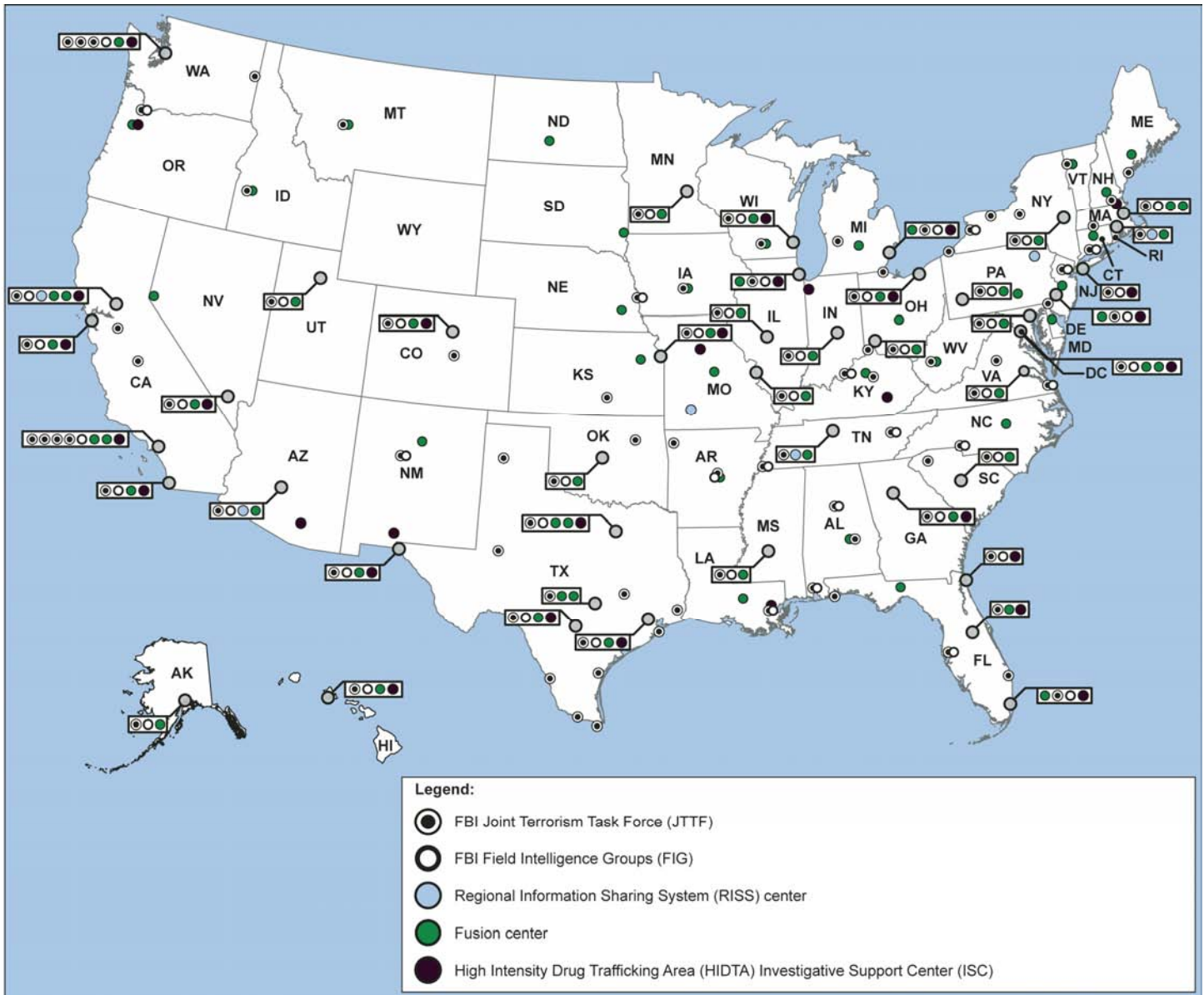
-
- State and major urban area fusion centers (fusion centers), which are funded through a variety of federal and state sources, including in part through DHS and DOJ grants, are state and locally owned and operated to serve as intermediaries for sharing terrorism and other threat-related information between the federal government and state, local, tribal, territorial, and private sector homeland security partners;² and
 - High Intensity Drug Trafficking Areas (HIDTA) Investigative Support Centers, which are funded through grants administered by ONDCP, aim to support the disruption and dismantlement of drug-trafficking and money-laundering organizations through the prevention or mitigation of associated criminal activity. HIDTA program resources may also be used to assist law enforcement agencies in investigations and activities related to terrorism and the prevention of terrorism.

GAO reported in April 2013 that a total of 268 of these field-based entities were located throughout the United States (see following figure for locations), and DOJ, DHS, and ONDCP provided an estimated \$129 million to support three of the five types of entities—Regional Information Sharing System, fusion, and HIDTA Investigative Support centers—in fiscal year 2011.³ (Data on funding estimates for Joint Terrorism Task Forces and Field Intelligence Groups are classified.)

²A fusion center is a collaborative effort of two or more agencies that combines resources, expertise, or information at the center with the goal of maximizing the ability of such agencies to detect, prevent, investigate, and respond to criminal and terrorist activity. See 6 U.S.C. § 124h(j)(1).

³The National Fusion Center Association (NFCA) reported fusion center funding based on self-reported responses from 57 of 77 fusion centers.

Nationwide Locations of Five Types of Field-Based Information-Sharing Entities in GAO's Review



Source: GAO analysis of DOJ, DHS, and ONDCP data.

Note: Entities located in U.S. territories are not depicted in this figure.

What GAO Found

Information obtained by law enforcement that relates to terrorism has no single source and is derived by gathering, fusing, analyzing, and evaluating relevant information from all levels of government. This information can be used by federal, state, local, and tribal government organizations for multiple purposes, including supporting activities to prevent terrorist attacks. Because it involves the efforts of several federal agencies, this information sharing is by definition fragmented and can produce unique perspectives when information from multiple sources is combined. However, this fragmentation can be disadvantageous if

activities are uncoordinated, as well as if opportunities to leverage resources across entities are not fully exploited.⁴

In general, the five types of entities in GAO's review were established under different authorities and have distinct missions, roles, and responsibilities. For example, consistent with its mission to detect and investigate terrorists and terrorist groups and prevent them from carrying out terrorist acts directed against the United States, Joint Terrorism Task Forces are solely responsible for conducting counterterrorism investigations.⁵ However, each type of entity may engage in counterterrorism efforts and terrorism-related information sharing.

In addition, in carrying out their respective missions, roles, and responsibilities, entities in the eight urban areas in GAO's review conducted activities that overlap. That is, the entities can conduct similar activities in support of similar goals in the same mission areas (all-crimes, counterterrorism, and counternarcotics) for similar customers (federal, state, and local agencies).⁶ To assess the extent of overlap, GAO selected eight urban areas to review and compared the mission areas, activities, and customers of each entity within those urban areas to those of the other entities in the same urban area. While results from these eight urban areas are not generalizable to all urban areas, the results provided insight into entities' activities and areas of overlap. GAO reported in April 2013 that 34 of the 37 entities located across the eight urban areas conducted an analytical or investigative support activity that overlapped with another entity. Specifically, for analytical activities and services the entities conduct, GAO identified more instances of overlap in the: (1) mission areas of all-crimes and counterterrorism compared to the mission area of counternarcotics; (2) activities conducted by fusion centers and Field Intelligence Groups compared to the other three entities; and (3) dissemination of information compared to other activities and services. For example, in five of the eight urban areas, the fusion center and Field Intelligence Group produced all-crimes analytical products, such as reports on criminal organizations, for federal, state, and local customers including state and local police departments. The figure

⁴According to the 2012 Information Sharing Environment (ISE) Annual Report to Congress, effective and responsible information sharing requires a strong commitment and participation from agencies. The Program Manager for ISE's mission includes promoting partnerships across federal, state, local, and tribal governments, and the private sector, as well as internationally.

⁵The FBI is responsible for the coordination of all intelligence and investigatory activity involving federal crimes of terrorism, and carries out this responsibility through the Joint Terrorism Task Forces. As such, none of the other entities are responsible for conducting counterterrorism investigations.

⁶For purposes of this report, "mission area" refers to the area of work in which an entity conducts an activity. The mission area of "all-crimes" can include terrorism and other high-risk threats as well as other types of crimes.

below shows instances of overlap in analytical activities and services in each of the eight urban areas in GAO's review.

Analytical Activities and Services Conducted in the Same Mission Areas for Similar Customers in the Eight Urban Areas in Our Review

		All crimes						Counterterrorism						Counternarcotics									
		Collection management ^a	Strategic analysis ^b	Analytical products ^c	Threat or risk assessment ^d	Criminal bulletins and publications ^e	Dissemination ^f	Collection management	Strategic analysis	Analytical products	Threat or risk assessment	Criminal bulletins and publications	Dissemination	Collection management	Strategic analysis	Analytical products	Threat or risk assessment	Criminal bulletins and publications	Dissemination				
Urban area 1 ⁹	FIG	F	F	FSL	FSL	FSL	FSL	F	F	FSL	FSL	FSL	FSL										
	JTTF							F				FSL											
	Fusion center 1	FSL	F	L	FSL	FSL	L	FSL		F	L	FSL	FSL	L	FSL								
	Fusion center 2	F	L	FSL	F	L	L	FSL	FSL	F	L	FSL	F	L	L	FSL	FSL	F	L	L	FSL	FSL	
	HIDTA ISC																	FSL	FSL	FSL	FSL		
	RISS	FSL	FSL	FSL		FSL	FSL																
Urban area 2	FIG	F	F	FSL	FSL	FSL	FSL	F	F	FSL	FSL	FSL	FSL										
	JTTF							FSL															
	Fusion center			FSL	FSL	FSL	FSL			FSL	FSL	FSL	FSL						FSL	FSL			
	HIDTA ISC																	FSL	FSL	FSL	FSL		
	RISS		FSL	FSL	FSL	FSL	FSL																
Urban area 3	FIG	FSL	FSL	F	FSL	S	FSL	FSL	FSL	F	FSL	S	FSL										
	JTTF							FSL		FSL		FSL											
	Fusion center	FSL	FSL	FSL	FSL	FSL	FSL	FSL	FSL	FSL	FSL	FSL	FSL										
	HIDTA ISC																	FSL	FSL	FSL	FSL	FSL	
	RISS		FSL	FSL		FSL	FSL																
Urban area 4	FIG			FSL		FSL	FSL	FSL	FSL	FSL	FSL	FSL	FSL										
	JTTF																						
	Fusion center		S	L	FSL	FSL	FSL	FSL	S	L	FSL	FSL	FSL	FSL					S	L	FSL	FSL	FSL
	HIDTA ISC												FSL						FSL	FSL	FSL	FSL	FSL
	RISS		FSL	FSL	FSL		FSL	FSL															

Legend

- Overlap in activity
- Activity conducted, but no overlap
- White box indicates no overlap for a particular customer
- F Federal customer
- S State customer
- L Local customer
- FIG FBI Field Intelligence Group
- JTTF FBI Joint Terrorism Task Force
- HIDTA ISC High Intensity Drug Trafficking Area Investigative Support Center
- RISS Regional Information Sharing Systems center

Source: GAO.

Notes: We focused our analysis on whether an entity conducted an activity for federal, state, or local customers. Therefore, entities could also conduct these activities for other customers, such as for tribal agencies or to meet internal needs. In addition, entities did not report whether customers for whom an activity was conducted were considered to be primary or secondary customers. Accordingly, the figure indicates whether an activity was conducted, not the frequency or prevalence of that activity. For example, the amount of time and resources dedicated to each activity conducted by the entities may vary. For the purposes of this report, we defined six categories of analytical activities and other services that entities can perform: (1) collection management, (2) strategic analysis, (3) analytical products, (4) threat or risk assessments (5) criminal bulletins and publications, and (6) dissemination.

^aCollection management is the identification, location, and recording or storing of information used to support analysis.

^bStrategic analysis is the analysis of crime patterns, crime trends, or criminal organizations for the purpose of planning, decision making, and resource allocation.

^cAnalytical products involve the conversion of raw information into intelligence.

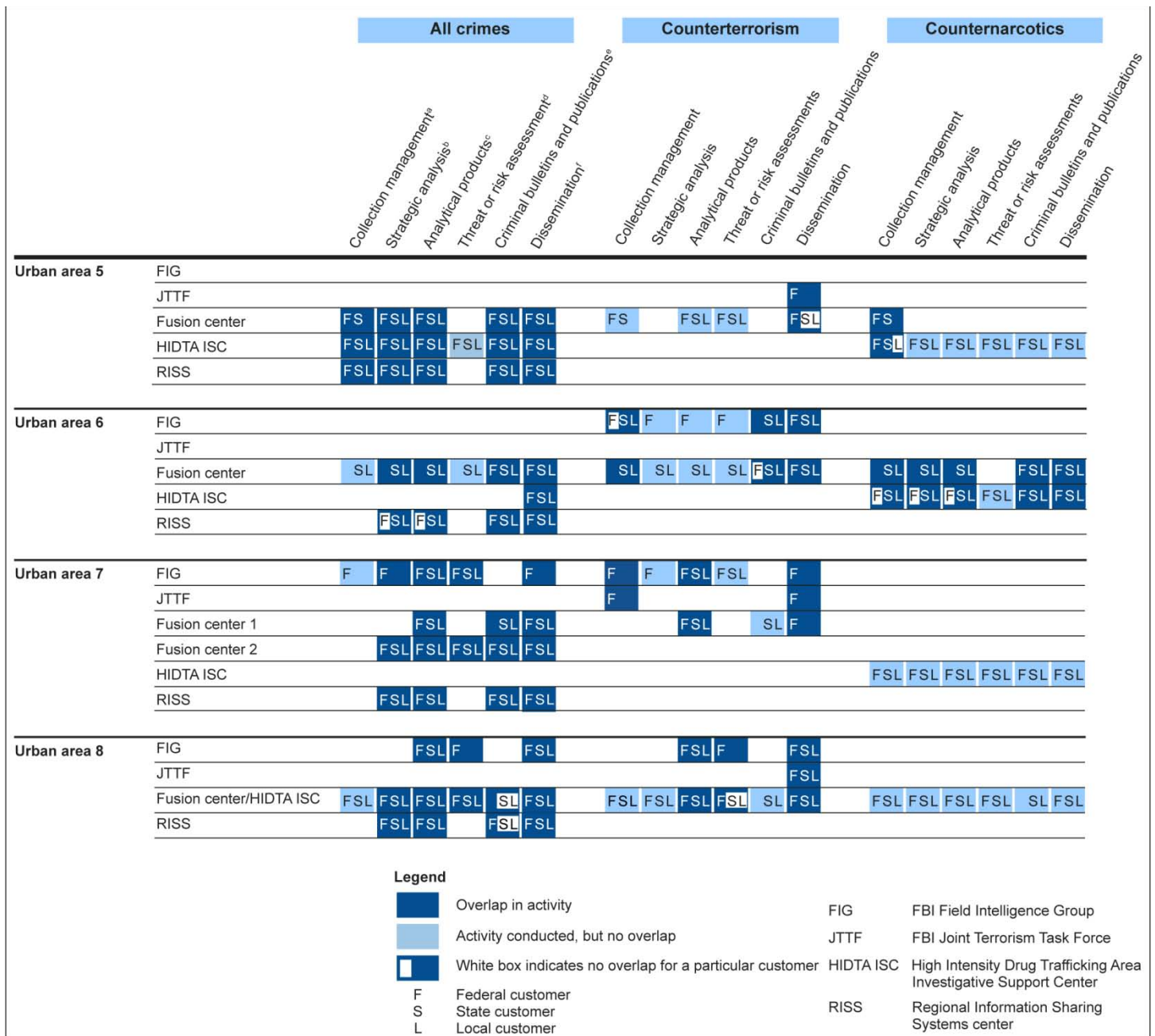
^dThreat or risk assessments are documents that analyze the propensity for threat or risk in a certain time or place.

^eCriminal bulletins and publications are bulletins or publications that highlight criminal activity.

^fDissemination is the distribution of information to customers.

^gUrban area 1 includes two regional fusion centers, a fusion center that covers a region within its state and a fusion center that serves state and local partners.

Analytical Activities and Services Conducted in the Same Mission Areas for Similar Customers in the Eight Urban Areas in Our Review (continued)



Source: GAO.

Notes: We focused our analysis on whether an entity conducted an activity for federal, state, or local customers. Therefore, entities could also conduct these activities for other customers, such as for tribal agencies or to meet internal needs. In addition, entities did not report whether customers for whom an activity was conducted were considered to be primary or secondary customers. Accordingly, the figure indicates whether an activity was conducted, not the frequency or prevalence of that activity. For example, the amount of time and resources dedicated to each activity conducted by the entities may vary. For the purposes of this report, we defined six categories of analytical activities and other services that entities can perform: (1) collection management, (2) strategic analysis, (3) analytical products, (4) threat or risk assessments (5) criminal bulletins and publications, and (6) dissemination.

^aCollection management is the identification, location, and recording or storing of information used to support analysis.

^bStrategic analysis is the analysis of crime patterns, crime trends, or criminal organizations for the purpose of planning, decision making, and resource allocation.

^cAnalytical products involve the conversion of raw information into intelligence.

^dThreat or risk assessments are documents that analyze the propensity for threat or risk in a certain time or place.

^eCriminal bulletins and publications are bulletins or publications that highlight criminal activity.

^fDissemination is the distribution of information to customers.

For investigative support activities and services, GAO identified more instances of overlap in the: (1) mission area of all-crimes compared to the mission areas of counterterrorism and counternarcotics; (2) activities conducted by fusion centers and Regional Information Sharing Systems centers compared to the other three entities; and (3) tactical analysis, such as link analysis of relationships among suspects or telephone toll analysis, compared to other investigative support activities and services.⁷ Overlap in analytical activities and services can be beneficial, for example, if it validates information or allows for competing or complementary analysis; however, overlap can also lead to inefficiencies, for example, if it burdens customers with redundant information. Officials from seven state and local law enforcement customer agencies GAO interviewed had varying preferences about the frequency and amount of information they receive from entities.⁸ However, officials from four of these seven customer agencies stated that receiving redundant information is burdensome.⁹ For example, an official from one local law enforcement agency explained that entities forwarding original products, criminal bulletins, and publications without coordination due to time constraints leads to law enforcement leadership getting inundated with redundant information.

Improving coordination could help the agencies reduce inefficiencies resulting from overlap, as it could allow agencies to identify overlapping and duplicative efforts, and more precisely determine agency roles and responsibilities. DOJ, DHS, and ONDCP have processes in place to collect and measure information on the capabilities or performance of the entities in information sharing. However, DOJ, DHS, and ONDCP do not specifically hold field-based entities accountable for coordinating with each other. As such, coordination is not a specific expectation in the entities' performance management systems, and agencies do not track or measure the extent to which entities in urban areas are coordinating to

⁷Link analysis is the analysis of information that shows relationships among varied subjects suspected of being involved in criminal activity. Telephone toll analysis is the analysis of incoming and outgoing telephone calls, which can help investigators to establish ties between suspects.

⁸One of the eight customer agencies included in GAO's review did not provide comments on overlap in activities conducted by entities.

⁹According to FBI officials, actions to ensure coordination for product dissemination are largely dependent on the relationship with each fusion center and there is a difference between FBI intelligence products and fusion center intelligence products; not all fusion center disseminations are sent to Field Intelligence Groups and Field Intelligence Group products are not always appropriate for dissemination to fusion centers.

leverage resources, collaborate, and reduce overlap. GAO reported in March 2003 that high-performing organizations use their performance management systems to strengthen accountability for results, specifically by placing greater emphasis on fostering the necessary coordination both within and across organizational boundaries to achieve results.¹⁰

Officials from FBI, Bureau of Justice Assistance, DHS, and ONDCP each stated that coordination among the entities is essential in meeting individual missions. These officials further told us that they ultimately rely on the leadership of their respective field-based entities to ensure that successful coordination is occurring. However, officials at 22 of the 37 entities stated that successful coordination depends most on personal relationships and can be disrupted when new leadership takes over at an entity. Officials at 20 of 37 entities also stated that measuring and monitoring coordination could alleviate the process of starting over when new personnel take over at a partner entity and ensure that maintaining coordinated efforts is a priority. A mechanism, such as performance metrics related to coordination, that holds field-based entities accountable for coordinating with each other and enables agencies to monitor and evaluate these efforts could help DOJ, DHS, and ONDCP, working through the Information Sharing and Access Interagency Policy Committee, to provide agencies with information about the effective coordination taking place among field-based entities and provide additional incentives for personnel in the field to strengthen coordination efforts.

To improve interagency coordination, the agencies could consider practices and mechanisms that entity officials in the field reported as enhancing coordination. For example, officials in the eight urban areas in GAO's review identified participation on local governance boards, such as executive boards with responsibility for managing an entity and physical or virtual co-location of entities, as two practices that enhanced coordination, reduced overlap in activities they conducted, and leveraged resources. Officials stated that co-locating, as well as creating shared information spaces in a virtual environment, allowed them to share information more efficiently, develop more sophisticated products, increase coordinated and collaborative efforts, and save resources. GAO reported in April 2013 that such practices were consistent with guidance provided to the entities by DOJ, DHS, and ONDCP, as well as with practices that GAO had previously reported federal agencies have used to implement interagency collaborative efforts.¹¹

¹⁰GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, [GAO-03-488](#) (Washington, D.C.: Mar. 14, 2003).

¹¹GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012).

However, GAO also reported in April 2013 that entities nationwide do not all use such practices, and DOJ, DHS, and ONDCP have not assessed the extent to which such practices entities identified to enhance coordination could be more comprehensively applied across the nation. For instance, GAO reported in April 2013 that 11 of 72 fusion centers did not have governance boards, and 16 fusion centers were colocated with Joint Terrorism Task Forces. Therefore, agencies may have additional opportunities to apply these types of practices.

The federal government has begun to take some steps to enhance coordination. For example, the Information Sharing and Access Interagency Policy Committee—an interagency working group within the Executive Office of the White House with members from DOJ, DHS, and ONDCP, among others, that has responsibility for ensuring information sharing among the entities—brought the members of its Fusion Center Subcommittee together to discuss how to establish stronger partnerships between fusion centers and HIDTA Investigative Support Centers, and to further define the operational roles, responsibilities, and relationships among these entities.¹² According to agency officials present at the meeting, the subcommittee did not explore the extent to which participation on boards, co-location, or other coordination practices could benefit additional entities across the nation. Rather, the intent was to provide a forum to share practices and the subcommittee did not have a plan to implement or promote specific practices nor to further assess their greater applicability.

An assessment of the feasibility of additional participation on governance boards and the co-location of these entities in certain geographic areas—as well as other practices that could enhance coordination and reduce unnecessary overlap—could help DOJ, DHS, and ONDCP in their roles on the Information Sharing and Access Interagency Policy Committee to be better informed on whether additional governance boards or co-located entities should be pursued.

Actions Needed and Potential or Other Financial Benefits

GAO recommended in April 2013 that the Secretary of Homeland Security, the Attorney General, and the Director of ONDCP work through the Information Sharing and Access Interagency Policy Committee or otherwise collaborate to take the following two actions:

- develop a mechanism that will allow them to hold field-based information-sharing entities accountable for coordinating with each other and monitor and evaluate the coordination results achieved; and

¹²The Fusion Center Sub-Committee of the Information Sharing and Access Interagency Policy Committee is co-chaired by FBI and DHS, and includes members from, among others, Bureau of Justice Assistance, ONDCP, and the Criminal Intelligence Coordinating Council, which includes representatives of state and local fusion centers and law enforcement agencies.

-
- identify characteristics of entities and assess specific geographic areas in which practices that could enhance coordination and reduce unnecessary overlap, such as cross-entity participation on governance boards and colocation of entities, could be further applied, and use the results to provide recommendations or guidance to the entities on implementing these practices.

While the potential financial benefit of these actions cannot be known, in part, until an assessment is completed, GAO's work illustrates that the implementation of these recommendations could help DOJ, DHS, and ONDCP reduce inefficiencies resulting from overlap through enhanced coordination and leveraging of resources, and therefore, increase efficiencies and improve information sharing.

Agency Comments and GAO's Evaluation

In commenting on the April 2013 report on which this analysis was based, DOJ stated that the Department generally agreed with the two recommendations in the report; however, DOJ stated that it did not concur with the premises underlying the two recommendations, which is discussed in more detail below. DHS concurred with both recommendations and reported steps it was taking to address them. DHS also stated that it will work with GAO to define more specific and measureable outcomes, and document these decisions. ONDCP concurred with both recommendations. DHS and DOJ also provided technical comments, which were incorporated as appropriate.

Specifically, in its letter DOJ stated that it generally agreed with the goal of the first recommendation but that it did not concur that the Department was not already actively promoting coordination. For example, officials stated that DOJ has participated in summits with other agencies, including DHS, in an ongoing dialogue on efficient and effective coordination of information sharing in the field. While these efforts are positive steps for sharing information and coordinating to improve sharing, the efforts do not fully address the recommendation to develop a mechanism for accountability and monitoring coordination across all five entities included in GAO's review. GAO maintains that such a mechanism that specifically and directly holds field based entities accountable for coordinating with one another could add valuable context to the type of dialogue DOJ describes, while encouraging entities to maintain working relationships when new leadership is assigned and engage in coordination activities, such as leveraging resources, to avoid unnecessary overlap.

With respect to the second recommendation, in its letter DOJ stated that it agreed with the general intent of the recommendation, but does not concur with the premises that the Department does not already routinely seek to identify potential efficiency gains and that colocation is something that should be a goal in and of itself. DOJ stated that it does encourage entities to explore efficiencies that can be gained by, for example, cross-entity participation or colocation in circumstances where appropriate and efficient. However, DOJ stated that what is appropriate and efficient is

highly dependent on local circumstances, and a one-size fits all approach will not work because of variation in the entities, regions, and laws under which they operate. GAO agrees and stated in the report that colocation should not be advocated as a universal approach because it may not be practical in all cases. GAO's recommendation calls for the agencies that operate or otherwise support these entities to collectively assess opportunities to enhance coordination through whatever effective means they identify.

DOJ stated that a comparison of the Field Intelligence Groups and Joint Terrorism Task Forces with the other entities over-generalizes their activities since they are operational while the others are analytical. Similarly, DHS stated that the comparison of Field Intelligence Groups with fusion centers over-generalizes the unique nature of the entities' products and their intended recipients. In its report, GAO outlines the distinct missions, authorities, roles, and responsibilities of each of the entities, noting the Joint Terrorism Task Force's unique role in conducting counterterrorism investigations. Further, GAO acknowledges that entities serve as intermediaries to different customers while each has a broader role in sharing information with its partners as appropriate. DOJ's letter also commented on the generalizeability of GAO's analysis. GAO selected eight urban areas to explore activities conducted and coordination mechanisms across the five entities in its review. On the basis of GAO's analysis, GAO identified instances of reported overlap in activities and also examples of where coordination was working well across the entities. GAO stated in its report that the results from the eight urban areas are not generalizeable, and thus GAO made recommendations for agencies to assess practices GAO identified that were working well, as well as other coordination practices, to identify additional opportunities nationwide to coordinate and reduce any unnecessary overlap in entities' activities.

GAO provided a draft of this report section to DOJ, DHS, and ONDCP for review and comment. DOJ, DHS, and ONDCP provided no additional comments.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. To assess fragmentation and overlap among field-based information-sharing entities, GAO compared the missions, activities, and customers reported by officials from each entity in eight urban areas that GAO selected to reflect a range of factors, including geographic dispersion to those of other entities in the same urban area. While results from these eight urban areas are not generalizeable to all urban areas, the results provided insight into entities' activities and areas of overlap. GAO applied criteria from its prior work on fragmentation, overlap, and duplication to assess if any activities were conducted in the same or similar mission area for the same or similar

customers.¹³ GAO also interviewed officials from either a state or local law enforcement agency that received information from one or more of the entities in each of the eight urban areas (i.e., customer agencies). To identify efforts under way to improve coordination and information sharing among the agencies and the entities, GAO analyzed documentation and interviewed officials from FBI, Bureau of Justice Assistance, DHS, and ONDCP with responsibility for overseeing or providing support to the entities. To assess the extent to which the agencies hold the entities accountable for coordinating with each other, GAO analyzed the types of information the entities provide the agencies regarding coordination and interviewed officials who were responsible for overseeing the entities' information-sharing efforts. Table 7 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Product

Information Sharing: Agencies Could Better Coordinate to Reduce Overlap in Field-Based Activities. [GAO-13-471](#). Washington, D.C.: April 4, 2013.

Contact Information

For additional information about this area, contact Eileen Larence at (202) 512-8777 or larencee@gao.gov.

¹³GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012); and *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, [GAO-12-453SP](#) (Washington, D.C.: Feb. 28, 2012).

9. Justice and Treasury Asset Forfeiture

Conducting a study to evaluate the feasibility of consolidating the Departments of Justice's and Treasury's multimillion dollar asset forfeiture activities could help the departments identify the extent to which consolidation of potentially duplicative activities would help increase the efficiency and effectiveness of the programs and achieve cost savings.

Why This Area Is Important

Both the Department of Justice (Justice) and Department of the Treasury (Treasury) operate asset forfeiture programs that are designed to prevent and reduce crime through the seizure and forfeiture of assets that represent the proceeds of, or were used to facilitate, federal crimes.¹ GAO reported in September 2012 that participating agencies within Justice and Treasury annually seize millions of dollars in assets from their law enforcement activities. Seized assets include cash and financial instruments, as well as noncash items such as real estate and vehicles.

In fiscal year 2011, the combined value of total assets in these two programs was about \$9.4 billion, of which about \$6.9 billion and \$2.5 billion were assets under Justice's and Treasury's management, respectively.² Participating agencies of both programs also seize and hold illegal drugs, firearms, and counterfeit items that have no resale value to the government and are typically held by agencies until they are approved for destruction. Each department also maintains a separate forfeiture fund, where proceeds from forfeited assets are deposited. The Comprehensive Crime Control Act of 1984 established Justice's Assets Forfeiture Fund³ and the Treasury Forfeiture Fund Act of 1992 established the Treasury Forfeiture Fund⁴ In addition, a series of laws have been enacted expanding forfeiture from drug offenses to money laundering, financial crimes, and terrorism-related offenses. These statutes authorize seizure and fund management activities, but do not prohibit coordination or consolidation of asset forfeiture property management activities.

¹Within the context of the Justice and Treasury asset forfeiture programs, asset forfeiture is the transfer of title in property to the federal government by execution of a legal process that can be administrative, civil judicial, or criminal forfeiture. In a broader context, forfeiture means the involuntary relinquishment of money or property without compensation as a consequence of a breach or nonperformance of some legal obligation or the commission of a crime.

²Total assets include cash and noncash assets, net investments, and fund balances.

³Pub. L. No. 98-473, tit. II, §§ 310, 2303 (codified as amended at 28 U.S.C. § 524(c)). Monies deposited in the Assets Forfeiture Fund pay for the costs of operating the Justice Forfeiture Program.

⁴Pub. L. No. 102-393, § 638 (codified as amended at 31 U.S.C. § 9703). The Treasury Forfeiture Fund is a successor to what was then the Customs Forfeiture Fund. Monies deposited in the Treasury Forfeiture Fund pay for the costs of operating the Treasury Forfeiture Program.

In January 1990, GAO identified both the Justice and Treasury forfeiture programs as high-risk areas due in part to the potential for cost reduction through administrative improvements and consolidation of the programs' management and disposition of noncash seized property.⁵ In 2003, GAO removed both programs from the high-risk list because Justice and Treasury had (1) made improvements in the management of and accountability for seized and forfeited property, and (2) demonstrated the commitment to communicate and coordinate where joint efforts could help reduce costs and eliminate potentially duplicative activities. For example, Justice and Treasury were moving toward better coordination of property management activities such as sharing website locations for Internet sales, sharing selected vehicle storage and warehouse facilities, and exploring opportunities to jointly contract for services in high-volume areas.

What GAO Found

In September 2012, GAO reported that since 2003, Justice and Treasury have taken some steps to explore coordinating forfeiture program efforts, including sharing a website for posting notifications and pursuing a contract for seizure efforts abroad. However, since 2003, Justice and Treasury have made limited progress in sharing storage facilities or contracts, and have not fully explored the possibility of coordinating the management of their assets that could be consolidated to achieve efficiencies, effectiveness, and cost savings. As a result, each department maintains separate information technology (IT) asset tracking systems, separate contracts for the management of real property and personal property, and separate storage facilities.⁶

Justice and Treasury maintain four separate IT asset tracking systems—one for Justice and three for Treasury—to support their respective asset forfeiture programs.⁷ GAO found that all systems perform similar functions that are duplicative across federal agencies overseeing asset forfeiture programs. Treasury had intended to use the Justice asset tracking system and participated for 2 years in the design, development, and implementation of the system, but then withdrew to develop its own IT asset tracking system. Treasury officials said their own system was necessary to satisfy federal financial requirements. However, GAO's prior work shows that technology solutions can be used to consolidate IT systems that are common and duplicative, but information is needed to help effectively evaluate

⁵In determining whether a government program is high risk, GAO considers whether it involves national significance or a management function that is key to performance and accountability. GAO considers whether the risk is an inherent or systemic problem and qualitative factors, such as public health or safety, or whether the risk results in significantly impaired service. In addition, GAO also considers the exposure to loss in monetary or other quantitative terms.

⁶Real property includes single-family homes, multifamily homes, businesses, and land.

⁷Two of the three IT asset tracking systems used in the Treasury Forfeiture Program are owned and operated by the Department of Homeland Security.

consolidation proposals and activities.⁸ For example, from 2001 to 2009, the federal payroll consolidation initiative consolidated 26 payroll systems to four shared-service centers.⁹ The Office of Personnel Management (OPM) estimated this consolidation would save the federal government \$1.1 billion over 10 years. Further, in 1996, GAO reported that Treasury recognized that the Justice IT asset tracking system could be modified to meet the Treasury financial reporting requirements, but believed that developing a new system to meet the requirements was preferable.¹⁰ Justice and Treasury data show that the cost of developing, maintaining, and overseeing their four asset tracking systems in fiscal year 2011 totaled \$16.2 million for the Justice asset tracking system and \$10.4 million combined for the three Treasury asset tracking systems. While consolidation is beneficial in some situations, it is not in others. For example, consolidation initiatives can be complex, costly, and difficult to achieve. Thus, it is helpful to answer basic questions when considering consolidation.¹¹ As a result, a case-by-case analysis is necessary—evaluating the goals of the consolidation against the realistic possibility of the extent to which those goals would be achieved—to ensure effective stewardship of government resources in a constrained budget environment.

Justice and Treasury have made limited progress in consolidating their contracts for the management of real property and personal property. For example, the U.S. Marshals Service (Marshals)—the primary custodian of Justice’s seized assets—reported using one national contract for the management of real property in all but three Marshals districts in fiscal year 2011.¹² Similarly, Treasury uses one national contract, which

⁸GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, [GAO-12-542](#) (Washington, D.C.: May 23, 2012).

⁹In consolidating 26 payroll systems to four shared-service centers, the federal payroll consolidation initiative standardized payroll policies and procedures, and resulted in achieving cost effectiveness through economies of scale and the elimination of duplicative systems. [GAO-12-542](#).

¹⁰GAO, *Asset Forfeiture: Historical Perspective on Asset Forfeiture Issues*, [GAO/T-GGD-96-40](#) (Washington, D.C.: Mar. 19, 1996).

¹¹In May 2012, we reported on nine key questions to consider when evaluating consolidation proposals. They are (1) what are the goals of the consolidation; (2) what opportunities will be addressed through the consolidation and what problems, if any, will be created; (3) what will be the likely costs and benefits of the consolidation; (4) are sufficiently reliable data available to support a business-case analysis or cost-benefit analysis; (5) how can the up-front costs associated with the consolidation be funded; (6) who are the consolidation stakeholders, and how will they be affected; (7) how have the stakeholders been involved in the decision, and how have their views been considered; (8) do stakeholders understand the rationale for consolidation; and (9) to what extent do plans show that change management practices will be used to implement the consolidation?

¹²There are 94 U.S. Marshals districts. According to Marshals officials, the 3 remaining districts used multiple vendors for the management of real property. Since 2011, Marshals began to decentralize the management of real property and as of January 2013 had three national contracts in place. According to Marshals officials, the agency plans to procure additional regional property management contracts in fiscal year 2013.

includes maintaining and eventually disposing of the real property. Marshals and Treasury use different national contractors for the management of their real property. Additionally, for the management of personal property, Marshals takes a decentralized approach involving multiple contracts, while Treasury uses a centralized approach to manage personal property. In fiscal year 2011, Marshals' multiple contracts for the management, storage, and disposal of personal and real property cost about \$19 million, while the two nationwide contracts used by Treasury—one for the management of real property and one for the management of personal property—provided custodial services either directly or through subcontracts at a cost of about \$49 million for fiscal year 2011.¹³ Marshals and Treasury have not evaluated the feasibility of consolidating these contracts and do not know if there could be improved effectiveness, efficiency gains, or cost savings realized because of economies of scale.

Justice and Treasury continue to separately store assets seized under their respective programs. Officials from both departments stated that the volume and types of properties seized by the participating agencies of each department vary. However, both departments seize similar assets such as vehicles, vessels, and aircraft, and in some cases, store these assets in the same geographic area. GAO's analysis of contracted asset storage facilities—for the storage of vehicles, vessels, and aircraft—showed that about 23 to 40 percent of Marshals and Treasury's contracted facilities for these three categories are within 20 miles or less of one another. For example, 40 percent of Treasury contracted vehicle storage facilities are located 20 miles or less from a Marshals contracted vehicle storage facility. This includes 4 facilities, managed by the same vendor, which Treasury shares with Marshals under separate contracts. GAO's prior work has shown that physical infrastructure consolidations can be achieved between two different departments in order to achieve cost savings.¹⁴ For example, the Department of Veterans Affairs (VA) and the Department of Defense (DOD) Federal Health Care Center began integrating VA and DOD medical care into a joint facility, resulting in savings of \$11.2 million during the first two phases of the initiative.

Marshals and Treasury officials stated that they had not considered analyzing consolidation of their separate contracted storage facilities because of (1) the unique security requirements for their stored assets; (2) the variations in the types of assets that may create unique storage needs; (3) the different contracting rules and requirements for each agency; (4) the inability to accurately predict the combined storage needs

¹³According to Marshals, \$19 million is the approximate amount paid to vendors between October 1, 2010, and September 30, 2011, that stored, maintained, or disposed of assets over the same period of time. The \$19 million does not include salaries of Marshals staff that perform tasks associated with asset management; however, the \$49 million for the Treasury contracts includes the cost of contract personnel that perform asset management tasks.

¹⁴[GAO-12-542](#).

of both agencies, which affects their ability to contract for these services; and (5) the overall lack of assurance that combining contracts will result in cost savings. However, as these officials said, the departments have not analyzed the similarities or differences in their security requirements, storage needs, or contracting rules. Thus, the extent to which variations in these factors actually hinder consolidation efforts is not known; and, as we have previously reported, agencies have benefited from studying the costs and benefits of consolidation.¹⁵ For example, when VA and DOD were determining whether to consolidate their facilities, they used a cost-benefit analysis to determine that the fully integrated facility would lead to an annual recurring savings of approximately \$19.7 million.

Actions Needed and Potential Financial or Other Benefits

In fiscal year 2011, Justice and Treasury were responsible for separately managing personal and real property valued at about \$232 million. The departments use different asset tracking systems and separate contracts for the management of real property and personal property, and maintain separate contracted storage facilities that are frequently within 20 miles of a similar facility. While the agencies have taken some steps to coordinate forfeiture program efforts, the current constrained fiscal environment and the millions of dollars of assets involved underscores the need for the departments to examine how consolidating operations might contribute to cost savings or effectiveness gains. By conducting a study that takes into account the costs, benefits, and key questions to consider when evaluating consolidation proposals, the departments could have critical information to better identify whether increased efficiencies, effectiveness, and cost savings can be realized.

GAO recommended in its September 2012 report that the Attorney General and the Secretary of the Treasury should take the following action:

- conduct a study to determine the feasibility of consolidating asset management activities including, but not limited to, the use of asset tracking systems and the sharing of vendor and contract resources. This study should include the likely costs and benefits of consolidation, as well as GAO's key questions to consider when evaluating consolidation proposals.

While the potential for cost savings or efficiency gains in consolidating asset management activities cannot be known until a study is completed, GAO's prior work illustrates that consolidating physical infrastructure or management functions, such as IT services, could lead to cost savings and efficiency gains.

¹⁵[GAO-12-542](#).

Agency Comments and GAO's Evaluation

In commenting on the September 2012 report on which this analysis is based, Justice and Treasury both agreed with GAO's recommendation to conduct a study and stated that they will be taking actions to address it. Treasury also noted that the Department of Homeland Security (DHS) would need to be consulted as part of the study since DHS owns and operates two of the IT asset tracking systems used in the Treasury program. After the report was issued, Justice and Treasury formally notified Congress that they are actively working together and expect to conduct a joint study to assess the feasibility of consolidation in the areas of asset management and asset tracking systems. Justice and Treasury added that the study will take into account the costs, benefits, and key questions to consider in order to determine whether consolidation could result in increased efficiencies, effectiveness, and cost savings.

GAO provided a draft of this report section to Justice and Treasury for their review and comment. Justice provided technical comments, which were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. To determine the extent to which there may be areas of duplication between the programs, GAO reviewed the asset forfeiture process to determine the different activities undertaken within the programs. GAO focused on the postseizure activities of managing assets—in particular, the use of asset tracking systems and contracted storage facilities. With regard to IT asset tracking systems, GAO reviewed and analyzed technical information, observed a demonstration of each system, and interviewed agency officials responsible for operating each system. With regard to contracted storage facilities, GAO reviewed the total cost of department contracts for the management of real property and personal property. In addition, GAO analyzed data, as of June 2012, on contract vendors used by both Justice and Treasury to manage three categories of seized and forfeited personal property assets—vehicles, vessels, and aircraft—and analyzed the addresses of these vendors to determine the geographic proximity of the two agencies' facilities. Table 8 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and duplication might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Product

Asset Forfeiture Programs: Justice and Treasury Should Determine Costs and Benefits of Potential Consolidation. [GAO-12-972](#). Washington, D.C.: September 12, 2012.

Contact Information

For additional information about this area, contact David C. Maurer, (202) 512-9627 or maurerd@gao.gov.

10. Dissemination of Technical Research Reports

Congress may wish to consider whether the fee-based model under which the National Technical Information Service currently operates for disseminating technical information is still viable or appropriate, given that many of the reports overlap with similar information available from the issuing organizations or other sources for free.

Why This Area Is Important

The Department of Commerce's National Technical Information Service (NTIS) was established by statute in 1950 to collect scientific and technical research reports, maintain a bibliographic record and repository of these reports, and disseminate them to the public. Since then, NTIS has served as a permanent repository and disseminator of scientific, technical, engineering, and business-related information and is required by statute to be self-sustaining to the fullest extent feasible by charging fees for its products and services.¹ NTIS acquires the information in its collection largely in the form of research reports—primarily from federal agencies and their contractors and grantees, as well as from other domestic and foreign sources. The agency estimates that it maintains in its central repository more than 2.5 million records covering 378 technical and business-related subject areas. In addition, NTIS performs various fee-based information services for other federal agencies. For example, through a memorandum of understanding or interagency agreement, NTIS provides access to information collected from federal agencies, and in some instances it repackages the information with additional features. Further, NTIS performs various fee-based services for other federal agencies that are less directly related to its basic statutory function of collecting and disseminating scientific and technical information, including distribution and order fulfillment, web hosting, and e-training. The agency reported cumulative net revenues of \$1.5 million as of September 30, 2011, which resulted primarily from services less directly related to its statutory function.

In May 2001, GAO reported on NTIS's operations, noting, among other things, the availability of many of the reports maintained in its repository from other sources, such as the originating agencies' websites. GAO noted that NTIS was providing a variety of other fee-based services for agencies and that, while demand for electronic products was on the rise, research reports and other scientific, technical, and engineering information maintained by NTIS were also becoming increasingly available on agency websites and through other public sources—often at no cost. GAO suggested that Congress look at how scientific, technical,

¹15 USC § 1153. NTIS's product offerings include, among other things, subscription access to technical reports contained in its repository in both print and electronic formats; its services include the distribution of print-based informational materials to federal agencies' constituents and digitization and scanning services.

and engineering information was defined; whether there was a need for a central repository of this information; and, if a central repository was maintained, whether all information should be retained permanently, and what business model should be used to manage it.

In comments on a draft of the 2001 report, the Secretary of Commerce agreed with GAO's assessment and raised a fundamental question of whether there was a need for a central repository in view of the increasing availability of newer publications from sources other than NTIS. The Secretary also noted that the need for a central repository depended on whether the information would be permanently maintained by agencies and whether the information would be easy to locate without the kind of bibliographic control that NTIS provides.

Subsequent to the issuance of GAO's May 2001 report, Congress took actions toward reexamining the role of NTIS. In December 2003, the 21st Century Nanotechnology Research and Development Act was enacted, which provided a coordinated federal approach to stimulating nanotechnology research and development. The act directed the Secretary of Commerce to establish a clearinghouse for information related to the commercialization of nanotechnology research using the resources of NTIS to the extent possible. As of September 2012, NTIS noted that it held over 700 publications in its nanotechnology collection. The act did not make further changes to NTIS's role as a central repository.

What GAO Found

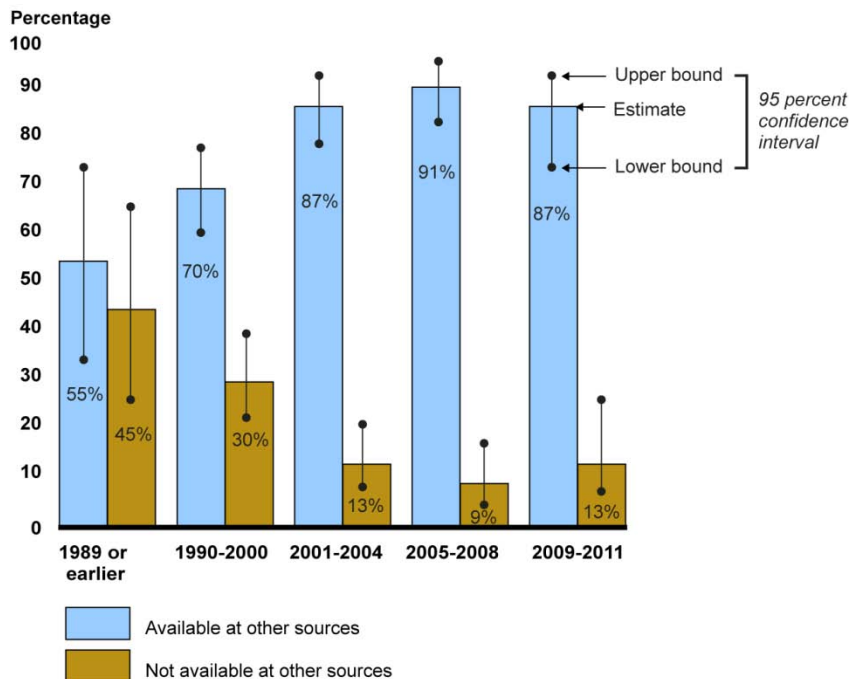
In a November 2012 report, GAO updated aspects of its previous report and estimated that, on the basis of a sample of 384 of the 841,502 reports in its repository added to NTIS's collection and made available for sale from fiscal years 1990 through 2011, most of the reports were readily available from other public websites, and nearly all of them could be obtained for free.² Specifically, GAO estimated that approximately 621,917, or about 74 percent, of the 841,502 reports were readily available from one of the other four publicly available sources GAO searched (i.e., the issuing organization's website; the Government Printing Office's Federal Digital System website; the U.S. government's official web portal, USA.gov; or another website located through a search of Google, a commercial search engine).³ The source that most often had

²We obtained from NTIS the full list of document accession numbers for the reports added to its repository (841,502 reports) since our previous review in 2001. We subsequently selected a stratified random sample for a total sample size of 384 reports. All of the estimates made with this sample were weighted to reflect the stratified design). The 95 percent confidence interval for the estimated percentage of reports available elsewhere that could be obtained for free is (90.7, 97.5) percentage points.

³The 95 percent confidence interval for the estimated percentage of reports available through one or more of the four publicly available sources GAO searched is (67.9, 80.0) percentage points. In identifying the reports' availability elsewhere, we did not assess whether the report's content was unaltered from its original issuance.

the reports GAO was searching for was another website located at <http://www.Google.com>. The figure below shows the estimated availability of reports added to NTIS's repository since fiscal year 1990 by date of publication.

Estimated Availability of Reports by Year of Publication^a



Source: GAO estimates based on NTIS provided data.

^aThe percentage shown inside each bar is the actual estimate.

In addition, about 95 percent of the reports in the sample that were available elsewhere could also be obtained free of charge from one of the four other sources GAO searched.⁴ The remaining 5 percent were available from the public sources for a fee.⁵ These results show that NTIS disseminates and charges for many reports that overlap with information that is available for free from federal agencies and other public websites. The following are examples of reports that NTIS makes available for a fee and are also available free of charge from the issuing organization's website:

⁴The 95 percent confidence interval for this estimate is (90.7, 97.5) percentage points.

⁵The 95 percent confidence interval for this estimate is (2.5, 9.3) percentage points.

-
- *Hazardous Waste Characteristics Scoping Study*, November 1996, Environmental Protection Agency, 278 pages. (At NTIS, print on demand⁶ costs \$73, electronic \$25.)
 - *Homeland Security: Intelligence Indications and Warning*, December 2002, Naval Postgraduate School, 5 pages. (At NTIS, print on demand costs \$17, electronic \$15.)
 - *Export Controls: System for Controlling Exports of High Performance Computing Is Ineffective*, 2000, GAO, 60 pages. (At NTIS, print on demand costs \$48, electronic \$15.)
 - *FDA Enforcement Report: July 20, 2011, July 2011*, Food and Drug Administration, 28 pages. (At NTIS, print on demand costs \$33, electronic \$15.)
 - *Principal Rare Earth Elements Deposits of the United States: A Summary of Domestic Deposits and a Global Perspective*, 2010, Geological Survey, 104 pages. (At NTIS, print on demand costs \$60, electronic \$25.)
 - *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, 2012, GAO, 426 pages. (At NTIS, print on demand costs \$99, electronic \$35.)

The Director of NTIS acknowledged that the Internet has enabled federal agencies to easily and freely disseminate their information, including scientific, technical, and engineering information products via their own and other websites. Moreover, GAO reported that, over the last several years, NTIS has been experiencing declines in its sales of technical reports, in part because of the increasing availability of this information from other sources. While NTIS has not recovered all of its costs for products through subscriptions and other fees, it has been able to remain financially self-sustaining because of the other service offerings that it provides.⁷ NTIS reported that net revenues from all of its functions (products and services) totaled about \$1.5 million in fiscal year 2011 because of revenues generated from other product and service offerings, such as the dissemination of products for other federal agencies. However, for its products, over most of the last 11 years, its costs exceeded revenues by an average of about \$1.3 million.

⁶Print on demand means that once the customer makes a request for the report, NTIS will print out a copy of the report and send it to the customer via U.S. Mail.

⁷As NTIS is a fee-based service entity, its revenues are generated exclusively from its products and services, and all its revenues, expenses, and capital expenditures are expected to be deposited and paid out of its revolving fund.

NTIS acknowledged in its 2011-2016 Strategic Plan that, because the Internet continues to change the way people acquire and use information and permits federal agencies to make their information products available for free, the agency is challenged to meet its statutory mandate as a self-financing repository and disseminator of technical information. As a result, the agency is taking steps to address the budget shortfall from products by making product and organizational improvements, such as adjusting the NTIS business model to support the increased demand for subscriptions and by reducing staff. Notwithstanding these efforts, NTIS could likely continue to face challenges in recouping the costs of its products given the increasing availability of technical information from other sources. Further, its current model also continues the problem of NTIS charging federal agencies for information that is available for free.

Actions Needed and Potential or Other Financial Benefits

In light of the agency's declining revenue associated with its basic statutory function and the charging for information that is often freely available elsewhere, in November 2012, GAO suggested that Congress may wish to consider the following action:

- examine the appropriateness and viability of the fee-based model under which NTIS currently operates for disseminating technical information to determine whether the use of this model should be continued.

Agency Comments and GAO's Evaluation

In commenting on the November 2012 report on which this analysis is based, Commerce stated that NTIS did not believe GAO's conclusions (that the fee-based model under which it operates for disseminating technical information may no longer be viable or appropriate) fully reflected the additional value that NTIS provides. Commerce also stated that, through its federal clearinghouse and repository, the agency provides federally funded reports that are not otherwise readily available, such as most of those issued prior to 1989. Additionally, Commerce stated that NTIS recognizes that it cannot remain financially solvent solely through sales and subscriptions of technical reports with expectations that these products will be widely available for free. The agency acknowledged the decline in sales of NTIS's technical reports, in part because of the increasing availability of this information from other sources, including websites and Internet search tools, and often at no charge.

GAO maintains that the fee-based model under which NTIS currently operates for disseminating technical information may no longer be viable or appropriate. GAO's November 2012 report highlighted various initiatives that NTIS has undertaken to provide older reports that might not otherwise be readily available and to increase the value of its technical reports, information management services, and technology transfer capabilities. However, GAO found that the demand for older holdings in the agency's repository is lower than for new publications. For example, GAO estimated that between 96 and 100 percent of the reports published

from 2001 through 2011 had been distributed (sold), while only 21 percent of reports published in 1989 or earlier were distributed during this period. Also, the agency's net revenue now comes primarily from services that are less directly related to its basic statutory function, while sales of its technical information products have resulted in net losses.

GAO provided a draft of this report section to the Department of Commerce for its review and comment. In response, Commerce stated that it believes that its earlier comments on our November 2012 report continue to be pertinent and relevant to recognizing the unique and permanent value that NTIS's repository and clearinghouse provides to the public, academia, and research communities. In addition, Commerce stated that NTIS remains committed to successfully performing its statutory mission of efficiently and perpetually making available the results of authenticated federally funded science research.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from products listed in the related GAO products section. To determine the extent to which reports that NTIS collects are readily available from other public sources, GAO searched the Internet to determine if each of the reports included in its sample of 384 of the 841,502 reports in its repository could be found elsewhere and at no cost.⁸ Using a tiered approach, GAO searched the following four sources in the order shown: (1) the issuing organization's website; (2) the U.S. Government Printing Office's Federal Digital System website—<http://www.gpo.gov/fdsys>; (3) the federal government Internet portal, USA.gov—<http://www.USA.gov>; and (4) a web search conducted using the commercial search engine <http://www.Google.com>. Specifically, GAO determined whether each report was first available at no cost on the issuing organization's website and, if so, concluded the Internet search at this point. However, if the report was not available, then the search continued to the second source, and so on, until either the report was found to be available at one of the remaining sources or all sources were exhausted.⁹ GAO then used its results to estimate the percentage of the total population of NTIS reports added to the repository during fiscal years 1990 through 2011 that was available from other public sources.

All of the results derived from the sample analyses constituted estimates that are subject to sampling errors. These sampling errors measure the extent to which the sample size and structure are likely to differ from the population they represent. Because GAO followed a probability procedure

⁸We obtained from NTIS the full list of document accession numbers for reports added to its repository (841,502 reports) since our previous review in 2001. We subsequently selected a stratified random sample for a total sample size of 384 reports. All of the estimates made with this sample were weighted to reflect the stratified design.

⁹In identifying the reports' availability elsewhere, we did not assess whether the reports' content was unaltered from its original issuance.

based on random selections, its sample is only one of a large number of samples that GAO might have drawn. Since each sample could have provided different estimates, GAO expressed its confidence in the precision of a particular sample's results as a 95 percent confidence interval. This is the interval that would contain the actual population value for 95 percent of the samples GAO could have drawn.

Related GAO Products

Information Management: National Technical Information Service's Dissemination of Technical Reports Needs Congressional Attention. [GAO-13-99](#). Washington, D.C.: November 19, 2012.

Information Management: Dissemination of Technical Reports. [GAO-01-490](#). Washington, D.C.: May 19, 2001.

Information Policy: NTIS's Financial Position Provides an Opportunity to Reassess Its Mission. [GAO/GGD-00-147](#). Washington, D.C.: June 30, 2000.

Contact Information

For additional information about this area, contact Valerie C. Melvin at (202) 512-6304 or melvinv@gao.gov.

11. Geospatial Investments

Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of millions of dollars.

Why This Area Is Important

The federal government collects, maintains, and uses geospatial information—information linked to specific geographic locations¹—to help in decision making and to support many functions, including national security, law enforcement, health care, and environmental protection. Many activities, such as maintaining roads and responding to natural disasters—floods, hurricanes, and fires—can depend on critical analysis of geospatial information. Further, multiple federal agencies may provide services at the same geographic locations and may independently collect similar geospatial information about those locations.

In June 2004, GAO reported that selected agencies' efforts to coordinate geospatial investments were not successful and agencies were independently acquiring and maintaining duplicative and costly geospatial data and systems.² GAO recommended that the Director of the Office of Management and Budget (OMB) and the Secretary of the Interior (Interior) improve strategic planning, and that OMB develop criteria for assessing interagency coordination of proposed geospatial investments and increase its oversight of approved geospatial projects.³ OMB and Interior generally agreed with these recommendations. From 2004 through 2008, OMB and Interior created a number of strategic planning documents to encourage more coordination of geospatial assets, reduce needless redundancies, and decrease costs. In 2004 and 2006, OMB issued guidance to increase the amount of budget information available on geospatial investments and improve oversight of agencies' implementation of geospatial-related policies and activities. Nonetheless, in August 2012, Interior estimated that the federal government invests billions of dollars in geospatial data annually and reported that duplication among investments is common.⁴

¹For example, entities such as houses, rivers, road intersections, power plants, and national parks can all be identified by their location. In addition, phenomena such as wildfires, the spread of the West Nile virus, and the thinning of trees because of acid rain can also be identified by their geographic locations.

²The agencies reviewed were the U.S. Department of Agriculture, the Department of Commerce (Commerce), the Department of Defense, the Department of Health and Human Services, the Department of Homeland Security, the Department of the Interior, and the Environmental Protection Agency.

³The Secretary of the Interior chairs the committee established by OMB to promote the coordination of geospatial data nationwide.

⁴Interior included this estimate as a part of its exhibit 300 submission to OMB; see Department of the Interior, *Geospatial Line of Business Capital Asset Summary*, Aug. 14, 2012.

What GAO Found

In November 2012, GAO reported that the Federal Geographic Data Committee (FGDC)—the committee that was established to promote the coordination of geospatial data nationwide—and selected federal departments and agencies had not effectively implemented policies and procedures for coordinating geospatial data as called for by executive order and OMB guidance.⁵ Additionally, federal agencies continue to make duplicative investments in areas of national interest, such as road and address data.

Specifically, the FGDC is responsible for coordinating the development of the National Spatial Data Infrastructure (NSDI)—an infrastructure that includes data themes, standards, metadata, and a centralized clearinghouse for geospatial metadata.⁶ The purpose of the NSDI is to facilitate the efficient collection, sharing, and dissemination of geospatial data, and to reduce wasteful duplication among all levels of government and the public and private sectors. GAO reported that the FGDC had developed and endorsed key standards, and established a clearinghouse of metadata—a centralized repository of metadata records. The clearinghouse allows users to determine whether the geospatial data that they are seeking already exist and to identify planned acquisitions of geospatial data and opportunities to jointly acquire the data in order to help reduce duplication. GAO reported that the three federal departments in its review (Commerce, Interior, and Transportation) had described their existing geospatial data on the clearinghouse by making their metadata available on it. However, as of September 2012, federal agencies were not using the clearinghouse to identify planned acquisitions of geospatial data because the FGDC had not developed guidance for agencies that describes how to use the Geospatial Platform—the primary portal to access and search the clearinghouse—to identify planned geospatial investments. Without the ability to identify planned geospatial data acquisitions, agencies will likely miss opportunities to cooperatively acquire the data, thus resulting in the acquisition of potentially duplicative data.

OMB guidance directed the FGDC to provide guidance to federal agencies by November 2011 about how to implement portfolio management—an approach in which agencies manage geospatial data

⁵A total of 31 federal departments and agencies collect, maintain, and use geospatial information, but we limited our review to three departments and three related agencies: Commerce and the National Oceanic and Atmospheric Administration (NOAA); Interior and the U.S. Geological Survey (USGS); and the Department of Transportation (Transportation) and the Bureau of Transportation Statistics (BTS). OMB, Circular No. A-16, *Coordination of Geographic Information and Related Spatial Data Activities*, Aug. 19, 2002; M-11-03, *Issuance of OMB Circular A-16 Supplemental Guidance*, Nov. 10, 2010; and Executive Order No. 12906, *Coordinating Geographic Data Acquisition and Access: The National Spatial Data Infrastructure*, 59 Fed. Reg. 17,671 (Apr. 11, 1994).

⁶Data themes are composed of one or more sets of geospatial data that have national significance, as established by federal guidance, such as hydrography (i.e., surface water features such as lakes, ponds, streams, and rivers). Metadata are information about data such as content, source, accuracy, method of collection, and point of contact.

as related groups of investments, both within and across federal agencies—to allow them to more effectively plan geospatial data collection efforts and minimize duplicative investments. However, while the FGDC initiated activities that FGDC officials said were first needed for agencies to establish a portfolio of geospatial data, it had not yet planned for or implemented a portfolio management approach. FGDC officials stated that they had developed a draft plan containing guidance to agencies in November 2011, but as of November 2012, the plan had not been finalized or approved, and officials were unable to provide a time frame for doing so.

Additionally, as GAO reported in November 2012, none of the three federal departments in its review had fully implemented important activities identified in federal guidance for coordinating geospatial data and assets, as shown in the following table.⁷

Status of Federal Departments' Implementation of Geospatial Activities, November 2012

Activity	Commerce	Interior	Transportation
Designate a senior official with departmentwide responsibility for geospatial information issues	◐	●	◐
Prepare and implement a strategy for advancing geospatial data activities appropriate to the mission	○	○	○
Develop a policy to make metadata available on the clearinghouse	◐	○	○
Make the department's metadata available on the clearinghouse	●	●	●
Adopt procedures for accessing the clearinghouse before expending funds to collect or produce new data	○	○	○

Source: GAO analysis of department documentation.

Legend

- = Fully met—the department provided evidence that addressed the criteria
- ◐ = Partially met—the department provided evidence that addressed about half or a large portion of the criteria
- = Not met—the department did not provide evidence that addressed the criteria or provided evidence that minimally addressed the criteria

Further, the three agencies in GAO's review responsible for government-wide management of specific geospatial data—NOAA, USGS, and BTS—had implemented some but not all important activities identified in federal guidance to ensure the national coverage and stewardship of geospatial

⁷OMB, Circular No. A-16, *Coordination of Geographic Information and Related Spatial Data Activities*, Aug. 19, 2002; OMB, M-06-07, *Designation of a Senior Agency Official for Geospatial Information*, Mar. 3, 2006; and Executive Order No. 12906, *Coordinating Geographic Data Acquisition and Access: The National Spatial Data Infrastructure*, 59 Fed. Reg. 17,671 (Apr. 11, 1994).

data themes, as shown in the following table.⁸ For example, only one of the agencies had fully prepared or implemented a plan for the nationwide population of the data theme that included (1) the development of partnership programs with states, tribes, academia, the private sector, other federal agencies, and localities that meet the needs of users; (2) human and financial resource needs; (3) standards, metadata, and the clearinghouse needs; and (4) a timetable for the development for the theme.

Status of Agencies' Implementation of Geospatial Activities, November 2012

Activity	NOAA	USGS	BTS
Designate a point of contact responsible for the development, maintenance, and dissemination of theme-related data	●	●	●
Prepare goals and analyze user needs in support of the NSDI strategy	●	◐	◐
Develop and implement a plan for the nationwide population of the data theme	●	◐	◐
Create a plan to develop and implement theme standards	○	○	○

Source: GAO analysis of agency documentation.

Legend

- = Fully met—the agency provided evidence that addressed the criteria
- ◐ = Partially met—the agency provided evidence that addressed about half or a large portion of the criteria
- = Not met—the agency did not provide evidence that addressed the criteria or provided evidence that minimally addressed the criteria

Moreover, while OMB has oversight responsibilities for investments in geospatial data, OMB staff members acknowledged that OMB does not have complete and reliable information to identify potentially duplicative geospatial investments. According to these officials, this is largely because agencies do not appropriately and consistently classify geospatial investments in their budget documents submitted to OMB.

Finally, recent reports, as well as officials from state and local associations and the National Geospatial Advisory Committee, have all stated that duplicative geospatial data investments continue across all levels of government.⁹ For example, according to Transportation's *Transportation for the Nation Strategic Plan*, dated May 2011, duplication exists in the acquisition of nationwide road centerline data across federal agencies and other levels of government, resulting in millions of wasted

⁸OMB, Circular No. A-16, *Coordination of Geographic Information and Related Spatial Data Activities*, Aug. 19, 2002.

⁹The National Geospatial Advisory Committee was established to provide the FGDC with advice and recommendations related to the implementation of established federal policies and the management of geospatial information.

taxpayer dollars.¹⁰ In addition, according to a National Geospatial Advisory Committee official, several federal agencies collect, purchase, or lease address information in an uncoordinated fashion. Further, in a report on land parcel data, the National Academy of Sciences stated that the lack of nationally integrated land parcel data has led to duplication of effort among various levels of government and between the public and private sector.¹¹ Moreover, representatives from an organization composed of state geospatial data managers stated that federal agencies are investing in geospatial data that exist at the state and local levels, noting that duplicative data continue to be procured in such areas as imagery, elevation, road centerlines, and address points. Improved coordination between agencies may help to reduce duplicative investments.

FGDC, federal departments and agencies, and OMB had not yet fully implemented established policies and procedures for coordinating geospatial investments because these efforts had not been a priority. Until the FGDC, federal departments and agencies, and OMB decide that investments in geospatial information are a priority; FGDC and federal departments and agencies effectively implement the policies, procedures, and plans to coordinate their geospatial activities; and OMB obtains reliable information about federal geospatial investments, investments will remain uncoordinated, and federal agencies will likely continue to acquire duplicative geospatial information and waste taxpayer dollars.

Actions Needed and Potential or Other Financial Benefits

GAO recommended in November 2012 that the Secretary of the Interior, as the FGDC Chair, direct the FGDC Steering Committee to take the following two actions:

- establish a time frame for completing a plan to facilitate the implementation of OMB's November 2010 management guidance, and develop and implement the plan within the established time frame; and
- develop and implement guidance for identifying planned geospatial investments in the Geospatial Platform.

In addition, GAO recommended that the Secretaries of Commerce, the Interior, and Transportation implement relevant executive order requirements and OMB guidance, including implementing, of the following seven actions, those that apply to their departments and agencies:

¹⁰U.S. Department of Transportation, *Transportation for the Nation Strategic Plan*, May 2011.

¹¹National Academy of Sciences, *National Land Parcel Data: A Vision for the Future*, 2007. Founded by congressional charter, the National Academy of the Sciences is a private, nonprofit organization that serves as advisers to the nation on issues of science and technology that frequently affect policy decisions.

-
- designate a senior agency official with departmentwide accountability, authority, and responsibility for geospatial information issues;
 - prepare, maintain, publish, and implement a strategy for advancing geographic information and related geospatial data activities appropriate to its mission;
 - develop a policy that requires the department to make its geospatial metadata available on the clearinghouse;
 - develop and implement internal procedures to ensure that the department accesses the NSDI clearinghouse before it expends funds to collect or produce new geospatial data to determine (1) whether the information has already been collected by others and (2) whether cooperative efforts to obtain the data are possible;
 - prepare goals relating to all datasets within the relevant theme that support the NSDI;
 - develop and implement a plan for the nationwide population of the relevant theme that addresses all datasets within the theme and that includes (1) the development of partnership programs with states, tribes, academia, the private sector, other federal agencies, and localities that meet the needs of users; (2) human and financial resource needs; (3) standards, metadata, and the clearinghouse needs; and (4) a timetable for the development for the theme; and
 - create and implement a plan to develop and implement relevant theme standards.

Further, GAO recommended that the Director of OMB take the following action:

- develop a mechanism, or modify existing mechanisms, to identify and report annually on all geospatial-related investments, including dollars invested and the nature of the investment.

Because neither federal agencies nor OMB captures cost information in a uniform manner, determining precise costs in this area is not feasible. Nevertheless, as previously mentioned, Interior has recently estimated that the federal government invests billions of dollars in geospatial data annually and that duplication among investments is common. As a result, better coordination by agencies and better oversight by OMB could help to reduce duplication of geospatial investments, providing the opportunity for potential savings on the estimated billions of dollars spent annually on geospatial information technology.

Agency Comments and GAO's Evaluation

In commenting on the November 2012 report on which this analysis is based, the Departments of Commerce and the Interior generally agreed with GAO's recommendations and described actions planned and under way to implement them. Transportation neither agreed nor disagreed with the recommendations. However, Transportation officials commented that the department's Transportation for the Nation Strategic Plan partially satisfied the requirement to implement a strategy for advancing geospatial data within the department, noting that the strategic plan addresses the collection and maintenance of road centerline data, which represent the vast majority of travel in terms of both passengers and freight. However, GAO's analysis is that the strategic plan does not include a strategy for advancing all the department's geographic information and related geospatial data activities, describe how the department and its agencies are to coordinate their geospatial efforts to support the department's mission, or address geospatial themes other than transportation in which department officials stated that the department makes investments. Therefore, the department's Transportation for the Nation Strategic Plan does not constitute a departmentwide geospatial plan. Thus, the recommendation to develop such a strategy remains relevant to the department. OMB stated that it concurred with the need for improved collection of geospatial-related investments, but suggested that GAO clarify the recommendation to acknowledge that a new process is not required or expected. GAO agreed and clarified the recommendation.

GAO provided a draft of this report section to OMB and the Departments of Commerce, the Interior, and Transportation for review and comment. OMB commented that GAO's review of the three agencies was helpful and that it illustrated the need for increased participation in federal-wide geospatial capabilities and the elimination of duplicative capabilities and spending. OMB also noted that, in response to GAO's recommendation, in 2012 it developed new analysis tools and updated its models to improve its ability to identify and report on geospatial-related investments. Interior's comments provided additional information on the status of steps being taken to address recommendations to both the FGDC and the department. For example, Interior noted that an updated capability for all federal departments and agencies to identify planned geospatial data investments using the FGDC's Geospatial Platform is currently under development and is targeted for deployment during fiscal year 2013. Interior also noted that it will be developing new internal geospatial policies, procedures, and plans, such as preparing, maintaining, publishing, and implementing a strategy for advancing geographic information and related geospatial activities appropriate to its mission. The Departments of Commerce and Transportation did not provide comments on this report section. Transportation reported that the Secretary had recently designated a senior agency official with departmentwide accountability, authority, and responsibility for geospatial information issues.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. GAO looked at government-wide activities to implement the NSDI, as well as efforts of the FGDC. To evaluate federal departments' efforts to implement the NSDI, GAO first identified the nine framework themes, as identified in Circular A-16.¹² From those nine themes, GAO then randomly selected three themes and identified the federal departments and agencies responsible for managing the themes. The three departments, theme-lead agencies, and selected themes are: Commerce—NOAA—geodetic control; Interior—USGS—hydrography; and Transportation—BTS—transportation. GAO reviewed and assessed FGDC and department documentation such as policies, procedures, strategic plans, meeting minutes, and budget documentation; OMB budget guidance and reports; and recent reports discussing duplicative geospatial investments; and interviewed FGDC and department officials and OMB staff members.

Related GAO Products

Geospatial Information: OMB and Agencies Need to Make Coordination a Priority to Reduce Duplication. [GAO-13-94](#). Washington, D.C.: November 26, 2012.

Information Technology: OMB Needs to Improve Its Guidance on IT Investments. [GAO-11-826](#). Washington, D.C.: September 29, 2011.

Geospatial Information: Better Coordination Needed to Identify and Reduce Duplicative Investments. [GAO-04-703](#). Washington, D.C.: June 23, 2004.

Contact Information

For additional information about this area, contact David A. Powner at (202) 512-9286, or pownerd@gao.gov.

¹²OMB, Circular No. A-16, *Coordination of Geographic Information and Related Spatial Data Activities*, Aug. 19, 2002, identifies nine themes as critical for many geospatial applications.

12. Export Promotion

Enhanced collaboration between the Small Business Administration and two other agencies could help to limit overlapping export-related services for small businesses.

Why This Area Is Important

In January 2010, the President launched the National Export Initiative with the goal of doubling U.S. exports over 5 years and prioritizing exports by small businesses. This goal was a key component of the administration's plan to help the United States transition from economic crisis to sustained recovery, as increasing exports could help accelerate job growth. Some of the approximately 20 member agencies of the Trade Promotion Coordinating Committee directly assist small businesses to export overseas, including the Small Business Administration (SBA), Department of Commerce (Commerce), and the Export-Import Bank. In fiscal year 2011, these three agencies' requests for export promotion funding totaled about \$350 million, and SBA and the Export-Import Bank provided nearly \$7 billion in financing assistance to small businesses. While Commerce has historically been the primary agency for promoting U.S. exports, in 2010, Congress directed SBA to increase its activities related to export counseling and financing. A nationwide network of over 900 Small Business Development Centers (SBDC)—nonfederal entities partially funded by SBA—provides counseling, including some export counseling, to small businesses. Both SBA's Office of International Trade, which leads SBA's efforts in assisting small businesses seeking to export, and the Export-Import Bank provide financial assistance to small businesses.

What GAO Found

In January 2013, GAO reported that some SBA services overlap with Commerce counseling services and Export-Import Bank export financing programs, as outlined below:

- SBDCs and Commerce provide some similar one-on-one export counseling services to small businesses. For example, both offer strategic advice to help companies identify target export markets, assist companies in ensuring they are compliant with export regulations, and develop seminars to teach small businesses about the fundamentals of exporting.
- SBA and the Export-Import Bank offer overlapping programs that target some of the same small businesses and are delivered through some of the same lending institutions. These export working capital loan guarantee products have many similar features, but each program also has limitations, which may restrict its use in some situations, as shown in the table below.

Select Features and Limitations of SBA and Export-Import Bank Working Capital Loan Guarantees

Program features and limitations	SBA Export Working Capital program	Export-Import Bank Working Capital Guarantee program
Product	Loan guarantee	Loan guarantee
Type	Single order or revolving line of credit, but allows for advances against purchase orders	Single order or revolving line of credit
Eligibility	Small business operating for at least 1 year (can be waived based on management experience)	Business of any size operating for at least 1 year (can be waived based on management experience) Must meet certain financial requirements, including having positive net worth and meeting minimum standards on certain key industry ratios
Collateral	Export-related inventory and accounts receivable from the export sales Personal or corporate guarantee of the owner	Export-related inventory and accounts receivable from the export sales Personal or corporate guarantee of the owner
Content requirements	None	Must contain more than 50 percent U.S. content Cannot be used to finance defense articles or services, with limited exceptions
Loan percentage guaranteed	Up to 90 percent	Up to 90 percent
Loan amount guaranteed	\$5 million	No limit

Source: GAO analysis of Department of the Treasury, SBA, and Export-Import Bank documents.

These overlapping services can be confusing for small businesses and may result in an inefficient use of government resources. Both agency officials and some private sector representatives that GAO interviewed said overlapping services can make it difficult to navigate the federal export assistance system. According to officials from SBA, SBDCs, Commerce, and the Export-Import Bank, small businesses typically do not know which services each agency provides or where to go for assistance. Private sector representatives agreed it is challenging for small businesses to determine what each federal entity does. They noted that export financing assistance is important for small businesses to be competitive in international markets, but understanding the differences between federal loan programs for financing exports can be difficult.

Enhancing collaboration between SBA and other agencies could potentially improve program efficiency and help limit some of the confusion caused by overlapping services. GAO's prior work has outlined practices of effective collaboration, including (1) establishing clearly defined roles and responsibilities and (2) leveraging other agencies'

resources.¹ SBA and Commerce officials have not clearly outlined each entity's roles and responsibilities for counseling small business clients. Not all Commerce and SBDC counseling services overlap, and Commerce and SBDC officials indicated that they try to focus on the areas where each entity has relatively more experience. For example, Commerce officials generally prefer to work with existing exporters looking to expand to different markets (known as new-to-market businesses) that can quickly take advantage of Commerce's extensive services and overseas resources; businesses that are new-to-export are generally referred to SBDCs, where they can benefit from an array of general business development services. However, the division of counseling responsibilities between Commerce and the SBDCs is not so clearly defined in practice, and neither agency has developed guidance that directs SBDC counselors and Commerce staff to focus on any one type of client.² Commerce and SBDC staff in the field indicated that interagency roles and responsibilities for counseling new-to-export and new-to-market companies are unclear and said they work with both new-to-export and new-to-market businesses. Officials from both entities also noted they may counsel the same clients, but they do not regularly discuss client services with one another, nor do they regularly share client information.

According to SBA and Export-Import Bank officials, overlapping financial products respond to lender preferences. Both SBA and Export-Import Bank officials GAO interviewed said many lenders prefer to work with only one agency and few lenders use both agencies' products, so small businesses may be able to access only one agency's products. Therefore, if a client only meets the eligibility requirements for one agency's product but its bank does not use that product, the client may need to find a new bank in order to use a loan guarantee program. SBA and the Export-Import Bank both attempt to expedite the process through similar delegated authority programs for lenders, which allow lenders to process these loans without prior agency review. Lenders can receive delegated authority from both agencies, but SBA and Export-Import Bank staff that GAO interviewed noted many lenders are reluctant to work with both agencies due to the time and expertise needed to learn each agency's compliance standards and to process each agency's products. SBA and the Export-Import Bank may be able to explore options to harmonize export financing products and to assist lenders in more easily adapting to the rules for both agencies' products.

¹GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

²In commenting on a draft of the January 2013 report on which this submission is based, SBA and Commerce noted that the agencies have begun to clarify counseling roles and responsibilities through an interagency communiqué that provides guidance on how to assess the export readiness of clients and identifies general referral channels once a business has been classified as (1) not a good candidate for exporting, (2) not ready to export, (3) ready to export, or (4) an existing exporter.

SBA and other agencies could also better leverage one another's resources by consistently sharing client information, where possible. Field staff from SBA, SBDCs, Commerce, and the Export-Import Bank that GAO interviewed said accessing other agencies' client lists could help them reach more clients and potentially improve client services. However, the extent to which SBA and other agencies regularly share exporters' information varies. SBDC counselors generally cannot share specific client information with other entities unless they receive permission from the client,³ and SBA's Office of International Trade does not regularly share its client list with SBDCs, Commerce, or the Export-Import Bank, nor does it regularly receive client lists from other entities. Commerce and the Export-Import Bank have an informal agreement to share certain public client information with one another on a regular basis. Agency officials noted that information sharing is limited by certain privacy restrictions, but SBA and other agencies' officials told us they are currently reviewing the types of information that they could share with each other. In November 2012, the Commerce Office of Inspector General found that restrictions on sharing of client information constrained Commerce's ability to collaborate with other agencies and recommended that it explore the possibility of requiring clients to waive confidentiality as a condition for receiving services. Commerce concurred with this recommendation.

Actions Needed and Potential Financial or Other Benefits

To limit the extent to which SBA programs overlap with those of other agencies, in January 2013, GAO recommended that the Administrator of SBA take the following two actions to improve collaboration:

- consult with Commerce and the Export-Import Bank and more clearly define roles and responsibilities of export promotion entities' export counseling and financing staff at the agency-wide and local levels, which could assist small businesses and federal partner entities' staff in understanding the various export assistance provided by different federal entities and maximize the use of government resources; and
- consult with Commerce and the Export-Import Bank and identify ways to increase, where possible, sharing of client information deemed useful for SBA, Commerce, and the Export-Import Bank.

Implementation of these recommendations could help to improve the efficiency of federal export promotion services for small businesses. GAO was unable to quantify any potential financial benefits resulting from these actions because they would likely result in a more efficient use of existing resources and improved client services, rather than distinct cost savings.

³See 15 U.S.C. § 648(a)(7)(A).

Agency Comments and GAO's Evaluation

In commenting on the January 2013 report on which this analysis is based, SBA agreed with the above recommendations and noted it is taking steps to address them. SBA and Commerce provided copies of a December 2012 Interagency Communiqué that was intended to clarify counseling roles and responsibilities and provides guidance on referring U.S. businesses seeking export assistance to federal, state, and nonfederal resources according to each firm's export readiness and business needs. The communiqué does not provide referral protocols for clients seeking trade finance assistance, which the communiqué said would be issued by the end of January 2013. It also notes that agencies intend to develop local Export Outreach Teams to increase awareness of local international trade expertise and enhance communication and collaboration at the local level. Among other things, the Export Outreach Teams would develop referral protocols and initiate ongoing discussions of shared clients. Thus, the communiqué's plans, when fully implemented, would begin to address the recommendations above. GAO will continue to monitor the agencies' implementation of these plans.

GAO provided a draft of this report section to SBA, Commerce, and the Export-Import Bank. SBA officials stated that SBA and the Export-Import Bank are taking steps to respond to GAO's recommendations, including developing a new program that bundles non-overlapping financial products from both agencies that address specific lender and exporter needs and exploring the possibility of providing joint training for both agencies' export finance specialists so they are well versed in both agencies' programs. SBA officials also stated that SBA and Commerce have begun organizing Export Outreach Teams throughout the SBA network to enhance communication and collaboration between SBA's partners and international trade networks. Commerce officials added that the Trade Promotion Coordinating Committee has developed a webinar on client referrals, which they planned to roll out to field locations starting in March 2013. They noted that this action, in combination with actions taken under the December 2012 Interagency Communiqué, went a long way toward addressing our recommendations.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. GAO analyzed government-wide initiatives, strategies, and laws, as well as agencies' documents. GAO interviewed officials from key export promotion entities in headquarters and six field locations—Chicago, Dallas, Irvine (California), Miami, New York, and Portland (Oregon). GAO selected these locations based on the number of key entities in the location, the types of services provided, and Commerce's assessment of the locations' export potential. Commerce, SBA, and SBDC officials that provide export assistance were present in all locations, while Export-Import Bank officials were present in five of the six locations. At some locations, GAO also met with private sector representatives that used federal export assistance. GAO's interviews at these six locations are not generalizable to all U.S. locations but provided GAO with insights about how agencies collaborate with one another at the local level and challenges local officials face in doing so.

GAO assessed interagency coordination primarily against selected elements of GAO's practices for enhancing and sustaining collaboration. Table 9 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Product

Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role. [GAO-13-217](#).
Washington, D.C.: January 30, 2013.

Contact Information

For additional information about this area, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

13. International Broadcasting

The Broadcasting Board of Governors—with a budget of \$752 million in fiscal year 2012—has recognized the need to reduce overlap and reallocate limited resources to broadcasts that will have the greatest impact, but the agency could do more to achieve this goal, such as systematically considering overlap of language services in its annual language services review.

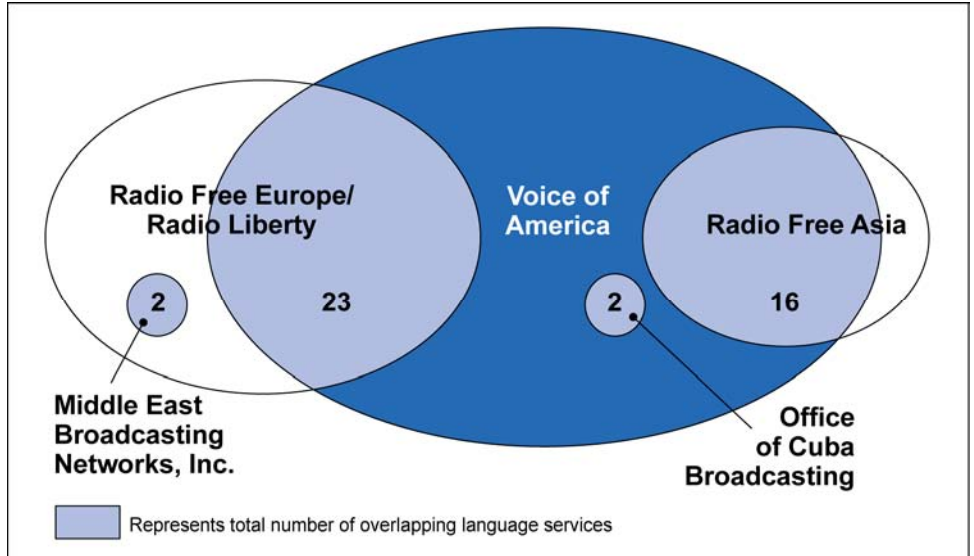
Why This Area Is Important

U.S. international broadcasting is intended to communicate directly with audiences in countries with limited journalism alternatives and to inform, engage, and connect people around the world. U.S. international broadcasting has grown considerably in the seven decades since it was first launched, with Congress creating additional broadcasting entities to target new audiences. These entities now broadcast through radio, television, Internet, and mobile technology, reaching an estimated weekly audience of 175 million people. The Broadcasting Board of Governors (BBG) is the federal agency responsible for U.S. international broadcasting. The Board oversees BBG's broadcast entities—Voice of America, Radio Free Europe/Radio Liberty, Office of Cuba Broadcasting, Radio Free Asia, and Middle East Broadcasting Networks, Inc.

What GAO Found

In January 2013, GAO found that nearly two-thirds of the BBG language services—offices that produce content for particular languages and regions—overlap with a language service offered by another BBG entity by providing programs to the same countries in the same languages. GAO identified 23 instances of overlap, involving 43 of BBG's 69 language services. For example, in 8 instances involving 16 services, a Voice of America service and a Radio Free Asia service overlapped. Almost all overlapping services also broadcast on the same platform (i.e., radio or television). The figure following shows the extent of overlap among BBG language services as of June 2012.

Overlap of BBG Entities' Language Services, as of June 2012



Source: GAO analysis of Broadcasting Board of Governors information.

The total cost associated with maintaining the 43 overlapping language services is about \$149 million, or nearly 20 percent of BBG's total appropriations for fiscal year 2011.¹ This amount represents the sum of the total cost for all overlapping language services as reported in BBG's *Annual Language Service Review Briefing Book* from fiscal year 2011. The amount of money that could be saved by reducing or eliminating overlapping language services would depend on a variety of factors, including which services were reduced or eliminated, which transmission assets or broadcast hours were reduced or transferred, and whether staff and other resources from an eliminated service were transferred to the remaining services.

According to BBG officials, language services that broadcast in the same country and language are sometimes distinguished by broadcast hours or purpose and content.

- **Broadcast hours.** BBG officials told us that overlapping language services generally coordinate with one another to broadcast at different hours of the day.
- **Purpose and content.** BBG officials said that although Voice of America and the other BBG broadcasters have different purposes, flexibility in their governing laws allows some overlapping content.

¹The cost for each language service includes employee salaries and benefits, and general operating expenses. This amount exceeds the potential savings from eliminating or reducing overlap, given that it includes all services that overlap in a particular country and language and that some staff and other resources from eliminated language services would likely be transferred to remaining services.

Officials noted that according to the law, Voice of America must represent the United States, presenting and explaining the country's policies in addition to providing accurate news, while the other BBG broadcasters generally act as regional or local news providers. However, BBG's interpretation of the entities' mandates and missions allows for some flexibility related to programming content, which could lead to content overlap.

The International Broadcasting Act, as amended, directs BBG to consider issues related to overlap, such as duplication, among some language services. For example, the law requires that grant agreements to Radio Free Europe/Radio Liberty shall include a provision stating that duplication of language services and technical operations between RFE/RL and VOA should be reduced to the extent appropriate, as determined by BBG's Board of Governors.²

BBG's annual language service review—the agency's primary method of prioritizing broadcast languages and planning resource allocations—does not systematically consider the cost and impact of language service overlap. BBG's language service review is intended to help the agency make decisions on allocating resources to language services by considering factors such as foreign policy priorities and the domestic media environment in countries that receive BBG broadcasts. The resulting *Annual Language Service Review Briefing Book* provides detailed data for all language services, but does not discuss the cost or impact associated with overlap. BBG officials stated that the methodology for the language service review does not include an assessment of the cost and impact of overlapping language services because officials are already aware of overlap among their language services and because the law has not required BBG to include assessments of overlap as part of its annual language service review. However, by not systematically considering overlap, the agency risks missing opportunities to reduce overlap as appropriate, strengthen impact, and improve coordination among its entities.

Actions Needed and Potential Financial or Other Benefits

In January 2013, GAO recommended that BBG take the following action:

- ensure that BBG's annual language service review includes systematic consideration of the cost and impact of internal overlap among BBG entities' language services.

GAO was able to estimate the total cost for overlapping language services but was not able to determine the potential savings associated with reducing overlap; the amount of money that could be saved by reducing or eliminating overlapping language services would depend on a

²BBG is managed by a nine-member part-time bipartisan Board of Governors.

variety of factors, including whether staff and other resources from an eliminated service were transferred to the remaining services.

Agency Comments and GAO's Evaluation

In commenting on the January 2013 report on which this analysis is based, BBG agreed with our recommendations and said that it had begun the planning necessary to include a more in-depth and systematic review of overlapping language services in its annual language service review. BBG noted that its spending in fiscal year 2011 to maintain language services broadcasting in the same countries and languages—\$149 million—represented the baseline budget for the 43 overlapping language services we identified but not the amount that could be saved if overlapping services were eliminated. For example, BBG stated that some overlap may be necessary and beneficial and that, in some cases, the overlap resulted from statutory mandates.

GAO provided a draft of this report section to BBG for review and comment. In an e-mail received on February 22, 2013, the BBG Congressional Coordinator stated that the BBG is making some progress toward addressing GAO's January 2013 recommendation regarding the annual language service review process. Specifically, BBG has begun work on an online information portal that will integrate information on research, strategy, development, budget, and performance by country, and will allow for more in-depth analysis of overlap. BBG hopes to use this tool for the 2013 Language Service Review.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. GAO reviewed laws, reports, and other documents related to U.S. international broadcasting. GAO also reviewed and analyzed information on the missions of the five BBG entities—Voice of America, the Office of Cuba Broadcasting, Middle East Broadcasting Networks, Inc., Radio Free Asia, and Radio Free Europe/Radio Liberty—and on their broadcast coverage, by country, language, and platform. We interviewed officials from BBG, and each of the five BBG entities. Table 10 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Product

GAO, *Broadcasting Board of Governors: Additional Steps Needed to Address Language Service Overlap*. [GAO-13-172](#). Washington, D.C.: January 29, 2013.

Contact Information

For additional information about this area, contact Timothy J. DiNapoli at (202) 512-3665, or dinapolit@gao.gov.

14. Rural Water Infrastructure

Additional coordination by the Environmental Protection Agency and the Department of Agriculture could help three water and wastewater infrastructure programs with combined funding of about \$4.3 billion avoid potentially duplicative application requirements, as well as associated costs and time developing engineering reports and environmental analyses.

Why This Area Is Important

Many communities with populations of 10,000 or less face significant challenges in financing the costs of replacing or upgrading aging and obsolete drinking water and wastewater infrastructure. The total estimated cost of such drinking water and wastewater infrastructure projects in these communities, many of which are considered rural, is estimated by federal agencies to be more than \$100 billion in the coming decades. For example, communities may need to upgrade basic wastewater systems, which treat wastes by allowing them to settle out in ponds or lagoons, with more sophisticated equipment that mechanically and biologically removes solids and contaminants. As another example, communities may need to upgrade to more expensive filtration equipment to remove contaminants, such as arsenic or excess nutrients, as regulations become more stringent for drinking water quality and wastewater.

Communities typically pay for drinking water and wastewater infrastructure through the rates charged to users of the drinking water and wastewater systems. In some cases, however, these communities do not have the number of users of drinking water and wastewater systems needed to spread the cost of major infrastructure projects and still maintain affordable user rates. In addition, unlike larger, urban communities that can issue their own public bonds to pay for major water and wastewater infrastructure improvements, rural communities face difficulty independently financing such major improvements. In many cases, rural communities have limited access to financial markets, restricting their ability to issue bonds to raise capital. As a result, these communities depend heavily on federal and state grants and subsidized loan programs to finance their water and wastewater infrastructure projects.

The Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) oversee the three largest federally funded drinking water and wastewater infrastructure assistance programs. EPA provides grant funding to states to administer Drinking Water State Revolving Funds (SRF), which provide annual funding to communities to finance projects for publicly and privately owned drinking water treatment plants, distribution and storage infrastructure, and source projects. EPA also provides grants to states to administer Clean Water State Revolving Funds, which provide funding to communities to finance projects for constructing, replacing, or upgrading publicly owned municipal wastewater treatment plants, as well as managing nonpoint source pollution, watersheds, and estuaries. EPA allocates its funding in the form

of capitalization grants to revolving fund programs administered by each state, and state officials in turn distribute loan funding for qualified drinking water and wastewater infrastructure projects in local communities. Communities of any size can apply for assistance. Over the long term, the state revolving fund programs are intended to be sustained through communities' repayment of loans, creating a continuing source of assistance for priority drinking water and wastewater infrastructure projects. In fiscal year 2011, the Drinking Water and Clean Water State Revolving Fund programs received \$963 million and \$1.5 billion in federal appropriations, respectively.

USDA's Rural Utilities Service administers the Water and Waste Disposal program, which provides funding for both drinking water and wastewater projects in low-income rural communities of 10,000 or less. In fiscal year 2011, the program received \$516 million in appropriations, which USDA allocated to its offices located in each state, using a formula based on the state's rural population, number of households in poverty, and rate of unemployment.

In December 2009, GAO reported that EPA, USDA, and other federal agencies that fund drinking water and wastewater infrastructure for rural communities along the U.S.-Mexico border lacked coordinated policies and processes and did not efficiently coordinate their programs, priorities, or funding. To better address the needs of the region, GAO suggested in December 2009 that Congress consider establishing an interagency mechanism to coordinate programs and funding, such as a task force on water and wastewater infrastructure, in the border region. GAO also identified the need for additional coordination on drinking water and wastewater infrastructure on the U.S.-Mexico border in its March 2011 report on opportunities to reduce duplication in federal programs. GAO updated the status of this work in January 2012 and again in January 2013. While Congress has not created a task force or other means to coordinate in the border region, officials from the federal agencies involved, including EPA and USDA, said they were working to coordinate their efforts to provide drinking water and wastewater infrastructure in the border region within the current statutory authorities that exist.

Following up on this work, GAO conducted a nationwide review of the largest drinking water and wastewater infrastructure funding programs—EPA's Drinking Water and Clean Water state revolving fund programs and USDA's Rural Utilities Service Water and Waste Disposal program—and reported on this review in October 2012.

What GAO Found

Funding for rural water and wastewater infrastructure is fragmented across the three federal programs GAO reviewed and reported on in October 2012, leading to program overlap and potential duplication of effort by communities that apply for funding from the programs. The three EPA and USDA water and wastewater infrastructure programs have, in part, an overlapping purpose to fund projects in rural communities with populations of 10,000 or less. For the 54 projects GAO reviewed in

Colorado, Montana, North Carolina, Pennsylvania, and South Dakota, this overlap did not result in duplicate funding—that is, funding for the same activities on the same projects. However, GAO identified the potential for communities to complete duplicate funding applications and related documents when applying for funding from both the state SRF programs and the Rural Utilities Service’s Water and Waste Disposal program. In particular, some communities have to prepare preliminary engineering reports and environmental analyses for each program. Potentially duplicative application requirements may make it more costly and time consuming for communities to complete the application process. GAO’s analysis showed—and community officials and their consulting engineers confirmed—that these reports usually contain similar information but have different formats and levels of detail. Completing separate engineering reports and environmental analyses is duplicative and can result in increased costs and delays for communities applying to both programs. Engineers GAO interviewed estimated that preparing additional engineering reports could cost from \$5,000 to \$50,000 and that the cost of a typical environmental analysis could add as little as \$500 to a community’s costs or as much as \$15,000. Moreover, having to complete separate preliminary engineering reports or environmental analyses may delay a project because of the additional time required to complete and submit these documents.

In October 2012, GAO reported that EPA and USDA have taken some actions to coordinate their programs and funding at the federal and state levels to help meet the water infrastructure needs of rural communities. The report describes examples of coordination between EPA and USDA at the federal level, designed to encourage states to emphasize coordination between their SRF programs and USDA’s state-level programs. For example, according to EPA and USDA officials, to inform state officials and communities about the programs and funding opportunities available in their respective states, the federal agencies participate in conferences and workshops, conduct webinars, and sponsor training. In addition, EPA and USDA signed a joint memorandum in 1997 encouraging state-level programs and communities to coordinate in four key areas: program planning documents; policy and regulatory barriers; project funding; and environmental analyses and other common federal requirements. In part to address the last item on common requirements, in February 2012, EPA and USDA formed a working group with representatives from the Department of Housing and Urban Development, the Indian Health Service, and state programs to draft guidelines for uniform preliminary engineering reports to meet federal and state requirements. At the time GAO issued its report in October 2012, the agencies had not completed the draft guidelines, and EPA and USDA had not yet taken action to help states coordinate on environmental analyses, by for example, developing guidelines for uniform environmental analyses. Without such guidelines, communities face a continuing burden and cost of applying for federal funds to improve rural water and wastewater infrastructure.

GAO's October 2012 report also demonstrated that coordination in the four key areas of the 1997 memorandum varied across the five states GAO visited. For example, state and federal officials in Montana created a drinking water and wastewater working group to coordinate project funding and to resolve regulatory barriers such as different funding cycles between the programs. In addition, state and federal officials in Pennsylvania agreed upon uniform environmental analyses that are accepted by all programs. However, in Colorado and North Carolina, state-level programs did not coordinate well initially about project funding, which resulted in the state-level programs planning to pay for the same projects. The state SRF programs and state-level USDA programs were able to avoid paying for the same projects, but state-level USDA programs had or expected to deobligate almost \$20 million committed to these projects and return the funds to USDA. Specifically, two USDA state offices could not fully obligate their available funds to new projects by internal deadline dates and, as a result, had to return the funds to the USDA headquarters pool to be made available for projects in other states. If the state programs had been coordinating on projects and funding, the USDA offices might have had more notice of the need to develop new projects in time to keep the funding in their respective states. Further delays in coordinating programs could hinder the efficient use of federal funds in states with high wastewater and drinking water infrastructure needs by preventing funds from reaching needy communities.

Actions Needed and Potential Financial or Other Benefits

To improve coordination and to reduce the potential for inefficiencies and duplication of effort, GAO recommended in October 2012 that the Secretary of Agriculture and the Administrator of EPA take the following three actions:

- ensure the timely completion of the interagency effort to develop guidelines to assist states in developing their own uniform preliminary engineering reports to meet federal and state requirements;
- work together and with state and community officials to develop guidelines to assist states in developing uniform environmental analyses that could be used, to the extent appropriate, to meet state and federal requirements for water and wastewater infrastructure projects; and
- work together and with state and community officials through conferences and workshops, webinars, and sponsored training to reemphasize the importance of coordinating in all four key areas in the 1997 memorandum.

Implementation of these recommendations could help make more efficient use of federal funds for rural water and wastewater infrastructure. In particular, it could help avoid the reprogramming of state funds and the delay involved in getting funds to communities for their projects. In addition, implementation of guidance on engineering reports and environmental analyses could help eliminate potential duplication of effort

and associated costs by communities when they apply for funds. Because the size of individual water and wastewater infrastructure projects can vary significantly, the additional costs associated with duplicative preliminary engineering report and environmental analysis requirements differ for individual projects. As a result, the costs associated with potentially duplicative efforts are difficult to quantify at the program level without reviewing a representative sample of project applications to multiple programs for the same projects.

Agency Comments and GAO's Evaluation

In commenting on the October 2012 report on which this analysis is based, EPA and USDA neither agreed nor disagreed with GAO's recommendations to develop guidelines to help states develop uniform engineering reports and uniform environmental analyses, pointing out that they have continued to coordinate their efforts but have been limited in what they can require states to do. In particular, both agencies emphasized that EPA does not have the authority to require the states to use particular engineering reports or environmental analyses. They committed to meeting and discussing common areas and guidance and said that they would work with states to encourage the use of uniform requirements in application documents. EPA agreed with GAO's recommendation that the agencies reemphasize coordination at the state-level, while USDA did not agree or disagree with it.

GAO provided a draft of this report section to EPA and USDA for review and comment. In an e-mail received on January 24, 2013, EPA reaffirmed its comments on the October 2012 report, and in a separate e-mail on January 25, 2013, USDA stated that it is currently considering the actions it will take on recommendations made in that report. As of January 2013, EPA and USDA have taken action on the first and second recommendations, but more work remains to be done. On the first recommendation, both EPA and USDA officials said the preliminary engineering report working group has drafted an interagency memorandum that includes the purpose of the working group, a general outline of a preliminary engineering report, and a detailed template of each component of the report. As of mid-January 2013, EPA, USDA, and the Indian Health Service have signed the memorandum and 17 states have been involved in developing the memorandum. EPA and USDA can continue, however, to work with participating states and the remaining states to help them successfully adopt the memorandum and template. On the second recommendation, EPA and USDA have begun efforts to coordinate on environmental analyses. The agencies met in mid-January 2013 to discuss uniform environmental analyses, and have formed a new workgroup of federal and state stakeholders, with EPA as chair. The new workgroup will initially focus on collecting information on possible duplicative environmental review processes.

USDA said that the draft did not provide an accurate picture of the coordination that is already occurring between the agencies, and provided additional examples of interagency coordination at the federal level. The October 2012 report described these additional examples, but the

purpose of this document is to summarize the key findings of the report. The section in this report has been clarified by adding a reference to the original report. Both agencies also provided technical comments, which were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the October 2012 report in the related GAO products section. GAO reviewed relevant statutes, regulations, guidance, budgets, and other documents and interviewed officials from EPA and USDA. In addition, GAO selected a nongeneralizable sample of five states—Colorado, Montana, North Carolina, Pennsylvania, and South Dakota—by comparing data on funding needs for rural areas, geographic location, and level of coordination between federal programs. In each state selected, we judgmentally selected a nongeneralizable sample of communities to visit and projects to observe by analyzing lists of water and wastewater infrastructure projects we obtained from state SRF and state-level USDA officials. We reviewed a total of 54 projects in 31 communities across the five states that had applied for or received funding from at least one of the three programs. We conducted site visits to each state to observe selected projects and to meet with representatives from engineering firms, local communities, and relevant nonprofit organizations associated with the projects. To assess the extent of overlap between the programs, GAO compared annual funding data from EPA and USDA and discussed with state and local officials their experiences in disbursing and applying for funding from the EPA and USDA programs. In addition, to determine the extent to which agencies coordinate at the federal and state levels to help meet the water infrastructure needs of rural communities, GAO met with federal and state officials and considered EPA’s and USDA’s efforts to promote the guidance established in the 1997 joint memorandum. To identify leading practices for coordination, GAO reviewed its prior work on practices that can help enhance and sustain collaboration among federal agencies. Table 11 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, might provide similar services, or might be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Rural Water Infrastructure: Additional Coordination Can Help Avoid Potentially Duplicative Application Requirements. [GAO-13-111](#). Washington, D.C.: October 16, 2012.

Annual Special Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue. [GAO-12-342SP](#). Washington, D.C.: February 28, 2012.

Government Operations: Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue. [GAO-11-318SP](#). Washington, D.C.: March 1, 2011.

Rural Water Infrastructure: Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region. [GAO-10-126](#). Washington, D.C.: December 18, 2009.

Contact Information

For additional information about this area, contact J. Alfredo Gómez at (202) 512-3841 or gomezj@gao.gov.

15. Drug Abuse Prevention and Treatment Programs

More fully assessing the extent of overlap and potential duplication across the fragmented 76 federal drug abuse prevention and treatment programs and identifying opportunities for increased coordination, including those programs where no coordination has occurred, would better position the Office of National Drug Control Policy to better leverage resources and increase efficiencies.

Why This Area Is Important

Abuse of illicit drugs results in significant public health, social, and economic consequences for the United States. For example, the Department of Justice's National Drug Intelligence Center estimated that the economic impact of illicit drug use, including the costs of health care, crime, and lost productivity, was more than \$193 billion in 2007.¹ Furthermore, the scale of the problem has not improved over the past decade. An estimated 22.5 million Americans aged 12 or older were illicit drug users in 2011, representing 8.7 percent of this population, according to the National Survey on Drug Use and Health.² In addition, illicit drug use rates among Americans aged 12 and older from 2009 through 2011 were among the highest since trend data were available in 2002.

Multiple federal departments, agencies, and components (collectively referred to as agencies) administer programs intended to prevent illicit drug use or treat the abuse of illicit drugs.³ These programs provide or fund a range of services—such as education and outreach activities, drug testing, medical evaluation, intervention, and therapy—in order to discourage first-time drug use and to assist regular drug users to become and remain drug free. Of the 76 drug abuse prevention and treatment programs GAO reviewed in its March 2013 report, there was evidence of overlap across 59 programs (nearly 80 percent) because they can provide or fund at least one drug abuse prevention or treatment service that one or more other programs can also provide or fund, to similar population groups to reach similar program goals. The Office of National Drug Control Policy (ONDCP) is responsible for, among other things,

¹See Department of Justice, National Drug Intelligence Center, *The Economic Impact of Illicit Drug Use on American Society* (Washington, D.C.: April 2011). According to the report, 2007 is the most recent year for which data are available.

²Overall illicit drug use includes the use of marijuana (including hashish), cocaine (including crack), heroin, hallucinogens, and inhalants as well as the nonmedical use of prescription drugs, such as pain relievers and sedatives. The 22.5 million represents individuals who reported that they used an illicit drug during the month prior to the survey interview. See Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, *Results from the 2011 National Survey on Drug Use and Health: Summary of National Findings* (Rockville, Md.: September 2012).

³Federal agencies may administer these programs through a variety of means, including, but not limited to, grants to state, local, tribal, and nonprofit entities, contracts to service providers, or services directly provided to beneficiaries by the federal agency itself.

overseeing and coordinating the implementation of national drug control policy, including drug abuse prevention and treatment program activities, across the federal government to address illicit drug use.⁴ ONDCP reported that about \$10.1 billion was provided for drug abuse prevention and treatment programs in fiscal year 2012.

What GAO Found

GAO reported in March 2013 that federal drug abuse prevention and treatment programs are fragmented across 15 federal agencies.⁵ In fiscal year 2012, about \$4.5 billion was allocated to these 15 agencies that administer 76 programs that are, in all or in part, intended to prevent or treat illicit drug use or abuse.⁶ Specifically, GAO reported that:

- 22 programs were drug abuse prevention programs, that is, programs that provide services, allocate funding, or allow for activities focused on discouraging the first-time use of controlled substances—specifically illicit drugs and the problematic use of alcohol—and encouraging those who have begun to use controlled substances to cease their use;
- 21 programs were drug abuse treatment programs, that is, programs that provide services, allocate funding, or allow for activities focused on identifying and assisting users of controlled substances—specifically illicit drugs and the problematic use of alcohol—to become drug-free and remain drug-free;
- 13 programs were drug abuse prevention and treatment programs; and
- 20 programs were neither drug abuse prevention nor treatment programs, but programs that may provide or fund drug abuse

⁴ONDCP was established by the Anti-Drug Abuse Act of 1988, Pub. L. No. 100-690, 102 Stat. 4181, to, among other things, enhance national drug control planning and coordination and represent the drug policies of the executive branch before Congress.

⁵For the purpose of its March 2013 report, GAO referred to programs that provide or fund drug abuse prevention and drug abuse treatment services as “drug abuse prevention and treatment programs,” including those programs that provide or fund services to support program objectives other than the prevention and treatment of drug abuse.

⁶GAO focused its review on programs that administer drug abuse prevention or treatment services. Therefore, GAO excluded programs that, for example, exclusively focus on law enforcement or policy, conduct research, or fund overhead costs. In addition, GAO excluded programs that reimbursed drug abuse treatment services as part of a health benefit plan, such as the Department of Health and Human Services’ Medicare and Medicaid programs, which account for almost \$4.5 billion of the \$10.1 billion ONDCP reported was allocated for drug abuse prevention and treatment programs, and the Department of Defense’s Defense Health Program, which includes military health benefit plans like TRICARE.

prevention or treatment services to support other program objectives, such as promoting housing stability within low-income communities.⁷

In addition, GAO reported in March 2013 that there was overlap in the drug abuse prevention or treatment services of 59 of the 76 programs that GAO reviewed.⁸ For example:

- Officials from 6 of the 76 programs reported that their programs can provide or fund drug abuse prevention services for students and youth in order to support program goals of preventing drug use and abuse among young people. For example, officials from all six programs reported that they can provide or fund services to conduct outreach and educate youth on drug use.
- Officials from 15 programs reported that their programs can provide or fund many of the same prevention and treatment services to the offender population—that is, those individuals involved in the criminal justice system—in order to support program goals of identifying and meeting the treatment needs of offenders and providing services to reduce recidivism and facilitate reentry.⁹ For example, 12 of the 15 programs can provide or fund medical evaluations and different forms of therapy, including individual and family therapy.
- Officials from 9 other programs reported that they can provide or fund drug abuse prevention and treatment services to multiple population groups in support of program goals to expand the capacities of state- and community-level entities to respond to and prevent drug abuse. These services include youth education, family education and support services, and public outreach activities.

A more in-depth analysis of two areas (prevention services for students and youth, and prevention and treatment services for offenders) found that all the agencies administering these programs took various efforts to coordinate overlapping programs or services where the programs had similar objectives, reducing the risk of duplication. Specifically, GAO reported:

⁷Program officials from 12 of the 20 programs reported that a combined total of around \$30 million was obligated for their programs in fiscal year 2011 for drug abuse prevention or treatment services specifically. The remaining 8 programs were not able to provide obligation data specific to drug abuse prevention or treatment services.

⁸To identify overlap—that is, programs providing similar drug abuse prevention or treatment services to similar beneficiaries with a similar goal or objective—GAO administered a web-based questionnaire to drug abuse prevention and treatment program officials in the 15 agencies included in the review.

⁹The term “recidivism” generally refers to the act of committing new criminal offenses after having been arrested or convicted of a crime. See GAO, *Adult Drug Courts: Studies Show Courts Reduce Recidivism, but DOJ Could Enhance Future Performance Measure Revision Efforts*, [GAO-12-53](#) (Washington, D.C.: Dec. 9, 2011).

-
- *Prevention services for students and youth.* Although officials from all 6 programs reported that they can provide or fund services to conduct outreach and educate youth on drug use, the risk of duplication among these programs is low because of coordination efforts taken by the administering agencies to improve efficiencies.¹⁰ For example, using an interagency agreement, the Department of Education jointly administers the Safe Schools/Healthy Students program with the Departments of Justice and Health and Human Services to provide complementary educational, mental health, and law enforcement services to prevent youth violence and drug use. Similarly, the Substance Abuse and Mental Health Services Administration (SAMHSA) and ONDCP maintain an interagency agreement to jointly administer the Drug Free Communities Support program. Officials from SAMHSA explained that the agreement defines the roles and responsibilities of the two agencies, and establishes agreed-upon standard operating procedures.

In addition, officials from the Department of Education, ONDCP, and SAMHSA reported that some programs and the services they can provide or fund are distinct because they target specific subgroups among students and youth, or they differ in scope. For example, the 21st Century Community Learning Center program allows for additional uses of funds that are not related to drug abuse prevention, like after-school tutoring and mentoring, and does not require that grantees include drug abuse prevention as a program component. Officials from the Department of Education said this indicates a difference in scope from the Safe Schools/Healthy Students program, which requires grantees to include drug abuse prevention services as a main program component. These officials reported taking steps to identify opportunities for increasing efficiencies. For example, in its fiscal year 2013 budget justification, the Department of Education proposed consolidating several existing programs that seek to help schools provide activities involving alcohol, drug, and violence prevention. According to Department of Education officials, the consolidation would more effectively target resources and address the needs of grantees.

- *Prevention and treatment services for offenders.* Officials from the 4 agencies overseeing the 15 programs that can provide or fund some of the same prevention and treatment services to the offender population also cited coordination efforts to help ensure that programs provide complementary services to this population, which can

¹⁰These programs included 2 programs administered by the Department of Education; 1 program administered by the Department of Health and Human Services' Substance Abuse and Mental Health Services Administration (SAMHSA); 1 program administered by ONDCP; 1 program administered jointly by the Department of Education, SAMHSA, and the Department of Justice; and 1 program administered jointly by SAMHSA and ONDCP.

minimize the risk of potential duplication.¹¹ For example, according to Office of Justice Programs (OJP) and SAMHSA officials, SAMHSA funding for drug courts is used for treatment services, while OJP funding for drug courts is used for administrative or case management purposes. While OJP resources are not restricted from funding the same treatment services SAMHSA can fund, officials from both agencies said that they use multiple coordination mechanisms to help minimize the risk of duplication. For example, OJP and SAMHSA jointly administer two programs. Additionally, officials from OJP and SAMHSA reported that their programs specifically serve offenders in the state and local justice systems, while the four programs administered by the Bureau of Prisons and the one program administered by the Administrative Office of the United States Courts target offenders who are or were incarcerated in federal prisons. Officials from the Bureau of Prisons and the Administrative Office of the United States Courts reported that the two agencies regularly share information and coordinate on prerelease planning for inmates in federal prisons and on transitioning inmates from prison to court-ordered drug testing and treatment after release, or vice-versa.

Although the agencies' coordination efforts in these two areas were consistent with practices that GAO had previously reported federal agencies use to implement collaborative efforts, not all of the 76 programs surveyed are involved in coordination efforts with other federal agencies.¹² Specifically, officials from 29 of the 76 programs surveyed reported that no staff representing their programs had coordinated with other federal agencies on drug abuse prevention or treatment programs in the year prior to GAO's survey. As GAO has previously reported, because fragmentation across agencies can create an environment in which programs are not delivered as efficiently and effectively as possible, coordination across government is essential.¹³ Therefore, there may be additional opportunities to implement interagency coordination efforts among the 29 programs that did not report any such efforts to identify potential efficiencies that better leverage available resources and minimize overlap and potential duplication.

Furthermore, GAO reported that although ONDCP coordinates efforts to develop and implement the National Drug Control Strategy (the Strategy)

¹¹These programs included 5 programs administered by the Office of Justice Programs (OJP); 4 programs administered by the Bureau of Prisons; 3 programs administered by SAMHSA, 2 programs jointly administered by OJP and SAMHSA; and 1 program administered by the Administrative Office of the United States Courts.

¹²See for example GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012),

¹³See GAO, *Homelessness: Fragmentation and Overlap in Programs Highlight the Need to Identify, Assess, and Reduce Inefficiencies*, [GAO-12-491](#) (Washington, D.C.: May 10, 2012).

and budget, it has not systematically assessed drug abuse prevention and treatment programs to examine the extent of overlap and potential for duplication as well as opportunities for greater coordination. Officials from ONDCP and other agencies with whom GAO spoke reported that the Strategy—ONDCP’s plan for reducing illicit drug use and its consequences—emphasizes the importance of coordinating efforts.¹⁴ For example, it designates lead and partner agencies for each of the activities in the Strategy and discusses the use of interagency working group meetings, both of which are used to coordinate Strategy implementation.

In addition, ONDCP officials stated that as part of the office’s annual process for developing the National Drug Control Program Budget, they review prevention and treatment programs for which funding is requested to verify that they serve unique populations.¹⁵ However, the purpose of the budget process is to develop a consolidated funding request to implement the Strategy and help ensure that the Strategy has adequate resources rather than to identify overlap or duplication across all programs, or opportunities for coordination. Furthermore, the purpose of the interagency meetings and other efforts to facilitate coordination is to develop and implement the Strategy and not to identify overlap or duplication. Accordingly, ONDCP has not conducted a systematic assessment of all prevention and treatment programs, including those not captured in the budget, and the services they are allowed to provide to determine the extent to which they overlap and where opportunities exist to pursue coordination strategies to more efficiently use limited resources.

GAO also reported in March 2013 that ONDCP established the Performance Reporting System, which includes performance measures to monitor and assess collective agency progress toward achieving National Drug Control Strategy goals and objectives. The office plans to report on results for the first time in 2013. In addition, GAO reported that the 15 agencies administering the 76 drug abuse prevention and treatment programs had completed evaluations of 6 programs since 2007—though

¹⁴ONDCP is required annually to develop a National Drug Control Strategy, which sets forth a plan to reduce illicit drug use through programs intended to prevent or treat drug use or reduce the availability of illegal drugs. The 2010 National Drug Control Strategy is the inaugural strategy under President Obama’s administration and is intended to be a 5-year strategy, with annual updates issued each year.

¹⁵GAO reported on the National Drug Control Program Budget process in GAO, *Office of National Drug Control Policy: Agencies View the Budget Process as Useful for Identifying Priorities, but Challenges Exist*, [GAO-11-261R](#) (Washington, D.C.: May 2, 2011). Agencies included in the National Drug Control Program Budget are required to follow a detailed process in developing their annual budget submissions. Agencies submit to ONDCP the portion of their budget requests dedicated to drug control. ONDCP provides annual budget recommendations to these agencies that are intended to specifically delineate what priorities each agency is expected to fund in the coming year submission. Each fiscal year, ONDCP assesses the adequacy of agency budget submissions to implement the Strategy and certifies or decertifies the submissions based on its assessment.

22 more program evaluations were under way or planned.¹⁶ While program evaluations allow for comprehensive assessments of whether programs are achieving desired results to help allocate scarce resources to effective interventions, among other things, they are generally not required. ONDCP and agency officials said that they have taken other steps to help ensure that programs are effective, including collecting and analyzing other program performance information or requiring or encouraging the programs to use evidence-based interventions to carry out their programs.¹⁷

Standards for Internal Control in the Federal Government highlights the importance of having access to operational and other data to determine whether programs are meeting goals for accountability and efficient use of resources.¹⁸ Additionally, the *Standard for Project Management* states that to ensure related projects are managed to achieve more benefits than could be achieved with stand-alone efforts, management should coordinate common activities or programs and the efficient use of resources across activities.¹⁹ This can include such efforts as mapping out how various activities across organizations will achieve the desired benefits.

Actions Needed and Potential Financial or Other Benefits

ONDCP is uniquely situated to conduct an assessment across the 76 drug abuse prevention and treatment programs that GAO identified in its review, nearly 40 percent (29 programs) of which reported not having coordinated with other agencies on drug abuse prevention or treatment programs over the past year. GAO's analysis identified fragmentation and overlap across those 76 programs, which ONDCP could use, along with other information, to identify overlap and potential duplication and opportunities for coordination. Such an assessment would better position ONDCP to help ensure that federal agencies undertaking similar prevention and treatment efforts identify opportunities for increased efficiencies, such as using coordination mechanisms to mitigate the risk of duplication and reducing administrative burdens on grantees, and better leverage available resources. These mechanisms could include, for example, joint program administration, establishing interagency agreements, and sharing requests for grant applications.

¹⁶Three of the 15 agencies in GAO's review had completed evaluations of 6 programs since 2007, and 8 agencies had started or planned 22 additional evaluations.

¹⁷Evidence-based interventions are approaches to drug abuse prevention or treatment that are based in theory and have previously undergone scientific evaluation.

¹⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

¹⁹Project Management Institute, *The Standard for Program Management* (Newtown Square, Pa.: 2008).

Therefore, GAO recommended in March 2013 that the Director of ONDCP take the following action:

- assess the extent of overlap and potential for duplication across federal drug abuse prevention and treatment programs and identify opportunities for increased coordination to help agencies take actions to increase efficiencies and better leverage their resources. ONDCP could use the results of GAO's analysis in the March 2013 report as a starting point for this assessment.

The potential financial benefit of this action cannot be known until an assessment is completed.

Agency Comments and GAO's Evaluation

GAO provided a draft of this report section, as well as the March 2013 report on which it is based, to ONDCP; the Departments of Health and Human Services, Justice, Education, Defense, Housing and Urban Development, Labor, Transportation, and Veterans Affairs; and the Federal Judiciary for review and comment. ONDCP agreed with GAO's recommendation to assess the extent of overlap and potential for duplication across federal drug abuse prevention and treatment programs and identify opportunities for increased coordination. In its comments on both this section and the report, ONDCP reiterated that GAO reported finding overlap but not actual instances of duplication among the drug prevention and treatment programs we reviewed. The office also made the points, with examples, that some overlapping programs (1) may not serve identical populations and may target different specific subgroups of a large population category, such as different types of youth age groups, and (2) may provide distinct services. GAO acknowledged these factors in our report, and maintains that this is why it is important to systematically review the extent of overlap among prevention and treatment programs, taking into account targeted subgroups and allowable services, to help ensure that they efficiently use limited resources to deliver these important services. ONDCP also reiterated, as GAO stated, that overlapping programs may provide positive benefits, such as reinforcing key prevention messages.

Further, the office agreed that coordination efforts among programs can help avoid duplication and maximize program effectiveness. This is consistent with GAO's report, which noted that overlap and fragmentation may not necessarily lead to duplication, but can create an environment in which programs are not delivered as efficiently and effectively as possible, and that coordination among programs helps to reduce the risk of duplication and increase efficiencies. ONDCP stated that while extensive coordination of prevention and treatment programs is already taking place, there is always room for improvement, and that it will work with agencies administering these programs to further enhance coordination. The Departments of Health and Human Services, Justice, Education, Defense, Transportation, and Housing and Urban Development provided technical comments on this section and the report, which were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from products listed in the related GAO products section. To identify federal drug abuse prevention and treatment programs, GAO reviewed the fiscal year 2013 National Drug Control Program Budget and the National Drug Control Strategy, among other sources. In identifying these programs, GAO excluded programs that, for example, exclusively focus on law enforcement or policy, conduct research, or fund overhead costs, as well as programs that reimburse drug abuse prevention or treatment services as part of a health benefit plan. GAO distributed a web-based questionnaire to officials at the 15 agencies that administer these programs to collect information such as program purpose, services provided, and population served, and analyzed the responses for 76 programs to identify potential fragmentation, overlap, or duplication based on the framework established in GAO's previous work.²⁰ The response rate for the questionnaire was 100 percent.

To gather additional information about the programs, GAO also reviewed relevant documents, such as completed program evaluations²¹ and agency policies and procedures, and interviewed agency officials who were responsible for overseeing the programs regarding areas of overlap and potential duplication and program evaluations that were completed, under way, or planned since 2007.²² To assess coordination efforts to reduce overlap or potential duplication, GAO analyzed questionnaire responses on agency efforts to coordinate drug abuse prevention and treatment programs and interviewed ONDCP and agency officials about actions taken to coordinate activities. GAO compared these reported actions to criteria for coordinating interagency efforts identified in our prior work.²³ Table 12 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

²⁰See GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011) and *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012).

²¹GAO defines program evaluations as individual, systematic studies to assess how well a program or programs are working.

²²GAO selected 2007 as the starting point in order to provide a long enough time frame to include evaluations that may take multiple years to complete.

²³See GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005) and [GAO-12-1022](#).

Related GAO Products

Office of National Drug Control Policy: Office Could Better Identify Opportunities to Increase Program Coordination. [GAO-13-333](#). Washington, D.C.: March 26, 2013.

Drug Control: Initial Review of the National Strategy and Drug Abuse Prevention and Treatment Programs. [GAO-12-744R](#). Washington, D.C.: July 6, 2012.

Contact Information

For additional information about this area, contact Eileen Larence at (202) 512-8777, or larencee@gao.gov, or Linda Kohn at (202) 512-7114, or kohnl@gao.gov.

16. Higher Education Assistance

Federal agencies providing assistance for higher education should better coordinate to improve program administration and help reduce fragmentation.

Why This Area Is Important

Higher education has long been crucial to America's ability to remain competitive in the global knowledge economy; however, the affordability of American higher education remains a topic of concern. The federal government assists with the cost of higher education through a variety of mechanisms, including federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (Title IV); tax expenditures (reductions in federal tax liabilities through tax credits, deductions, exemptions, and tax-preferred savings programs); and tuition assistance provided to veterans and military service members. In fiscal year 2010, the U.S. Department of Education (Education) provided approximately \$37.5 billion in grants and made more than \$104.3 billion in loan assistance available through Title IV programs reviewed in GAO's May 2012 report.¹ GAO also reported that revenue losses—the amount of revenue the government forgoes—from higher education tax expenditures were an estimated \$25 billion in the same year. In addition, the Department of Veterans Affairs (VA) provided \$7.4 billion to fund education benefits in fiscal year 2010, and the Department of Defense's (DOD) Military Tuition Assistance Program provided \$531 million in tuition assistance in the same fiscal year. For over 10 years, GAO has identified weaknesses in the coordination of federal assistance for higher education, as well as a lack of evaluative research on the effectiveness of this assistance. GAO identified higher education as part of a broader governmental challenge—Education and Employment—and has raised questions about whether and how the federal government's higher education policy programs can be better coordinated.²

What GAO Found

GAO found that federal assistance for higher education is fragmented across four departments: Education, which administers Title IV programs; the Department of the Treasury (Treasury), which administers higher education tax provisions; VA, which administers funds through the Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill) and other programs for service members, veterans, or their dependents; and DOD, which provides tuition assistance to service members.³ Moreover,

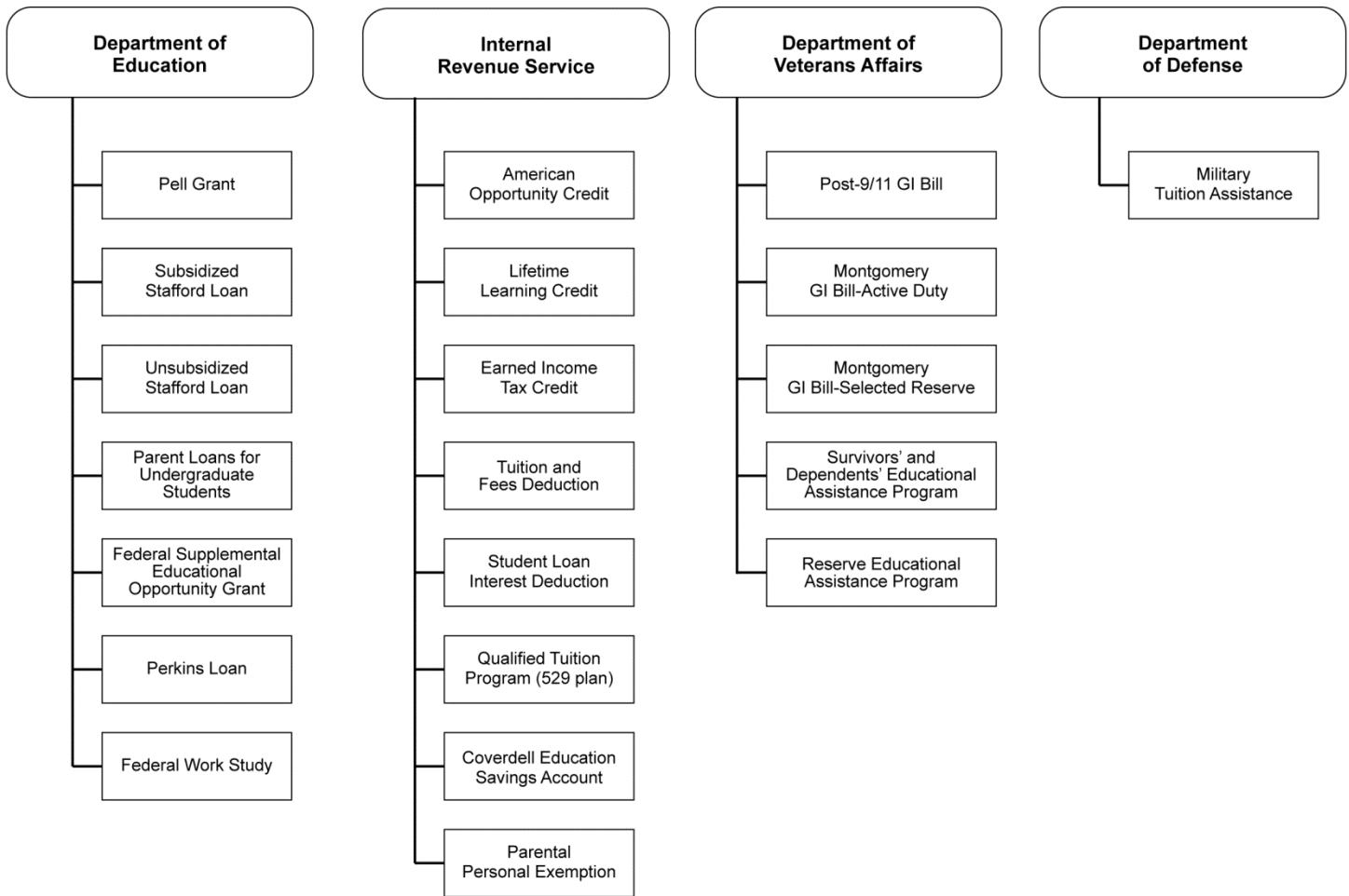
¹GAO, *Higher Education: Improved Tax Information Could Help Families Pay for College*, [GAO-12-560](#) (Washington, D.C.: May 18, 2012).

²GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

³Title IV programs and tax expenditures are available to the general public, depending on eligibility. VA and DOD administer benefit programs specifically for veterans, service members, or their dependents. For more information on these programs, see appendix IV.

within these departments there are multiple forms of assistance available with the same fundamental purpose—to assist students and families with financing higher education—though they do so for different populations at different times. GAO identified eight large tax expenditures, seven large Title IV programs, five VA programs, and one DOD program that help students and families save for, pay, and repay the costs of higher education (see the fig. below and table 13 in app. IV).⁴

Federal Higher Education Assistance



Source: GAO.

Note: The Earned Income Tax Credit and the Parental Personal Exemption are included here because they provide additional tax benefits to parents of students. Parents can generally claim children as dependents under the age of 19, but both of these tax provisions permit parents to claim dependents aged 19 through 23 if the dependent is a full-time student at least 5 months of the year.

Providing federal financial assistance in these varied ways presents students and their families with multiple tools to help them pay higher

⁴There are other Title IV programs beyond the scope of our review, in addition to other higher education provisions listed in the *Publication 970 Tax Benefits for Education*. For detailed information on our scope and methodology, see [GAO-12-560](#).

education expenses. While many meaningful results that the federal government seeks to achieve—including those for higher education—require the coordinated efforts of more than one agency, level of government, or sector, the fragmented nature of federal higher education assistance may make it difficult for some families to understand and make the best use of this assistance. For example, in GAO’s analysis of 2009 Internal Revenue Service (IRS) data for selected returns with information on education expenses, GAO found that tax filers do not always choose tax expenditures that maximize their potential tax benefits. Specifically, about 14 percent of filers (1.5 million of almost 11 million eligible returns) failed to claim an education credit or deduction for which they appear eligible.⁵ Taxpayers might not maximize their tax benefits because they are unaware of their eligibility for the provisions or confused about their use. The number and similarity of higher education tax provisions may make it harder for taxpayers to determine which one is best for them. For example, IRS *Publication 970* includes four different tax expenditures for educational saving, each with different requirements and benefits to the taxpayer. IRS and Education have taken steps to provide information on these provisions, but the number of filers failing to claim a higher education tax provision suggests more could be done. In addition to filing taxes to obtain federal assistance, there is a separate application process for students or families seeking Title IV aid—the Free Application for Federal Student Aid (FAFSA) administered by Education. Many experts, both within and outside the government, have raised concerns that the length and complexity of the FAFSA may discourage some students from applying for aid.⁶

Agencies’ fragmented processes for administering federal assistance for higher education could benefit from better interagency coordination. After the start of VA’s comprehensive Post-9/11 GI Bill program on August 1, 2009, improper payments for education benefits increased from \$63.7 million, or 2 percent of the total outlay, in fiscal year 2008 to \$712.8

⁵On average, these filers lost a tax benefit of \$466. GAO estimates that the total amount of tax benefits filers did not claim was approximately \$726 million in 2009. GAO’s analysis is limited to tax filers who appeared eligible for the lifetime learning credit (LLC) or the tuition and fees deduction in 2009, had a Form 1098-T *Tuition Statement* with information on the student’s education expenses, and had a tax liability after claiming other tax benefits. After eliminating returns where eligibility was not clear, GAO included only 29 percent of returns in our analysis of filers with a 1098-T but selected neither the LLC nor the tuition deduction in 2009. Estimates have 95 percent confidence intervals that are within 10 percent of the estimate itself. Details on GAO’s methodology and its limitations can be found in [GAO-12-560](#).

⁶Education began coordinating with IRS in 2010 to provide an option for tax filers to prepopulate the FAFSA using an automatic data transfer from their tax returns. Education estimated this IRS data retrieval process would improve the administration of student aid and reduce inaccurate payments by at least \$340 million in fiscal year 2012.

million, or 8 percent of the total outlay, in fiscal year 2010.⁷ GAO found in May 2011 that to address program implementation challenges, VA could leverage lessons learned from Education’s experience with streamlining its administrative processes for delivering student aid. Specifically, Education has gained efficiencies in its processes to return and reconcile federal student aid funds, and these practices could help improve VA’s administration of the Post-9/11 GI Bill program. Similarly, GAO found in March 2011 that DOD could better leverage compliance information already collected by Education to improve its oversight of postsecondary schools. This information could provide additional insight into a school’s financial stability, quality of education, and compliance with regulations that provide consumer protections for students and the federal government. Collaborating with Education could provide opportunities for VA and DOD to achieve greater efficiencies in program administration and effectively safeguard federal funds.

Although multiple federal agencies provide higher education assistance, evidence on the effects of this assistance on student outcomes—such as the likelihood students will continue their education—is limited. Evaluative research can help policymakers better understand the merits and value of various federal assistance efforts, especially in an environment of limited resources. Given the methodological challenges associated with such research, substantive changes such as the introduction and expiration of federal programs and tax provisions are among the most viable opportunities for evaluative research. Building on evidence from evaluative research, policymakers can consider whether to invest further in successful programs and make changes to less effective programs. To help inform these decisions, GAO identified factors that contribute to effective and efficient higher education assistance programs. Policymakers can assess whether programs incorporate the following elements in their design:

- achievement of program goals and production of demonstrable results,
- provision of appropriate incentives for targeted populations,
- facilitation of beneficiaries’ use of the program,
- effective interaction with other programs,
- minimization of costs and risks, and
- establishment of monitoring and evaluation mechanisms.

⁷The term “improper payments” refers to any payment that should not have been made or that was made in an incorrect amount, any payment to an ineligible recipient, any payment for an ineligible service, and duplicate payments. This includes both over- and underpayments.

Considering these factors can help inform the need to make improvements to current programs, consolidate programs, eliminate programs, or design features of new programs.

Actions Needed and Potential Financial or Other Benefits

To address the issues related to fragmentation, GAO has previously recommended that the federal agencies providing higher education assistance take the five actions outlined below. Some of the five actions focus on program efficacy and maximizing program benefits, while others have the potential to generate efficiencies or reduce improper payments.

To help ensure individuals who are eligible to claim a higher education tax expenditure are aware of their eligibility and the benefit they may receive, GAO recommended in May 2012 that the Commissioner of Internal Revenue and the Secretary of Education should work together to take the following two actions:

- identify characteristics of tax filers who are not claiming a higher education tax expenditure when they appear to be eligible for one and possible reasons for this; and
- use this information to identify strategies to improve information provided to eligible students and families.

To improve VA's administration of the Post-9/11 GI Bill program and address ongoing challenges, GAO recommended in May 2011 that the Secretary of Veterans Affairs take the following action:

- collaborate with Education and the higher education community, leveraging their experiences in administering aid. These collaborations should include assessing the applicability and viability of adopting processes and actions taken by Education, where practical, such as returning overpayments of program funds or reconciling benefit payments.

To improve its oversight of schools receiving Tuition Assistance funds, GAO recommended in March 2011 that the Secretary of Defense take the following action:

- direct the Undersecretary of Defense for Personnel and Readiness to undertake a systematic review of its oversight of schools receiving tuition assistance program funds. In doing so, the Undersecretary of Defense for Personnel and Readiness should consider reviewing Education's recently promulgated requirements for state authorization of schools and coordinate with Education to determine the extent to which these requirements are useful for overseeing schools receiving tuition assistance funds.

To provide federal policymakers information on the relative effectiveness of Title IV programs and higher education tax expenditures, GAO

recommended in May 2012 that the Secretary of Education take the following action:

- take advantage of opportunities presented by recent and anticipated substantive program changes to sponsor and conduct evaluative research into the effectiveness of Title IV programs and higher education tax expenditures at improving student outcomes.

Agency Comments and GAO's Evaluation

In commenting on the May 2012, May 2011, and March 2011 reports on which this analysis is based, Defense, Education, IRS, and VA agreed with GAO's recommendations. Education noted that while it does not have access to tax data, it will work with IRS to assist in taxpayer outreach.

GAO provided a draft of this report section to these agencies for review and comment. In e-mails received on January 17, 23, and 24, 2013, officials from Education, IRS, Treasury, and DOD provided updated information on their progress in implementing the recommended actions. In an e-mail received on January 22, 2013, a VA official stated that the agency did not object to the language in this report section. Regarding the first and second actions, Education and IRS officials stated they have held meetings to discuss opportunities for additional outreach to taxpayers. IRS officials stated they are using information learned through collaboration with Education to inform their American Opportunity Credit communication strategy. Treasury added that there is new language on IRS Form 1040EZ, *Income Tax Return for Single and Joint Filers With No Dependents*, notifying tax filers who paid higher education expenses that they may be eligible for benefits. In addition, IRS' research group is in the process of identifying tax filers that appeared to be eligible for an education credit but did not claim one. Regarding the fourth action, DOD stated it has begun working with Education and other agencies to share monitoring information and strengthen enforcement in the area of higher education benefits. Regarding the fifth action, Education officials said they are in the process of determining whether financial aid data can be made available to researchers for evaluative research.

How We Conducted Our Work

The information contained in this analysis is based on findings from the reports in the related GAO products section and additional work GAO conducted. GAO analyzed fiscal year 2010 and fiscal year 2011 budget data from Education and VA. GAO also analyzed Education's 2007-2008 National Postsecondary Student Aid Study, IRS' 2006-2009 Statistics of Income (SOI) individual tax return file, and the Federal Reserve's 2007 Survey of Consumer Finances. GAO also reviewed relevant federal laws, regulations, and agency documents and conducted interviews with agency officials and other parties. Tables 13 and 14 in appendix IV list the programs and tax expenditures GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Higher Education: Improved Tax Information Could Help Families Pay for College. [GAO-12-863T](#). Washington, D.C.: July 25, 2012.

Higher Education: Improved Tax Information Could Help Families Pay for College. [GAO-12-560](#). Washington, D.C.: May 18, 2012.

Veterans' Education Benefits: Enhanced Guidance and Collaboration Could Improve Administration of the Post-9/11 GI Bill Program. [GAO-11-356R](#). Washington, D.C.: May 5, 2011.

DOD Education Benefits: Further Actions Needed to Improve Oversight of Tuition Assistance Program. [GAO-11-389T](#). Washington, D.C.: March 2, 2011.

DOD Education Benefits: Increased Oversight of Tuition Assistance Program Is Needed. [GAO-11-300](#). Washington, D.C.: March 1, 2011.

VA Education Benefits: Actions Taken, but Outreach and Oversight Could Be Improved. [GAO-11-256](#). Washington, D.C.: February 28, 2011.

Federal Student Aid: Highlights of a Study Group on Simplifying the Free Application for Federal Student Aid. [GAO-10-29](#). Washington, D.C.: October 29, 2009.

Higher Education: Multiple Higher Education Tax Incentives Create Opportunities for Taxpayers to Make Costly Mistakes. [GAO-08-717T](#). Washington, D.C.: May 1, 2008.

VA Student Financial Aid: Management Actions Needed to Reduce Overlap in Approving Education and Training Programs and to Assess State Approving Agencies. [GAO-07-384](#). Washington, D.C.: March 8, 2007.

Postsecondary Education: Multiple Tax Preferences and Title IV Student Aid Programs Create a Complex Education Financing Environment. [GAO-07-262T](#). Washington, D.C.: December 5, 2006.

Student Aid and Postsecondary Tax Preferences: Limited Research Exists on Effectiveness of Tools to Assist Students and Families through Title IV Student Aid and Tax Preferences. [GAO-05-684](#). Washington, D.C.: July 29, 2005.

Student Aid and Tax Benefits: Better Research and Guidance Will Facilitate Comparison of Effectiveness and Student Use. [GAO-02-751](#). Washington, D.C.: September 13, 2002.

Contact Information

For more information about this area, contact George A. Scott at (202) 512-7215, or scottg@gao.gov or James R. White at (202) 512-9110, or whitej@gao.gov.

17. Veterans' Employment and Training

The Departments of Labor, Veterans Affairs, and Defense need to better coordinate the employment services each provides to veterans, and Labor needs to better target the Disabled Veterans' Outreach Program so that it does not overlap with other programs.

Why This Area Is Important

In fiscal year 2011, the federal government spent an estimated \$1.2 billion on six veterans' employment and training programs, serving about 880,000 participants. The Department of Labor (Labor) administers five of these programs, and the Department of Veterans Affairs (VA) administers one. In addition, the Department of Defense (DOD) expanded the employment assistance it provides to National Guard and Reserve members who may face unique challenges associated with being reintegrated into the civilian workforce multiple times during their military careers. Despite these efforts, the unemployment rate for veterans who have recently separated from the military is higher than that for other veterans and nonveterans. Moreover, more than 1 million service members are projected to separate from the military and transition to civilian life from 2011 to 2016. Because there are multiple programs spread across multiple agencies and demand for services will likely increase, it is important to understand (1) the services these programs provide, (2) whom the services are provided to, (3) the steps agencies have taken to coordinate their efforts, and (4) the employment outcomes of participants.

What GAO Found

In December 2012, GAO reported that the six federal veterans' programs provide similar services (e.g., job placement) but largely serve different populations. The following programs provide employment and training services to a specific population:

- Labor's Transition Assistance Program serves transitioning service members and their spouses,
- Labor's Homeless Veterans' Reintegration Program serves homeless veterans, and
- VA's Vocational Rehabilitation & Employment Program (Vocational Rehabilitation) serves veterans with service-connected disabilities.¹

The remaining three programs serve a broader population of veterans. Labor's Veterans' Workforce Investment Program serves veterans with

¹38 U.S.C. § 3102(a). To receive Vocational Rehabilitation program services, veterans generally must have at least a 20 percent disability rating and an employment handicap. Veterans with a 10 percent disability rating may also be entitled to receive services if they have a serious employment handicap.

significant barriers to employment, among others.² Labor is currently requesting that Congress defund this program.³ Of the two remaining programs, the Local Veterans' Employment Representative Program and the Disabled Veterans' Outreach Program can serve all eligible veterans.⁴ Veterans generally obtain access to the Local Veterans' Employment Representative Program by first participating in the Disabled Veterans' Outreach Program. The Disabled Veterans' Outreach Program has the most potential overlap with the other veterans' employment and training programs, as well as with Labor's other workforce programs available to the general population, because of its broad definition of who can be eligible for the program. Because this overlap could result in duplication, GAO focused in detail on the Disabled Veterans' Outreach Program's target population and services.

Federal law prioritizes certain populations of veterans for services provided by the Disabled Veterans' Outreach Program,⁵ but Labor's guidance does not provide states with information to assist them in prioritizing veterans for services. Federal law governing the Disabled Veterans' Outreach Program makes all veterans who meet the broad definition of "eligible veteran" eligible for its services, but gives disabled veterans and economically or educationally disadvantaged veterans the highest priority for services. However, Labor's guidance does not define what it means to be economically or educationally disadvantaged, leaving states—which administer the program using federal funds—without criteria to help them prioritize veterans based on these attributes, thereby potentially diluting the targeting that the law intended. The law also generally requires that Disabled Veterans' Outreach Program staff provide participants with intensive services (e.g., individual employment plans),⁶ but Labor's data indicate that nationally 28 percent of participants received such services in 2011. In explaining this statistic, Labor officials

²The program also serves veterans with service-connected disabilities; veterans who served on active duty in the armed forces during a war, campaign, or expedition for which a campaign badge has been authorized; and recently separated veterans.

³Labor seeks to defund the program because of the increasingly high cost per placement into employment for program participants. Labor found that other employment and training programs could provide the same service at a lower cost or with stronger accountability measures.

⁴"Eligible veteran" is defined as a person who meets one of the following criteria: (1) served on active duty for a period of more than 180 days and was discharged or released with other than a dishonorable discharge; (2) was discharged or released from active duty because of a service-connected disability; (3) as a member of a reserve component under an order to active duty under certain circumstances, served on active duty during a period of war or in a campaign or expedition for which a campaign badge is authorized, and was discharged or released from such duty with other than a dishonorable discharge; or (4) was discharged or released from active duty by reason of a sole survivorship discharge. See 38 U.S.C. § 4101(4), which incorporates the definition from 38 U.S.C. § 4211(4).

⁵38 U.S.C. § 4103A(a).

⁶*Id.*

said one possible explanation was that staff enroll people who do not need intensive services. Labor said it plans to develop guidance on prioritizing services, and it also has a six-state pilot to improve monitoring of who receives program services that may help to better prioritize services. Labor expects these efforts to be completed in early 2013.

In 2008, Labor and VA compiled a handbook intended to guide the roles of their respective staff in coordinating services to disabled veterans; however, they have not updated the handbook. In addition, Labor and VA have not included related DOD employment initiatives available to certain segments of the veteran population, such as National Guard and Reserve members, in their interagency agreements. Through interviews with VA and Labor officials, GAO identified two instances in which sections of the handbook are subject to misunderstanding or provide insufficient guidance that resulted in challenges meeting desired program outcomes and may have made having successful employment outcomes more difficult for program participants. They pertain to incorporating labor market information into rehabilitation plans and finding “suitable employment” for participants. For example, the handbook says Labor and VA are to coordinate to achieve “suitable employment”—employment that follows the veteran’s rehabilitation plan and does not aggravate the disability. However, it does not explicitly say how staff should navigate situations where a veteran’s financial need or preferences do not align with this goal. For example, Labor officials noted that some veterans may choose to accept a job that pays more than a “suitable” job choice, which may, in the long run, aggravate their disability. In such instances, program staff may work at cross-purposes and veterans may accept jobs that do not count as suitable employment. Further, DOD is expanding its employment assistance to National Guard and Reserve members, some of whom may also meet Labor and VA veterans’ program eligibility requirements. However, DOD does not have an interagency agreement that would allow it to effectively coordinate with Labor and VA. Absent an updated handbook and integration of DOD into the coordination framework, there is an increased risk for poor coordination. Currently there is some evidence that the lack of coordination may be affecting Labor resources and confusing employers. For example, according to Labor officials, Disabled Veterans’ Outreach Program staff participation at DOD job fairs reduces the amount of time available for their primary duties, such as providing intensive services to program participants.⁷

The information Labor reports makes determining the extent to which each program is achieving its annual performance goals difficult, and the research Labor and VA have conducted does not provide them with information on their programs’ effectiveness. Labor sets annual performance goals for its veterans’ employment and training programs,

⁷The law generally requires that program staff provide participants with intensive services (e.g., case management).

but it does not consistently report the results relative to those goals in its annual veterans' program report. And even though Labor is not required to report program outcomes in relation to goals in this report, it reports outcomes and goals for its other workforce programs that are aimed at the general population. Moreover, while both Labor and VA have studies completed or under way, neither has conducted impact evaluations that assess program effectiveness to determine whether outcomes are attributable to program participation and not other factors. As a result, Congress and other key stakeholders lack essential information needed to assess each program's performance and hold federal agencies accountable for achieving results.

Actions Needed and Potential Financial or Other Benefits

GAO recommended in December 2012 that the Secretary of Labor take the following action:

- consistently report both performance goals and associated performance outcomes for each of its veterans' employment and training programs.

GAO also recommended that the Secretaries of Labor and VA take the following two actions:

- incorporate additional guidance to address the two problem areas GAO identified into any update to the interagency handbook that governs their coordination for veterans' employment and training programs; and
- to the extent possible, determine the extent to which veterans' employment outcomes result from program participation or are the result of other factors.

Finally, GAO further recommended that the Secretaries of Labor, VA, and DOD take the following action:

- incorporate DOD's employment assistance initiatives into the agreements that guide interagency coordination.

Implementing these recommendations will help (1) increase the effectiveness of coordination efforts for programs administered by different federal agencies, (2) ensure that government resources are used efficiently, and (3) enhance transparency and accountability for achieving results. In addition, it will be important for Labor to complete its ongoing efforts to develop guidance on prioritizing services for the Disabled Veterans' Outreach Program and finalize new monitoring protocols.

Agency Comments and GAO's Evaluation

In commenting on the December 2012 report on which this analysis is based, Labor, VA, and DOD generally agreed with the recommendations. Both Labor and VA said they would work to enhance coordination with each other with respect to additional guidance in their interagency handbook. All three agencies said they would work to ensure that interagency coordination included DOD. In response to GAO's recommendation on reporting program performance, Labor said it will explore ways to increase consistency and transparency of the information it reports. In response to GAO's recommendation to Labor and VA regarding assessing program effectiveness, VA agreed and Labor did not specify whether or not it agreed. Labor said that it is committed to robust program evaluation and that each agency, including Veterans' Employment and Training Service, develops an annual evaluation agenda and sets priorities. Labor said it has a multicomponent agenda for evaluating services to veterans and cited some current studies, such as a study of the Transition Assistance Program and a statistical analysis of services received by veterans and the services' outcomes using the public workforce system. Obtaining information about the effectiveness of veterans' programs is important because such information can assist Congress in assessing program results and identifying areas where adjustments may be needed. As Labor and VA conduct research on program outcomes, considering approaches that would enable them to separate the impact of their programs from other factors that might influence participants' outcomes will be important.

GAO provided a draft of this report section to the Department of Labor, the Department of Veterans Affairs, and the Department of Defense for review and comment. These three agencies did not provide comments on this report section.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the December 2012 report listed in the related GAO products section.⁸ As part of that report, GAO reviewed the six programs that targeted veterans and were identified in its January 2011 report that analyzed all federal employment and training programs. Labor oversees five of the programs that target veterans: (1) the Disabled Veterans' Outreach Program, (2) the Homeless Veterans' Reintegration Program, (3) the Local Veterans' Employment Representative Program, (4) the Transition Assistance Program, and (5) the Veterans' Workforce Investment Program. VA oversees the sixth program: the Vocational Rehabilitation Program. GAO also included in its analysis three Labor programs that are available to the general population, which includes veterans: the Workforce Investment Act Adult and Dislocated Worker Programs and the Employment Service

⁸GAO, *Veterans' Employment and Training: Better Targeting, Coordinating, and Reporting Needed to Enhance Program Effectiveness*, [GAO-13-29](#) (Washington, D.C.: Dec. 13, 2012.)

Program. In examining coordination, GAO also included two DOD programs that have recently begun providing employment services: (1) the Yellow Ribbon Reintegration Program, and (2) the Employer Support of the Guard and Reserve. GAO also analyzed agency data on participant characteristics, services received, and outcomes and policy documents, relevant federal laws and regulations, reports, and studies; GAO also interviewed federal and regional officials and state officials in six states: Florida, Massachusetts, Ohio, Oregon, Texas, and Virginia. These states were selected to achieve geographic and demographic diversity. Furthermore, GAO used data from the Labor Exchange Reporting System and Veterans' Employment and Training Service Operations and Programs Activity Report data system for program years 2006 to 2010. GAO also used data from the VA Corporate Case Management System for fiscal years 2006 to 2011. In addition, GAO used fiscal year 2011 data from the Defense Manpower Data Center. Table 15 in appendix IV lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Veterans' Employment and Training Programs: Better Targeting, Coordinating, and Reporting Needed to Enhance Program Effectiveness. [GAO-13-29](#). Washington, D.C.: December 13, 2012.

Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies. [GAO-11-92](#). Washington, D.C.: January 13, 2011.

Contact Information

For additional information about this area, contact Andrew Sherrill at (202) 512-7215 or sherrilla@gao.gov.

Section II: Areas in Which GAO Has Identified Other Cost Savings or Revenue Enhancement Opportunities

This section summarizes 14 additional opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury.

18. Agricultural Quarantine Inspection Fees

The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as \$325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.

Why This Area Is Important

The movement of people and goods across U.S. borders is vital to the U.S. economy but also poses risks because imported products sometimes contain exotic pests and diseases that have resulted in billions of dollars in damages and lost agricultural revenues. Further, the terrorist attacks of September 11, 2001, heightened concerns about agriculture's vulnerability to terrorism, including the deliberate introduction of livestock, poultry, and crop diseases. The Agricultural Quarantine Inspection program helps to guard against these threats by inspecting international passengers and cargo at U.S. ports of entry, seizing prohibited material, and intercepting foreign agricultural pests. The Agricultural Quarantine Inspection program is coadministered by the United States Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS), which has authority to set Agricultural Quarantine Inspection user fees, and the Department of Homeland Security's (DHS) U.S. Customs and Border Protection (CBP), which has responsibility for inspection activities at ports of entry. The program, which cost \$861 million in 2011, is funded in part with revenues from fees assessed on those arriving vessels, trucks, railcars, aircraft, and international passengers subject to inspection and in part with funds from CBP's annual Salaries and Expenses appropriation. GAO has reported several times on the need to revise the fees to cover program costs as authorized. In May 2006, GAO recommended that DHS and USDA work together to revise the user fees to ensure that revenues cover the Agricultural Quarantine Inspection program's costs. In September 2007 and February 2008, GAO reported on various other challenges related to these fees, including that Agricultural Quarantine Inspection user fees were misaligned with program costs. In 2010, APHIS hired a contractor to conduct a comprehensive fee review to determine the full cost of Agricultural Quarantine Inspection services, identify potential changes to the fee structure, and recommend new fees. On the basis of this review, APHIS and CBP are currently considering options for a new fee structure; pending departmental approval, APHIS expects to issue a proposed rule in fall 2013.

Efforts to better align fees with costs are important, especially in an environment of tightening discretionary budgets, because user fees can reduce reliance on taxpayer funding of federal programs that provide a service to an identifiable beneficiary. In light of increased congressional interest in user fee financing, GAO developed a normative framework for examining user fee design characteristics that may influence the

effectiveness of user fees. Specifically, GAO's federal user fee design guide examined how the four key design and implementation characteristics of user fees—how fees are set, collected, used, and reviewed—may affect the economic efficiency, equity, revenue adequacy, and administrative burden of cost-based fees.¹ Since 2007, GAO has examined a variety of federal user fees—including the Agricultural Quarantine Inspection fees—in the context of this framework.

What GAO Found

In March 2013, GAO reported that its analysis of the Agricultural Quarantine Inspection fee and cost data revealed a more than \$325 million gap between fee revenues and total program costs in fiscal year 2011, or 38 percent of Agricultural Quarantine Inspection program costs. The gap exists for three reasons: (1) APHIS does not set fee rates to recover the full costs of the program—partly because of gaps in APHIS's statutory authority and partly because APHIS chooses not to fully exercise the Agricultural Quarantine Inspection fee authorities, (2) CBP's program costs are understated, and (3) APHIS's and CBP's collection processes do not provide reasonable assurance that all Agricultural Quarantine Inspection fees due are collected.

GAO found that APHIS does not set fee rates to recover the full costs of the program. Specifically,

- APHIS has chosen not to charge some classes of passengers for which it has authority to charge fees. In particular, although APHIS has authority to charge Agricultural Quarantine Inspection fees to all international passengers, it currently charges fees only to international commercial air passengers, citing administrative burdens and anticipated challenges relating to collecting fees from other passengers. Furthermore, APHIS's authority permits it to charge all passengers for the cost of inspecting both passengers and the vehicles in which they arrive, but does not always permit APHIS to do the reverse; that is, to include in the vehicle Agricultural Quarantine Inspection fees the cost of inspecting the passengers arriving in the vehicles. Charging the cost of inspecting bus, private aircraft, private vessel, and rail passengers and the vehicles in which they arrive to the passengers themselves would be administratively burdensome because there is no existing mechanism for collecting Agricultural Quarantine Inspection fees from these classes of passengers. However, in several instances, CBP can and does charge customs fees—fees collected to help offset the costs of customs inspections—to private vehicles rather than the passengers. If APHIS had statutory authority to charge all vehicles in which passengers travel, rather than only the passengers themselves, then APHIS could leverage existing

¹GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

customs fee collection mechanisms to minimize the administrative burden in collecting Agricultural Quarantine Inspection fees.

- APHIS does not consider all imputed costs (that is, costs incurred by other agencies on behalf of the Agricultural Quarantine Inspection program) when setting fees. APHIS estimated that these costs were about \$38 million in fiscal year 2011, the most recent year for which data were available. In February 2008, GAO recommended that the Secretary of Agriculture include these costs when setting Agricultural Quarantine Inspection fees consistent with federal accounting standards, Office of Management and Budget guidance, and USDA policy. APHIS agreed with the recommendation and has included some, but not all, of these costs in its current analysis of Agricultural Quarantine Inspection costs.
- The allowable rates for overtime services are misaligned with the personnel costs of performing those services. CBP is authorized to charge for overtime for agriculture inspection and related services in some situations, known as reimbursable overtime. APHIS has the authority to set reimbursable charges to recover the full costs of overtime services, but the reimbursement rates have not been adjusted since 2005; hence, the rates charged do not cover current costs. Further, GAO reported that CBP does not consistently charge for these services, and when CBP does charge for these services, it does not collect payments in a timely manner.
- APHIS's authority does not permit it to charge all persons seeking entry to the United States and does not permit it to charge the costs of those inspections to others. While APHIS can take additional steps within its existing authority to better align fees with costs, APHIS lacks the authority to recover the full costs of the Agricultural Quarantine Inspection program through fees. Specifically, APHIS does not have the authority to charge Agricultural Quarantine Inspection fees to pedestrians or military personnel and their vehicles, or to recover the costs of these inspections through the fees assessed on others. Gaps between Agricultural Quarantine Inspection fee collections and program costs are generally covered by CBP using its Salaries and Expenses appropriation, which is authorized for necessary expenses related to agricultural inspections, among other activities. Absent authority to either charge all pathways for Agricultural Quarantine Inspection services or to permit cross-subsidization among pathways when setting fees—that is, allowing fees paid by some users to be set to recover the costs of services provided to other users—the Agricultural Quarantine Inspection program cannot recover its full costs and must continue to rely on appropriated funds.

GAO also found that CBP's program costs are understated. CBP does not capture all time spent on agriculture activities in its Cost Management Information System—the system in which CBP tracks its activities and determines personnel costs. CBP guidance specifies that time spent by officers conducting inspections—which include aspects of agriculture, customs, and immigration inspections—is to be attributed to a mix of

codes representing each of these three functions. In analyzing countrywide data, GAO found that at 31 ports and other locations, CBP did not charge any primary inspection time to agriculture-related codes for all or a portion of fiscal year 2012, which means that Agricultural Quarantine Inspection costs at these ports are understated. Because CBP's Agricultural Quarantine Inspection costs are underreported by an unknown amount, APHIS does not have complete information about CBP's Agricultural Quarantine Inspection-related costs and therefore is unable to consider total program costs when setting Agricultural Quarantine Inspection fee rates.

Finally, GAO found that APHIS's and CBP's collection processes do not provide reasonable assurance that all Agricultural Quarantine Inspection fees due are collected. Specifically, APHIS does not collect Agricultural Quarantine Inspection fees for railcars consistent with its regulations. According to the regulations, railcars seeking to enter the United States may either pay a \$7.75 fee per arrival of a loaded commercial railcar or they can prepay an annual \$155 flat fee for a specific railcar. The \$155 annual fee is equal to the cost of 20 arrivals. According to APHIS officials, all railcar companies choose to pay the \$7.75 per arrival fee. However, rather than collecting this fee for each arrival APHIS only collects fees for the first 20 arrivals a railcar makes each year. This resulted in a revenue loss of \$13.2 million in 2010 because 1.7 million railcar arrivals did not pay a fee even though a fee was due. Further, CBP does not verify that it collects fees due for every commercial truck, private aircraft, and private vessel, resulting in an unknown amount of revenue loss annually. CBP has tools available to help remedy these issues but does not require their use. Until APHIS and CBP improve oversight of these collection processes, they will continue to forgo revenue due the government, which will increase reliance on appropriated funds to cover program costs.

Actions Needed and Potential Financial or Other Benefits

To more closely recover the costs of the Agricultural Quarantine Inspection program, in March 2013, GAO recommended that the Secretaries of Agriculture and Homeland Security take a series of specific steps, which are summarized below.

The Secretary of Agriculture should take the following action:

- ensure that fee rates are set to recover program costs, including imputed costs, as authorized;

The Secretary of Homeland Security should take the following action:

- direct CBP to update and widely disseminate guidance to ensure that all ports of entry correctly charge time spent on agriculture-related functions;

The Secretaries of Agriculture and Homeland Security should take the following two actions:

- work together to amend overtime regulations for agriculture services so that reimbursable overtime rates are aligned with the costs of those services; and
- ensure that all inspection fees are collected when due, including fees for agriculture overtime services that are eligible for reimbursement.

Further, GAO suggested in March 2013 that Congress should consider the following action:

- take steps to allow the Secretary of Agriculture to set fee rates to recover the full costs of the Agricultural Quarantine Inspection program.

Taking these actions would position the Departments of Agriculture and Homeland Security to more closely recover the costs of the Agricultural Quarantine Inspection program. Doing so would achieve \$325 million in savings by reducing the reliance on CBP's annual Salaries and Expenses appropriation.

Agency Comments and GAO's Evaluation

In commenting on the March 2013 report, DHS concurred with GAO's recommendations and described corrective actions the agency plans to take to implement them. USDA generally agreed with the recommendations GAO made to the Secretary of Agriculture. USDA also noted that the agency has gathered data regarding a number of different Agricultural Quarantine Inspection fees as it considers initiating a notice and comment rulemaking regarding the Agricultural Quarantine Inspection fees. Given the number of factors that go into the rulemaking process, including considering stakeholder comments, GAO recognizes that any particular component or a specific amount of fees is dependent on that process. USDA and DHS also provided technical comments, which GAO incorporated as appropriate.

GAO provided a draft of this report section to USDA and DHS for review and comment. USDA provided no comments on this report section. DHS provided technical comments, which GAO incorporated as appropriate.

How We Conducted Our Work

The information contained in this analysis is based on findings from the March 2013 report listed in the related GAO products section. GAO reviewed APHIS's cost study and proposed revisions, relevant statutes and regulations, and Agricultural Quarantine Inspection cost and fee revenue data. GAO analyzed APHIS and CBP Agricultural Quarantine Inspection cost data and interviewed APHIS and CBP officials. GAO assessed the reliability of the data and determined that they were sufficiently reliable for our purposes. In addition, GAO selected a nonprobability sample of ports of entry to visit: Miami, Florida; Port Huron,

Michigan; San Diego, California, and its surrounding areas; and Seattle and Blaine, Washington. In selecting these ports, GAO considered factors including the presence or absence of agriculture inspections for which Agricultural Quarantine Inspection user fees were and were not charged, passenger and cargo volumes, the diverse set of inspection challenges faced by ports in varied parts of the country, different types of ports (e.g., land border, seaports, etc.), and our resource constraints. While information from these visits cannot be generalized to other ports of entry, themes GAO identified from the visits allowed GAO to understand commonalities and differences in inspection practices and fee collection processes at various ports and provide illustrative examples. GAO also visited APHIS's Plant Protection and Quarantine offices in Miami, San Diego, and Seattle to understand the Agricultural Quarantine Inspection-related work conducted by APHIS in the field.

Related GAO Products

Agricultural Quarantine Inspection Fees: Major Changes Needed to Align Fee Revenues with Program Costs. [GAO-13-268](#). Washington, D.C.: March 1, 2013.

Homeland Security: Agriculture Inspection Program Has Made Some Improvements, but Management Challenges Persist. [GAO-12-885](#). Washington, D.C.: September 27, 2012.

Federal User Fees: A Design Guide. [GAO-08-386SP](#). Washington, D.C.: May 29, 2008.

Federal User Fees: Substantive Reviews Needed to Align Port-Related Fees with the Programs They Support. [GAO-08-321](#). Washington, D.C.: February 22, 2008.

Federal User Fees: Key Aspects of International Air Passenger Inspection Fees Should Be Addressed Regardless of Whether Fees Are Consolidated. [GAO-07-1131](#). Washington, D.C.: September 24, 2007.

Homeland Security: Management and Coordination Problems Increase the Vulnerability of U.S. Agriculture to Foreign Pests and Disease. [GAO-06-644](#). Washington, D.C.: May 19, 2006.

Contact Information

For more information about this area, contact Susan J. Irving at (202) 512-6806, or irvings@gao.gov.

19. Crop Insurance

To achieve up to \$1.2 billion per year in cost savings in the Federal Crop Insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.

Why This Area Is Important

Federally subsidized crop insurance, which farmers can purchase to help manage the risk inherent in farming, has become one of the most important programs in the farm safety net. In March 2012, GAO recognized the federal crop insurance program's important role in mitigating farmers' losses caused by natural disasters. The 2012 drought is an example of such a natural disaster. Looking to the future, however, GAO also recognizes that the program must be as cost-effective as possible, particularly in view of the nation's long-term fiscal challenges.

In 2012, the federal crop insurance program provided about \$116 billion in insurance coverage for 281 million acres of farmland. The federal government's crop insurance costs have increased in recent years—rising from an average of \$3.1 billion per year from fiscal years 2000 through 2006 to an average of \$7.6 billion per year from fiscal years 2007 through 2012—and are expected to increase further. The Congressional Budget Office estimates that, for fiscal years 2013 through 2022, federal crop insurance costs will average \$8.9 billion per year. The cost of the federal crop insurance program has come under increased scrutiny because of the nation's budgetary pressures, particularly when farm income is at record high levels. The U.S. Department of Agriculture (USDA) projects 2012 net farm income to be \$112.8 billion, down 4.3 percent from an all-time high in 2011. The top 6 years for net farm income during the past three decades have occurred since 2004, attesting to the recent profitability of farming.

Under the federal program, farmers can choose various levels and types of insurance protection—for example, they can insure against losses caused by poor crop yields, declines in crop prices, or both, for each insurable crop they produce. USDA's Risk Management Agency (RMA) has overall responsibility for administering the federal crop insurance program, including controlling costs and protecting against fraud, waste, and abuse. RMA partners with 15 private insurance companies that sell and service the federal insurance policies and share a percentage of the risk of loss and opportunity for gain associated with each policy.

The federal government's crop insurance costs include subsidies to pay for part of a farmer's crop insurance premiums. The Agricultural Risk Protection Act of 2000 and the Food, Conservation, and Energy Act of 2008 (the 2008 farm bill) set premium subsidy rates, that is, the percentage of the premium paid by the government. Premium subsidy rates vary by the level of insurance coverage that the farmer chooses and the geographic

diversity of the crops insured. For most policies, the statutory subsidy rates range from 38 percent to 80 percent of the premium.

The average of premium subsidies for all policies—premium subsidies as a percentage of total premiums—increased from 37 percent in 2000 to 60 percent in 2001, when the Agricultural Risk Protection Act's premium subsidy rates became effective. In 2012, the average of premium subsidies for all policies was more than 62 percent. In addition, the cost of premium subsidies rose as crop prices increased because as crop prices increase, the value of the crops being insured increases, which results in higher crop insurance premiums and premium subsidies. Premium subsidies increased from about \$1 billion in 2000 to about \$7 billion in 2012.

Unlike the crop insurance program, many farm programs, including disaster assistance programs, have statutory income and payment limits that apply to individual farmers and legal entities, including corporations.¹ For example, USDA provides about \$5 billion in fixed annual payments—called direct payments—to farmers based on a farm's crop production history. However, a person or legal entity with an average adjusted gross farm income (over the preceding 3 tax years) exceeding \$750,000 is generally ineligible for direct payments. In addition, for direct payments, the annual payment limit in the 2008 farm bill is generally \$40,000 per person or legal entity.² For a 2008 farm bill disaster assistance program, the annual payment limit is \$100,000 per person or legal entity.

What GAO Found

As GAO reported in March 2012, applying limits on premium subsidies to individual farmers participating in the federal crop insurance program, similar to the payment limits for other farm programs, could save billions of federal dollars over 5 years. The amount of these savings would depend on whether, and the extent to which, farmers and legal entities reorganized their businesses to avoid or lessen the effect of limits on premium subsidies. Without limits on the premium subsidies in the crop insurance program, the nearly 900,000 participating farmers received subsidies of \$7.4 billion in 2011.³ However, if a limit of \$40,000 per participating farmer for premium subsidies had been applied to the crop insurance program for 2011—the annual payment limit specified in the 2008 farm bill for another USDA farm program subsidy (direct payments)—GAO estimated that up to 33,690 farmers (3.9 percent of all farmers participating in the federal crop insurance program) would have received lower subsidies, for an annual savings of up to \$1 billion to the

¹USDA's Farm Service Agency is responsible for ensuring that only eligible individuals receive farm program payments, either directly or as a member of an entity, and do not receive payments that exceed the established limits.

²A husband and wife can each receive a payment, which enables them collectively to receive up to \$80,000 in direct payments annually.

³In 2012, participating farmers received premium subsidies of \$6.9 billion.

federal government.⁴ If the limit on premium subsidies had been set at the higher level of \$100,000, up to 4,202 farmers would have received lower subsidies in 2011, for an annual savings of up to \$232 million.

At the highest end of the distribution in 2011, 53 participating farmers each received more than \$500,000 in premium subsidies. The participant receiving the largest amount was a corporation that had crop insurance coverage for nursery crops and received about \$2.2 million in premium subsidies. Another participant insured canola, corn, dry beans, potatoes, soybeans, sugar beets, and wheat and received about \$1.3 million in premium subsidies.

In addition to limiting premium subsidies to individual participants, Congress could reduce crop insurance costs by reducing premium subsidy rates for all crop insurance participants. For example, if the premium subsidy rate for 2011 had been reduced from an average of 62 percent to 52 percent for all crop insurance participants, GAO estimated that the cost savings would have been about \$1.2 billion. Recent studies, such as *Restoring America's Future*, by the Bipartisan Policy Center's Debt Reduction Task Force, have had similar findings.

The above methods—limits on premium subsidies and reduced rates for premium subsidies—could be used in various combinations to achieve cost savings. In addition, Congress could incorporate income limits into these methods. For example, participants whose income exceeds a threshold could receive premium subsidies at a reduced rate. A variation on this limitation would be for Congress to apply it on a sliding scale in which premium subsidy rates declined as income increased.

Premium subsidy limits or reduced premium subsidy rates have the potential to lead to lower participation in the federal crop insurance program and requests for higher disaster assistance payments to farmers. In the past, Congress has authorized ad hoc disaster assistance payments to help farmers whose crops were damaged or destroyed by natural disasters. However, in view of the nation's budgetary pressures, Congress may be less willing to approve such payments than it has been in the past.

Limits on premium subsidies to individual farmers would primarily affect farmers who have large farms, but these farms are better positioned than smaller farms to pay a higher share of their premiums, according to GAO's review of USDA data for 2008 and 2009, the most recent years for which data were available. In addition, if the large farmers affected by a limit on premium subsidies were to reduce their coverage, they might be

⁴GAO selected \$40,000 as an example of a potential premium subsidy limit because it is the payment limit for direct payments, which cost about \$5 billion per year and are one of the largest components of the farm safety net. A higher or lower premium subsidy limit would affect cost savings accordingly.

able to self-insure through a variety of risk management methods, such as crop and other types of diversification.

Actions Needed and Potential Financial or Other Benefits

Recognizing current budget constraints, several options exist to reduce the cost of subsidies for crop insurance premiums. To save federal dollars in the crop insurance program, GAO suggested in March 2012 that Congress may wish to consider the following action:

- either limit the amount of premium subsidies that an individual farmer can receive each year—as it limits the amount of payments to individual farmers in many farm programs—or reduce premium subsidy rates for all participants in the crop insurance program, or both limit premium subsidies and reduce premium subsidy rates.

If a limit of \$40,000 per individual farmer for premium subsidies had been applied for 2011, the estimated cost savings in that year would have been up to \$1 billion. If a limit of \$100,000 per individual farmer for premium subsidies had been applied for 2011, the estimated cost savings would have been up to \$232 million. The amount of these savings would have depended on whether, and to what extent, farmers and legal entities reorganized their businesses to avoid or lessen the effect of limits on premium subsidies. If the premium subsidy rate had been reduced from an average of 62 percent to 52 percent for all crop insurance participants for 2011, the estimated cost savings would have been about \$1.2 billion.

Agency Comments and GAO's Evaluation

In commenting on the March 2012 report on which this analysis is based, USDA stated it was ill advised for GAO to suggest that Congress consider limiting or reducing premium subsidies without further study. USDA stated that in recommending a limit on premium subsidies, the report does not fully account for all potentially negative impacts and costs resulting from such a change. However, GAO's report recognizes that setting a subsidy limit may have impacts and discusses some of these potential impacts. For example, as noted above, premium subsidy limits or reduced premium subsidy rates have the potential to lead to lower participation in the crop insurance program. Moreover, at a time when the agriculture sector is enjoying record farm income and the nation is facing severe deficit and long-term fiscal challenges, GAO believes that crop insurance premium subsidies—the single largest component of farm program costs—are a potential area for federal cost savings that should be considered. Furthermore, the administration, in its budget for fiscal year 2013, and the Congressional Budget Office each proposed a reduction in premium subsidies.

GAO provided a draft of this report section to USDA for review and comment. In an e-mail received on January 30, 2013, USDA reaffirmed its comments on the March 2012 report.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. For the March 2012 report, GAO analyzed USDA data for 2010 and 2011, reviewed economic studies, and interviewed USDA officials. For the October 2008 and April 2004 reports, GAO analyzed USDA data on farm program payments and interviewed USDA officials. Table 16 in appendix IV lists the program GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Products

Crop Insurance: Savings Would Result from Program Changes and Greater Use of Data Mining. [GAO-12-256](#). Washington, D.C.: March 13, 2012.

Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits. [GAO-09-67](#). Washington, D.C.: October 24, 2008.

Farm Program Payments: USDA Needs to Strengthen Regulations and Oversight to Better Ensure Recipients Do Not Circumvent Payment Limitations. [GAO-04-407](#). Washington, D.C.: April 30, 2004.

Contact Information

For additional information about this area, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov.

20. Joint Basing

The Department of Defense needs an implementation plan to guide joint bases to achieve millions of dollars in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another.

Why This Area Is Important

GAO has designated Department of Defense (DOD) support infrastructure—which refers to activities that support DOD’s ability to meet its missions, such as training, logistics, and force management—as a high-risk area and identified installation support as one key support infrastructure category where opportunities existed for savings.¹ Installation support includes personnel and activities that fund, equip, and maintain facilities from which defense forces operate. GAO has stated that reducing the cost of excess infrastructure activities is critical to making effective use of scarce resources and maintaining high levels of military capabilities.

In a recommendation submitted for the 2005 base realignment and closure (BRAC) round, DOD proposed to the BRAC Commission that the department consolidate 26 military installations operated by individual military services into 12 joint bases to take advantage of opportunities for efficiencies arising from such consolidation and elimination of similar support services on bases located close to one another. DOD estimated that by taking this action it could save about \$2.3 billion over a 20-year period, with \$601 million in savings by the end of the implementation period in fiscal year 2011.²

In its justification for the recommendation, DOD noted, among other things, that because the installations either shared a common boundary or were located close to at least one other installation and performed common support functions, there was a significant opportunity to reduce duplication of similar support services, which could produce savings. DOD noted that consolidating installations located close to one another could allow for, among other things, reduced manpower and facilities requirements, for example by reducing unnecessary management personnel and achieving greater economies of scale. DOD also noted that further savings could come from consolidation of service contract requirements, from establishing a single space management authority to increase utilization of facilities and infrastructure, and from reducing the number of base support vehicles and equipment.

¹Force management provides funding, equipment, and personnel for the management and operation of all major military command headquarters.

²Department of Defense, *Base Closure and Realignment Report*, Vol. 1 (Washington, D.C.: May 2005).

GAO has continued to monitor DOD's ability to achieve economies of scale and savings by consolidating and eliminating similar installation support services at joint bases.

What GAO Found

In March 2009, GAO reported that the cost of installation support at joint bases was expected to increase rather than decrease, due in part to the adoption of new common standards for installation service support. These common standards established expected levels of support services on the joint bases in diverse areas from airfield operations to grounds maintenance, and replaced the previous service-specific support standards.

GAO found that the new common standards required higher levels of funding in some cases than the previous standards. In addition, GAO found that the military services' approach to implementing joint basing would result in additional administrative costs and the loss of some existing installation support efficiencies. For example, additional costs for installation administration were expected at the six joint bases where the Air Force was the lead for providing installation support because the Air Force established an additional organizational unit at those bases to manage installation support.

GAO recommended that to address the expected increased installation support costs from joint basing implementation, the Secretary of Defense should direct the Deputy Under Secretary of Defense (Installations and Environment) to periodically review administrative costs as joint basing is implemented to minimize any additional costs and prevent the loss of existing installation support efficiencies. DOD partially agreed with this recommendation, but stated that it already had a process to periodically review joint basing costs as part of its planning, program, budget, and execution system, and that the joint base memorandums of agreement required periodic reviews of mission and resource impacts. DOD stated that further action to implement the recommendation was not necessary because the department had established a process to review costs as part of its regular budget process. However, GAO stated that DOD's intended cost reviews would occur only after joint base implementation, and therefore GAO continued to believe DOD needed to also review costs during the implementation of the joint bases to avoid losing cost efficiencies.

In November 2012, GAO reported that the Office of the Secretary of Defense (OSD) had not developed an implementation plan to guide joint bases in their efforts to achieve the cost savings and efficiencies arising from consolidation and elimination of duplicate support services that were envisioned in DOD's recommendation to the BRAC Commission on joint basing. Moreover, although DOD originally estimated that the department could achieve a savings of \$2.3 billion over a 20-year period by

establishing joint bases, GAO's most recent analysis, reported in June 2012, showed that the 20-year savings estimate had fallen by nearly 90 percent to about \$249 million.³ Moreover, although joint base officials provided GAO with some anecdotal examples of efficiencies that have been achieved at joint bases, it is unclear whether DOD has achieved any significant cost savings to date, in part due to its adoption of more costly common support standards, higher projected administrative costs, and weaknesses in its approach to tracking costs and estimated savings. Despite these implementation challenges, DOD may be able to achieve significant savings through joint basing if it adopts a more rigorous and comprehensive department-wide approach to managing this initiative. Such an approach should include developing specific implementation goals, plans, and timelines; improving its efforts to track costs and savings; and more broadly sharing and applying lessons learned across the joint bases.

Officials in the Office of the Deputy Under Secretary of Defense (Installations and Environment) said they did not have a plan in place to guide the efforts to achieve cost savings and efficiencies by consolidating and eliminating duplicate support services at the joint bases because joint basing is a relatively new initiative and they are still resolving implementation issues and working to achieve cultural change. Moreover, DOD indicated that the department made a conscious decision to defer near-term savings to better ensure success for the long term. However, without an implementation plan for achieving efficiencies and cost savings, DOD is not well positioned to realize significant cost savings.

In November 2012, GAO also reported that DOD did not yet have a fully developed method for accurately gathering information on the costs, estimated savings, and efficiencies achieved specifically as a result of joint basing. Although OSD developed a data collection tool, called the Cost and Performance Visibility Framework (the Framework), through which the joint bases reported installation support cost and performance data, GAO found inconsistencies in the way the joint bases reported these data. In addition, the data collection tool did not exclude costs and savings that were not specific to joint basing, and OSD was not yet able to accurately isolate the effects of joint basing on the cost of providing base support services. Without such information, DOD does not have a clear picture of the total costs and estimated savings from joint basing. GAO also found that OSD and the joint bases had some processes in place to identify implementation challenges, but did not always share information among the joint bases, and between OSD and the joint bases, on challenges and possible solutions. Without processes to identify common challenges and share information across the joint bases, DOD

³These figures are expressed in 2005 dollars to facilitate comparison with the original 20-year savings estimates developed in 2005.

will not be in the best position to identify opportunities for greater efficiencies.

GAO has reported that successful organizational transformations—such as merging components and transforming organizational cultures—in both the public and private sectors involve several key practices, including ensuring that top leadership drives the transformation and setting implementation goals, including a timeline to show progress.

- *Ensuring top leadership drives the transformation.* DOD leadership has not provided clear direction to joint basing officials on achieving the cost savings and efficiency goals of joint basing. Some joint basing officials told GAO they perceived a lack of direction from OSD about the joint basing initiative and more specifically about whether the purpose of joint basing is to meet the joint base common standards for installation support or to achieve cost savings and efficiencies. These two goals may not always be in harmony because DOD has required the joint bases to deliver installation services in accordance with the new standards even though the military departments have not previously funded such services at the levels needed to meet the new standards. Thus, this approach can lead to increased costs rather than cost savings.
- *Setting implementation goals and a timeline to show progress.* One of DOD's stated objectives for joint basing was to save money; however, it did not establish quantifiable and measurable implementation goals for how to achieve cost savings or efficiencies through joint basing, to include a timeline to achieve such goals. Methods for achieving cost savings or efficiencies could include, for example, reducing duplication of efforts, reducing unnecessary management personnel, consolidating and optimizing service contract requirements, and reducing the number of base support vehicles and equipment, among other things noted in DOD's recommendation to the 2005 BRAC Commission.
- *Establish a communication strategy.* DOD has not established a communication strategy that provides information to meet the needs of joint basing officials on how to achieve the joint basing goals of cost savings and efficiencies. Some joint base officials told GAO that they desire additional guidance about how to achieve cost savings and efficiencies.

Actions Needed and Potential or Other Financial Benefits

GAO recommended in November 2012 that to achieve cost savings and efficiencies by reducing duplication in providing installation support services, the Secretary of Defense should direct the Deputy Under Secretary of Defense (Installations and Environment) to take the following three actions:

- develop and implement a plan that provides measurable goals linked to achieving savings and efficiencies at the joint bases and provide guidance to the joint bases that directs them to identify opportunities

for cost savings and efficiencies. DOD should at a minimum consider the items identified in its recommendation to the 2005 BRAC Commission as areas for possible savings and efficiencies, including paring unnecessary management personnel, consolidating and optimizing contract requirements, establishing a single space management authority to achieve greater utilization of facilities, and reducing the number of base support vehicles and equipment;

- continue to develop and refine the Cost and Performance Visibility Framework to eliminate data reliability problems, facilitate comparisons of joint basing costs with the cost of operating the separate installations prior to joint basing, and identify and isolate the costs and savings resulting from actions and initiatives specifically resulting from joint basing; and
- develop a common strategy to expand routine communication between the joint bases, and between the joint bases and OSD, to encourage joint resolution of common challenges and the sharing of best practices and lessons learned.

Agency Comments and GAO's Evaluation

In commenting on the November 2012 report on which this analysis is based, DOD disagreed with GAO's recommendation to develop and implement a plan providing measurable goals linked to achieving savings and efficiencies and providing guidance to the joint bases on achieving those savings and efficiencies. DOD stated that establishing such a plan and targets would restrict the authority of local commanders to manage the merger of formerly standalone bases into joint bases. Moreover, the department stated that it should continue with its approach of being patient with obtaining cost savings and efficiencies because it believes this approach is working. However, DOD's current position of deferring near-term savings contradicts its original recommendation to the BRAC Commission, which stated that joint basing would produce cost savings that would immediately exceed the implementation costs. Further, the original 20-year savings estimate of more than \$2.3 billion has fallen by more than 90 percent, to \$249 million. Realization of some of the savings identified in DOD's justification for joint basing is attainable by developing guidance and encouraging appropriate practices, goals, and time frames. Therefore, GAO's recommendation continues to have merit, particularly in light of the federal government's fiscal outlook.

DOD partially agreed with the recommendation to continue to develop and refine the Cost and Performance Visibility Framework, stating that the department had already taken some steps to improve the Framework and that it would be impractical to attempt to isolate and distinguish joint basing cost savings from other DOD- or service-wide actions, and DOD identified an alternative process for capturing this information. However, the alternative approach proposed by DOD would produce inaccurate results, whereas refinements in the Framework would position the department to effectively measure savings from joint basing.

Finally, DOD partially agreed with the recommendation to develop a common strategy to expand routine communication among joint bases, and between the joint bases and OSD, to share best practices and lessons learned. DOD stated that there were already mechanisms in place for such communication, and that it was increasing those opportunities. However, according to DOD's policy for joint basing, problems should be identified and addressed at the lowest possible level, which can include only officials at any given base, and therefore the majority of issues may not be shared among the bases or with OSD. Thus, additional mechanisms could help the department achieve greater efficiencies from joint basing.

GAO provided a draft of this report section to DOD for review and comment. DOD stated that GAO had given negligible consideration to the department's concerns about GAO's November 2012 report on joint basing. We carefully considered DOD's comments; we held several meetings with DOD to discuss our findings and conclusions in the November 2012 report. Our findings and conclusions are based on all of the evidence that DOD provided during the course of our review. Consequently, we continue to believe that our recommendations are still warranted.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. In order to assess the extent to which DOD developed and implemented a plan to achieve cost savings and efficiencies at the joint bases, GAO analyzed DOD guidance related to joint base implementation, specifically looking for any measures or reporting processes on efficiencies and cost savings. GAO also reviewed its prior findings on key practices and implementation steps for mergers and organizational transformations. GAO interviewed officials at the military service headquarters and OSD, as well as officials at three selected joint bases, and obtained answers to written questions from the remaining nine joint bases. To select the three joint bases to visit, GAO developed a nonprobability sample based on several factors, including which military department had the lead for providing support services, geographic diversity, and the implementation phase of the base.

Related GAO Products

High-Risk Series: An Update. [GAO-13-283](#). Washington, D.C.: February 14, 2013.

DOD Joint Bases: Management Improvements Needed to Achieve Greater Efficiencies. [GAO-13-134](#). Washington, D.C.: November 15, 2012.

Military Base Realignments and Closures: Updated Costs and Savings Estimates from BRAC 2005. [GAO-12-709R](#). Washington, D.C.: June 29, 2012.

Defense Infrastructure: DOD Needs to Periodically Review Support Standards and Costs at Joint Bases and Better Inform Congress of Facility Sustainment Funding Uses. [GAO-09-336](#). Washington, D.C.: March 30, 2009.

Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations. [GAO-03-669](#). Washington, D.C.: July 2, 2003.

Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies. [GAO-03-293SP](#). Washington, D.C.: November 14, 2002.

High-Risk Series: Defense Infrastructure. [GAO/HR-97-7](#). Washington, D.C.: February 1997.

Contact Information

For additional information about this area, contact Brian J. Lepore, (202) 512-4523 or leporeb@gao.gov.

21. Department of Energy's Isotope Program

Assessing the value of isotopes to customers, and other factors such as prices of alternatives, may show that the Department of Energy could increase prices for isotopes that it sells to commercial customers to create cost savings by generating additional revenue.

Why This Area Is Important

Overall, approximately 20 million medical procedures are performed each year in the United States using isotopes.¹ For example, isotopes are used to diagnose heart disease. Other applications for isotopes include oil and gas exploration, physics research, and radiation detection monitors that screen cargo and vehicles at ports and border crossings. The Department of Energy's (DOE) Isotope Development and Production for Research and Applications program (Isotope Program) is the only domestic supplier for many of the more than 300 different isotopes that it sells because DOE facilities associated with the Isotope Program are recognized as uniquely capable of producing some isotopes that are critical to medical, commercial, research, and national security applications.

The Isotope Program's three-pronged mission is to (1) produce or distribute isotopes in short supply, as well as their associated by-products and surplus materials, and deliver isotope-related services; (2) maintain the infrastructure required to produce and supply isotopes and related services; and (3) investigate and develop new or improved isotope production and processing techniques that can make new isotopes available for research and other applications. To achieve its mission, the Isotope Program relies on annual appropriations and revenues from isotope sales. In fiscal year 2012, annual appropriations totaled almost \$20 million, and revenues from sales of isotopes alone totaled over \$25 million, according to data provided by agency officials.² All funding, including sales revenues, is deposited into a revolving fund from which the Isotope Program obligates funds to operate its facilities, produce isotopes, and fund research, among other activities. Moreover, the revolving fund allows the program to carry over balances from year to year, giving it budgeting flexibility.

When selling isotopes, the Isotope Program may produce or make available to customers more than 300 different isotopes, but fewer than that number are sold in a given year. In fiscal year 2012, for example, the program sold less than 180 distinct isotopes. In the same year, the Isotope Program sold isotopes or provided isotope-related services to more than 100 customers,

¹Isotopes are varieties of a given chemical element with the same number of protons but different numbers of neutrons. For example, the helium-3 isotope, which is used in research and to detect neutrons in radiation detection equipment, has one less neutron than the helium-4 isotope, which is the helium isotope commonly used in party balloons.

²The Isotope Program's yearly appropriations are used to, among other things, pay for infrastructure costs associated with producing isotopes that are used for research purposes, thus allowing the Isotope Program to sell research isotopes at a reduced price.

both in the United States and internationally; 6 of those customers accounted for almost 90 percent of the program's sales revenue in fiscal year 2012. About 95 percent of the Isotope Program's annual revenue came from the sale of 6 different isotopes in fiscal year 2012; these 6 isotopes generated over \$24 million in revenue (see the following table).

The Six Top-Selling Isotopes of DOE's Isotope Program, Fiscal Year 2012

Isotope	2012 revenue
Strontium-82	\$10,982,000
Californium-252	6,866,000 ^a
Helium-3	3,015,000
Germanium-68	2,214,000
Strontium-90	618,000
Nickel-63	526,000
Total	\$24,221,000

Source: DOE.

^aThis amount includes \$2 million that was paid in fiscal year 2009 by customers as advance payments for future production costs.

What GAO Found

GAO reported in May 2012 that the Isotope Program may be forgoing revenue that could further its mission because it is not using thorough assessments to set prices for commercial isotopes. The Atomic Energy Act of 1954 states that the federal government should be reasonably compensated for isotopes it sells and that isotope prices should not discourage commercial isotope producers from entering the market. Aside from these constraints, the Isotope Program has broad authority in setting isotope prices. To this end, the Isotope Program established a pricing policy in 1990—updated in May 2012—that provides the program latitude in establishing prices for isotopes. The policy states that isotopes for the commercial market are to be priced to recover the full cost of producing the isotopes—full cost recovery—or, if a market price already exists that is higher than full cost recovery, the market price should be used. The policy also states that additional factors may be considered when establishing prices, including the value of the product to the customer, the number of domestic or foreign suppliers, and current and future demand. Additionally, in cases where no market currently exists—as is the case for many of the commercial isotopes produced and sold by the Isotope Program—guidance from the Office of Management and Budget states that prices can be set by taking into account the prevailing prices for goods that are the same as or substantially similar to those provided by the government and then adjusting the supply made available, prices of the goods, or both so that there will be neither a shortage nor a surplus.

In practice, according to Isotope Program officials, the Isotope Program generally sets the prices for commercial isotopes at full cost recovery—the lowest price possible for the program to recover its costs for providing an isotope. According to program officials, prices for commercial isotopes are set above full cost recovery only when a higher price for the isotope

already exists in the commercial market and pricing the isotope at full cost recovery would be so low as to distort the existing market. Program officials told us, however, that in instances where the Isotope Program is the only domestic supplier, which it is for most of the isotopes it produces and sells, the program has not formally assessed such factors as determining the value of isotopes to customers or prices of alternatives. Instead, Isotope Program officials told us that they gain a sense of customers' value for isotopes through their communications with these customers. According to Isotope Program documents, the program has also collected limited market information for a small number of isotopes, but these studies are outdated or do not consider pricing. For example, a 2002 market study projected the future demand and potential revenues for 25 different isotopes used in medicine over the next 5 to 10 years, but this study is now outdated. Without thoroughly assessing isotopes, including such factors as assessing the value of isotopes to commercial customers or the prices of alternatives for isotopes where the Isotope Program is the only domestic supplier, the Isotope Program does not know if its full cost recovery prices are appropriate. If the Isotope Program's prices are artificially low, for example, the prices may, in turn, discourage private entities from entering the isotope market, discourage commercial entities or researchers from exploring alternatives to using some isotopes, or encourage overconsumption. Increasing prices, in these instances, could, among other things, generate additional revenue and reduce the program's level of appropriated funds.

Moreover, in the absence of established market prices and without current information on the value customers place on isotopes and prices of similar products, the Isotope Program cannot ensure that the prices it sets are appropriate. If such assessments show that prices can be increased above full cost recovery for some commercial isotopes, the additional revenue could be used to reduce appropriated funds or to further the Isotope Program's mission. For example, revenues could be used to fund research for the development of new or more efficient production capabilities for additional isotopes.

Actions Needed and Potential or Other Financial Benefits

GAO recommended in May 2012 that the Secretary of Energy direct the Isotope Program to improve the program's transparency in setting prices by taking the following action:

- clearly define the factors to be considered when the program sets prices for isotopes sold commercially, including defining under what circumstances it will set prices at or above full cost recovery. This should include assessing, when appropriate, current information on the value of isotopes to customers and the prices of similar products.

GAO is unable to quantify the potential for further financial benefits because Isotope Program officials have not performed the assessments needed to determine the market value or what customers are willing to pay for most of the isotopes it sells. Although GAO cannot quantify the potential for additional financial benefits, further efforts by the Isotope

Program to examine the prices it sets for commercial isotopes could present opportunities for cost savings by generating additional revenues.

Agency Comments and GAO's Evaluation

In commenting on the May 2012 report on which this analysis is based, DOE stated that it will address GAO's recommendations, but took exception to GAO's characterization of how the Isotope Program sets prices for commercial isotopes. In its comments, DOE states that the Isotope Program does consider "value of isotopes to customers" when setting prices for commercial isotopes. Nevertheless, none of the documents provided by the Isotope Program during GAO's review show that the program conducted a current, formal analysis of what customers are willing to pay for commercial isotopes. GAO's May 2012 report points out that program officials gain a sense of the value customers place on commercial isotopes through communication with the customers themselves. Such communications, in GAO's view, do not provide a rigorous approach to determining a customer's value for commercial isotopes, as customers generally strive to obtain needed materials, including isotopes, at the lowest possible cost. In its comments, DOE also expressed concern that GAO's May 2012 report suggests maximizing revenue and pricing commercial isotopes to increase revenue. The report does not emphasize maximizing revenue or setting prices solely to increase revenue. Rather, the report shows that the Isotope Program has not performed the formal market analyses required by its own pricing policy. Such analyses, including assessing the value of isotopes to customers and prices of alternatives, may show that prices could be increased, thus increasing revenue.

GAO provided a draft of this report section to DOE for review and comment. DOE did not provide comments on this report section.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. GAO reviewed documents from DOE's Isotope Program, including budget data for fiscal year 2012 obligations and revenues and the Isotope Program's updated pricing policy, dated May 29, 2012. GAO also interviewed relevant agency officials. Table 17 in appendix IV lists the program GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Products

Managing Critical Isotopes: DOE's Isotope Program Needs Better Planning for Setting Prices and Managing Production Risks. [GAO-12-591](#). Washington, D.C.: May 23, 2012.

Managing Critical Isotopes: Weaknesses in DOE's Management of Helium-3 Delayed the Federal Response to a Critical Supply Shortage. [GAO-11-472](#). Washington, D.C.: May 12, 2011.

Contact Information

For additional information about this area, contact David Trimble at (202) 512-3841, or trimbled@gao.gov.

22. Additional Opportunities to Improve Internal Revenue Service Enforcement of Tax Laws

The Internal Revenue Service can realize cost savings and increase revenue collections by billions of dollars by, among other things, using more rigorous analyses to better allocate enforcement and other resources.

Why This Area Is Important

The Internal Revenue Service (IRS) has estimated that the gross tax gap—the difference between taxes owed and taxes paid on time—was \$450 billion for tax year 2006 (the most recent year for which data were available). IRS estimated that it would eventually recover about \$65 billion of this amount through late payments and enforcement actions, leaving a net tax gap of \$385 billion. Federal deficits and long-term fiscal challenges have heightened the importance of reducing the tax gap. To help reduce the tax gap, in fiscal year 2012, Congress appropriated \$5.3 billion to IRS for its enforcement activities to support approximately 48,000 staff. Congress also appropriated \$2.2 billion to IRS for its taxpayer service activities to support 30,500 staff. IRS's enforcement of the tax laws contributes to voluntary compliance by giving all taxpayers a sense that their neighbors and business competitors are paying their fair share. Notwithstanding IRS's enforcement and service programs, the net tax gap remains large. Accordingly, tax law enforcement is on GAO's high-risk list.¹

What GAO Found

Since last reporting on cost savings and revenue collection opportunities related to IRS's enforcement efforts in February 2012, GAO has identified several areas where IRS can further improve its programs and collect billions of dollars in tax revenue, reduce its costs, and facilitate voluntary compliance. These include the following:

- Using return on investment (ROI) and similar analyses to better target its resources. Resource limitations prevent IRS from examining more than a small fraction of individual tax returns filed. In its December 5, 2012, report, GAO estimated that modest reallocations of IRS's examination resources might raise billions of dollars in direct revenue with little, if any, decline in voluntary compliance. For example, a hypothetical shift of a relatively small share of resources (about \$124 million) from examinations of less productive groups of tax returns—specifically, lower-income returns with the earned income tax credit and lower-income business returns—to more productive groups of tax returns—specifically, higher-income returns and lower-income

¹For the most current high-risk report, see GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

nonbusiness returns without the earned income tax credit—could have increased direct revenue collection by an estimated \$1 billion over the \$5.5 billion per year IRS actually collected from its examination activities in fiscal years 2007 and 2008.² Additionally, in June 2012, GAO reported that providing return on investment estimates or other economic analyses, such as cost-effectiveness analyses, in its budget requests for new investment initiatives could aid in making decisions about budget and resource allocations.³ When comparisons of alternative investments do not consider costs, budget decision makers cannot be assured that alternatives were fully evaluated and the best alternative was selected. Finally, in that same report, GAO stated that although IRS tracks the schedule and cost performance of its information technology investments, it does not have a similar quantitative measure to determine the extent to which these investments are delivering planned functionality. Without a quantitative measure, budget decision makers lack information about how well IRS is managing its information technology investment projects.

- Using more risk-based approaches to aid in earlier and less costly collection of balances due. In our December 18, 2012, report, GAO reported that taxpayers filed 3.8 million individual income tax returns with self-acknowledged balances due totaling \$13.8 billion for tax year 2010 (the most recent year for which data were available). The majority of this amount is either fully paid or accounted for through installment agreements during IRS's notice phase, when it sends letters to taxpayers telling them how to pay their balances. However, at least \$4.4 billion remained uncollected after IRS sent as many as four notices to the taxpayer. These amounts become subject to more costly collection actions, such as face-to-face contact, if they remain uncollected. Best practices, such as risk-based approaches where contacts are tailored based on characteristics of the taxpayer, have helped increase collections in states such as California. IRS has developed an analytics plan and uses some risk-based processes to identify which notices taxpayers will receive, but has not yet implemented the plan, and management responsibilities are unclear. As a result, IRS has not tested more advanced risk-based approaches. Using more risk-based approaches, including

²GAO's December 5, 2012, report also describes limitations of this estimate. Specifically, exam resource reallocation can also affect tax collections indirectly by influencing the voluntary compliance of nonexamined taxpayers. These indirect effects are difficult to estimate, and IRS has no empirical evidence that would allow it to say whether overall voluntary compliance would increase or decrease as a result of specific resource allocations.

³IRS's return on investment calculations have limitations that reflect the challenges of estimating ROIs. For example, they do not include benefits of improved voluntary compliance. In addition, the "investment," or costs, should ideally recognize not just IRS costs, but any costs borne by others. IRS's return on investment estimates provide useful information, but given the limits of current data, are not complete estimates of benefits and costs.

implementation of its data analytics plan, may increase revenue collections by a portion of the \$4.4 billion that either moves to more expensive collection methods or ultimately goes uncollected.

- Using Small Employer Health Insurance Tax Credit examination results to more efficiently allocate resources. The Small Employer Health Insurance Tax Credit was established to help eligible small businesses or tax-exempt entities provide health insurance for employees. In May 2012, GAO reported that although fewer small employers claimed the tax credit in tax year 2010 than were estimated to be eligible, IRS could better use the enforcement resources devoted to the program. GAO found that IRS does not systemically analyze examination results related to the credit to understand the types of errors being made and whether examinations are the best way to ensure compliance. As an example of potentially inefficient resource use, over half of the completed small business health insurance claim examinations for tax year 2010 found no errors. By contrast, for examinations of business entities as a whole, IRS is better able to target its resources with errors found at much higher rates. By analyzing small employer health insurance claims examination results, IRS would be better able to decide how much in examination resources should be invested in verifying those claims. In commenting on GAO's May 2012 report, IRS stated that although its information systems do not capture adjustments by issue, it would leverage existing information systems and manually analyze exam results if necessary to optimize its compliance efforts. Any examination resources saved on this credit could be shifted to other priorities and potentially increase revenue collected.
- Using third-party information reporting to enforce compliance for reporting international income. Given the mobility of money and proliferation of foreign financial institutions, the potential for U.S. taxpayers to evade taxes on funds held in offshore accounts is greater than ever. In 2010, Congress passed the Foreign Account Tax Compliance Act as part of the Hiring Incentives to Restore Employment Act of 2010.⁴ The Act requires certain U.S. taxpayers to report to IRS their overseas assets and requires U.S. entities to withhold a portion of certain payments made to foreign financial institutions that have not entered into an agreement with IRS to report certain information with respect to the institutions' U.S. accounts. The Act is an effort to reduce tax evasion by creating greater transparency and accountability with respect to offshore accounts and entities held by U.S. taxpayers and providing IRS with tools to further enforce tax laws and collect additional revenue. On April 16, 2012, GAO reported that although IRS had begun discussing how it will use this information to improve compliance, it had not yet completed or fully documented a strategy for doing so. IRS has not developed key

⁴Pub. L. No. 111-147, Title V, subtitle A, 124 Stat. 71, 97 (2010).

timelines for accomplishing the tasks necessary to enable it to use this information to improve taxpayer compliance. IRS has also not developed performance measures to assess the cost and benefits of its compliance efforts. If IRS does not have a broad strategy, it risks negatively affecting implementation of the Act.

- Reversing declines in taxpayer service can benefit voluntary compliance. IRS interacts with millions of taxpayers by processing tax returns, issuing refunds, answering telephone calls and correspondence, and providing other services, including those on its website. Providing taxpayer services can promote voluntary compliance for taxpayers who wish to comply with tax laws but do not understand their obligations. On December 18, 2012, GAO reported that IRS has realized efficiency gains and provided alternative types of services, including more automated services. Notwithstanding these efforts, IRS has not kept up with the demand for service. Key indicators of its taxpayer service performance have continued to decline—the percentage of taxpayers seeking live telephone assistance who receive it has decreased, and telephone wait times and the percentage of paper correspondence IRS did not address within 45 days have increased. While IRS plans to continue to pursue efficiency gains, its strategy for future years does not specifically address how it plans to manage these negative trends. Managing the declines in telephone and correspondence services may require IRS to consider difficult trade-offs, such as reassessing which phone calls IRS should answer with a live assister. If the declines in taxpayer service are not effectively managed, voluntary compliance could be affected.

GAO has long reported that a broader opportunity to address the tax gap involves simplifying the tax code, as complexity can cause taxpayer confusion resulting in unintentional noncompliance as well as provide opportunities to hide willful noncompliance. GAO reiterated this point in testimony on April 19, 2012, and in its February 2013 high-risk report. Fundamental tax reform could result in a smaller tax gap if the new system has fewer tax preferences or complex tax code provisions, reducing IRS's enforcement challenges and increasing public confidence in the fairness of the tax system. Short of fundamental reform, targeted simplification opportunities exist. For example, GAO's May 2012 report on higher education credits shows how changing tax laws to include more consistent definitions across tax provisions could help taxpayers better understand how to claim these tax benefits. Similarly, in September 2011,

GAO reported that the complexity of tax rules for derivatives and other financial instruments makes proper reporting of taxes difficult.⁵

Actions Needed and Potential Financial or Other Benefits

Since last reporting on cost savings and revenue-raising opportunities related to IRS's enforcement efforts in February 2012, GAO made additional recommendations to reduce the tax gap and improve taxpayer service in five reports issued April 16, May, June, December 5, and December 18, of 2012. Specifically, GAO recommended that the Commissioner of the IRS take the following seven actions:

- determine whether IRS has a basis for adjusting its allocation of enforcement resources each year;
- ensure cost-effectiveness analyses are conducted for future significant initiatives/investments;
- develop a quantitative measure of scope, at a minimum, for its major information technology investments to have information on the performance of these investments;
- pilot more risk-based approaches for contacting taxpayers who have a balance due, which could include implementing its data analytics plan;
- use Small Employer Health Insurance Tax Credit examination results more efficiently by analyzing results from examinations of credit claimants and using those results to identify and address any errors through alternative approaches;
- complete a broad strategy, including a timeline and performance measures, for how IRS intends to use information collected based on the Foreign Account Tax Compliance Act requirements to improve tax compliance; and
- develop a strategy that defines appropriate levels of telephone and correspondence service and wait time and lists specific steps to manage service based on an assessment of time frames, demand, capabilities, and resources.

These actions should either generate cost savings from applying more rigorous analyses, achieving program efficiencies, and improving resource allocations or they should increase revenue collections through better enforcement of tax laws and services designed to facilitate voluntary compliance.

⁵ Policymakers may find GAO reports issued in September 2005 and November 2012 helpful when considering changes to the tax laws. See GAO, *Understanding the Tax Reform Debate: Background, Criteria, & Questions*, [GAO-05-1009SP](#) (Washington, D.C.: September 2005), and *Tax Expenditures: Background and a Guide for Evaluation Criteria and Questions*, [GAO-13-167SP](#) (Washington, D.C.: Nov. 29, 2012).

Agency Comments and GAO's Evaluation

In commenting on the reports cited under related GAO products, IRS agreed with six of the recommendations discussed in this analysis but did not state whether it agreed or disagreed with a seventh. For those six it agreed with, IRS said it is taking action to address them. For example, in its response to GAO's recommendation to pilot approaches for contacting taxpayers with a balance due, including implementing its data analytics plan, IRS said that its plan has been finalized and is under consideration for funding. In the event that full funding is not available, IRS will evaluate the effectiveness of incremental development and deployment of its plan. IRS did not agree or disagree with GAO's recommendation to develop a strategy that defines appropriate levels of taxpayer service. IRS said it already had an objective of providing taxpayers with access to accurate services while managing demand by improving efficiency. However, although IRS has realized efficiency gains and provided more automated services, its efforts to date have not reversed these declines.

GAO provided a draft of this report section to IRS for review and comment. IRS provided additional comments in response to three of GAO's recommendations. To ensure that cost-effectiveness analyses are conducted for future significant initiatives/investments, IRS said it is developing procedures to use cost-effectiveness analyses in its budget formulation processes where appropriate. To use Small Employer Health Insurance Tax Credit examination results more efficiently, IRS said it is reviewing a sample of closed cases and plans to use the results to consider alternative approaches to address compliance. To use Foreign Account Tax Compliance Act information to improve tax compliance, IRS said it formed a working group to respond to the recommendation. IRS did not provide comments on GAO's other four recommendations presented in this report section.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. GAO analyzed agency documents and interviewed officials from the Department of the Treasury, IRS, and other parties. GAO analyzed fiscal year 2011 and fiscal year 2012 budget data from IRS and related budget documents. GAO also analyzed relevant federal laws, regulations, and procedures.

Related GAO Products

2012 Tax Filing: IRS Faces Challenges Providing Service to Taxpayers and Could Collect Balances Due More Effectively. [GAO-13-156](#). Washington, D.C.: December 18, 2012.

Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources. [GAO-13-151](#). Washington, D.C.: December 5, 2012.

IRS 2013 Budget: Continuing to Improve Information on Program Costs and Results Could Aid in Resource Decision Making. [GAO-12-603](#). Washington, D.C.: June 8, 2012.

Higher Education: Improved Tax Information Could Help Families Pay for College. [GAO-12-560](#). Washington, D.C.: May 18, 2012.

Small Employer Health Tax Credit: Factors Contributing to Low Use and Complexity. [GAO-12-549](#). Washington, D.C.: May 14, 2012.

Tax Gap: Sources of Noncompliance and Strategies to Reduce It. [GAO-12-651T](#). Washington, D.C.: April 19, 2012.

Foreign Account Reporting Requirements: IRS Needs to Further Develop Risk, Compliance, and Cost Plans. [GAO-12-484](#). Washington, D.C.: April 16, 2012.

Financial Derivatives: Disparate Tax Treatment and Information Gaps Create Uncertainty and Potential Abuse. [GAO-11-750](#). Washington, D.C.: September 20, 2011.

Contact Information

For additional information about this area, contact James R. White at (202) 512-9110, or whitej@gao.gov

23. Agencies' Use of Strategic Sourcing

Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories—savings of one percent from selected agencies' procurement spending alone would equate to over \$4 billion.

Why This Area Is Important

The private sector has found that strategic sourcing, a process that moves a company away from numerous individual procurements to a broader aggregate approach, allowed companies to achieve savings of 10 percent or more of total procurement costs. Through strategic sourcing, an organization can leverage its aggregate buying power to negotiate lower prices. Because procurement within the federal government is generally decentralized, the government is not fully leveraging its aggregate buying power and could benefit from adoption of strategic sourcing practices. For example, in March 2011 GAO reported that saving 10 percent of the total federal procurement spending would produce more than \$50 billion in savings annually, and stated that leaders across the government needed to embrace a strategic sourcing approach, beginning with collecting, maintaining, and analyzing data on current procurement spending. In 2005, the Office of Management and Budget (OMB) directed federal agencies to develop and implement a strategic sourcing effort to help control spending. OMB also established a government-wide strategic sourcing program—known as the Federal Strategic Sourcing Initiative (FSSI). The FSSI was created to address government-wide opportunities to strategically source commonly purchased products and services and eliminate duplication of efforts across agencies. The FSSI Program Management Office is located within the General Services Administration (GSA). The Program Management Office closely collaborates with and provides regular reporting to OMB's Office of Federal Procurement Policy. In 2012, GAO reviewed government-wide strategic sourcing efforts conducted through the FSSI, as well as agency-wide strategic sourcing initiatives at selected top-spending agencies.

What GAO Found

In September 2012, GAO reported that selected agencies among those with the highest fiscal year 2011 procurement obligations leveraged a fraction of their buying power through strategic sourcing and achieved limited savings. In fiscal year 2011, the Departments of Defense (DOD), Homeland Security (DHS), Energy, and Veterans Affairs (VA) accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent, or \$25.8 billion of their procurements, through strategic sourcing efforts and reported a combined savings of \$1.8 billion. Most selected agencies' efforts did not address their highest-spending areas such as services, which may provide opportunities for

additional savings.¹ By contrast, DHS reported that nearly 20 percent of its fiscal year 2011 procurement spending was directed through strategically sourced contracts, including the majority of its top 10 spending categories of products and services. While strategic sourcing may not be suitable for all procurement spending, leading companies strategically manage about 90 percent of their procurements and report annual savings of 10 percent or more.

In fiscal year 2011, the FSSI program managed \$339 million through several government-wide strategic sourcing initiatives and reported \$60 million in savings. However, total spending through the program remains low, as only 15 percent of government-wide spending for the products and services covered by the FSSI initiatives went through the FSSI contracts in fiscal year 2011. In addition, the program has not yet targeted the products and services on which the government spends the most.

Most of the four selected agencies and the FSSI program have not fully adopted a strategic sourcing approach but have actions under way. For example, GAO found that DOD had invested limited resources in strategic sourcing, tracked department-wide strategic sourcing initiatives on an ad hoc basis, which may have led to underreporting, and had not focused on using its spend analysis to identify high-spend opportunities for department-wide strategic sourcing. However, DOD reported it is currently assessing the need for additional resources, identifying additional strategic sourcing efforts, and creating additional guidance that will include a process for regular review of proposed strategic sourcing initiatives. In another example, VA was not systematically considering its highest-spend commodities for department-wide strategic sourcing. In addition, VA reported that it had not been maintaining complete data on strategic sourcing contract spending, which limited its ability to establish metrics and goals for spending managed through strategic sourcing. However, VA reported it has recently taken steps to better measure such spending. VA is also in the process of reviewing business cases for new strategic sourcing initiatives and adding resources to increase strategic sourcing efforts.

A lack of clear guidance on metrics for measuring success has affected the management of ongoing FSSI efforts as well as most selected agencies' efforts. For example, officials from these agencies used a variety of different methodologies to calculate savings, making strategic sourcing savings difficult to track and compare. In contrast, DHS leaders held senior managers accountable to meet strategic sourcing goals. DHS also set targets for use of strategic sourcing contracts and reported that nearly 20 percent of its fiscal year 2011 procurement spending was directed through strategically sourced contracts, with reported savings of \$324 million.

¹Examples of high-spend services procured by selected agencies included engineering and technical assistance, management support services, and data processing and telecommunication services.

In December 2012, OMB further directed agencies to improve strategic sourcing efforts by requiring agencies to designate a Strategic Sourcing Accountable Official, and assigned large federal agencies new responsibilities for designing and implementing government-wide strategic sourcing solutions. For example, OMB created an interagency strategic sourcing leadership council with representation from DOD, Energy, DHS, and VA, as well as the Department of Health and Human Services, the General Services Administration, the National Aeronautics and Space Administration, and the Small Business Administration. By March 2013, the council was to recommend at least five products or services for which new government-wide strategic sourcing vehicles or management approaches should be developed to ensure that the federal government receives the most favorable offers possible. However, while the council was directed to estimate savings opportunities for each of the recommended products or services, no guidance was given on what method should be used to calculate savings. Overall, these actions have the potential to improve the federal government's strategic sourcing outcomes, but it is too early to tell how effectively the OMB memorandum will be implemented.

Actions Needed and Potential Financial or Other Benefits

To improve strategic sourcing efforts across the government, in September 2012, GAO recommended that the Secretary of Defense, the Secretary of Veterans Affairs, and the Director of the Office of Management and Budget take a series of detailed steps, which are summarized below.

The Secretary of Defense should take the following action:

- evaluate the need for additional guidance, resources, and strategies, and focus on DOD's highest-spending categories.

The Secretary of Veterans Affairs should take the following action:

- evaluate strategic sourcing opportunities, set goals, and establish metrics.

The Director of OMB should take the following action:

- issue updated government-wide guidance on calculating savings, establish metrics to measure progress toward goals, and identify spending categories most suitable for strategic sourcing.

Taking these actions would allow federal agencies to better implement strategic sourcing practices and maximize their ability to realize billions of dollars in potential savings annually.

Agency Comments and GAO's Evaluation

In commenting on the September 2012 report on which this analysis is based, DOD, VA, and OMB concurred with the recommendations and stated they would take action to adopt them. OMB staff also noted that our report compared the percent of spending through strategic sourcing to total procurement spending, rather than to spending on the products and services for which strategic sourcing is applicable. In response, we revised our draft report to more explicitly acknowledge that not all spending is suitable for strategic sourcing. DOD, Energy, and GSA also provided technical comments, which were incorporated as appropriate.

GAO provided a draft of this report section to DOD, Energy, DHS, VA, GSA, and OMB. In its technical comments, DOD provided an updated and more comprehensive list of the department's strategic sourcing initiatives and noted a more focused targeting of top procurement spending categories for supplies, equipment, and services. OMB reiterated its previous comment. DHS and GSA also provided technical comments that were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products listed in the related GAO products section. In 2012, GAO selected four agencies that were among the highest in fiscal year 2011 procurement obligations—DOD, DHS, Energy, and VA—and reviewed strategic sourcing efforts at those agencies as well as government-wide FSSI efforts. For each, GAO analyzed fiscal year 2011 strategic sourcing data and policies, and interviewed responsible officials. GAO did not independently validate agency spending or savings data reported to it by the agencies; however, GAO did assess information from agency officials about the reliability of the data and resolved some discrepancies.

Related GAO Products

Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs. [GAO-12-919](#). Washington, D.C.: September 20, 2012.

Streamlining Government: Opportunities Exist to Strengthen OMB's Approach to Improving Efficiency. [GAO-10-394](#). Washington, D.C.: May 7, 2010.

Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts. [GAO-10-367](#). Washington, D.C.: April 29, 2010.

Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement. [GAO-04-870](#). Washington, D.C.: September 16, 2004.

Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings. [GAO-03-661](#). Washington, D.C.: June 9, 2003.

Contact Information

For additional information about this area, contact Cristina Chaplain at (202) 512-4841, or chaplainc@gao.gov.

24. Opportunities to Help Reduce Government Satellite Program Costs

Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving hundreds of millions of dollars to date from using these innovative mechanisms.

Why This Area Is Important

U.S. government satellite systems are a critical component of our nation's economy and the health and safety of its citizens. For example, we reported in September 2010 that the Department of Defense's (DOD) Global Positioning System (GPS) is a vital part of the infrastructure that supports major sectors including telecommunications, power distribution, banking, transportation, agriculture, and emergency services.¹ In addition, we have repeatedly reported that environmental satellite data gathered by the National Oceanic and Atmospheric Administration (NOAA) and the National Aeronautics and Space Administration (NASA), as well as some DOD satellites, play a crucial role in our nation's ability to forecast the weather, predict the path and intensity of hurricanes, develop and manage water reservoirs, estimate food crop production, and predict the potential for solar activities to affect the power grid.² In addition, the Federal Aviation Administration (FAA) and the U.S. Coast Guard are responsible for aircraft navigation and landing systems and maritime safety and law enforcement, respectively, and have used satellite-based sensors³ to improve their performance in these areas.

These satellite systems can cost the government billions of dollars each year. For example, in recent years, more than \$25 billion a year has been appropriated to agencies for developing space systems.⁴ Moreover, these systems are put in orbit by rockets that can cost from \$80 million to \$200

¹See GAO, *Global Positioning System: Challenges in Sustaining and Upgrading Capabilities Persist*, [GAO-10-636](#) (Washington, D.C.: Sept. 15, 2010).

²See GAO, *Polar-Orbiting Environmental Satellites: Changing Requirements, Technical Issues, and Looming Data Gaps Require Focused Attention*, [GAO-12-604](#) (Washington, D.C.: June 15, 2012) and *Environmental Satellites: Strategy Needed to Sustain Critical Climate and Space Weather Measurements*, [GAO-10-456](#) (Washington, D.C.: Apr. 27, 2010).

³Satellite sensors are instruments that are used for remotely determining information about the earth's atmosphere, land surface, oceans, or the space environment.

⁴A space system can include multiple components such as satellites, ground control stations, terminals, and user equipment.

million per launch. DOD, in particular, plans to spend about \$19 billion⁵ for launch services from fiscal years 2013 through 2017 for its Evolved Expendable Launch Vehicle—and total estimated program costs through 2030 approach \$70 billion.⁶

The President's National Space Policy issued in 2010 calls on federal departments and agencies to actively explore the use of inventive, nontraditional arrangements for acquiring commercial space products and services, including measures such as developing public-private partnerships,⁷ hosting government capabilities on commercial spacecraft, and purchasing scientific or operational data products from commercial satellite operators in support of government missions.⁸ In addition, DOD's Quadrennial Defense Review in 2010 called for the department to leverage commercial expertise and partnerships to better ensure the resiliency of space systems.⁹

According to the Department of Commerce's Office of Space Commercialization, placing a government payload on a commercial satellite could cost a fraction of the amount of building, launching, and operating an entire satellite.¹⁰ For example, the Australian government recently contracted for a hosted payload for military communications from a commercial satellite operator, which Australia estimates will save them over \$150 million over the 15-year life of the contract compared with the cost of acquiring their own satellite or leasing the capability.¹¹

What GAO Found

As federal agencies and program managers strive to achieve their agency's missions and goals and provide accountability for their operations, the administration has directed that the agencies should seek

⁵During the agency review and comment period for this report section, DOD officials told us that this amount will be significantly lower due to negotiation for launch services with the United Launch Alliance. The new cost figure will be reported in the department's fiscal year 2014 budget, which had not yet been released.

⁶The Evolved Expendable Launch Vehicle program launches satellites for military and intelligence customers.

⁷Under the National Defense Authorization Act for Fiscal Year 2013, DOD now has the authority to enter into contracts and other agreements with commercial companies to enable these companies to share DOD space transportation resources and facilities (10 U.S.C. § 2276). DOD officials believe that this will help to reduce costs and make launches and testing more affordable.

⁸Office of the President of the United States, *National Space Policy of the United States of America*, (Washington, D.C.: June 28, 2010).

⁹DOD, *Quadrennial Defense Review Report* (February 2010).

¹⁰A payload is a system, sensor, or instrument that is to be launched on a satellite.

¹¹A study conducted by Washington, D.C.-based consulting firm, Avascent, for the hosting company, estimated that Australia saved \$148 million over the cost of acquiring a standalone satellite, and \$613 million over the cost of leasing equivalent capacity.

to identify opportunities and implement approaches that could reduce the cost of government operations in order to help maintain effective and efficient stewardship of public resources.¹² Government agencies seeking to save money and gain access to space can take advantage of several nontraditional approaches, including *hosted payload arrangements* where government instruments are placed on commercial satellites, and *ride sharing arrangements* where multiple satellites share the same launch vehicle. While selected space-based programs may not be able to use nontraditional approaches due to specific security or mission requirements, other programs could achieve benefits from doing so. Several federal agencies, including DOD, NASA, FAA, NOAA, and the U.S. Coast Guard, are actively using or beginning to look at these approaches in order to save costs. Specifically:

- DOD has two ongoing hosted payload pilot missions and has taken preliminary steps to develop a follow-on effort.¹³ DOD estimated that the Commercially Hosted Infrared Payload Flight Demonstration Program answered the majority of the government's technical questions through its commercial partnership, while saving it over \$200 million over a dedicated technical demonstration mission. In addition, DOD is investigating ride sharing to launch GPS satellites beginning in fiscal year 2017, which could save well over \$60 million per launch.
- NASA has two hosted payload technology-demonstration efforts under way. The agency has also collected information on potential ride sharing opportunities and available hosts for hosted payloads through requests for information to satellite operators. Because these initiatives are relatively new or planned, NASA does not yet have information on potential cost savings; the agency intends to obtain more information on the potential for cost savings through its requests for information, requests for proposals, and demonstrations.
- FAA's Wide Area Augmentation System involves two satellite-based sensors carried on commercial satellites. This hosted payload arrangement was designed to improve the accuracy of GPS signals for aircraft navigation and landing. FAA conducted a lease versus buy analysis at the beginning of the program and found that a lease would be more cost-effective than the purchase of a satellite, saving \$260 million over the 21 year life cycle.

¹²Exec. Order No. 13589, *Promoting Efficient Spending*, 76 Fed. Reg. 70,863 (Nov. 9, 2011).

¹³The missions are the Internet Protocol Routing in Space Joint Capability Technology Demonstration, which is to provide Internet routing onboard the satellite in order to provide users with increased speed and direct access to the Internet, eliminating the need for a ground-based teleport; and the Commercially Hosted Infrared Payload Flight Demonstration Program, which is an experiment designed to support next-generation infrared sensor development by placing a wide field of view infrared sensor on a commercial communications satellite.

-
- NOAA has performed studies of cost sharing opportunities, including through ride sharing and hosted payloads, but has not yet committed to such options. One potential opportunity is the total and spectral solar irradiance sensor, which NOAA intends to launch on a standalone satellite, called a free flyer. The agency is considering use of a launch vehicle with sufficient space to add the free flyer as a secondary payload. Because the agency has not finalized its plans, it did not provide information on any expected cost savings from using a ride sharing arrangement.
 - The U.S. Coast Guard explored the use of a satellite-based receiver for its Automatic Identification System.¹⁴ This hosted payload effort was designed to improve identifying and tracking ships at sea. While the original sensor failed in 2009, the capability exists on other satellites from the company that hosted the original payload, and the government now purchases these data.

Moreover, NASA and the Air Force are working to collect and develop the types of information needed to facilitate more widespread government use of commercially hosted payloads and commercial ride sharing in the future. Specifically, NASA recently issued requests for information on potential hosts for hosted payloads in the low earth and geostationary orbits, including the weight and power available for potential secondary payloads, and also issued a request for information about potential commercial ride sharing. According to a NASA official, this information is intended to go into databases available to potential sensor developers. In addition, Air Force officials at its newly formed Hosted Payload Office told us that they are in the process of developing an acquisition strategy, with input from NASA, to facilitate the use of commercially hosted payloads as an alternative path to space from the typical government-owned satellite. As part of the strategy, a contract for an indefinite quantity of satellite services for a fixed period of time will be developed, which all government agencies will be able to use. They currently expect to complete this initial effort and hold meetings with commercial companies to discuss the strategy in the spring of 2013. Further, Air Force officials noted that they are developing a plan to allow for better decision making on hosted payload solutions.

In addition to government efforts, the satellite industry has embraced the idea of hosting government payloads on commercial satellites. In 2011, a group of satellite operators and manufacturers formed a satellite industry alliance to increase awareness of the benefits of hosted government payloads on commercial satellites as well as to facilitate communication between satellite companies and potential users. The alliance includes many

¹⁴The Nationwide Automatic Identification System enhances maritime domain awareness by combining Automatic Identification System data—such as vessel location, source, and speed—with other government information and sensor data to form a holistic view of maritime vessel traffic near the continental United States and its territorial waters.

U.S. and foreign satellite operators and manufacturers.¹⁵ Further, a commercial satellite operator reported that given approximately 3 years notice, all but one of their most recently launched geostationary satellites could have accommodated an additional payload. The one satellite that could not host additional payloads was already hosting a foreign government payload. The officials also stated that the company plans to launch approximately 20 satellites into geostationary orbit over the next decade and most of them could be built to accommodate a government payload.

While ride sharing and hosted payloads clearly hold promise for providing lower-cost access to space in the future, there are also a variety of technical, cultural, logistical, and legal and policy challenges. Specifically:

- **Technical Challenges:** Ensuring compatibility between sensors and host satellites could be a challenge when undertaking hosted payloads because of the variable interfaces on different companies' satellites. NOAA and NASA officials noted that the absence of standardized technical interfaces among the various companies present a challenge to potential government payload developers. To try to get insight on this issue, NASA officials stated that they had collected information on current interface parameters of potential commercial providers as part of their announcement of opportunities for the Earth Venture program.¹⁶ Further, not all commercial satellites may have sufficient power, or available space, for a hosted payload. In addition, finding hosted payload or ride share opportunities for certain orbits (such as polar orbits¹⁷) could be difficult due to a lack of available commercial satellite launches in this orbital path or commercial providers could reposition the satellite once in orbit, which could impact an agency's mission.
- **Cultural Challenges:** Government agencies that have traditionally managed their own space missions face cultural challenges in using hosted payload arrangements and GAO has previously found that the DOD space community is highly risk averse to adopting technologies

¹⁵As of November 2012, the Hosted Payload Alliance board consisted of representatives from Arianespace, ATK Space Systems, Boeing, EADS North America, Harris, Intelsat General Corporation, Iridium, Lockheed Martin, Northrop Grumman, Orbital, Raytheon, SES Government Solutions, and Space Systems/Loral.

¹⁶Under NASA's Earth Venture line of instrument and small mission opportunities, the agency awards contracts for small, targeted science investigations intended to complement its larger research missions. The first opportunity for space-based Earth Venture instruments was announced in February 2012, and proposals are now under review. NASA officials expect to continue to regularly award contracts for instruments that could be carried as secondary instruments on NASA- or partner-led missions, or as hosted payloads on commercial platforms.

¹⁷Geostationary satellites maintain a fixed position relative to the earth and are used for many commercial communications purposes, while polar-orbiting satellites constantly circle the earth in an almost North-South orbit, providing global coverage of conditions that affect the weather and climate.

from commercial providers that are new to DOD.¹⁸ In addition, agency officials expressed concerns about using a commercial host for their payloads, noting that they would lose some control over their missions. DOD and NOAA officials noted that their security and mission assurance requirements and processes may make integrating hosted payloads on commercial satellites more complicated to manage. Further, agency officials expressed concerns about scheduling launches and noted that commercial providers may not be flexible about changing launch dates if the instruments or satellites experience delays.

- **Logistical Challenges:** There are logistical challenges in scheduling and funding hosted payload arrangements. The timeline associated with developing many sensors is much longer than that of commercial satellites, potentially creating difficulties in scheduling and funding hosted payload and ride sharing arrangements. NASA officials noted that the development of a government sensor would need to be under way well in advance before a decision would be made to pursue a commercial hosted payload arrangement. DOD officials also noted that their budget and planning process requires commitments to funding up to 2 years in advance of actually receiving those funds—which does not align well with commercial timelines. In addition, federal law generally prohibits agencies from paying in advance for a future service or from obligating future appropriations.¹⁹
- **Legal and Policy Challenges:** Federal law and policy have limited the government’s access to some hosted payload and ride sharing options. Specifically, under federal statute, the federal government is required to acquire space transportation services from U.S. commercial providers unless exempted. In addition, the U.S. Space Transportation Policy authorized by the President in 2004 states that government payloads shall be launched on space launch vehicles manufactured in the United States, regardless of whether the payload is on a commercial or government satellite, unless otherwise exempted.²⁰ According to both NASA and the commercial Hosted Payload Alliance, U.S. companies often rely on foreign launch vehicles to reach space. For instance, in the example noted previously in which a commercial company plans to launch multiple satellites over the next 15 years, company officials noted that they

¹⁸See GAO, *Space Acquisitions: Challenges in Commercializing Technologies Developed under the Small Business Innovation Research Program*, [GAO-11-21](#) (Washington, D.C.: Nov. 10, 2010).

¹⁹With respect to prohibiting agencies from paying in advance for a future service, see 31 U.S.C. § 3324, and from obligating future appropriations, see 31 U.S.C. § 1341(a).

²⁰See 51 U.S.C. § 50131. While agencies can apply for waivers to the requirement under certain conditions, the decision to grant the waiver is made as a matter of discretion on a case-by-case basis. According to NASA officials, because the waivers are not guaranteed and may not be granted in a timely manner, it may be difficult for the government to commit to a scheduled launch.

plan to rely on foreign companies' launch vehicles because of limitations in U.S. companies' launch capacity and the cost of these launches.²¹ The U.S. Space Transportation Policy is currently undergoing revision, but no date has been announced for when the revised policy will be finalized.

- In addition, there may be issues of liability or adherence to government policy, such as the U.S. Government Orbital Debris Mitigation Standard Practices,²² that agencies need to consider when determining whether it is cost effective to use hosted payloads or ride sharing.

Actions Needed and Potential Financial or Other Benefits

Given the significant expense of space programs and the federal government's fiscal limitations, it is vital that the government manage its space programs and projects as efficiently and effectively as possible. While selected space-based programs may not be able to utilize opportunities for ride sharing and hosted payloads on commercial satellites due to specific security or mission requirements, agencies may be able to leverage these commercial opportunities to achieve significant cost savings. However, in order for the government to achieve this cost savings, there are key challenges that need to be addressed.

Agency cultural barriers and certain technical and logistical challenges will likely only be resolved as agencies work with commercial satellite providers in developing and executing future missions. As they do this, collecting and disseminating lessons learned will be important. This will require effective leadership and commitment from senior officials across government. To help accomplish this, in February 2012, GAO suggested that the Director of the Office of Management and Budget (OMB) work with the National Security Council to assess options for providing strong centralized leadership of the space community in order to set priorities across individual agencies and to address inefficiencies.²³ While OMB agreed that coordinating space activities across the government has been and continues to be a major challenge, it noted that it was concerned that

²¹A dearth of reliable, available launch vehicles has repeatedly affected government satellite programs. Specifically, we recently reported that 9 of 21 major NASA programs we reviewed had reported challenges associated with launch vehicles, including increasing costs and lack of availability of allowable launch vehicles. See GAO, *NASA: Assessments of Selected Large-Scale Projects*, [GAO-12-207SP](#) (Washington, D.C.: Mar. 1, 2012).

²²According to the National Space Policy of the United States of America, government agencies must follow the U.S. Government Orbital Debris Mitigation Standard Practices. These practices require agencies to control the amount of debris released during normal space operations. Commercial companies are generally not required to adhere to these practices, unless they are providing services for federal agencies. If government agencies were to utilize commercial companies for hosted payloads or ride sharing, there could be additional costs for the government in order for the company to comply with the practices.

²³See GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012).

the suggested action would add an extra layer of bureaucracy on top of ongoing coordination efforts, and could cause confusion about roles and authorities among the existing mechanisms. Subsequently, OMB stated that the administration is updating the U.S. Space Transportation Policy, in part to improve interagency coordination and collaboration. However, OMB does not believe any further actions are necessary. Though an update to the policy to improve interagency coordination could be beneficial, such changes do not address GAO's prior concerns with fragmented leadership and a lack of a single authority in overseeing the acquisition of space programs. As such, GAO maintains that assessing options for providing strong centralized leadership of the space community continues to have merit and should be implemented.

In addition, to better take advantage of nontraditional approaches to save money in satellite programs, Congress may wish to consider the following action:

- authorizing agencies enhanced flexibility to acquire certain satellite services related to hosted payload and ride sharing arrangements, when appropriately planned and justified.

Moreover, although federal statute and the U.S. Space Transportation Policy were intended to support the U.S. industrial base by requiring the government to use U.S. commercial launch services, the policy significantly limits the government's ability to take advantage of available foreign commercial launch options for hosted payloads because many commercial satellite providers routinely use launch vehicles from other countries. Congress and the Executive Office of the President may wish to consider the following action:

- revisiting the law and the policy to determine whether efforts should be made to provide federal agencies additional flexibility to select space transportation services and launch vehicles from other countries for hosted payloads to encourage cost savings.

While using hosted payloads and ride sharing are likely to reduce government launch costs and savings estimates reported to date are in the hundreds of millions of dollars over the life of the projects, GAO is unable to quantify the potential for further financial benefits because there is too limited a pool of available data. Once the government has collected more data and gained more experience in collaborating with commercial satellite vendors on ride sharing and hosted payloads, actual data on cost savings and cost avoidances should be more readily available.

Agency Comments and GAO's Evaluation

GAO provided a draft of this report section to OMB, as well as DOD, FAA, NASA, NOAA, and the U.S. Coast Guard for review and comment. OMB provided technical comments, which were incorporated as appropriate, but did not agree or disagree with our recommended action. DOD, NASA, NOAA, and the U.S. Coast Guard also provided technical comments, which were incorporated as appropriate. FAA responded by e-mail that they had no comments on the report section.

How GAO Conducted Its Work

The information contained in this analysis is based, in part, on reports listed in the related GAO products section as well as on additional work GAO conducted. To identify potential opportunities for cost savings with federal government satellite programs, GAO reviewed existing government satellite programs and hosted payload efforts, as well as studies that looked at opportunities for government satellite cost savings and efficiency. GAO also reviewed academic and industry publications on existing hosted payload efforts, as well as ways and reasons to potentially increase their use. GAO interviewed agency officials at DOD, FAA, NASA, NOAA, and the U.S. Coast Guard, as well as officials from two commercial satellite companies that were selected based on their overall experience with satellite operations in two different arenas and because they had interest or experience related to hosted payloads. While these officials' views are not generalizable to all satellite companies, they provided us with useful information on hosted payload operations.

Related GAO Products

Evolved Expendable Launch Vehicle: DOD Is Addressing Knowledge Gaps in Its New Acquisition Strategy. [GAO-12-822](#). Washington, D.C.: July 26, 2012.

Polar-Orbiting Environmental Satellites: Changing Requirements, Technical Issues, and Looming Data Gaps Require Focused Attention. [GAO-12-604](#). Washington, D.C.: June 15, 2012.

NASA: Assessments of Selected Large-Scale Projects. [GAO-12-207SP](#). Washington, D.C.: March 1, 2012.

Additional Cost Transparency and Design Criteria Needed for NASA Projects. [GAO-11-364R](#). Washington, D.C.: March 3, 2011.

Space Acquisitions: Challenges in Commercializing Technologies Developed under the Small Business Innovation Research Program. [GAO-11-21](#). Washington, D.C.: November 10, 2010.

Global Positioning System: Challenges in Sustaining and Upgrading Capabilities Persist. [GAO-10-636](#). Washington, D.C.: September 15, 2010.

Environmental Satellites: Strategy Needed to Sustain Critical Climate and Space Weather Measurements. [GAO-10-456](#). Washington, D.C.: April 27, 2010.

Briefing on Commercial and Department of Defense Space System Requirements and Acquisition Practices. [GAO-10-315R](#). Washington, D.C.: January 10, 2010.

Contact Information

For additional information about this area, contact David A. Powner at (202) 512-9286, or pownerd@gao.gov, or Cristina T. Chaplain at (202) 512-4841, or chaplainc@gao.gov.

25. Medicare Prepayment Controls

More widespread use of prepayment edits could reduce improper payments and achieve other cost savings for the Medicare program, as well as provide more consistent coverage nationwide.

Why This Area Is Important

The Centers for Medicare & Medicaid Services (CMS) has estimated that \$29.6 billion—or 8.5 percent—of the \$350 billion in payments for services provided to about 37 million beneficiaries in the traditional Medicare fee-for-service program in 2012 were improper.¹ In part due to Medicare’s susceptibility to improper payments, GAO has designated it as a high-risk program. To better ensure the program’s integrity, CMS has stated that one of its key goals is to pay Medicare claims properly the first time—that is, to ensure that payments go to legitimate providers in the right amounts for reasonable and necessary services covered by the program for eligible beneficiaries. One strategy that CMS uses to achieve this goal is the application of controls called prepayment edits, which are instructions programmed into claims processing systems to compare claims data to Medicare requirements in order to approve or deny claims or flag them for further review. For example, an edit may deny payment for quantities of service that exceed those provided under normal medical practice or that are anatomically impossible, such as more than one appendectomy on the same beneficiary.

Many prepayment edits are designed to ensure that claims comply with Medicare coverage, payment, and coding policies. These policies may be established by law, by CMS, or by the contractors that process Medicare claims for CMS. The national Medicare coverage and payment policies set by CMS include national coverage determinations, which describe the circumstances under which Medicare will cover particular items or services nationwide, as well as policies on payments to providers and coverage limitations contained in the Medicare Claims Processing Manual and other CMS documents. In addition, each contractor has the authority to develop local coverage determinations that delineate the circumstances under which services will be considered “reasonable and necessary”² and therefore covered in the geographic area in which that contractor processes claims, as long as these policies do not conflict with national

¹An improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204, § 2(e), 124 Stat. 2224, 2227 (codified at 31 U.S.C. § 3321 note).

²The Medicare program has defined certain categories of items and services as being eligible for coverage, and it excludes from coverage items or services that are determined not to be “reasonable and necessary” for the diagnosis and treatment of an illness or injury or to improve functioning of a malformed body part. 42 U.S.C. § 1395y(a)(1)(A). CMS determines which services are covered under what conditions within the broad categories defined in law.

policies established by CMS or by law. Prepayment edits may be implemented either at CMS's direction or independently by contractors. Because of the volume of claims processed—4.8 million per business day—most of the prepayment edits implemented by CMS and its contractors are automated, meaning that if a claim does not meet the criteria of the edit, it is automatically denied. Other prepayment edits are manual, meaning that they flag claims for review by trained contractor staff.

GAO reported in March 2011 that weaknesses exist in CMS's prepayment controls for durable medical equipment claims, and these weaknesses may lead to contractors failing to identify potentially fraudulent claims.³ In November 2012, GAO examined further opportunities for CMS to improve and expand upon prepayment controls.

What GAO Found

As GAO reported in November 2012, prepayment edits saved Medicare at least \$1.76 billion in fiscal year 2010, according to CMS data, but savings could have been greater had CMS improved its processes for implementing edits based on national coverage, payment, and coding policies and encouraged more widespread use of effective local edits by contractors. GAO illustrated this point by analyzing paid Medicare claims from fiscal year 2010 for consistency with a few national policies and local coverage determinations, where payments could have been prevented through the use of prepayment edits. GAO's analysis identified \$14.7 million in payments that appeared to be inconsistent with four national coverage or coding policies and therefore may have been overpayments. GAO also identified more than \$100 million in payments that were inconsistent with three selected local coverage determinations and that could have been identified using automated edits.⁴ The latter payments were not necessarily improper, because not all contractors had local coverage determinations in place to prohibit them. However, these payments illustrate the potential savings that could have been achieved if these edits and the local coverage determinations on which they were based had been implemented nationwide.

Although CMS has three processes in place to identify the need for and to develop prepayment edits based on national policies, these processes have weaknesses that diminish their effectiveness in preventing improper payments. Comparing the processes to *Standards for Internal Control in*

³These weaknesses were reported in GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011) and progress identified in *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, [GAO-12-453SP](#) (Washington, D.C.: Feb. 28, 2012) as part of an overall examination of cost-saving efforts involving claim reviews.

⁴These local coverage determinations were unrelated to the national coverage and coding policies that GAO analyzed.

the Federal Government,⁵ GAO found weaknesses, including the (1) lack of specific time frames for implementing edits and other corrective actions; (2) lack of centralization in the implementation of some edits, which leads to inconsistencies; (3) incomplete assessment of whether edits are working as intended; and (4) lack of full documentation of the processes. For example, CMS has sometimes assigned responsibility to contractors to independently program edits based on national coverage determinations for the geographic areas in which they process claims, because there is a queue for implementing system changes centrally, and the contractors can sometimes implement edits more quickly. CMS officials acknowledged that having multiple contractors program some of these edits may have led to inconsistent implementation of national coverage policy, particularly since each contractor must update the edits regularly to reflect changes in the coding system used for claims. GAO's analysis of fiscal year 2010 Medicare claims found cases where inconsistent implementation of national coverage determinations may have led to improper payments. Specifically, of the \$14.7 million in potential overpayments related to national policies, GAO found \$6.1 million in payments that appeared to be inconsistent with three selected national coverage determinations.

GAO also reported a weakness in the structure of CMS's Medically Unlikely Edits, which deny payment for services when the quantity billed by the same provider on the same day is above limits set by CMS. CMS sets these quantity limits at a level not likely to be provided on a single day under normal medical practice to a single beneficiary, such as daily doses of drugs that far exceed the maximum quantity that a provider would prescribe under most circumstances. Medically Unlikely Edits are designed to look for excess quantities of services billed on an individual line of a single claim, but Medicare claims can have multiple lines for services. As a result, the limits for Medically Unlikely Edits can be exceeded if the excess quantities are broken up and claimed on multiple lines or on multiple claims. CMS allows exceptions to the limits when providers believe the services are clinically appropriate, and providers can include special codes called modifiers on these claims to indicate why the services were clinically appropriate. However, of the \$14.7 million in potential overpayments related to national edits, GAO found \$8.6 million in potential overpayments for claims that exceeded the limits for Medically Unlikely Edits and did not include appropriate modifiers. The vast majority of these payments (\$8.2 million) were for claims in which the excess quantity of services was spread over multiple claim lines.

GAO also reported that CMS could do more to encourage contractors to implement prepayment edits at the local level. Specifically, CMS could inform contractors about edits that other contractors had implemented

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

based on their local coverage determinations and that these other contractors considered particularly effective in preventing the largest amount of payments for services they did not consider reasonable and necessary. More widespread use of such edits could have led to more consistent coverage throughout the country and to savings for the Medicare program as a whole. Currently, CMS does not have a complete, accurate, and centralized source of information on edits that would enable the agency to identify contractors' most effective edits and facilitate information sharing.

In addition, the financial incentives CMS offers to contractors to promote use of effective edits are relatively small. Under the terms of their contracts, contractors may earn an incentive, known as an award fee, based on performance, in addition to reimbursement for allowable costs and a fixed base fee. Although CMS increased by 12 percent the funding available to contractors for activities related to prepayment edits and associated claims review in fiscal year 2011, the award fees allocated to the one performance area most directly related to prepayment edits and associated claims review accounted for 3 percent or less of the pool of award fees available to any contractor. Award fee dollars allocated to this area ranged from about \$20,000 to about \$82,000—out of total award fees ranging from \$1 million to \$3.2 million—for those contractors whose award fee plans included this area in fiscal year 2011.

Actions Needed and Potential Financial or Other Benefits

To achieve cost savings and help ensure proper payment, GAO recommended in November 2012 that the Administrator of CMS take the following five actions:

- centralize within CMS the development and implementation of automated edits based on national coverage determinations to ensure greater consistency;
- develop written procedures to provide guidance to agency staff on all steps in the processes for developing and implementing edits based on national policies, including time frames for taking corrective actions and methods for assessing the effects of corrective actions;
- implement Medically Unlikely Edits that assess all quantities provided to the same beneficiary by the same provider on the same day, so providers cannot avoid claim denials by billing for services on multiple claim lines or multiple claims without including modifiers that reflect a declaration that quantities above the normal limit are reasonable and necessary;
- improve the data collected about local prepayment edits to enable CMS to identify the most effective edits and the local coverage policies on which they are based and disseminate this information to contractors for their consideration; and

-
- assess the feasibility of providing increased incentives to contractors to implement effective prepayment edits.

While the specific potential financial benefit of these actions cannot be quantified because the number of new edits that could be implemented at the national or local level—and the payments they would prevent—is not known, GAO’s work illustrates that greater use of effective prepayment edits could help to reduce potential improper payments, generate savings to the Medicare program, and promote greater consistency in coverage nationwide.

Agency Comments and GAO’s Evaluation

In commenting on the November 2012 report on which this analysis is based, the Department of Health and Human Services generally concurred with GAO’s recommendations and stated that CMS was taking or planned to take steps to address them.

GAO provided a draft of this report section to the Department of Health and Human Services for review and comment. The Department of Health and Human Services provided technical comments, which were incorporated as appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO products section. GAO analyzed Medicare claims for consistency with selected coverage policies, reviewed CMS and contractor documents, and interviewed officials from CMS and selected contractors. GAO assessed the processes to identify the need for and implement edits against its standards for internal controls. Table 18 in appendix IV lists the program GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Products

Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment. [GAO-13-102](#). Washington, D.C.: November 13, 2012.

High-Risk Series: An Update. [GAO-13-283](#). Washington, D.C.: February 14, 2013.

Medicare: Improvements Needed to Address Improper Payments for Medical Equipment and Supplies. [GAO-07-59](#). Washington, D.C.: January 31, 2007.

Contact Information

For additional information about this area, contact Kathleen M. King at (202) 512-7114 or kingk@gao.gov.

26. Medicaid Supplemental Payments

To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare & Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis of providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars.

Why This Area Is Important

Medicaid—the joint federal-state program that finances health care for certain low-income individuals—cost the federal government and states an estimated \$410 billion in 2011. States pay qualified health care providers for covered services delivered to Medicaid beneficiaries and obtain federal matching funds for the federal share of these payments. In addition to regular Medicaid payments for covered services, states also make and obtain federal matching funds for supplemental payments, for example, to offset uncompensated care costs for Medicaid patients. Such payments are a significant and growing component of Medicaid spending. States reported spending at least \$43 billion on Medicaid supplemental payments in fiscal year 2011, up from \$32 billion in fiscal year 2010 and \$23 billion in fiscal year 2006. In November 2012, GAO reported that these amounts were likely understated because reporting of supplemental payments was incomplete.

States make two general types of Medicaid supplemental payments. First, under federal Medicaid law, states are required to make disproportionate share hospital (DSH) payments to certain hospitals. These payments are designed to help offset these hospitals' uncompensated care costs for serving Medicaid and uninsured low-income patients. States' Medicaid payment rates are not required to cover the full costs of providing care to Medicaid beneficiaries, and many providers also provide care to low-income patients without any insurance or ability to pay. Under federal law, DSH payments are capped at a facility-specific level and state level. Second, many states also make another type of Medicaid supplemental payment—referred to here as non-DSH supplemental payments—to hospitals and other providers, who, for example, serve high-cost Medicaid beneficiaries. Unlike DSH payments, non-DSH supplemental payments are not required under federal law, do not have a specified statutory or regulatory purpose, and are not subject to firm dollar limits at the facility or state level. Unlike regular Medicaid payments, which are paid on the basis of covered Medicaid services provided to Medicaid beneficiaries through an automated claims process, non-DSH supplemental payments are not necessarily made on the basis of claims for specific services to particular patients and can amount to tens or hundreds of millions of dollars to a single provider, annually. States make non-DSH supplemental payments under the flexibility of Medicaid's upper payment limit, which allows states to obtain federal matching payments for payments up to the

amount Medicare, the federal program covering individuals age 65 and older and certain others, would pay for the same group of services.¹ Non-DSH supplemental payments have increased significantly in recent years. They now exceed DSH payments in total payment amounts, with states reporting about \$26 billion in non-DSH supplemental payments in fiscal year 2011, compared to over \$17 billion in DSH payments.

For about two decades, GAO has raised concerns about supplemental payments and the adequacy of federal oversight. GAO has designated Medicaid a high-risk program, in part due to these concerns. For example, in February 2004, GAO reported that some states made relatively large non-DSH supplemental payments to relatively small numbers of government-owned providers and that these providers were then sometimes required to return these payments to the states, resulting in an inappropriate increase in federal matching funds. Since 2010, states have been required to submit annual facility-specific reports and annual independent certified audits on the first type of supplemental payments—DSH payments. In connection with the independent audit requirement, standard methods were established for calculating DSH payment amounts. In its March 2011 annual report on duplication, overlap, and fragmentation, GAO reported that improved oversight of Medicaid supplemental payments had the potential to generate cost savings. Specifically, GAO reported that the Centers for Medicare & Medicaid Services (CMS) should establish uniform guidance for states that sets acceptable methods for calculating non-DSH payment amounts; require facility specific reporting of non-DSH supplemental payments; and develop a strategy to ensure that all state supplemental payment arrangements have been reviewed by CMS. CMS's progress to address this action can be found in GAO's *Action Tracker*. GAO has also examined the oversight information available on non-DSH supplemental payments, including that from the DSH audits and facility-specific reports.

CMS, an agency within the Department of Health and Human Services, is responsible for overseeing state Medicaid programs at the federal level. CMS responsibilities include helping ensure that state Medicaid payments are for Medicaid-covered services and beneficiaries and comply with

¹Non-DSH supplemental payments are based on the difference between states' regular Medicaid payments and the upper payment limit on what the federal government will pay as its share of Medicaid payments for different classes of covered services. The upper payment limit is based on what Medicare—the federal health program that covers individuals aged 65 and over, individuals with end-stage renal disease, and certain disabled individuals—would pay for comparable services. The upper payment limit is not a facility-specific limit but is applied to all providers within three ownership categories: local (nonstate) government-owned or local (nonstate) government-operated facilities, state-government-owned or state-government-operated facilities, and privately owned and operated facilities. As a result, states have some discretion in how they distribute non-DSH supplemental payments to individual providers. Separate upper payment limits exist for inpatient services provided by hospitals, nursing facilities, and intermediate care facilities for individuals with intellectual disabilities, and outpatient services provided by hospitals and clinics.

Medicaid payment principles, in particular, that payments to providers are consistent with economy, efficiency, and quality of care.

What GAO Found

In November 2012, GAO reported its analysis of non-DSH supplemental payments, which demonstrated how improved transparency of and accountability for these payments could help CMS ensure payments are used for Medicaid purposes and are consistent with Medicaid payment principles. In its report, GAO analyzed data on total regular Medicaid and non-DSH supplemental payments and compared these payments, for individual providers, to each provider's actual Medicaid costs that are captured in cost reports and summarized for certain facilities in the recently implemented facility-specific DSH reports.² GAO's analysis of the available information suggests many states are making Medicaid payments to many providers that are far in excess of those providers' costs of providing Medicaid services. GAO found that at least one hospital in each of 39 states submitting a DSH report received total regular Medicaid and non-DSH supplemental payments in excess of Medicaid costs. Specifically, in these 39 states, a total of 505 DSH hospitals received total regular Medicaid and non-DSH supplemental payments in excess of Medicaid costs by a total of about \$2.7 billion. In some cases, payments greatly exceeded costs; for example, one hospital received almost \$320 million in non-DSH payments and \$331 million in regular Medicaid payments, which exceeded the \$410 million in costs reported for the hospital for providing Medicaid services by about \$241 million.

Medicaid payments that greatly exceed Medicaid costs raise questions about the purpose of the payments. Transparency regarding these payments could help CMS understand how payments relate to Medicaid services, whether payments are consistent with economy and efficiency, and whether payments contribute to beneficiaries' access to quality care. Having annual facility-specific information on non-DSH payments, guidance on acceptable methods for calculating non-DSH payments, and annual independent audits of these payments could improve CMS's oversight by enabling the agency to assess the relationship of Medicaid payments to Medicaid costs for each facility and identify payments that are not appropriate.³ Such requirements do not currently exist for non-DSH

²The information available on non-DSH supplemental payments is limited, in that only the non-DSH payments received by hospitals that receive DSH payments can be found in the annual DSH reports that states must submit, so that any non-DSH payments received by other hospitals or facilities, such as nursing homes, are not reported. Payments to these other facilities can be significant; for example, non-DSH supplemental payments to these other facilities were at least \$1.6 billion in fiscal year 2010.

³GAO found that initial DSH audits—for which CMS will not take action during a certain transition period allowing states to correct identified problems—had identified many areas where state DSH payments were not compliant with DSH payment requirements. States will need to take corrective actions during the transition period in order to avoid potential loss of federal funds or having to redistribute payments to other hospitals that are qualified to receive DSH payments. The audits also examined and reported on the data sources and methods used for calculating DSH payments.

payments. Improved CMS oversight could lead to corrective actions to reduce inappropriate payments in the future, which could potentially provide cost savings. GAO has previously recommended that CMS take actions to improve its oversight of non-DSH supplemental payments, including recommendations in February 2004 to require facility-specific reporting of non-DSH supplemental payment information and to clarify guidance on permissible methods for calculating these payments. As of November 2012, CMS had no plans to require states to report information on non-DSH payments made to individual providers, clarify permissible methods for calculating non-DSH payments, or require annual independent audits of states' non-DSH payments, because in its view legislation has been crucial to implementing similar requirements for DSH payments.

Actions Needed and Potential or Other Financial Benefits

To improve the oversight of non-DSH supplemental payments, GAO suggested in November 2012 that Congress should consider requiring the Administrator of CMS to take the following three actions:

- improve state reporting of non-DSH supplemental payments, including requiring annual reporting of payments made to individual facilities and other information that the agency determines is necessary to oversee non-DSH payments;
- clarify permissible methods of calculating non-DSH supplemental payments; and
- require states to submit an annual independent certified audit verifying state compliance with permissible methods for calculating non-DSH supplemental payments.

Estimating the extent of potential cost saving is difficult because of the discretion states have in setting Medicaid payment rates. For example, GAO's analysis of providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars. However, CMS lacks the information to determine the extent and appropriateness of these payments, which would be necessary in order to estimate cost savings. The three actions are intended to improve CMS's ability to identify and then assess the appropriateness of payments that greatly exceed provider costs and to subject these payments to independent audit.

Agency Comments and GAO's Evaluation

In commenting on a draft of the November 2012 report on which this analysis is based, the Department of Health and Human Services, agreed that improved reporting and oversight of non-DSH supplemental payments was needed. The Department of Health and Human Services also noted that some efforts were under way to do so, including a comprehensive review of state supplemental payment methodologies to ensure that payments are compliant with Medicaid statute and federal regulation.

GAO provided a draft of this report section to the Department of Health and Human Services for review and comment. The Department of Health and Human Services did not provide comments on this report section.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. To determine the information that existed to oversee non-DSH supplemental payments, GAO reviewed relevant federal laws, regulations, and guidance. In addition, GAO analyzed data on non-DSH supplemental payments, Medicaid payments, and Medicaid costs that were reported for DSH hospitals in states' 2010 DSH reports of 2007 Medicaid payments. Specifically, for each DSH hospital GAO compared total Medicaid payments (regular Medicaid and non-DSH supplemental payments) to Medicaid costs and identified DSH hospitals in which payments exceeded costs. In reviewing the DSH report data, GAO removed hospitals with incomplete information or for which independent auditors had raised questions about data reliability or the hospital's qualifications for receiving a DSH payment. GAO also conducted interviews with CMS officials. Determining the appropriateness of individual payments was beyond the scope of GAO's current work. Table 19 in appendix IV lists the program GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Products

High-Risk Series: An Update. [GAO-13-283](#). Washington, D.C.: February 14, 2013.

Medicaid: More Transparency of and Accountability for Supplemental Payments Are Needed. [GAO-13-48](#). Washington, D.C.: November 26, 2012.

Medicaid: States Reported Billions More in Supplemental Payments in Recent Years. [GAO-12-694](#). Washington, D.C.: July 20, 2012.

Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue. [GAO-11-318SP](#). Washington, D.C.: March 1, 2011.

Medicaid: Ongoing Federal Oversight of Payments to Offset Uncompensated Hospital Care Costs Is Warranted. [GAO-10-69](#). Washington, D.C.: November 20, 2009.

Medicaid: Improved Federal Oversight of State Financing Schemes Is Needed. [GAO-04-228](#). Washington, D.C.: February 13, 2004.

Contact Information

For additional information about this area, contact Katherine Iritani at (202) 512-7114 or iritanik@gao.gov.

27. Medicare Advantage Quality Bonus Payment Demonstration

Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare & Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014.

Why This Area Is Important

GAO has designated Medicare as a high-risk program in part because of major payment challenges involving the Medicare Advantage (MA) program.¹ The MA program, an alternative to the original Medicare program, provides health care coverage to about a quarter of all Medicare beneficiaries through private health plans offered by organizations under contract with the Centers for Medicare & Medicaid Services (CMS). MA organizations generally offer beneficiaries one or more plans to choose from—with different coverage, premiums, and cost-sharing features—in the areas they serve. To help beneficiaries select an MA plan, CMS rates MA contractors on a 5-star scale, with 5 stars indicating the highest quality.²

The 2010 Patient Protection and Affordable Care Act as amended (PPACA) changed the way Medicare pays MA plans in several ways. CMS's actuaries estimated that the implementation of PPACA's reforms would reduce Medicare payments to MA plans by \$145 billion over 9 years and would cause plans to offer less generous benefit packages.³ They also projected that MA enrollment in 2017 would be half as much as it would have been in PPACA's absence. Among its reforms, PPACA provided that plans with 4 or more stars receive quality bonus payments that were to be phased in from 2012 to 2014. However, rather than implementing PPACA's quality bonus program, CMS initiated a 3-year demonstration to test an alternative bonus payment structure under authority provided in section 402 of the Social Security Amendments of 1967 as amended. This authority allows CMS to conduct demonstration projects to determine whether, and if so which, changes in payment methods would increase the efficiency and economy of Medicare services through the creation of additional incentives, without adversely affecting quality. Compared with PPACA, the MA Quality Bonus Payment

¹See GAO, *Medicare Advantage: Quality Bonus Payment Demonstration Undermined by High Estimated Costs and Design Shortcomings*, [GAO-12-409R](#) (Washington, D.C.: Mar. 21, 2012).

²MA plans' overall star ratings indicate their performance relative to that of all other plans on about 50 measures of clinical quality, patient experience, and contractor performance.

³See CMS's Office of the Actuary, *Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Amended* (Baltimore, Md.: Apr. 22, 2010).

Demonstration extends the bonuses to plans with 3 or more stars, accelerates the phase-in of the bonuses for plans with 4 or more stars, and increases the size of the bonuses in 2012 and 2013. Whereas about one-third of MA enrollees would have been covered by contracts eligible for a bonus in 2012 and 2013 under PPACA, about 90 percent of enrollees are covered by such contracts in these 2 years under the demonstration.

What GAO Found

As GAO reported in March 2012, CMS's actuaries have estimated that the MA Quality Bonus Payment Demonstration will cost \$8.35 billion over 10 years, most of which will be paid to plans with average performance—those receiving 3 and 3.5 stars.⁴ About \$5.34 billion of this estimate is attributed to bonuses more generous than those prescribed in PPACA. Most of the remaining projected cost stems from higher MA enrollment because the bonuses enable MA plans to offer beneficiaries more benefits or lower premiums. Taken together, the expanded bonuses and higher MA enrollment mainly benefit 3-star and 3.5-star plans. In addition, CMS's actuaries have estimated that the demonstration will offset (i.e., compensate plans for money they would otherwise be losing) more than one-third of the reduction in MA payments projected to occur under PPACA during the demonstration years. The largest annual offset is estimated to have occurred in 2012—71 percent—followed by 32 percent in 2013 and 16 percent in 2014.

The MA Quality Bonus Payment Demonstration does not—and is not required by law to—conform to the principles of budget neutrality (i.e., the total costs of a demonstration cannot exceed the total costs in its absence). Officials from the Office of Management and Budget told us that they considered the costs of the demonstration in the context of other administrative actions in the Medicare program that are expected to generate savings, such as an adjustment to skilled nursing facility payment rates. However, they did not confirm whether specific offsets were identified to account for the total costs of the demonstration.

The MA Quality Bonus Payment Demonstration dwarfs all other Medicare demonstrations—both mandatory and discretionary—conducted since 1995 in its estimated budgetary impact and is larger in size and scope than many of them. The estimated budgetary impact of the demonstration, adjusted for inflation, is at least seven times larger than that of any other Medicare demonstration conducted since 1995 and is greater than the combined budgetary impact of all of those demonstrations. While the demonstration is similar in scale to some Medicare Part D demonstrations, it is unlike many Medicare pay-for-

⁴According to CMS's actuaries, most of the cost of the demonstration is estimated to be concentrated in the 3 demonstration years—2012 through 2014—but some of the cost is estimated to occur in the post-demonstration years mostly because of continued higher enrollment in MA as a result of the demonstration.

performance demonstrations in that it is implemented nationwide and allows all eligible entities to participate.⁵

The design of the demonstration precludes a credible evaluation of its effectiveness in achieving CMS's stated research goal—to test whether a scaled bonus structure leads to larger and faster annual quality improvement compared with what would have occurred under PPACA. Notably, because the demonstration lacks an appropriate comparison group that can represent what would have occurred under PPACA, it is not possible to isolate its effects. Furthermore, the demonstration's bonus payments are based largely on plan performance that predates the demonstration. All the performance data used to determine the 2012 bonus payments and nearly all the data used to determine the 2013 bonus payments were collected before the demonstration's final specifications were published. Accordingly, the demonstration's incentives to improve quality can have a full impact only in 2014, the demonstration's last year. In addition, the demonstration's design is inconsistent with CMS's research goal. First, the demonstration's bonus percentages are not continuously scaled. For example, in 2014, plans with 4, 4.5, and 5 stars will all receive the same bonus percentage. Second, the demonstration's bonus percentages in 2014 do not offer all plans better incentives than PPACA to achieve higher star ratings. In particular, most plans improving from 3.5 to 4 stars in 2014 would receive a larger increase in their bonus payment under PPACA. Furthermore, any effects that are observed could be attributable, at least in part, to other MA payment and policy changes.

As GAO reported in July 2012, the demonstration's design also raises legal concerns about whether it falls within the Department of Health and Human Services' demonstration authority. Section 402(a)(1)(A) of the Social Security Amendments of 1967 as amended provides the Secretary of Health and Human Services with broad authority to modify Medicare payment methods; however, payment changes initiated under this authority must meet the criteria set forth in the statute, including providing additional incentives to increase the efficiency and economy of Medicare services and enabling a determination of whether the changes in payment methods actually increase the efficiency and economy of such services. Although a demonstration need not in fact result in increased efficiency and economy, it must meet these criteria. However, CMS has not established that either of these elements is present in the MA Quality Bonus Payment Demonstration.

⁵The Medicare Part D program provides voluntary, outpatient prescription drug coverage for eligible individuals.

Actions Needed and Potential Financial or Other Benefits

GAO recommended in March 2012 that the Secretary of Health and Human Services should take the following action:

- cancel the MA Quality Bonus Payment Demonstration and allow the MA quality bonus payment system established by PPACA to take effect. If, at a future date, the Secretary finds that this system does not adequately promote quality improvement, the Department of Health and Human Services should determine ways to modify that system, which could include conducting an appropriately designed demonstration.

Although the demonstration is now in its second year, the Department of Health and Human Services still has an opportunity to achieve significant cost savings—about \$2 billion, based on GAO’s analysis of CMS actuaries’ estimates—if it cancels the demonstration for 2014.⁶

Agency Comments and GAO’s Evaluation

In commenting on the March 2012 report on which this analysis is based, the Department of Health and Human Services disagreed with GAO’s recommendation to cancel the demonstration and its finding about the demonstration’s design shortcomings. The agency stated that, unlike PPACA’s quality bonus payment system, the demonstration provides an immediate incentive for many plans to improve the quality of care delivered to MA beneficiaries. The Department of Health and Human Services also noted that (1) the demonstration provides an incrementally larger quality bonus for each increase in an MA plan’s star rating, with the exception of bonuses to plans with 4 or more stars in 2014, (2) it will compare the impact of the demonstration—as measured by plans’ 2012 and 2013 star ratings—to what would have occurred under PPACA—as shown in their 2014 star ratings, and (3) it will determine the demonstration’s impact on quality improvement by comparing MA plans’ performance with that of non-MA plans.

After reviewing the Department of Health and Human Services’ response, GAO determined in its March 2012 report that its recommendation is warranted and its finding is sound. Regarding the Department of Health and Human Services’ disagreement with the recommendation, GAO noted that the bonuses paid in 2012 and 2013 under both PPACA and the demonstration would primarily reward past performance, with the demonstration doing so far more generously. In addition, PPACA’s bonus structure in 2014 provides many plans better incentives than the demonstration to achieve higher star ratings. In response to the Department of Health and Human Services’ disagreement with the finding on the demonstration’s design, GAO noted that 4-star and 4.5-star plans receive the same bonus percentage in all 3 years of the demonstration. In addition, GAO noted that the Department of Health and Human Services’

⁶Because all MA contracts for 2013 were in place by mid-September 2012, canceling the demonstration in 2013 can only produce cost savings in 2014 or later.

planned comparison methodology fails to distinguish between predemonstration and demonstration performance. Specifically, the 2012 star ratings are based on data collected almost entirely before the demonstration's final specifications were published and, therefore, cannot be used to measure the demonstration's impact. The 2014 star ratings will be based on data collected during the demonstration and, therefore, will reflect the demonstration's incentives. Finally, GAO stated that non-MA plans are not an appropriate comparison group because they may serve different populations, may follow different regulations or policies, and may have different incentives to improve quality than MA plans.

GAO provided a draft of this report section to the Department of Health and Human Services for review and comment. The Department of Health and Human Services did not provide comments on this report section.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. GAO reviewed 10-year cost estimates, evaluation plans, and other documents related to the MA Quality Bonus Payment Demonstration. GAO also reviewed the budget neutrality policy for Medicare demonstrations, Office of Management and Budget cost estimates and CMS documents on Medicare demonstrations, and literature on evaluating Medicare demonstrations. In addition, GAO interviewed officials from CMS and the Office of Management and Budget. Finally, GAO reviewed the law governing Medicare demonstrations under section 402 of the Social Security Amendments of 1967 as amended and CMS's response to questions about how the MA Quality Bonus Payment Demonstration meets the law's requirements.

Related GAO Products

Medicare Advantage: Quality Bonus Payment Demonstration Has Design Flaws and Raises Legal Concerns. [GAO-12-964T](#). Washington, D.C.: July 25, 2012.

Medicare Advantage Quality Bonus Payment Demonstration. [B-323170](#). Washington, D.C.: July 11, 2012.

Medicare Advantage: Quality Bonus Payment Demonstration Undermined by High Estimated Costs and Design Shortcomings. [GAO-12-409R](#). Washington, D.C.: March 21, 2012.

Contact Information

For additional information about this area, contact James C. Cosgrove at (202) 512-7114 or cosgrovej@gao.gov.

28. Checked Baggage Screening

By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.

Why This Area Is Important

Since fiscal year 2006, over \$6.8 billion has been made available to the Transportation Security Administration (TSA) for procuring and installing equipment to screen checked baggage for explosives at TSA-regulated airports. TSA procures explosives detection systems and deploys them to airports for installation in optimal configurations to, among other things, achieve efficiencies and capabilities to better detect terrorist threats.¹ To accommodate the installation of such systems, however, airports must often undertake facility modification projects. While TSA has sole responsibility for procuring and deploying screening equipment, the agency generally does not fully fund associated facility modification projects. These facility modification projects, which may be necessary or desired, include projects related to the installation of in-line baggage screening systems—an optimal configuration whereby one or more explosives detection systems are placed “in-line” with the baggage conveyor systems to expedite checked baggage screening—and generally require substantial and costly facility modifications. To offset the costs of such facility modification projects borne by nonfederal entities (typically airports or airlines), TSA enters into reimbursable agreements whereby the agency assumes financial responsibility for a portion—generally 90 percent—of an eligible facility modification project’s costs to install baggage screening systems, subject to the availability of appropriations.²

¹The term “explosives detection systems” includes both explosives detection systems (EDS), which use X-rays with computer-aided imaging to automatically recognize the characteristic signatures of threat explosives, and explosives trace detection (ETD) machines, in which a human operator (baggage screener) uses chemical analysis to manually detect traces of explosive materials’ vapors and residue. Optimal configurations achieve efficiencies by, among other things, enhancing baggage screening throughput, reducing the number of screeners needed, and reducing injuries.

²TSA generally uses two types of reimbursable agreements—letters of intent and other transaction agreements—to support airport facility modification projects related to the installation of checked baggage screening equipment. Consistent with statutory requirements, the federal cost share for a letter of intent must be 90 percent for larger TSA-regulated airports. See 49 U.S.C. § 44923. In contrast, other transaction agreements afford TSA flexibility in applying cost shares it considers appropriate to support a project. In practice, TSA generally enters into other transaction agreements at the 90 percent cost share applicable to letter of intent agreements.

What GAO Found

TSA has not conducted a study to determine if the 90 percent cost share it generally applies to reimbursable agreements supporting the installation of checked baggage screening systems continues to be appropriate given the current constrained fiscal environment. Absent direction from Congress that TSA conduct such a study, the agency currently has no plans to do so. According to senior TSA officials, the cost share agreements currently in place support good investment decisions. However, they did not provide analysis or clarifying details supporting this assertion. Moreover, TSA reported a shift in its strategic focus from completing optimal systems, such as in-line systems, to replacing and upgrading (i.e., recapitalizing) aging equipment. However, TSA identified that it will continue to support the deployment of integrated in-line systems, which may involve extensive facility modification projects, if the agency determines that such systems are an optimal and cost-effective solution at a particular airport.

GAO's work suggests that studying the current cost share arrangement is warranted and could help maximize federal resources dedicated for aviation security. To illustrate the potential impact that could be achieved if the cost share were to be adjusted, GAO reported in April 2012 that if TSA applied a 75 percent cost share to all reimbursable agreements it enters into in support of facility modification projects from fiscal years 2012 through 2030, the agency's anticipated expenditures for these modifications would be reduced by a total of roughly \$300 million. GAO used the 75 percent cost share as a basis for comparison as it reflects the mandated federal cost share for letter of intent agreements entered into by TSA at larger TSA-regulated airports through fiscal year 2007.³ This reduction in anticipated expenditures may enable TSA to install a greater number of optimal systems than it currently anticipates since, according to TSA officials, any costs not incurred by the federal government through a modification to the cost share would, consistent with applicable law, have to be used to support other or additional facility modification projects related to the installation of checked baggage screening equipment or for the procurement of such equipment.⁴

³See Pub. L. No. 108-7, § 367, 117 Stat. 11, 423-24 (2003); see also, e.g., Pub. L. No. 109-295, 120 Stat. 1355, 1362-63 (2006).

⁴In general, TSA has used the Aviation Security Capital Fund (the Fund) as its primary resource for supporting facility modification projects related to the installation of checked baggage screening equipment. The Fund, which is comprised of the first \$250 million collected in passenger security fees each fiscal year, is available to support projects that will facilitate the deployment and installation of checked baggage screening equipment, but may also be available to support other security-related capital improvement projects. See 49 U.S.C. § 44923(a), (h). Historically, TSA has used the Fund solely to account for its share of a checked baggage-related facility modification project's costs. In fiscal year 2012 (and as requested for fiscal year 2013), however, TSA obtained authorization through its annual appropriation to use the Fund in fiscal year 2012 to procure and install checked baggage screening equipment, in furtherance of its recapitalization effort to replace aging checked baggage screening equipment. See Pub. L. No. 112-74, Div. D, 125 Stat. 786, 950-51 (2011). Consequently, in fiscal year 2012, the Fund was available for purposes other than reimbursing the costs of airport facility modification projects.

Based on data provided by TSA for GAO's April 2012 report, we reported that 76 percent of all TSA regulated airports were complete.⁵ However, this figure includes 157 smaller airports that did not require in-line systems or facility modifications to be considered completely optimal, according to TSA.⁶ Without the inclusion of these 157 airports, the total percentage of complete airports was 62 percent. Moreover, most of the facility modification costs incurred by TSA are in support of modifications to the largest airports for which only 45 percent were completely optimal.⁷ Thus, studying the 90 percent cost share TSA generally applies could, if a lower federal cost share was deemed appropriate, result in a reduced federal financial commitment for any remaining facility modification projects related to the installation of checked baggage screening systems. Furthermore, as GAO has reported since March 2005, installing in-line systems can enhance security, increase screening efficiencies, and lower screening costs by, among other things, reducing the number of personnel needed to conduct baggage screening and work-related injuries. For example, in March 2011, GAO reported that TSA could realize up to \$470 million in net personnel cost savings from fiscal years 2011 through 2015 from reduced full-time equivalent baggage screener positions as a result of installing more efficient systems, including in-line screening systems.⁸

In 2006, consistent with the Intelligence Reform and Terrorism Prevention Act of 2004, TSA commissioned a working group to examine and report on what an appropriate federal government/airport cost share should be for the installation of checked baggage screening equipment.⁹ The working group, however, was unable to reach a consensus on an appropriate cost share formula, in large part because of the difficulties of

⁵To be considered complete, as TSA considers it and we define it for purposes of this report, an airport must have completed installation and activation of optimal systems—that is, in-line or stand alone systems that best fit an airport's screening needs without relying on temporary stand alone systems—across the entire airport.

⁶TSA classifies the over 400 TSA-regulated airports in the United States into one of five airport security categories (X, I, II, III, and IV) based on various factors, such as the total number of takeoffs and landings annually, the extent to which passengers are screened at the airport, and other special security considerations. In general, category X airports have the largest number of passenger boardings and category IV airports have the smallest.

⁷By largest we mean category X and I airports.

⁸These cost savings estimates were based on the assumption that all other nonpersonnel costs netted out to zero as was reported in GAO, *Aviation Security: Systematic Planning Needed to Optimize the Deployment of Checked Baggage Screening Systems*, [GAO-05-365](#) (Washington, D.C.: Mar. 15, 2005). GAO does not know whether the cost savings as reported in 2005 will continue to be achieved in the future. Net cost savings account for the differences in acquisition, modification, installation, and operation and maintenance costs between existing systems replaced with more efficient systems at airports. GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011).

⁹See Pub. L. No. 108-458, § 4019, 118 Stat. 3638, 3721-22 (2004).

measuring benefits, differing views on the federal role in funding capital investments related to checked baggage screening, and competing demands on the federal budget. While GAO acknowledges the challenges associated with developing cost share formulas, such as measuring associated benefits, conducting a study of the current federal cost share could help TSA respond to new budget realities by helping it identify new opportunities to achieve cost efficiencies for the federal government. If a study of the cost share TSA generally applies to reimbursable agreements shows that a reduction would be appropriate, the application of a lower federal cost share could enable TSA to support the installation of a greater number of baggage screening systems that best meet the needs of airports.¹⁰

In addition, the November 2010 report of the Debt Reduction Task Force, in discussing the costs of aviation security, noted that the main beneficiaries of transportation security enhancements are the users of the systems, which include airlines, airports, and passengers, who should pay for more of the costs.¹¹ A study could recommend adjusting the cost share to better reflect the relationship between the benefits of optimal checked baggage systems to airports and the share of costs to airports for installing those systems. Finally, conducting such a study would also be consistent with the House of Representatives Committee on Appropriations' intention that TSA move aggressively towards a leaner organizational and mission approach to its screening and security mission, and its belief that there must be a better balance among personnel and technology, public and private capabilities, and increased use of risk-based strategies in organization, operations, staffing, and acquisitions.¹²

In studying changes to the federal cost share, considering the effect on and coordination with industry stakeholders would be important. For instance, in April 2012, GAO reported that representatives from 8 of 10 airports GAO visited opposed a reduction in the federal cost share for related airport modifications.¹³ Their concerns related to, among other things, hardships that would be imposed on airports if they assumed a larger share of airport modification costs because of funding constraints. Airport representatives also reported having a backlog of capital projects

¹⁰Whether or not a reduction in the federal cost share applied to the reimbursable agreements will in fact result in the installation of a greater number of baggage screening systems depends upon whether airports or airlines will continue to undertake such projects with a reduced federal contribution.

¹¹The Debt Reduction Task Force, *Restoring America's Future: Reviving the Economy, Cutting Spending and Debt, and Creating a Simple, Pro-Growth Tax System* (Washington, D.C.: Bipartisan Policy Center, November 2010).

¹²See H.R. Rep. No. 112-492, at 63-64 (May 23, 2012) (accompanying H.R. 5855, 112th Cong. (2d Sess. 2012)).

¹³Two airports had no comments.

or a preference for funding initiatives that would provide additional revenue, such as parking garages or larger areas for concessions. Nonetheless, representatives of all 10 airports also cited the additional advantages of in-line systems, including the reduction of passenger congestion in airport terminals and fewer instances of lost or stolen bags.

Actions Needed and Potential Financial or Other Benefits

To better position TSA to achieve greater program efficiencies and support the installation of a greater number of optimal systems than currently anticipated, which could result in increased efficiencies and enhanced security, Congress may wish to consider taking the following two actions:

- direct TSA to study, in consultation with relevant industry stakeholders, whether the 90 percent federal cost share that TSA generally applies to cost sharing agreements for eligible airport facility modification projects related to the installation of checked baggage screening systems is appropriate or should be adjusted; and
- consider whether an amendment to current legislation, or enactment of new legislation, is necessary and warranted if it is determined that a change in the current federal cost share that TSA generally applies to these cost sharing agreements is appropriate.

Because TSA has revised its checked baggage acquisition strategy to focus more attention on recapitalizing aging equipment and less emphasis on the installation of in-line screening systems, GAO could not develop a precise estimate of the potential cost efficiencies associated with a change in the federal cost share. Nevertheless, based on information TSA provided for GAO's April 2012 report, GAO's illustration of the potential impact of reducing the federal share suggests that hundreds of millions of dollars could be made available to facilitate the installation of additional checked baggage screening systems. Moreover, because TSA stated that it will continue to support deploying integrated in-line systems, as appropriate, and GAO has reported such systems can improve security while possibly decreasing costs, a cost share study could identify opportunities for maximizing federal resources.

Agency Comments and GAO's Evaluation

GAO provided a draft of this report section to the Department of Homeland Security (DHS) for review and comment. In commenting on the draft, DHS said that the GAO estimate of \$300 million in reduced expenditures for anticipated modifications is extremely high because 89 percent of airports are now complete for optimal baggage screening systems. The department added that the estimate does not fully reflect the shift in TSA focus to replacing and upgrading aging equipment, which are recapitalization projects that TSA fully funds. DHS also noted that even at the current 90 percent funding level, TSA is not receiving any applications from airports to install in-line systems. DHS also stated that they had previously requested a decrease in the cost share for letters of intent to 75 percent, but it was not included as part of the appropriation.

For our April 2012 report, GAO calculated the potential reduction in agency expenditures for anticipated modifications of roughly \$300 million based on information TSA provided on the cost of modifications, which at the time represented their best estimate. As we reported, 76 percent of airports were complete. Further, as we noted above, most of the facilities modification costs occur at the larger airports for which we determined that only 45 percent were complete. TSA has provided updated information that 89 percent of airports are complete, however as we noted above, 157 of the airports designated as complete did not require facility modifications because of their smaller size and lack of need for in-line systems. Excluding these 157 airports and considering only the airports that might need facility modifications would reduce the TSA estimate for completed airports from 89 to 83 percent. Although potential cost efficiencies might be lower with the completion of more optimization projects since GAO issued its 2012 report, some degree of cost efficiencies could be realized if a reduced cost share was applied to the remaining projects.

GAO noted TSA's shift in focus from optimization to recapitalization both above and in its April 2012 report. Because GAO calculated the estimated reduction in expenditures for anticipated modifications based on information TSA provided for GAO's April 2012 report, the estimate portrays the shift in focus to the extent that the TSA information reflected it. Moreover, given that TSA is now emphasizing recapitalization, and it funds 100 percent of recapitalization costs, GAO believes this further underscores the need to seek opportunities for cost efficiencies on baggage system optimization projects.

TSA reported for our April 2012 report that it does not independently survey airport needs, but rather waits for airports to apply for optimal systems. Thus, it lacks sound data on the needs of remaining airports and why they are not applying, which could be due to many factors other than cost share, such as their financial willingness and competing airport priorities, such as construction projects. GAO continues to believe that all of these factors would warrant consideration in studying the cost share if the Congress directed TSA to do so, and that a cost share study could identify opportunities for maximizing federal resources.

Finally, regarding DHS's comment that it had previously requested a decrease in the cost share for letters of intent to 75 percent, we note that for fiscal years 2005 through 2007 TSA requested, and the respective Department of Homeland Security appropriations acts included, provisions establishing the federal cost share for letters of intent at 75 percent for certain airports. TSA also made the same request for fiscal year 2008, but TSA's appropriation for that year did not include a provision reflecting the 75 percent cost share. TSA has not made any subsequent requests for a reduced cost share, and attributes enactment of the Implementing Recommendations of the 9/11 Commission Act of

2007 as being a definitive statement by Congress on the issue.¹⁴ Given the current fiscal environment as well as other security benefits and efficiencies GAO has reported on in its prior work, a study by TSA may better position the Congress to determine whether a modification to the cost share is appropriate.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the reports listed in the related GAO products section. To determine the impact of reducing the current federal cost share on the amount TSA pays for these modifications, GAO calculated estimates based on TSA's August 2011 projections of how much airport modifications will cost for fiscal years 2012 through 2030. Furthermore, GAO interviewed senior TSA officials about their current facility modification plans and perspectives on reducing the federal costs share. Table 20 in appendix IV lists the programs GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Products

Checked Baggage Screening: TSA Has Deployed Optimal Systems at the Majority of TSA-Regulated Airports, but Could Strengthen Cost Estimates. [GAO-12-266](#). Washington, D.C.: April 27, 2012.

Aviation Security: Systematic Planning Needed to Optimize the Deployment of Checked Baggage Screening Systems. [GAO-05-365](#). Washington, D.C.: March 15, 2005.

Contact Information

For additional information about this area, contact Stephen M. Lord at (202) 512-4379 or lords@gao.gov.

¹⁴See Pub. L. No. 110-53, §§ 1603-04, 121 Stat. 266, 480-81 (2007) (relating to in-line baggage screening systems).

29. Cloud Computing

Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars.

Why This Area Is Important

Each year the federal government spends billions of dollars on information technology (IT) investments; federal agencies reported to the Office of Management and Budget (OMB) that approximately \$74 billion was budgeted for IT for fiscal year 2013. Over the past several years, GAO has reported that federal IT projects too frequently incur cost overruns and schedule slippages while contributing little to mission outcomes. Cloud computing, an emerging approach to delivering IT services, provides on-demand access to a shared pool of scalable computing resources. According to OMB, cloud computing has the potential to address IT inefficiencies by providing services both more quickly and at a lower cost. OMB further noted that IT services costing billions of dollars annually could potentially be migrated to cloud computing. Accordingly, agencies reported saving millions of dollars from implementing cloud-based solutions. In particular, the Department of Homeland Security reported that its implementation of enterprise content delivery services avoids an estimated \$5 million in costs annually.

In December 2010, OMB issued a “Cloud First” policy that requires federal agencies, when evaluating options for IT deployments, to implement cloud-based solutions whenever a secure, reliable, and cost-effective cloud option exists. Each agency was also required to migrate three IT services¹ to a cloud solution by June 2012² and retire the associated legacy systems.

What GAO Found

In July 2012, GAO reported that seven federal agencies GAO reviewed had made progress implementing OMB’s Cloud First policy.³ Consistent with this policy, each of these seven agencies incorporated cloud computing requirements into their policies and processes. For example, one agency planned to review its IT investment portfolio to identify candidates for cloud solutions. Another agency identified cloud computing as a high priority and complied with the OMB deadlines by migrating

¹For example, agencies selected services such as e-mail, website hosting, and document management.

²The first IT service was to be migrated by December 2011 and the other two by June 2012.

³The selected agencies were the Departments of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury; the General Services Administration; and the Small Business Administration. We selected these agencies using a combination of the size of the agencies’ IT budgets and their prior experience in using cloud services.

existing IT services to or offering new services in a cloud-based environment. Further, five of the seven agencies reported that they had met the OMB deadlines to identify and implement three cloud services by June 2012. The other two agencies planned to implement three services from August through December 2012.⁴ Each of the agencies also identified opportunities for future cloud implementations. For example, one agency is considering moving its storage and help desk services to a cloud environment, while another agency is considering moving its development environment to a cloud solution.

In addition, each of the seven agencies submitted plans to OMB for implementing their respective cloud solutions. According to OMB, each plan is to contain, among other things, estimated costs of implementing the new cloud service, major milestones for implementing the service, performance goals, and plans for retiring the associated legacy systems. However, all but one plan were missing one or more key required elements. For example, of the plans we reviewed,⁵ 7 did not include estimated costs for implementing the new cloud service, 5 did not include major milestones, 11 did not include performance goals, and 14 did not include plans to retire the associated legacy systems. According to agency officials, these elements were missing largely because the agencies did not have the information available at the time the plans were developed, despite OMB's requirement. GAO reported that identifying key elements—cost estimates, milestones, performance goals, and legacy system retirement plans—will be essential in determining whether agencies' activities constitute a positive return on investment, and therefore whether the benefits of their activities—improved operational efficiencies and reduced costs associated with retiring legacy systems—will be fully realized.

Actions Needed and Potential or Other Financial Benefits

GAO recommended in July 2012 that the Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury and the Administrators of the General Services Administration and the Small Business Administration direct their respective Chief Information Officers to take the following two actions:

- establish estimated costs, performance goals, and plans to retire associated legacy systems for each cloud-based service discussed in the report, as applicable; and

⁴As of Jan. 2013, the Department of Agriculture and Small Business Administration provided evidence that they had completed the three required implementations.

⁵One of the seven agencies, the Small Business Administration, changed one of its services and did not submit a plan to OMB for the new service.

-
- develop, at a minimum, estimated costs, milestones, performance goals, and plans for retiring legacy systems, as applicable, for planned additional cloud-based services.

These actions could help to ensure the success of agencies' implementation of cloud-based solutions. Determining precise costs and potential cost savings in this area is challenging because the costs of cloud-based solutions—and thus agencies' expenditures—vary based on consumption, and because the migrated cloud-based services may offer additional functionality not provided by the legacy system. Further, because agencies do not capture costs in a uniform manner, GAO was unable to quantify the cost savings associated with the migration. Nevertheless, agencies reported saving millions of dollars from implementing cloud-based solutions.

On the basis of the level of investments that agencies are making and OMB's Cloud First policy, agencies have opportunities to achieve significant cost savings if they implement the actions outlined earlier. As agencies implement these and other cloud-based solutions, identifying key information—cost estimates, milestones, performance goals, and legacy system retirement plans—will also be essential in determining whether their activities will result in improved operational efficiencies and cost savings, and therefore whether the benefits of their activities will be fully realized.

Agency Comments and GAO's Evaluation

In commenting on the July 2012 report on which this analysis was based, the Departments of Agriculture, Homeland Security, and the Treasury, and the General Services Administration, agreed with the recommendations; the Department of State (State) agreed with the second recommendation and disagreed with the first recommendation; and the Department of Health and Human Services and the Small Business Administration did not agree or disagree with the recommendations. In particular, the Department of State disagreed because the services in question did not have associated legacy systems to be retired. However, GAO noted that State had not established performance goals for its electronic library service, as called for in the recommendation; thus the recommendation remained applicable and relevant to the department. OMB and the National Institute of Standards and Technology provided technical comments, which were incorporated as appropriate.

GAO provided a draft of this report section to the Departments of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury, as well as the General Services Administration, the Small Business Administration, and the Office of Management and Budget for review and comment. The Department of Health and Human Services acknowledged its support for and the importance of establishing estimated costs and performance goals, and developing milestones, but noted that GAO's recommendation to develop plans for retiring legacy systems requires clarification. In particular, the department stated that retirement plans may not be necessary for all cloud implementations

because legacy systems may not be retired, either because the cloud deployment is new development, the deployment augments, but does not replace, existing capacity, or the deployment replaces one service of a multi-tier application, resulting in the partial retirement of a legacy system. GAO acknowledges in its recommendation that a retirement plan may not be applicable for all cloud deployments, recognizing that some cloud implementations may be new or enhanced functionality.

The department further stated that GAO's recommendations would benefit from some recognition that the depth of documentation and evaluation should bear some relationship to the cost or size of the cloud deployment, so that small innovative projects are not inhibited by requirements more suitable to large expensive ones. GAO does not disagree that the documentation and evaluation may be relative to the cost and size of the deployment. Nevertheless, GAO continues to believe that developing cost estimates, milestones, and performance goals for cloud deployments, as well as developing plans for retiring legacy systems, as appropriate, are important planning elements of each cloud implementation because such information enables agencies to determine whether cloud deployments are cost effective and ensures that savings generated from retiring legacy systems are realized.

The Office of Management and Budget stated that it continues to emphasize its Cloud First policy with agencies as one of the primary ways that the cost of delivering IT services can be reduced in the future. The Department of Homeland Security provided a technical comment, which GAO incorporated. The Departments of Agriculture, State, and the Treasury, as well as the General Services Administration and the Small Business Administration did not provide any comments on this report section.

How GAO Conducted Its Work

The information contained in this analysis is based on our July 2012 report in the related GAO products section. GAO selected seven agencies using a combination of the size of the agencies' IT budgets and their prior experience in using cloud services. GAO analyzed documentation from the selected agencies, including 20 plans across seven agencies and progress reports submitted to OMB that described the actions agencies had taken to migrate selected services to a cloud solution, and interviewed officials responsible for implementing the cloud solutions to determine how the services were selected and migrated. GAO also compared agencies' documentation with OMB's associated guidance to determine any variances.

Related GAO Products

Information Technology Reform: Progress Made but Future Cloud Computing Efforts Should be Better Planned. [GAO-12-756](#). Washington, D.C.: July 11, 2012.

Information Technology Reform: Progress Made; More Needs to Be Done to Complete Actions and Measure Results. [GAO-12-461](#). Washington, D.C.: April 26, 2012.

Information Security: Additional Guidance Needed to Address Cloud Computing Concerns. [GAO-12-130T](#). Washington, D.C.: October 6, 2011.

Information Security: Governmentwide Guidance Needed to Assist Agencies in Implementing Cloud Computing. [GAO-10-855T](#). Washington, D.C.: July 1, 2010.

Information Security: Federal Guidance Needed to Address Control Issues with Implementing Cloud Computing. [GAO-10-513](#). Washington, D.C.: May 27, 2010.

Contact Information

For additional information about this area, contact David A. Powner at (202) 512-9286, or pownerd@gao.gov.

30. Information Technology Operations and Maintenance

Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.

Why This Area Is Important

Of the \$79 billion federal agencies budgeted for information technology (IT) in fiscal year 2011, \$54 billion (about 69 percent) was reported to have been spent on the operations and maintenance of existing legacy IT systems—commonly referred to as steady state investments. Given the magnitude of these investments, it is important that agencies effectively manage them to ensure the investments (1) continue to meet agency needs, (2) deliver value, and (3) do not unnecessarily duplicate or overlap with other investments. Accordingly, the Office of Management and Budget (OMB) developed guidance that calls for agencies to analyze (via operational analysis) whether such investments are continuing to meet business and customer needs and are contributing to meeting the agency's strategic goals.¹ More specifically, this guidance calls for agencies to perform operational analyses annually on each steady state investment and requires that each operational analysis address 17 key factors, including cost, schedule, customer satisfaction, strategic and business results, financial goals, and whether the investment overlaps with other systems.

What GAO Found

In October 2012, GAO reported that the five agencies it reviewed—the Departments of Defense (DOD), Health and Human Services (HHS), Homeland Security (DHS), the Treasury, and Veterans Affairs (VA)—varied in the extent to which they performed operational analyses as called for by OMB guidance. Specifically, DHS and HHS conducted operational analyses, but in doing so, excluded key investments. DOD, Treasury, and VA did not conduct operational analyses. These five agencies' investments accounted for approximately \$37 billion annually or about 70 percent of all reported federal operations and maintenance spending in fiscal year 2011. GAO focused on these agencies' 75 major IT investments valued at \$4.6 billion annually that were strictly in the operations and maintenance phase and excluded mixed life-cycle investments that are in both development and operations and maintenance, which account for about \$32 billion. The following table shows the total number of steady state investments for each agency, and provides the number and budgeted amount for those investments that underwent an operational analysis and those that did not.

¹OMB, *Capital Programming Guide*, Supplement to OMB Circular A-11, Part 7 (Washington, D.C.: July 2012).

Total Steady State IT Investments, and Number of Investments for Five Agencies That Had Operational Analyses and Did Not Have Operational Analyses with Cost

(Dollars in millions)

Agency (total investments in steady state)	Total investments with an operational analysis	Fiscal year 2011 cost	Total investments without an operational analysis	Fiscal year 2011 cost
DOD (4)	0	—	4	\$381
DHS (44)	16	1,175	28	1,011
HHS (8)	7	207	1	77
Treasury (16)	0	—	16	152
VA (3)	0	—	3	1,600
Total (75)	23	\$1,400	52	\$3,200

Source: GAO analysis based on OMB data.

Note: Costs by agency may not add to total due to rounding.

As shown in the table above, of DHS's 44 steady state investments, the department conducted operational analyses on 16 of them, which have a combined annual budget of almost \$1.2 billion; it did not perform analyses on the other 28, which have an annual budget of about \$1 billion. HHS conducted analyses on 7 of its 8 steady state investments, which have an annual budget of \$207 million; it did not perform an operational analysis on the remaining investment, which has an annual budget of \$77 million. In addition, although DHS and HHS performed analyses, the agencies did not address all 17 key factors—such as those on identifying lessons learned and reviewing the status of risk versus cost, schedule, and performance—in conducting them. DOD, Treasury, and VA did not conduct operational analyses for any of their 23 steady state investments that have combined annual budgets of \$2.1 billion.

The following illustrates how factors were fully addressed, partially addressed, or not addressed by component agencies within DHS and HHS.

- In assessing the Information Technology Infrastructure Program, DHS's Transportation Security Administration addressed 8 of the 17 key factors. For example, on the factor calling for performance of a structured schedule assessment, the agency analyzed a detailed list of task descriptions, start and end dates, and planned versus actual costs to ensure the investment is performing against an established schedule, which can minimize costs over the life cycle of an investment. The agency partially addressed one key factor; specifically, the factor calling for identifying whether the investment supports customer processes and is delivering the goods and services intended. In assessing this factor, Transportation Security Administration conducted surveys to measure customer satisfaction, but in doing so did not include measures to assess whether the investment was delivering the goods and services it was designed to deliver. The agency did not address eight key factors. For example, it did not identify any areas for innovation or whether the investment overlapped with other systems. These latter steps are essential to

identifying investment improvements, increasing value and reducing costs, and eliminating duplicate systems and the costs associated with them.

- For its Infrastructure, Office Automation, and Telecommunications investment, HHS's Indian Health Service fully addressed 14 key factors. For example, in addressing the factor on assessing performance goals, it analyzed the investment's performance goals against the results to date for each goal. The agency partially addressed the factor on the status of risks versus cost, schedule, and performance. Specifically, it analyzed cost and schedule progress, but did not include an assessment of risks. Indian Health Service did not address two key factors; it did not identify lessons learned and whether the investment overlapped with other systems. Addressing these factors is important because they help agencies to, among other things, identify where cost-effective improvements can be made.

Regarding why DOD and VA had not developed policies and were not performing analyses, officials from those agencies stated that in lieu of conducting operational analyses, they assessed the performance of steady state investments as part of developing their annual plans and business cases submitted to OMB (called exhibit 300s). While GAO previously reported that using the exhibit 300 process can be a tool to manage investment performance, GAO's analysis showed that the process does not fully address 11 of the 17 factors. Treasury officials from the department's office of the Chief Information Officer said they decided not to perform operational analyses in 2011 and instead decided to use the time to develop a policy for conducting operational analyses. However, the officials stated that they did not anticipate the policy to be completed until the end of the calendar year.

Until these agencies perform operational analyses on all their steady state investments and ensure they address all factors in doing so, there is increased potential for these multibillion dollar investments to result in waste and unnecessary duplication. To this point, there is evidence showing that duplication of such IT investments is occurring at two of these agencies. For example, within DOD, GAO reported in February 2012 there were 31 potentially duplicative investments totaling approximately \$1.2 billion.² In particular, GAO identified four Navy personnel assignment investments—one system for officers, one for enlisted personnel, one for reservists, and a general assignment system—each of which is responsible for managing similar functions. In addition, at DHS, GAO reported that the department independently identified duplicative functionality in four investments—including a personnel security investment, time and attendance investment, human resources investment, and an information network investment. These two

²GAO, *Information Technology: Departments of Defense and Energy Need to Address Potentially Duplicative Investments*, [GAO-12-241](#) (Washington, D.C.: Feb. 17, 2012).

agencies are taking steps to implement recommendations GAO made to identify and address such duplicative investments. While this is a positive development, it is important to note that these two agencies and the other three GAO reviewed reportedly spent over \$4.6 billion in fiscal year 2011 on steady state investments and \$32 billion on mixed life-cycle investments so the potential for identifying and avoiding costs associated with duplicative functionality across investments is significant.

Actions Needed and Potential or Other Financial Benefits

To ensure that major steady state IT investments are being adequately analyzed, GAO recommended in October 2012 that the Secretaries of Defense, Homeland Security, Health and Human Services, Veterans Affairs, and the Treasury take the following action:

- direct appropriate officials to annually perform operational analyses on all investments and ensure the assessments include all key factors.

In addition, to ensure these annual assessments are conducted, GAO recommended in October 2012 that the Director of OMB take the following action:

- direct agencies to report operational analysis results for all steady state investments to OMB for oversight and dissemination via a publicly available OMB website on federal IT spending and performance.

Implementation of these recommendations could help agencies achieve cost savings by strengthening the oversight of their steady state investments in operations and maintenance, including identifying and terminating investments that no longer meet agency needs or unnecessarily overlap and duplicate other investments, thus resulting in the potential for savings on billions of dollars in IT investments.

Agency Comments and GAO's Evaluation

In commenting on a draft of the October 2012 report on which this submission is based, OMB and the five agencies agreed with the findings and recommendations.

GAO provided a draft of this report section to OMB and the five agencies for review and comment. Overall, OMB and two agencies (DOD and Treasury) agreed with the report section, one agency (DHS) had technical comments, and the two remaining agencies (HHS and VA) either had no comments or had no objections. Specifically, in an e-mail received on January 23, 2013, OMB officials stated that they concurred with GAO's recommendations and reiterated the actions it had taken to address them. In an e-mail received on January 23, 2013, DOD reaffirmed concurrence with GAO's recommendation and added that it is in the process of drafting operational analysis guidance which the department plans to coordinate with the services and other departmental components before finalizing and implementing the guidance. In addition, in an e-mail received on January 28, 2013, Treasury officials stated that they agreed with GAO's

recommendations and that the department had issued a revised operational analysis policy (dated November 5, 2012). The officials also noted that Treasury has directed that operational analyses be performed for all major investments that have production elements. Treasury anticipates receiving operational analyses for all of these investments in calendar year 2013 and plans to share the results with OMB. Further, in its technical comments provided on January 23, 2013, DHS noted that after receiving a draft of our October 2012 report, the department identified and provided to GAO OAs that it had performed on 3 additional investments in fiscal year 2011.³ Finally, in an e-mail received on January 24, 2013, HHS officials stated they had no comment on the report section and in an e-mail received on January 22, 2013, VA officials stated they had no objection to the report section.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the report in the related GAO products section. As part of that report, GAO selected the five agencies with the largest budgets for major steady state IT investments; these agencies report spending \$37 billion annually (or about 70 percent) of the \$54 billion reportedly spent by all federal agencies on operations and maintenance of legacy systems in fiscal year 2011. In doing this, GAO focused on these agencies' 75 major IT investments valued at \$4.6 billion in fiscal year 2011 that were strictly in the operations and maintenance phase (i.e., excluded systems that are in both development and operations and maintenance which account for about \$32 billion). GAO reviewed all operational analyses performed on these agencies' major IT investments during fiscal year 2011 and compared them to OMB and related criteria. Table 21 in appendix IV lists the programs GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Products

Information Technology: Agencies Need to Strengthen Oversight of Billions of Dollars in Operations and Maintenance Investments. [GAO-13-87](#). Washington, D.C.: October 16, 2012.

Contact Information

For additional information about this area, contact David A. Powner at (202) 512-9286, or pownerd@gao.gov.

³The three investments were the Automated Targeting System, Transportation Worker Identification Credential, and Computer-Linked Application Information Management System 4.0.

31. Tobacco Taxes

Federal revenue losses were as much as \$615 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.

Why This Area Is Important

Tobacco use is the leading cause of preventable death, disease, and disability and a significant contributor to health care costs in the United States. Federal and state legislation has aimed to discourage tobacco use and raise revenues by increasing excise taxes on tobacco products. In April 2009, the Children's Health Insurance Program Reauthorization Act (CHIPRA) increased federal excise tax rates for smoking tobacco products (cigarettes, roll-your-own tobacco, pipe tobacco, small cigars, and large cigars); however, it did not equalize the tax rate across all of these smoking tobacco products. The Department of the Treasury (Treasury) collects federal excise taxes on tobacco products.

What GAO Found

As GAO reported in April 2012, large federal excise tax disparities among smoking tobacco products, which resulted from CHIPRA, created opportunities for tax avoidance and led to significant market shifts by manufacturers and price-sensitive consumers towards the lower-taxed products. While revenue collected for all smoking tobacco products from April 2009 through September 2011 amounted to \$40 billion, GAO estimated that federal revenue losses, due to market shifts from roll-your-own to pipe tobacco and from small to large cigars, ranged from about \$615 million to \$1.1 billion for the same period. Though CHIPRA increased federal excise tax rates for pipe tobacco and large cigars, the rates for pipe tobacco remain significantly lower than for other smoking tobacco products and large cigar rates can be significantly lower, depending on price. According to GAO's analysis and interviews with government, industry, and nongovernmental organization representatives, the tax disparities created incentives for price-sensitive consumers to substitute higher-taxed products with lower-taxed products, particularly as manufacturers have made changes so that their lower-tax products more directly substitute for the higher-tax products.

Cigars are differentiated from cigarettes by their wrapper and whether the product is, for a number of reasons, likely to be offered to, or purchased by, consumers as a cigarette. Large and small cigars are differentiated by a weight threshold alone—with small cigars being defined as those weighing 3 pounds or less per thousand sticks. Roll-your-own tobacco and pipe tobacco are defined by factors such as the use for which the product is suited and how they are offered for sale, as indicated by their appearance, type, packaging, and labeling. The following photograph shows a sample of different cigarette and cigar products. Several of the products closely resemble each other in size and shape.

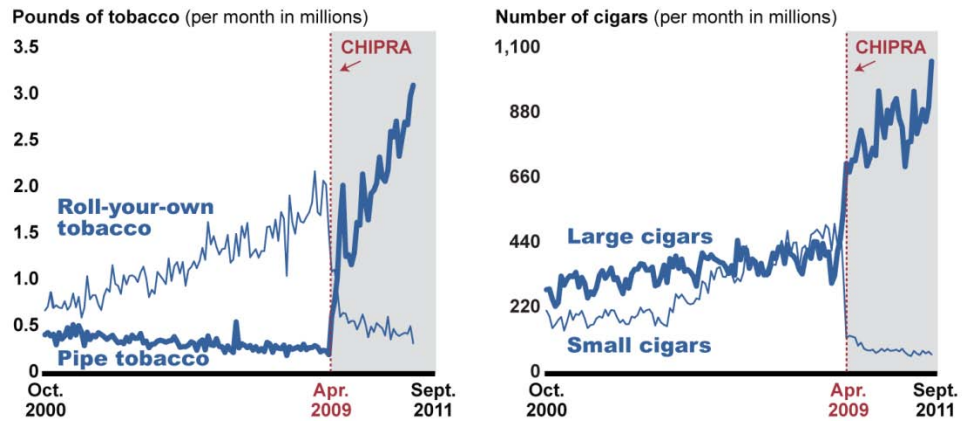
Examples of Cigarette and Cigar Products



Source: GAO.

Prior to CHIPRA, roll-your-own and pipe tobacco were taxed at the same rate (\$1.10 per pound). However, CHIPRA raised the federal excise tax rates for roll-your-own tobacco and pipe tobacco by different amounts, resulting in a \$21.95 per pound difference between the higher-taxed roll-your-own tobacco (\$24.78 per pound) and the lower-taxed pipe tobacco (\$2.83 per pound). As a result, of the three cigarette products shown in the photograph above, the cigarette made with pipe tobacco is taxed at a much lower rate than either the factory-made cigarette or the cigarette made with roll-your-own tobacco. As shown in the figure below, from January 2009 to September 2011, monthly sales of pipe tobacco increased from approximately 240,000 pounds to over 3 million pounds, while monthly sales of roll-your-own tobacco dropped from about 2 million pounds to 315,000 pounds during the same time period. According to government officials and representatives of industry and nongovernmental organizations, roll-your-own tobacco manufacturers shifted to producing lower-taxed pipe tobacco with minimal, if any, changes to their products, and consumers substituted pipe tobacco for use in roll-your-own cigarettes.

Monthly Sales for Roll-Your-Own and Pipe Tobacco, and for Small and Large Cigars, Fiscal Years 2001 through 2011



Source: GAO analysis of Treasury data.

CHIPRA also significantly changed the tax rates on cigars, resulting in a large tax-rate disparity between low-priced large cigars and small cigars. Large cigars are unique among tobacco products in that the tax rate is ad valorem (a percentage of the manufacturer’s or importer’s sale price per thousand sticks), up to a maximum tax per thousand sticks. While CHIPRA increased small cigar tax rates from \$1.83 to \$50.33 per thousand sticks, the ad valorem rate for large cigars increased from 20.72 percent to 52.75 percent of the manufacturer’s or importer’s sale price, up to a maximum tax of \$402.60 per thousand sticks. As a result, cigars with a manufacturer’s price of \$50 per thousand, for example, would experience a tax savings of \$23.95 per thousand if they qualified as large rather than small cigars. While the small cigar and filtered large cigar shown in the photograph above are similar in appearance, they are likely taxed at significantly different rates, depending on the price of the filtered large cigar. According to government officials and representatives of nongovernmental organizations, because weight is the only characteristic that distinguishes small cigars from large cigars, many cigar manufacturers made their small cigars slightly heavier to qualify for the large cigar tax rate and avoid higher taxes levied on small cigars after CHIPRA. As shown in the monthly sales figure above, from January 2009 to September 2011, large cigar sales increased from 411 million to over 1 billion cigars, while small cigar sales dropped from about 430 million to 60 million cigars during the same time period.

Although Treasury has taken steps to respond to these market shifts, it has limited options. For example, Treasury has attempted to differentiate between roll-your-own and pipe tobacco for tax purposes but faces challenges because the definitions of the two products in the Internal Revenue Code of 1986 do not specify distinguishing physical characteristics. Treasury also has limited options to address the market shift to large cigars because, according to Treasury officials, the agency lacks the authority to take action against manufacturers’ legitimate modifications of small cigars to qualify them for the lower tax rate on large

cigars. In addition, Treasury faces added complexity in monitoring and enforcing tax payments due to the change in large cigar tax rates.

Actions Needed and Potential or Other Financial Benefits

GAO suggested in April 2012 that Congress, as it continues its oversight of CHIPRA, may wish to consider taking the following two actions:

- consider equalizing tax rates on roll-your-own and pipe tobacco; and
- in consultation with Treasury, consider options for reducing tax avoidance due to tax differentials between small and large cigars.

Taking these two actions will address further revenue losses that amounted to an estimated \$615 million to \$1.1 billion between April 2009 and September 2011. Two bills have been introduced in the 113th Congress that would address this issue of tobacco tax disparities, but as of March 8, 2013, Congress had not acted on either bill.

Agency Comments and GAO's Evaluation

In commenting on the April 2012 report on which this analysis is based, Treasury generally agreed with GAO's overall conclusion that CHIPRA's introduction of large tax disparities between similar products contributed to the substitution of higher-taxed tobacco products with lower-taxed tobacco products. Treasury also agreed with GAO's observation that modifying tobacco tax rates to eliminate significant tax differentials between similar products would address the market shifts that GAO identified.

GAO provided a draft of this report section to Treasury for review and comment. Treasury generally agreed with GAO's overall conclusions. In commenting on this report section in January 2013, a Treasury official noted that the substitution trends have continued. The official observed that in the year proceeding CHIPRA, of all of the cigars "sold" in the United States by domestic manufacturers, 52 percent were small cigars and 48 percent were large cigars. In the 2 years following CHIPRA, these numbers were 8 percent for small cigars and 92 percent for large cigars.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO product section. GAO analyzed documents and interviewed agency officials from Treasury's Alcohol and Tobacco Tax and Trade Bureau, the U.S. Food and Drug Administration (FDA), and the Centers for Disease Control and Prevention, as well as tobacco industry members, representatives of public health, and other nongovernmental organizations, and academics, to obtain information on tobacco legislation and regulations, tobacco product sales trends, and consumption patterns. GAO analyzed Treasury data to identify sales trends across the different tobacco products from October 2001 through September 2011. GAO collected and analyzed data on federal excise tax rates for smoking tobacco products and the revenues generated from their sale during the same time period. GAO estimated what the effect on tax

revenue collection would have been if the sales trend for roll-your-own and pipe tobacco and for small and large cigars had not been affected by substitution between the products but had been affected by the increase in price due to the tax—in other words, if the market shifts resulting from the substitution of higher-taxed products with lower-taxed products had not occurred. GAO’s analysis takes into account the expected fall in quantity demanded due to the price increases resulting from higher federal excise tax rates that CHIPRA imposed on all four of these smoking tobacco products. Table 22 in appendix IV lists the programs GAO identified that might have opportunities for cost savings or revenue enhancement.

Related GAO Product

Tobacco Taxes: Large Disparities in Rates for Smoking Products Trigger Significant Market Shifts to Avoid Higher Taxes. [GAO-12-475](#). Washington, D.C.: April 18, 2012.

Contact Information

For additional information about this area, contact David Gootnick at (202) 512-3149, or gootnickd@gao.gov.

Appendix I: List of Congressional Addressees

The Honorable Barbara A. Mikulski
Chairwoman
The Honorable Richard Shelby
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Patty Murray
Chairman
The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate

The Honorable Thomas R. Carper
Chairman
The Honorable Tom Coburn
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate

The Honorable Harold Rogers
Chairman
The Honorable Nita M. Lowey
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Paul Ryan
Chairman
The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
House of Representatives

The Honorable Darrell Issa
Chairman
The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Claire McCaskill
United States Senate

The Honorable Mark R. Warner
United States Senate

Appendix II: Objectives, Scope, and Methodology

Section 21 of Public Law 111-139, enacted in February 2010, requires GAO to conduct routine investigations to identify federal programs, agencies, offices, and initiatives with duplicative goals and activities within departments and government-wide. This provision also requires GAO to report annually to Congress on its findings, including the cost of such duplication, and recommendations for consolidation and elimination to reduce duplication and specific rescissions (legislation canceling previously enacted budget authority) that Congress may wish to consider.¹ Our objectives in this report are to (1) identify what potentially significant areas of fragmentation, overlap, and duplication, as well as opportunities for cost savings and enhanced revenues, exist across the federal government; and (2) identify what options, if any, exist to minimize fragmentation, overlap, and duplication in these areas and take advantage of opportunities for cost savings and enhanced revenues.

For the purposes of our analysis, we used the term "fragmentation" to refer to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and there may be opportunities to improve how the government delivers these services. We used the term "overlap" when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We considered "duplication" to occur when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.² This report presents 17 areas of fragmentation, overlap, and duplication where greater efficiencies or effectiveness in providing government services may be achievable. In light of the long-term fiscal imbalances that the federal government faces, and consistent with our approach for the first annual report, we also highlighted 14 opportunities for potential cost saving or revenue enhancements.

GAO's Approach

While the areas identified in our annual reports do not represent the full extent of our systematic examination, we conducted a systematic and practical examination across the federal government to provide reasonable coverage for areas of potential fragmentation, overlap, and

¹To date, this work has not identified a basis for proposing specific funding rescissions.

²We recognize that there could be instances where some degree of program fragmentation, overlap, and duplication, may be warranted due to the nature or magnitude of the federal effort.

duplication government-wide over the course of our 2011 through 2013 annual reports. This examination used a multiphase approach:

- *Examination of budget functions and subfunctions of the federal government:* We examined OMB's MAX Information System³ data to identify and analyze which federal agencies obligated funds for budget functions and subfunctions, representing nearly all of the overall federal funds obligated in fiscal year 2010. Budget functions provide a system of classifying budget resources so that budget authority, outlays, receipts, and tax expenditures can be related to the national needs being addressed. Each budget account is generally placed in the single budget function (for example, national defense or health) that best reflects its major purpose, an important national need. A budget function may be divided into two or more subfunctions, depending on the complexity of the national need addressed. Because federal budget functions classify budget resources by important national need (such as National Defense, Energy, and Agriculture), identifying instances when multiple federal agencies obligate funds within a budget function or subfunction may indicate potential duplication or cost savings opportunities. Although this type of analysis cannot answer the question of whether fragmentation or overlap exists—nor indicate whether the overlap shown is duplicative—it can help in the selection of areas for further investigation. Using this information, we identified each instance in which an executive branch or independent agency obligated more than \$10 million within these 18 budget functions for further consideration.
- *Examination of key agency documents:* When multiple federal agencies have similar missions, goals or programs, the potential for unnecessary fragmentation, overlap, and duplication exists. As a result, we examined key agency documents such as strategic plans, performance and accountability reports, and budget justifications to determine and analyze their missions, goals or programs.
- *Review of key external published sources:* We reviewed key external published sources of information. For example, we reviewed reports published by the Congressional Budget Office, Inspectors General, and the Congressional Research Service.

Because it is not practical to examine every instance of potential duplication or opportunities for cost savings across the federal government, we considered a variety of factors to determine whether such potential instances or opportunities were significant enough to require additional examination. Such factors included, but were not limited

³The MAX Information System is used to support the federal budget process. The system has the capability to collect, validate, analyze, model, and publish information relating to government-wide management and budgeting activities and can also be used as an information sharing and communication portal between government organizations.

to, the extent of potential cost savings, opportunities for enhanced program efficiency or effectiveness, the degree to which multiple programs may be fragmented, overlapping, or duplicative, whether issues had been identified by GAO or external sources, and the level of coordination among agency programs. On the basis of this multiphased approach, we identified areas of potential fragmentation, overlap, and duplication and opportunities for costs savings or revenue enhancement. GAO programmed work to examine these areas for reporting in this or future annual reports.

Each issue area contained in Sections I and II of this report lists any respective GAO reports and publications upon which it is based. Those prior GAO reports contain more detailed information on our supporting work and methodologies. For issues that update prior GAO work, we provide additional information on the methodologies used in that ongoing work or update in the section entitled “How GAO Conducted Its Work” of each issue area.

Identifying Actions

To identify what actions, if any, exist to minimize fragmentation, overlap, and duplication and take advantage of opportunities for cost savings and enhanced revenues, we reviewed and updated prior GAO work and recommendations to identify what additional actions agencies may need to take and Congress may wish to consider. For example, we used a variety of prior GAO work identifying leading practices that could help agencies address challenges associated with interagency coordination and collaboration,⁴ and evaluating performance and results achieving efficiencies.⁵

To identify the potential financial and other benefits that might result from actions addressing fragmentation, overlap, and duplication as well as opportunities for cost savings and revenue enhancement, we collected and analyzed data on costs and potential savings to the extent it was available. Estimating the benefits that could result from eliminating unnecessary fragmentation, overlap, and duplication as well as opportunities for cost savings and revenue enhancement was not possible in some cases because information about the extent of duplication among certain programs was not available. Further, the financial benefits that can be achieved from fragmentation, overlap, and duplication as well as opportunities for cost savings and revenue enhancement were not always quantifiable in advance of congressional and executive branch decision making, and needed information was not readily available on, among other things, program performance, the level

⁴GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

⁵GAO, *Managing for Results: A Guide for Using the GPRA Modernization Act to Help Inform Congressional Decision Making*, [GAO-12-621SP](#) (Washington, D.C.: June 15, 2012).

of funding devoted to overlapping programs, or the implementation costs and time frames that might be associated with program consolidations or terminations.

When possible, we also included tables in appendix III that provide a detailed listing of federally-funded program names and associated budgetary information. While there is no standard definition for what constitutes a program, they may include grants, tax expenditures, centers, loans, funds, and other types of assistance. A wide variety of budgetary information may be used to convey the federal commitment to these programs. When available, we collected obligations information for fiscal year 2010 for consistent reporting across issue areas. In some instances, obligations data were not available, but we were able to report other budgetary information, such as appropriations. In other issue areas, we did not report any budgetary information, because such information was either not available or sufficiently reliable. For example, some agencies could not isolate budgetary information for some programs, because the data were aggregated at higher levels.

We assessed the reliability of any computer-processed data that materially affected our findings, including cost savings and revenue enhancement estimates. The steps that GAO takes to assess the reliability of data vary but are chosen to accomplish the auditing requirement that the data be sufficiently reliable given the purposes it is used for in our products. GAO analysts review published documentation about the data system and Inspector General or other reviews of the data. GAO may interview agency or outside officials to better understand system controls and to assure ourselves that we understand how the data are produced and any limitations associated with the data. GAO may also electronically test the data to see if values in the data conform to agency testimony and documentation regarding valid values, or compare data to source documents. In addition to these steps GAO often compares data with other sources as a way to corroborate our findings. Per GAO policy, when data do not materially affect findings and are presented for background purposes only, we may not have assessed the reliability depending upon the context in which the data are presented.

Assessing Status of Areas and Actions

To examine the extent to which the legislative and executive branches have made progress in implementing the 131 areas we have reported on in previous annual reports on fragmentation, overlap, and duplication, we reviewed relevant legislation and documents such as budgets, policies, strategic and implementation plans, guidance, and other information related to the approximately 300 actions included in these previous

reports.⁶ We also analyzed, to the extent possible, whether or not financial or other benefits have been attained, and included this information as appropriate. In addition, we discussed the implementation status of the areas with officials at the relevant agencies.

Using the legislation and documentation collected from agencies, GAO analysts and specialists working on defense, domestic, and international areas assessed progress for each of the approximately 300 actions within their areas of expertise. A core group of GAO staff examined all assessments to ensure consistent and systematic application of the criteria, and made adjustments, as appropriate.

We used the following criteria in assessing the status of areas and actions.

- We determined that an area was “addressed” if all actions in that area were addressed; “partially addressed” if at least one action needed in that area showed some progress toward implementation but not all actions were addressed; and “not addressed” if none of the actions needed in that area were addressed or partially addressed.
- In assessing legislative branch actions, we applied the following criteria: “addressed” means relevant legislation is enacted and addresses all aspects of the action needed; “partially addressed” means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and “not addressed” means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. In some instances, the 2013 assessment of a legislative branch action changed from “partially addressed” to “not addressed.” These instances occurred because we assessed the action as “partially addressed” in 2012 because a relevant bill passed committee during the 112th Congress; however, this year we assessed the action as “not addressed” because the relevant bill was not enacted into law before the end of the 112th Congress and no similar bill has passed out of committee in the 113th Congress as of March 6, 2013.
- In assessing executive branch actions we applied the following criteria: “addressed” means implementation of the action needed has been completed; “partially addressed” means the action needed is in development, started but not yet completed; and “not addressed”

⁶We are not assessing 9 actions this year that were previously included in our 2011 and 2012 reports. Based on subsequent audit work that we conducted, these actions have either been consolidated, redirected from a Congressional to an executive branch action, or revised to reflect updated information or data that we obtained. Further, 16 actions reported in 2011 and 2012 were revised this year due to additional audit work or other information GAO considered.

means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

GAO provided drafts of these assessments to the agencies involved for their technical comments and incorporated these comments, as appropriate. We incorporated a summary of comments on the prior GAO work upon which each issue area is based and also sought comments for each issue area from the agencies involved and incorporated their comments, as appropriate. Consistent with GAO policy, we are not reprinting copies of agency's comment letters with this report, as the work included is based predominantly on previously issued GAO reports.














This report is based upon work GAO previously conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Copies of agency comment letters associated with previous reports can be found in those reports, if applicable.











Appendix III: Areas Identified in 2011-2013 Annual Reports, by Mission
















This appendix presents a summary of the areas we identified in our 2011-2013 annual reports. It also includes our assessment of the overall progress made in each of the 131 areas that we identified in our 2011 and 2012 annual reports¹ in which Congress and the executive branch could take actions to reduce or eliminate potential fragmentation, overlap, and duplication or achieve other potential financial benefits. We have not yet made any assessments of progress for the 2013 areas. Table 1 presents our assessment of the overall progress made in implementing the actions needed in the areas related to fragmentation, overlap, and duplication. Table 2 presents our assessment of the overall progress made in implementing the actions needed in the areas related to cost savings or revenue enhancement.

¹GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011); and GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap, and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#).

Table 1: GAO Identified Areas of Duplication, Overlap, and Fragmentation in 2011-2013 Annual Reports






Mission	Annual report	Areas identified	Overall assessment
Agriculture	2011	Area 1: Fragmented food safety system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources.	
	2012	Area 1: Protection of Food and Agriculture : Centrally coordinated oversight is needed to ensure more than nine federal agencies effectively and efficiently implement the nation's fragmented policy to defend the food and agriculture systems against potential terrorist attacks and major disasters.	
	2013	Area 1: Catfish Inspection : Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture's Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of federal programs and could save taxpayers millions of dollars annually without affecting the safety of catfish intended for human consumption.	a
Defense	2011	Area 2: Realigning the Department of Defense's (DOD) military medical command structures and consolidating common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually.	
	2011	Area 3: Opportunities exist for consolidation and increased efficiencies to maximize response to warfighter urgent needs .	
	2011	Area 4: Opportunities exist to avoid unnecessary redundancies and improve the coordination of counter-improvised explosive device efforts .	
	2011	Area 5: Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of intelligence, surveillance, and reconnaissance capabilities.	
	2011	Area 6: A departmentwide acquisition strategy could reduce DOD's risk of costly duplication in purchasing Tactical Wheeled Vehicles .	
	2011	Area 7: Improved joint oversight of DOD's positioning programs for equipment and supplies may reduce unnecessary duplication.	
	2011	Area 8: DOD's business systems modernization : opportunities exist for optimizing business operations and systems.	
	2012	Area 2: Electronic Warfare : Identifying opportunities to consolidate DOD airborne electronic attack programs could reduce overlap in the department's multiple efforts to develop new capabilities and improve the department's return on its multibillion-dollar acquisition investments.	
	2012	Area 3: Unmanned Aircraft Systems : Ineffective acquisition practices and collaboration efforts in the DOD unmanned aircraft systems portfolio creates overlap and the potential for duplication among a number of current programs and systems.	
	2012	Area 4: Counter-Improvised Explosive Device Efforts : DOD continues to risk duplication in its multibillion-dollar counter Improvised Explosive Device efforts because it does not have a comprehensive database of its projects and initiatives.	
2012	Area 5: Defense Language and Culture Training : DOD needs a more integrated approach to reduce fragmentation in training approaches and overlap in the content of training products acquired by the military services and other organizations.		

Mission	Annual report	Areas identified	Overall assessment
	2012	Area 6: Stabilization, Reconstruction, and Humanitarian Assistance Efforts: Improving the DOD's evaluations of stabilization, reconstruction, and humanitarian assistance efforts, and addressing coordination challenges with the Department of State (State) and the U.S. Agency for International Development (USAID), could reduce overlapping efforts and result in the more efficient use of taxpayer dollars.	
	2013	Area 2: Combat Uniforms: The Department of Defense's fragmented approach to developing and acquiring uniforms could be more efficient, better protect service members, and result in up to \$82 million in development and acquisition cost savings through increased collaboration among the military services.	a
	2013	Area 3: Defense Foreign Language Support Contracts: DOD should explore opportunities to gain additional efficiencies in contracts for foreign language support, which is estimated to cost more than \$1 billion annually, by addressing fragmentation in the department's acquisition.	a
Economic Development	2011	Area 9: The efficiency and effectiveness of fragmented economic development programs are unclear.	
	2011	Area 10: The federal approach to surface transportation is fragmented, lacks clear goals, and is not accountable for results.	
	2011	Area 11: Fragmented federal efforts to meet water needs in the U.S.-Mexico border region have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources.	
	2012	Area 7: Support for Entrepreneurs: Overlap and fragmentation among the economic development programs that support entrepreneurial efforts require the Office of Management and Budget (OMB) and other agencies to better evaluate the programs and explore opportunities for program restructuring, which may include consolidation, within and across agencies.	
	2012	Area 8: Surface Freight Transportation: Fragmented federal programs and funding structures are not maximizing the efficient movement of freight.	
Energy	2011	Area 12: Resolving conflicting requirements could more effectively achieve federal fleet energy goals .	
	2011	Area 13: Addressing duplicative federal efforts directed at increasing domestic ethanol production could reduce revenue losses by more than \$5.7 billion annually.	
	2012	Area 9: Department of Energy Contractor Support Costs: The Department of Energy (DOE) should assess whether further opportunities could be taken to streamline support functions, estimated to cost over \$5 billion, at its contractor-managed laboratory and nuclear production and testing sites, in light of contractors' historically fragmented approach to providing these functions.	
	2012	Area 10: Nuclear Nonproliferation: Comprehensive review needed to address strategic planning limitations and potential fragmentation and overlap concerns among programs combating nuclear smuggling overseas.	
	2013	Area 3: Renewable Energy Initiatives: Federal support for wind and solar energy, biofuels, and other renewable energy sources, which has been estimated at several billion dollars per year, is fragmented because 23 agencies implemented hundreds of renewable energy initiatives in fiscal year 2010—the latest year for which GAO developed these original data. Further, the DOE and USDA could take additional actions—to the extent possible within their statutory authority—to help ensure effective use of financial support from several wind initiatives, which GAO found provided duplicative support that may not have been needed in all cases for projects to be built.	a

Mission	Annual report	Areas identified	Overall assessment
General government	2011	Area 14: Enterprise architectures : key mechanisms for identifying potential overlap and duplication.	
	2011	Area 15: Consolidating federal data centers provides opportunity to improve government efficiency.	
	2011	Area 16: Collecting improved data on interagency contracting to minimize duplication could help the government leverage its vast buying power.	
	2011	Area 17: Periodic reviews could help ineffective tax expenditures and redundancies in related tax and spending programs, potentially reducing revenue losses by billions of dollars.	
	2012	Area 11: Personnel Background Investigations : The Office of Management and Budget (OMB) should take action to prevent agencies from making potentially duplicative investments in electronic case management and adjudication systems.	
	2012	Area 12: Cybersecurity Human Capital : Government-wide initiatives to enhance cybersecurity workforce in the federal government need better structure, planning, guidance, and coordination to reduce duplication.	
	2012	Area 13: Spectrum Management : Enhanced coordination of federal agencies' efforts to manage radio frequency spectrum and an examination of incentive mechanisms to foster more efficient spectrum use may aid regulators' attempts to jointly respond to competing demands for spectrum while identifying valuable spectrum that could be auctioned for commercial use, thereby generating revenues for the U.S. Department of Treasury (Treasury).	
Health	2011	Area 18: Opportunities exist for DOD and the U.S. Department of Veterans Affairs (VA) to jointly modernize their electronic health records systems .	
	2011	Area 19: VA and DOD need to control drug costs and increase joint contracting wherever it is cost-effective.	
	2011	Area 20: The U.S. Department of Health and Human Services (HHS) needs an overall strategy to better integrate nationwide public health information systems.	
	2012	Area 14: Health Research Funding : The National Institutes of Health (NIH), DOD, and VA can improve sharing of information to help avoid the potential for unnecessary duplication.	
	2012	Area 15: Military and Veterans Health Care : DOD and VA need to improve integration across care coordination and case management programs to reduce duplication and better assist servicemembers, veterans, and their families.	
	2013	Area 5: Joint Veterans and Defense Health Care Services : The Departments of Veterans Affairs and Defense should enhance their collaboration to reduce costs, overlap, and potential duplication in the delivery of health care services.	a
	2013	Area 6: Medicaid Program Integrity : The Centers for Medicare & Medicaid Services needs to take steps to eliminate duplication and increase efficiency in two Medicaid Integrity Program activities—provider audits and the collection of state program integrity data.	a
Homeland security/law enforcement	2011	Area 21: Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against biological threats .	
	2011	Area 22: DHS oversight could help eliminate potential duplicating efforts of interagency forums in securing the northern border .	
	2011	Area 23: The Department of Justice (DOJ) plans actions to reduce overlap in explosives investigations , but monitoring is needed to ensure successful implementation.	

Mission	Annual report	Areas identified	Overall assessment
	2011	Area 24: The Transportation Security Administration's (TSA) security assessments on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap.	
	2011	Area 25: DHS could streamline mechanisms for sharing security-related information with public transit agencies to help address overlapping information.	
	2011	Area 26: The Federal Emergency Management Agency (FEMA) needs to improve its oversight of grants and establish a framework for assessing capabilities to identify gaps and prioritize investments.	
	2012	Area 16: Department of Justice Grants : The Department of Justice could improve how it targets nearly \$3.9 billion to reduce the risk of potential unnecessary duplication across the more than 11,000 grant awards it makes annually.	
	2012	Area 17: Homeland Security Grants : DHS needs better project information and coordination among four overlapping grant programs.	
	2012	Area 18: Federal Facility Risk Assessments : Agencies are making duplicate payments for facility risk assessments by completing their own assessments, while also paying DHS for assessments that the department is not performing.	
	2013	Area 7: Department of Homeland Security Research and Development : Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help DHS address fragmentation, overlap, and potential unnecessary duplication.	a
	2013	Area 8: Field-Based Information Sharing : To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, the Departments of Justice and Homeland Security and the Office of National Drug Control Policy could improve coordination among five types of field-based information sharing entities that may collect, process, analyze, or disseminate information in support of law enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers.	a
	2013	Area 9: Justice and Treasury Asset Forfeiture : Conducting a study to evaluate the feasibility of consolidating Justice's and Treasury's multimillion dollar asset forfeiture activities could help the departments identify the extent to which consolidation of potentially duplicative activities would help increase the efficiency and effectiveness of the programs and achieve cost savings.	a
Information technology	2012	Area 19: Information Technology Investment Management : OMB, and DOD and DOE need to address potentially duplicative information technology investments to avoid investing in unnecessary systems.	
	2013	Area 10: Dissemination of Technical Research Reports : Congress may wish to consider whether the fee-based model under which the National Technical Information Service currently operates for disseminating technical information is still viable or appropriate, given that many of the reports overlap with similar information available from the issuing organizations or other sources for free.	a
	2013	Area 11: Geospatial Investments : Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of millions of dollars.	a
International affairs	2011	Area 27: Lack of information sharing could create the potential for duplication of efforts between U.S. agencies involved in development efforts in Afghanistan .	
	2011	Area 28: Despite restructuring, overlapping roles and functions still exist at State's Arms Control and Nonproliferation Bureaus .	
	2012	Area 20: Overseas Administrative Services : U.S. government agencies could lower the administrative cost of their operations overseas by increasing participation in the International Cooperative Administrative Support Services system and by reducing reliance on American officials overseas to provide these services.	

Mission	Annual report	Areas identified	Overall assessment
	2012	Area 21: Training to Identify Fraudulent Travel Documents: Establishing a formal coordination mechanism could help reduce duplicative activities among seven different entities that are involved in training foreign officials to identify fraudulent travel documents.	○
	2013	Area 12: Export Promotion: Enhanced collaboration between the Small Business Administration (SBA) and two other agencies could help to limit overlapping export-related services for small businesses.	a
	2013	Area 13: International Broadcasting: The Broadcasting Board of Governors—with a budget of \$752 million in fiscal year 2012—has recognized the need to reduce overlap and reallocate limited resources to broadcasts that will have the greatest impact, but the agency could do more to achieve this goal, such as systematically considering overlap of language services in its annual language services review.	a
Science and the environment	2012	Area 22: Coordination of Space System Organizations: Fragmented leadership has led to program challenges and potential duplication in developing multibillion-dollar space systems.	◐
	2012	Area 23: Space Launch Contract Costs: Increased collaboration between the Department of Defense and the National Aeronautics and Space Administration could reduce launch contracting duplication.	◐
	2012	Area 24: Diesel Emissions: Fourteen grant and loan programs at DOE, Department of Transportation (DOT), and the Environmental Protection Agency (EPA), and three tax expenditures fund activities that have the effect of reducing mobile source diesel emissions; enhanced collaboration and performance measurement could improve these fragmented and overlapping programs.	○
	2012	Area 25: Environmental Laboratories: EPA needs to revise its overall approach to managing its 37 laboratories to address potential overlap and fragmentation and more fully leverage its limited resources.	◐
	2012	Area 26: Green Building: To evaluate the potential for overlap or fragmentation among federal green building initiatives, the Department of Housing and Urban Development, DOE, and EPA should lead other federal agencies in collaborating on assessing their investments in more than 90 initiatives to foster green building in the nonfederal sector.	◐
	2013	Area 14: Rural Water Infrastructure: Additional coordination by the EPA and the USDA could help three water and wastewater infrastructure programs with combined funding of about \$4.3 billion avoid potentially duplicative application requirements, as well as associated costs and time developing engineering reports and environmental analyses.	a
	Social services	2011	Area 29: Actions needed to reduce administrative overlap among domestic food assistance programs.
2011		Area 30: Better coordination of federal homelessness programs may minimize fragmentation and overlap.	◐
2011		Area 31: Further steps needed to improve cost-effectiveness and enhance services for transportation-disadvantaged persons.	◐
2012		Area 27: Social Security Benefit Coordination: Benefit offsets for related programs help reduce the potential for overlapping payments but pose administrative challenges.	◐
2012		Area 28: Housing Assistance: Examining the benefits and costs of housing programs and tax expenditures that address the same or similar populations or areas, and potentially consolidating them, could help mitigate overlap and fragmentation and decrease costs.	○
2013		Area 15: Drug Abuse Prevention and Treatment Programs: More fully assessing the extent of overlap and potential duplication across the fragmented 76 federal drug abuse prevention and treatment programs and identifying opportunities for increased coordination, including those programs where no coordination has occurred, would better position the Office of National Drug Control Policy to better leverage resources and increase efficiencies..	a

Mission	Annual report	Areas identified	Overall assessment
Training, employment, and education	2011	Area 32: Multiple employment and training programs: providing information on colocating services and consolidating administrative structures could promote efficiencies.	
	2011	Area 33: Teacher quality : proliferation of programs complicates federal efforts to invest dollars effectively.	
	2011	Area 34: Fragmentation of financial literacy efforts makes coordination essential.	
	2012	Area 29: Early Learning and Child Care : The Departments of Education and Health and Human Services (HHS) should extend their coordination efforts to other federal agencies with early learning and child care programs to mitigate the effects of program fragmentation, simplify children's access to these services, collect the data necessary to coordinate operation of these programs, and identify and minimize any unwarranted overlap and potential duplication.	
	2012	Area 30: Employment for People with Disabilities : Better coordination among 45 programs in nine federal agencies that support employment for people with disabilities could help mitigate program fragmentation and overlap, and reduce the potential for duplication or other inefficiencies.	
	2012	Area 31: Science, Technology, Engineering, and Mathematics Education : Strategic planning is needed to better manage overlapping programs across multiple agencies	
	2012	Area 32: Financial Literacy : Overlap among financial literacy activities makes coordination and clarification of roles and responsibilities essential, and suggests potential benefits of consolidation.	
	2013	Area 16: Higher Education Assistance : Federal agencies providing assistance for higher education should better coordinate to improve program administration and help reduce fragmentation.	a
	2013	Area 17: Veterans' Employment and Training : The Departments of Labor, Veterans Affairs, and Defense need to better coordinate the employment services each provides to veterans, and Labor needs to better target the Disabled Veterans' Outreach Program so that it does not overlap with other programs.	a

Source: GAO analysis.

^aAs of April 9, 2013, we have not assessed the 2013 areas identified.

● = Addressed, meaning all actions needed in that area were addressed.

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

















○ = Not addressed, meaning none of the actions needed in that area were addressed.












Consolidated or other = actions were not assessed this year

Table 2: GAO Identified Areas of Cost-Savings and Revenue-Enhancement Opportunities in 2011-2013 Annual Reports

Mission	Annual Report	Areas identified	Overall assessment
Agriculture	2011	Area 35: Reducing farm program direct payments could result in savings from \$800 million over 10 years to up to \$5 billion annually.	○
	2013	Area 18: Agricultural Quarantine Inspection Fees : The United States Department of Agriculture’s Animal and Plant Health Inspection Service could have achieved as much as \$325 million in savings (based on fiscal year 2011 data, as reported in GAO’s March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection’s annual Salaries and Expenses appropriations used for agricultural inspection services.	a
	2013	Area 19: Crop Insurance : To achieve up to \$1.2 billion per year in cost savings in the crop insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.	a
Defense	2011	Area 36: DOD should assess costs and benefits of overseas military presence options before committing to costly personnel realignments and construction plans, thereby possibly saving billions of dollars.	◐
	2011	Area 37: Total compensation approach is needed to manage significant growth in military personnel costs .	◐
	2011	Area 38: Employing best management practices could help DOD save money on its weapon systems acquisition programs .	◐
	2011	Area 39: More efficient management could limit future costs of DOD’s spare parts inventory.	◐
	2011	Area 40: More comprehensive and complete cost data can help DOD improve the cost-effectiveness of sustaining weapons systems .	◐
	2011	Area 41: Improved corrosion prevention and control practices could help DOD avoid billions in unnecessary costs over time.	◐
	2012	Area 33: Air Force Food Service : The Air Force has opportunities to achieve millions of dollars in cost savings annually by reviewing and renegotiating food service contracts, where appropriate, to better align with the needs of installations.	●
	2012	Area 34: Defense Headquarters : DOD should review and identify further opportunities for consolidating or reducing the size of headquarters organizations.	◐
	2012	Area 35: Defense Real Property : Ensuring the receipt of fair market value for leasing underused real property and monitoring administrative costs could help the military services’ enhanced use lease programs realize intended financial benefits.	◐
	2012	Area 36: Military Health Care Costs : To help achieve significant projected cost savings and other performance goals, DOD needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives.	◐
	2012	Area 37: Overseas Defense Posture : DOD could reduce costs of its Pacific region presence by developing comprehensive cost information and re-examining alternatives to planned initiatives.	◐
	2012	Area 38: Navy’s Information Technology Enterprise Network : Better informed decisions are needed to ensure a more cost-effective acquisition approach for the U.S. Navy’s Next Generation Enterprise Network.	○
	2013	Area 20: Joint Basing : DOD needs an implementation plan to guide joint bases to achieve millions of dollars in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another.	a

Mission	Annual Report	Areas identified	Overall assessment
Economic development	2011	Area 42: Revising the essential air service program could improve efficiency.	
	2011	Area 43: Improved design and management of the universal service fund as it expands to support broadband could help avoid cost increases for consumers.	
	2011	Area 44: The U.S. Army Corps of Engineers should provide Congress with project-level information on unobligated balances.	
	2012	Area 39: Auto Recovery Office : Unless the Secretary of Labor can demonstrate how the Auto Recovery Office has uniquely assisted auto communities, Congress may wish to consider prohibiting the Department of Labor from spending any of its appropriations on the Auto Recovery Office and instead require that the department direct the funds to other federal programs that provide funding directly to affected communities.	
Energy	2011	Area 45: Improved management of federal oil and gas resources could result in approximately \$2 billion in revenues over 10 years.	
	2012	Area 40: Excess Uranium Inventories : Marketing the Department of Energy's excess uranium could provide substantial revenue for the government.	
	2013	Area 21: Department of Energy's Isotope Program : Assessing the value of isotopes to customers, and other factors such as prices of alternatives, may show that the Department of Energy could increase prices for isotopes that it sells to commercial customers to create cost savings by generating additional revenue.	a
General government	2011	Area 46: Efforts to address government-wide improper payments could result in significant costs savings.	
	2011	Area 47: Promoting competition for the over \$500 billion in federal contracts could potentially save billions of dollars over time.	
	2011	Area 48: Applying strategic sourcing best practices throughout the federal procurement system could save billions of dollars annually.	
	2011	Area 49: Adherence to guidance on award fee contracts could improve agencies' use of award fees to produce savings.	
	2011	Area 50: Agencies aimed to save at least \$3 billion by continued disposal of unnneeded federal real property .	Consolidated or other
	2011	Area 51: Improved cost analyses used for making federal facility ownership and leasing decisions could save millions of dollars.	
	2011	Area 52: The Office of Management and Budget's IT Dashboard reportedly has already resulted in savings and can further help identify opportunities to invest more efficiently in information technology.	
	2011	Area 53: Increasing electronic filing of individual income tax returns could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars.	
	2011	Area 54: Using return on investment information to better target IRS enforcement could reduce the tax gap; for example, a 1 percent reduction would increase tax revenues by \$3.8 billion.	
	2011	Area 55: Better management of tax debt collection may resolve cases faster with lower IRS costs and increase debt collected.	
	2011	Area 56: Broadening IRS's authority to correct simple tax return errors could facilitate correct tax payments and help IRS avoid costly, burdensome audits.	
	2011	Area 57: Enhancing mortgage interest information reporting could improve tax compliance.	
2011	Area 58: More information on the types and uses of canceled debt could help IRS limit revenue losses of forgiven mortgage debt .		

Mission	Annual Report	Areas identified	Overall assessment
	2011	Area 59: Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated real estate tax deductions .	
	2011	Area 60: Revisions to content and use of Form 1098-T could help IRS enforce higher education requirements and increase revenues.	
	2011	Area 61: Many options could improve the tax compliance of sole proprietors and begin to reduce their \$68 billion portion of the tax gap.	
	2011	Area 62: IRS could find additional businesses not filing tax returns by using third-party data, which show such businesses have billions of dollars in sales.	
	2011	Area 63: Congress and IRS can help S corporations and their shareholders be more tax compliant, potentially increasing tax revenues by hundreds of millions of dollars each year.	
	2011	Area 64: IRS needs an agencywide approach for addressing tax evasion among the at least 1 million networks of businesses and related entities.	
	2011	Area 65: Opportunities exist to improve the targeting of the \$6 billion research tax credit and reduce forgone revenue.	
	2011	Area 66: Converting the new markets tax credit to a grant program may increase program efficiency and significantly reduce the \$3.8 billion 5 years revenue cost of the program.	
	2011	Area 67: Limiting the tax-exempt status of certain governmental bonds could yield revenue.	
	2011	Area 68: Adjusting civil tax penalties for inflation potentially could increase revenues by tens of millions of dollars per year, not counting any revenues that may result from maintaining the penalties' deterrent effect.	
	2011	Area 69: IRS may be able to systematically identify nonresident aliens reporting unallowed tax deductions or credits.	
	2011	Area 70: Tracking undisbursed balances in expired grant accounts could facilitate the reallocation of scarce resources or the return of funding to the Treasury.	
	2012	Area 41: General Services Administration Schedules Contracts Fee Rates : Re-evaluating fee rates on the General Services Administration's Multiple Award Schedules contracts could result in significant cost savings government-wide.	
	2012	Area 42: U.S. Currency : Legislation replacing the \$1 note with a \$1 coin would provide a significant financial benefit to the government over time.	
	2012	Area 43: Federal User Fees : Regularly reviewing federal user fees and charges can help the Congress and federal agencies identify opportunities to address inconsistent federal funding approaches and enhance user financing, thereby reducing reliance on general fund appropriations.	
	2012	Area 44: Internal Revenue Service Enforcement Efforts : Enhancing the Internal Revenue Service's enforcement and service capabilities can help reduce the gap between taxes owed and paid by collecting billions in tax revenue and facilitating voluntary compliance.	
	2013	Area 21: Additional Opportunities to Improve Internal Revenue Service Enforcement of Tax Laws : The Internal Revenue Service can realize cost savings and increase revenue collections by billions of dollars by, among other things, using more rigorous analyses to better allocate enforcement and other resources.	a
	2013	Area 23: Agencies' Use of Strategic Sourcing : Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories—savings of one percent from selected agencies' procurement spending alone would equate to over \$4 billion.	a

Mission	Annual Report	Areas identified	Overall assessment
	2013	Area 24: Opportunities to Help Reduce Government Satellite Program Costs: Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving hundreds of millions of dollars to date from using these innovative mechanisms.	a
Health	2011	Area 71: Preventing billions in Medicaid improper payments requires sustained attention and action by CMS.	
	2011	Area 72: Federal oversight of Medicaid supplemental payments needs improvement, which could lead to substantial cost savings.	
	2011	Area 73: Better targeting of Medicare's claims review could reduce improper payments .	
	2011	Area 74: Potential savings in Medicare's payment for health care .	
	2012	Area 45: Medicare Advantage Payment: The Centers for Medicare & Medicaid Services could achieve billions of dollars in additional savings by better adjusting for differences between Medicare Advantage plans and traditional Medicare providers in the reporting of beneficiary diagnoses.	
	2012	Area 46: Medicare and Medicaid Fraud Detection Systems: The Centers for Medicare & Medicaid Services needs to ensure widespread use of technology to help detect and recover billions of dollars of improper payments of claims and better position itself to determine and measure financial and other benefits of its systems.	
	2013	Area 25: Medicaid Prepayment Controls: More widespread use of prepayment edits could reduce improper payments and achieve other cost savings for the Medicare program, as well as provide more consistent coverage nationwide.	a
	2013	Area 26: Medicaid Supplemental Payments: To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare & Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis of providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars.	a
	2013	Area 27: Medicare Advantage Quality Bonus Payment Demonstration: Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare & Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014.	a
Homeland security/law enforcement	2011	Areas 75 and 76: DHS's management of acquisitions could be strengthened to reduce cost overruns and schedule and performance shortfalls.	
	2011	Area 77: Validation of TSA's behavior-based screening program is needed to justify funding or expansion.	
	2011	Area 78: More efficient baggage screening systems could result in about \$470 million in reduced TSA personnel costs over the next 5 years.	
	2011	Area 79: Clarifying availability of certain customs fee collections could produce a one-time savings of \$640 million.	
	2012	Area 47: Border Security: Delaying proposed investments for future acquisitions of border surveillance technology until the Department of Homeland Security better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding.	

Mission	Annual Report	Areas identified	Overall assessment
	2012	Area 48: Passenger Aviation Security Fees: Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs.	○
	2012	Area 49: Immigration Inspection Fee: The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than using general fund appropriations.	◐
	2013	Area 28: Checked Baggage Screening: By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.	a
Income security	2011	Area 80: Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, resulting in estimated \$2.4-\$2.9 billion savings over 10 years.	○
Information technology	2013	Area 29: Cloud Computing: Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars.	a
	2013	Area 30: Information Technology Operations and Maintenance: Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.	a
International affairs	2011	Area 81: Congress could pursue several options to improve collection of antidumping and countervailing duties .	○
	2012	Area 50: Iraq Security Funding: When considering new funding requests to train and equip Iraqi security forces, Congress should consider the government of Iraq's financial resources, which afford it the ability to contribute more toward the cost of Iraq's security.	●
	2013	Area 31: Tobacco Taxes: Federal revenue losses were as much as \$615 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.	a
Social Services	2012	Area 51: Domestic Disaster Assistance: The Federal Emergency Management Agency could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance.	○

Source: GAO.

^aAs of April 9, 2013, we have not assessed the 2013 areas identified.

Legend:

● = Addressed, meaning all actions needed in that area were addressed.

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

○ = Not addressed, meaning none of the actions needed in that area were addressed.

Consolidated or other = actions were not assessed this year

Appendix IV: Lists of Programs Identified

This appendix includes lists of federal programs or other activities related to issue areas in this report, and their fiscal year 2011 obligations data, where such information was available. In some cases, we did not report budgetary information because it was either not available or sufficiently reliable. For some issue areas, agencies were not able to readily provide programmatic information needed to determine whether and to what extent programs are actually duplicative. Additionally, in some instances of fragmentation, overlap, and duplication, it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort.

Table 1: Catfish Inspection: List of Federal Programs

Agency	Program name	Program description
Department of Health and Human Services, Food and Drug Administration (FDA), Center for Food Safety and Applied Nutrition	Imported Seafood Safety Program and Enhanced Aquaculture and Seafood Inspection Program	Under the authority of the Federal Food, Drug and Cosmetic Act and the Public Health Service Act, FDA's seafood regulations require seafood processors to conduct hazard analysis and implement controls to prevent or mitigate significant hazards. In addition, to ensure the safety of seafood, FDA also conducts research, inspections, compliance, enforcement, outreach, and develops guidance.
Department of Agriculture (USDA), Food Safety Inspection Service, Office of Catfish Inspection Programs	Catfish Inspection Program	Although the program has not been implemented, its goal is to ensure that catfish products distributed in commerce are wholesome, not adulterated, and properly marked, labeled, and packaged.
Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), National Marine Fisheries Service	Seafood Inspection Program	The NOAA Seafood Inspection Program offers a variety of services that assure private sector organization compliance with all applicable food regulations. The services provided include establishment sanitation inspection; system and process audits; product inspection and grading; product lot inspection; laboratory analyses; training; consultation; and export certification.

Source: GAO analysis of USDA, FDA, and National Marine Fisheries Service documents.

Table 2: Defense Foreign Language Support Contracts: List of Contracting Organizations and Related Contract Obligation Information

Agency or component	Contracting organization	Fiscal years 2008 through 2012 obligations (nominal dollars)^a
Department of Defense (DOD) Executive Agent	Army Intelligence and Security Command	\$5,247,931,000
Army	80 distinct contracting organizations	642,501,000
Marine Corps	9 distinct contracting organizations	463,031,000
Air Force	29 distinct contracting organizations	31,044,000
Defense Legal Services Agency	Washington Headquarters Services	27,561,000
Defense Security Cooperation Agency	2 distinct contracting organizations	8,698,000
Navy	33 distinct contracting organizations	8,578,000
Other Department of Defense Agencies	5 distinct contracting organizations	573,000
Total		\$6,429,917,000

Source: GAO analysis of DOD contract data.

^aGAO found that DOD components considered exempted by the executive agent from the executive agent's program obligated an additional \$394 million on contracts for foreign language support.

Table 3: Renewable Energy Initiatives: List of Federal Wind Energy Initiatives and Related Budgetary Information

Agency	Program name	Fiscal year 2011 obligation specifically related to wind
U.S. Department of Agriculture		
Agricultural Research Service	Bioenergy National Program	\$225,000
US Forest Service	Landownership Management Program	^a
National Institute of Food and Agriculture	Small Business Innovation Research Program: Rural Development Topic Area	659,954
	Small Business Innovation Research Program: Small and Mid-Size Farms Topic Area	0
Natural Resources Conservation Service	Conservation Innovation Grant Program	93,458
	Conservation Security Program	^a
	Conservation Stewardship Program	^a
	Environmental Quality Incentives Program	^a
Office of the Chief Economist	Energy and Bioenergy Research	56,000 ^b
Office of the Secretary	U.S. Department of Agriculture / Navy Memorandum of Understanding Project	0
Rural Business-Cooperative Service	Business and Industry Guaranteed Loan Program	0
	Rural Energy for America Program (formerly the Renewable Energy Systems and Energy Efficiency Improvements Program)	3,872,127
Rural Utilities Service	Direct and Guaranteed Electric Loan Program	0
	High Energy Cost Grant Program	0
Department of Commerce		
Economic Development Administration	Environmentally-Sustainable Development Investment Priority	^a
	Global Climate Change Mitigation Incentive Fund	^a
International Trade Association	International Buyer Program	25,000 ^b
	Market Development Cooperator Program	^a
	Renewable Energy and Energy Efficiency Export Initiative	^a
National Institute of Standards and Technology	National Institute of Standards and Technology Smart Grid Program	^a
National Oceanic and Atmospheric Administration	Joint Wind Energy Program: Atmospheric Velocity Gradients	390,462 ^b
	Program Development	149,538
	Renewable Energy Research	2,182,500
	MarineCadastre.gov	^a
United States Patent and Trademark Office	Green Technology Pilot Program	^a
Department of Energy		
Advanced Research Projects Agency—Energy	Agile Delivery of Electrical Power Technology	^a
	Advanced Research Projects Agency—Energy Funding Opportunity Announcement 1	2,420,802
	Grid-Scale Rampable Intermittent Dispatchable Storage	^a

Agency	Program name	Fiscal year 2011 obligation specifically related to wind
Office of Energy Efficiency and Renewable Energy	Energy Efficiency and Conservation Block Grants	50,267,968 ^b
	Hydrogen and Fuel Cell Technologies Crosscutting Activities	150,000
	Hydrogen Fuel R&D	425,000
	State Energy Program	a
	Tribal Energy Program	a
	Wind Energy - Offshore Wind	17,140,518
	Wind Energy - Technology Application	0
	Wind Energy - Technology Viability	1,116,820
Loan Programs Office	Title XVII Section 1703 Loan Guarantee Program	0
	Title XVII Section 1705 Loan Guarantee Program	50,800,000
Multiple	Small Business Innovation Research/Small Business Technology Transfer - Wind Energy Technology Development Topic Area	1,887,441
Office of Electricity Delivery & Energy Reliability	Clean Energy Transmission and Reliability	20,400,000 ^b
	Funding of five interconnection-wide transmission planning & associated projects	0
	Office of Electricity Delivery & Energy Reliability Energy Storage	0
	Office of Electricity Delivery & Energy Reliability Permitting, Siting, and Analysis—Various projects	2,294,000 ^b
Office of Indian Energy Policy and Programs	Strategic Technical Assistance Response Team Program	200,000 ^b
Power Marketing Administrations	Bonneville Power Administration Wind Integration	0
	Western Area Power Administration—Operations	0
	Western Area Power Administration—Transmission Services	0
Department of the Interior		
Bureau of Land Management	Recovery Act Renewable Energy Efforts	0
	Renewable Energy Coordination Offices Implementation	2,536,750 ^b
	Wind Energy Authorizations and Operations on Bureau of Land Management Public Lands	6,009,500 ^b
Bureau of Ocean Energy Management, Regulation and Enforcement	Environmental Studies Program	5,143,589 ^b
	Renewable Energy Program Development and Implementation	8,279,720
	Renewable Energy Program: Ensure Fair Return for Renewable Energy Resources	169,800
	Renewable Energy Program: Environmental Compliance	1,600,000 ^b
	Renewable Energy Program: Multipurpose Marine Cadastre	a
	Renewable Energy Program: Safety Program and Inspections	0
	Resource Evaluation Program: Economic Analysis	182,300
	Resource Evaluation Program: Resource Evaluation	206,017
	Technology Assessment and Research Program	910,940
Bureau of Reclamation	Desalination and Water Purification Research and Development Program	0
	Science and Technology Program	457,393
Bureau of Indian Affairs	Minerals & Mining Program: Renewable Energy Projects	488,500

		Fiscal year 2011 obligation specifically related to wind
Agency	Program name	
Office of Insular Affairs	Insular Plan for Alternative and Renewable Energy	0
Department of the Treasury		
Office of Domestic Finance	Payments for Specific Energy Property in Lieu of Tax Credits	2,716,933,281
Environmental Protection Agency		
Office of Air and Radiation	Green Power Partnership	^a
Office of Research and Development	People, Prosperity, and the Planet Award Program	30,000
Office of Solid Waste and Emergency Response	RE-Powering America's Land	210,000 ^b
Federal Energy Regulatory Commission		
Not applicable	Integration of Variable Energy Resources - Market and Regulatory Reforms to Remove Unduly Discriminatory Practices and Ensure Just and Reasonable Rates	0
National Science Foundation		
Directorate for Engineering	Energy for Sustainability Program	^a
	Energy, Power, and Adaptive Systems	1,604,537
Directorate for Engineering	Emerging Frontiers in Research and Innovation	500,007
Directorate for Mathematical and Physical Sciences		
Small Business Administration		
Office of Capital Access	Certified Development Company / Section 504 Loans	^a
Office of Investment	Energy Saving Debenture	^a

Source: GAO analysis of agency data.

^aAgencies could not provide obligations data specifically related to wind for this initiative.

^bObligations data specifically related to wind were estimated for this initiative.

Table 4: Renewable Energy Initiatives: List of Federal Wind Energy Tax Expenditures and Related Budgetary Information

Agency	Program name	Fiscal year 2011 estimated revenue losses specifically related to wind
Department of the Treasury		
Internal Revenue Service	Accelerated Depreciation Recovery Periods for Specific Energy Property	a
	Credit for Holding New Clean Renewable Energy Bonds	a
	Credit for Holding Qualified Energy Conservation Bonds	a
	Credit for Residential Energy Efficient Property	a
	Direct Payment in Lieu of a Credit for Holding New Clean Renewable Energy Bonds	a
	Direct Payment in Lieu of a Credit for Holding Qualified Energy Conservation Bonds	a
	Energy Investment Credit	Less than \$50 million for small wind properties—properties using wind turbines of 100 kilowatts or less
	Energy Production Credit	\$1,100,000,000
	Qualifying Advanced Energy Project Credit	a

Source: GAO analysis of Office of Management and Budget data and Joint Committee on Taxation documentation.

^aTreasury could not provide revenue loss data specifically related to wind for this initiative.

Note: For descriptions of these wind energy initiatives, see [GAO-13-136](#), Appendix II. For a complete listing and descriptions of renewable energy initiatives, including those that support energy sources other than wind, see [GAO-12-259SP](#).

Table 5: Medicaid Program Integrity: Program and Related Budgetary Information

Agency or subagency	Program name	Program description	Annual appropriation
Department of Health and Human Services			
Centers for Medicare & Medicaid Services	Medicaid Integrity Program	The Medicaid Integrity Program was created by the Deficit Reduction Act of 2005 and provides federal support for and oversight of state Medicaid program integrity activities.	\$75,000,000 ^a

Source: Deficit Reduction Act of 2005 as amended by the Health Care Education Reconciliation Act of 2010.

^aFor each fiscal year since 2010, the amount appropriated has been the previous year's appropriation adjusted for inflation. According to HHS, the fiscal year 2013 appropriation is expected to be approximately \$80 million.

Table 6: Department of Homeland Security Research and Development: Components and Related Budgetary Information

Agency or component	FY 2011 budget authority	FY 2011 outlays
Department of Homeland Security		
Science and Technology Directorate	\$486,000,000	\$730,000,000
Domestic Nuclear Detection Office	56,000,000	80,000,000
United States Coast Guard	26,000,000	22,000,000
Total	568,000,000	832,000,000

Source: GAO analysis of OMB data.

Notes:

Table does not include spending on R&D facilities.

Outlays are actual expenditure of funds and may occur many years after the funds were authorized and obligated.

S&T, DNDO, and Coast Guard are the only DHS components that report budget authority, obligations, and outlays to the Office of Management and Budget (OMB) as part of the budget process. However, in our September 2012 report, we identified an additional \$255 million in R&D obligations in fiscal year 2011 by other DHS components that were not reported to OMB as part of the budget process. These obligations included DHS components providing S&T with funding to conduct R&D on their behalf, awarding R&D contracts, and entering into agreements with the Department of Energy's national laboratories to conduct R&D.

Table 7: Field-Based Information Sharing: List of Entities and Related Funding Information

Agency or subagency	Entity name	Entity description	FY 2011 funding
Department of Justice			
Federal Bureau of Investigation	Joint Terrorism Task Forces	Joint Terrorism Task Forces are funded and managed by the FBI and aim to prevent, preempt, deter, and investigate terrorism and related activities affecting the United States and to apprehend terrorists.	^a
	Field Intelligence Groups	Field Intelligence Groups are part of the FBI, support FBI investigations through the collection and analysis of intelligence that is used to create a variety of analytical products and share these products with the FBI's law enforcement and intelligence partners when applicable to those partners' missions.	^a
Bureau of Justice Assistance	Regional Information Sharing Systems Centers	Regional Information Sharing Systems centers are funded through grants administered by Bureau of Justice Assistance and support regional law enforcement efforts to, among other things, combat major crimes and terrorist activity to promote officer safety by linking federal, state, local, and tribal criminal justice agencies through secure communications and providing information-sharing resources and investigative support.	\$36,500,000 ^b
Department of Homeland Security			
Office of Intelligence and Analysis	State and Major Urban Area Fusion Centers (fusion centers)	Fusion centers are funded through a variety of sources, including DHS grants, and are state and locally owned and operated to serve as intermediaries for sharing terrorism and other threat-related information between the federal government and state, local, tribal, territorial, and private sector homeland security partners.	\$52,700,000 ^c
Executive Office of the President			
Office of National Drug Control Policy	High Intensity Drug Trafficking Areas (HIDTA) Investigative Support Centers	HIDTA Investigative Support Centers are funded through grants administered by ONDCP and aim to support the disruption and dismantlement of drug-trafficking and money-laundering organizations through the prevention or mitigation of associated criminal activity.	\$40,200,000 ^d

Source: GAO analysis of DOJ, DHS, ONDCP, and NFCA data.

^aFunding estimates from DOJ for Joint Terrorism Task Forces and Field Intelligence Groups are not presented in this table because the data are classified.

^bThe six Regional Information Sharing System centers received approximately \$36.5 million in grant funding from Bureau of Justice Assistance.

^cThe National Fusion Center Association (NFCA) reported that fusion centers received approximately \$52.7 million in DHS Homeland Security Grant Program and Urban Areas Security Initiative grants. The survey was based on self-reported responses from 57 of 77 fusion centers.

^dHIDTAs dedicated approximately \$40.2 million to support their respective Investigative Support Centers.

Table 8: Justice and Treasury Asset Forfeiture: List of Programs and Related Budgetary Information

Agency	Program name	Program description	FY 2011 obligation
Department of Justice (Justice)	Justice Asset Forfeiture Program	The purpose of the program is to prevent and reduce crime through the use of the forfeiture sanction. It removes assets that are essential to the operation of criminal organizations and punishes criminals involved by denying them the use of proceeds of their crimes.	\$1,625,268,000
Department of the Treasury (Treasury)	Treasury Asset Forfeiture Program	The purpose of the program is to prevent and reduce crime through the use of the forfeiture sanction. It removes assets that are essential to the operation of criminal organizations and punishes criminals involved by denying them the use of proceeds of their crimes.	590,415,000

Source: GAO analysis of Justice and Treasury data.

Table 9: Export Promotion: List of Agencies and Related Budgetary Information

Agency	Export Promotion Program description	FY 2011 budget request ^a
Export-Import Bank	The Export-Import Bank provides export financing assistance to U.S. exporters in the form of loan guarantees, direct loans to foreign buyers of U.S. goods, and export-credit insurance.	^b
Small Business Administration (SBA)	SBA provides financing assistance through loan guarantees and SBA partner entities, known as Small Business Development Centers, provide one-on-one export counseling to U.S. small businesses.	\$6,000,000
Department of Commerce (Commerce)	Historically the lead U.S. trade agency with both a domestic and an overseas presence, Commerce provides a variety of services directly to U.S. exporters, including one-on-one counseling and assistance identifying trade opportunities.	339,000,000

Source: Trade Promotion Coordinating Committee (TPCC) Secretariat.

^aTPCC member agencies may define trade promotion differently. For example, SBA's budget amount only includes funding for the Office of International Trade even though other SBA entities may also devote substantial amounts of time to export promotion. Therefore, the reported budget figures may not reflect each agency's total level of activity relating to export promotion or each agency's actual contributions toward increasing U.S. exports.

^bSince fiscal year 2008, the Export-Import Bank has been self-sustaining for appropriations purposes, financing its operations from receipts collected from its borrowers. The fees charged by the Export-Import Bank have covered its program subsidy and administrative costs in recent years. The program subsidy refers to budgetary resources that the Export-Import Bank must allocate annually as capital reserves. Congress retains oversight of the Export-Import Bank's budget by setting annual limits on the Export-Import Bank's use of its funds for program subsidy and administrative expenses. For fiscal year 2011, the Export-Import Bank requested \$105.6 million for administrative expenses.

Table 10: International Broadcasting: List of Programs and Related Budgetary Information

Agency	Program	Program description	FY 2011 obligation
Broadcasting Board of Governors	Voice of America (VOA)	VOA, founded in 1942, provides global, U.S., and local news, as well as information on U.S. policies, to people living in closed societies.	\$205,104,000
	Office of Cuba Broadcasting (OCB)	Radio and TV Marti, the components of OCB, created in 1983 and 1990, provide the people of Cuba with information they would not ordinarily receive because of the censorship practices of the Cuban government.	28,416,000
	Radio Free Europe/Radio Liberty (RFE/RL)	Established in 1950, RFE/RL was created to provide radio programming to, and about, Eastern Europe and the former Soviet Union.	92,660,000
	Radio Free Asia (RFA)	RFA, established in 1996, provides news and information to Asian countries whose governments prohibit access to a free press.	37,438,000
	Middle East Broadcasting Networks, Inc. (MBN)	MBN, which manages Radio Sawa—established in 2002—and Alhurra TV—established in 2004—provides news and information about the Middle East region, as well as about the world and the United States, to the people of the Middle East.	111,073,000

Source: GAO analysis of Broadcasting Board of Governors data.

Table 11: Rural Water Infrastructure: List of Programs and Related Budgetary Information

Agency or subagency	Program name	Program description	FY 2011 obligation
Environmental Protection Agency ^a	Clean Water State Revolving Fund Program	Provides capitalization grants to state revolving fund programs to finance various water quality projects, including wastewater treatment plants.	\$1,863,903,700
	Drinking Water State Revolving Fund Program	Provides capitalization grants to state revolving fund programs to finance the infrastructure projects needed to comply with federal drinking water regulations and to protect public health, including constructing, replacing, or upgrading publicly owned municipal drinking water treatment plants and distribution systems.	1,102,751,800
United States Department of Agriculture, Rural Utilities Service	Water and Waste Disposal Program	Provides loan and grant funding for both drinking water and wastewater projects in low-income rural communities of 10,000 or less.	1,379,439,679

Source: GAO analysis of Environmental Protection Agency and United States Department of Agriculture data.

^aA state may only obligate funds from a capitalization grant during the fiscal year for which the funds are authorized and during the following fiscal year.

Table 12: Drug Abuse Prevention and Treatment Programs: List of Programs and Related Budgetary Information

Agency or subagency	Program name	Program description ^a	Fiscal year 2011 obligations for drug abuse prevention and treatment activities
Department of Defense (DOD)	Drug Demand Reduction Program	^b	\$118,078,000 ^b
DOD civilian agencies	Civilian Employee Drug-Free Workplace Program	Prevention	^b
National Guard Bureau	National Guard Bureau Prevention, Treatment, and Outreach Program	Prevention	^b
U.S. Air Force	Air Force Drug Demand Reduction	Prevention	^b
U.S. Army	Army Substance Abuse Program	Prevention and treatment	^b
U.S. Marine Corps	Marine Corps Community Services Substance Abuse Program	Prevention	^b
U.S. Navy	Navy Alcohol and Drug Abuse Prevention	Prevention	^b
	Substance Abuse Rehabilitation Program	Treatment	Not available ^c
Department of Justice			
Bureau of Prisons			92,500,000 ^d
	Community Transitional Drug Abuse Treatment	Treatment	^d
	Drug Abuse Education	Prevention and treatment	^d
	Non-residential Drug Abuse Treatment	Treatment	^d
	Residential Drug Abuse Treatment	Treatment	^d
Drug Enforcement Administration	Demand Reduction Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	2,085,000 ^e
Office of Justice Programs	Drug Courts	Treatment	Not available ^c
	Enforcing Underage Drinking Laws	Prevention	16,968,000
	Justice and Mental Health Collaboration Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	Not available ^c
	Residential Substance Abuse Treatment	Treatment	Not available ^c
	Second Chance Act Adult Offenders with Co-Occurring Substance Abuse and Mental Health Disorders	Treatment	Not available ^c
	Second Chance Act Family-Based Adult Offender Substance Abuse Treatment Program, Planning, and Demonstration Projects	Treatment	Not available ^c
Department of Transportation			
Federal Aviation Administration	Employee Drug and Alcohol Testing Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	469,241
	Flight Attendant Drug And Alcohol Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	269,241

Agency or subagency	Program name	Program description ^a	Fiscal year 2011 obligations for drug abuse prevention and treatment activities
	Human Intervention Motivation Study	Neither a prevention nor a treatment program, but may include prevention or treatment activities	200,000
National Highway Traffic Safety Administration	Drug Impaired Driving Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	2,688,000
Department of Education			
	21st Century Community Learning Centers	Neither a prevention nor a treatment program, but may include prevention or treatment activities ^f	Not available ^c
	Safe and Supportive Schools ^g	Neither a prevention nor a treatment program, but may include prevention or treatment activities ^f	Not available ^c
	Safe Schools/Healthy Students ^g	Prevention	Not available ^c
Executive Office of the President			
Office of National Drug Control Policy	Anti-Doping Activities	Prevention	8,982,000
	High Intensity Drug Trafficking Areas	Neither a prevention nor a treatment program, but may include prevention or treatment activities	2,848,424
	Youth Drug Prevention Media Program	Prevention	39,000,000 ^e
Federal Judiciary			
Administrative Office of the United States Courts	Court Ordered Substance Abuse Testing and Treatment	Treatment	48,053,914
Department of Health and Human Services			
Health Resources and Services Administration	Health Center Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	Not available ^c
	Ryan White HIV/AIDS	Neither a prevention nor a treatment program, but may include prevention or treatment activities	Not available ^c
Indian Health Service	Urban Indian Health Program Title V 4-in-1 grants	Prevention and treatment	4,500,000
	Alcohol and Substance Abuse Self Determination Contracts	Prevention and treatment	194,409,000
	Methamphetamine and Suicide Prevention Initiative	Prevention and treatment	16,358,000
	Youth Regional Treatment Centers	Prevention and treatment	18,450,189 ^e
	Tele-behavioral Health Activities	Prevention and treatment	Not available ^c
Substance Abuse and Mental Health Services Administration (SAMHSA)	Access to Recovery	Treatment	98,954,000
	Assertive Adolescent and Family Treatment	Prevention and treatment	4,198,000
	Capacity Building Initiative	Prevention	8,097,080
	Center for the Application of Prevention Technologies	Prevention	10,977,264

Agency or subagency	Program name	Program description ^a	Fiscal year 2011 obligations for drug abuse prevention and treatment activities
	Community-based Coalition Enhancement Grants	Prevention	4,912,052
	Drug Free Communities Mentoring Program	Prevention	2,391,168
	Drug Free Communities Support Program	Prevention	83,845,306
	Ex-Offender Reentry	Treatment	16,373,000
	Fetal Alcohol Spectrum Disorders Center for Excellence	Prevention	9,830,206
	Grants to Serve Young Children and Families Affected by Methamphetamine	Prevention and treatment	4,148,000
	Historically Black Colleges and Universities Grant	Neither a prevention nor a treatment program, but may include prevention or treatment activities	300,000
	Homeless Grants for the Benefit of Homeless Individuals	Treatment	35,946,000
	Minority AIDS Initiative Targeted Capacity Expansion	Prevention and treatment	53,934,000
	Minority HIV Prevention	Prevention	20,048,037
	National Adult Oriented Media Public Service Campaign	Prevention	1,096,735
	Native American Center for Excellence	Prevention	1,031,475
	Partnership for Success	Prevention	11,500,000
	Physician Clinical Support System Project - Buprenorphine	Neither a prevention nor a treatment program, but may include prevention or treatment activities	494,000
	Physician Clinical Support System Project - Opioid	Neither a prevention nor a treatment program, but may include prevention or treatment activities	500,000
	Residential Treatment for Pregnant and Post Partum Women	Prevention and treatment	14,377,000
	Ready to Respond	Prevention	10,435,218
	Recovery Community Services Program	Treatment	5,236,000
	Screening, Brief Intervention, and Referral to Treatment - Medical Schools/Residency	Neither a prevention nor a treatment program, but may include prevention or treatment activities	6,152,000
	State Screening, Brief Intervention and Referral to Treatment	Prevention and treatment	44,141,000
	Strategic Prevention Framework State Incentive Grants	Prevention	53,872,449
	Substance Abuse Prevention and Treatment Block Grant	Prevention and treatment	1,441,962,000
	Targeted Capacity Expansion General - Grants to Expand Care Coordination Using Health Information Technology	Neither a prevention nor a treatment program, but may include prevention or treatment activities	8,033,000
	Targeted Capacity Expansion General - Recovery Oriented Systems of Care	Treatment	4,380,000
	Targeted Capacity Expansion General - Technology Assisted Care	Treatment	2,291,000

Agency or subagency	Program name	Program description ^a	Fiscal year 2011 obligations for drug abuse prevention and treatment activities
	Treatment Drug Courts - Adults (SAMHSA only)	Treatment	4,897,000
	Treatment Drug Courts - Juvenile (SAMHSA only)	Treatment	3,355,000
	Treatment Drug Courts - Adult (joint with the Bureau of Justice Assistance)	Treatment	7,282,000
	Treatment Drug Courts - Juvenile (joint with the Office of Juvenile Justice and Delinquency Prevention)	Treatment	398,000
	Underage Drinking Prevention Education Initiative	Prevention	3,039,738
Department of Housing and Urban Development			
	Emergency Solutions Grants	Neither a prevention nor a treatment program, but may include prevention or treatment activities	Not available ^c
	Supportive Housing Program	Neither a prevention nor a treatment program, but may include prevention or treatment activities	Not available ^c
	Housing Opportunities for Persons with AIDS	Neither a prevention nor a treatment program, but may include prevention or treatment activities	Not available ^c
Department of Labor			
Employment Training Administration	Job Corps	Neither a prevention nor a treatment program, but may include prevention or treatment activities	6,600,000
Department of Veterans Affairs			
Veterans Health Administration	Substance Use Disorder Outpatient Program	Treatment	581,646
	Substance Use Disorder Residential Program	Treatment	68,132

Source: GAO analysis of agency data.

^aFor the purpose of this review, GAO identified a drug abuse prevention program as a federal program that provides services, allocates funding, or allows for activities focused on discouraging the first-time use of controlled substances—specifically illicit drugs and the problematic use of alcohol—and encouraging those who have begun to use controlled substances to cease their use. GAO defined a drug abuse treatment program as a federal program that provides services, allocates funding, or allows for activities focused on identifying and assisting users of controlled substances—specifically illicit drugs and the problematic use of alcohol—to become drug-free and remain drug-free.

^bThe Drug Demand Reduction program funds, at least in part; the National Guard Bureau Prevention, Treatment, and Outreach program; the Air Force Drug Demand Reduction program; the Army Substance Abuse Program; the Marine Corps Substance Abuse Program; and the Navy Alcohol and Drug Abuse Prevention program, as well as drug testing for the department's civilian employees. The military services use Drug Demand Reduction program funds to provide drug abuse prevention services, including drug testing, education, and outreach. The Drug Demand Reduction program does not fund drug abuse treatment services or services related to the prevention or treatment of alcohol abuse. However, the military services may use other funding sources to provide those services. For example, the U.S. Army uses funds from its Operations and Maintenance Account to provide some drug abuse treatment services.

^cGAO requested that surveyed programs provide the total amount of federal funds obligated specifically for drug abuse prevention and treatment activities in fiscal year 2011. For those agencies that were unable to provide this information, GAO reported that this information was "not available." Program officials reported to GAO that they were unable to provide the total amount of federal funds obligated specifically for their program's drug abuse prevention or treatment activities in fiscal year 2011 for a variety of reasons, such as that the programs do not collect this type of budgetary data.

^dThe Bureau of Prisons reported obligations for their drug abuse prevention and treatment programs in total, but was not able to report obligations for individual programs.

^eAgency officials reported these figures as estimated obligations.

^fUnder 20 U.S.C. § 7164, funds may not be used for medical services, drug treatment or rehabilitation, except for pupil services or referral to treatment for students who are victims of, or witnesses to, crime or who illegally use drugs with regard to Safe and Drug-Free Schools and Communities. Under 20 U.S.C. § 7175, with regard to 21st Century Community Learning Centers, each eligible entity that receives an award may use the award funds to carry out a broad array of before and after school activities that advance student academic achievement that are listed in the statute.

^gFor the purpose of this analysis, GAO reviewed the activities of the Department of Education's Safe and Supportive Schools and Safe Schools/Healthy Students programs separately; according to Department of Education officials, they are considered to be activities within a single program—the Safe and Drug-Free Schools and Communities National Activities.

Table 13: Higher Education Assistance: List of Select Programs and Related Budgetary Information

Agency	Program name	Program description	Fiscal year 2011 funds available
U.S. Department of Education	Pell Grants	Grant amounts are based on the student's enrollment status and the difference between the expected family contribution and the cost of attendance, up to the maximum Pell Grant allowed under the Higher Education Act.	\$35,685,485,000
	Federal Supplemental Educational Opportunity Grants	Schools administer grant funds, which are awarded to undergraduate students with exceptional financial need, with a priority given to students who receive Pell Grants. Schools are generally required to match at least 25 percent of the federal funds allocated.	\$931,633,000
	Federal Work Study	Schools administer federal funds and make part-time employment available to undergraduate, graduate, and professional students with federally defined financial need. Participating schools or nonprofit employers generally contribute at least 25 percent of the student's earnings (50 percent in the case of for-profit employers).	\$1,168,428,000
	Federal Perkins Loans	Loans are made to undergraduate, graduate, and professional students, with priority given to those with exceptional financial need. Schools administer funds for the low-interest (5 percent) loans, composed of federal capital contributions and school matching funds (at least one-third of federal contributions). Repayment is made to the school.	\$970,705,000
	Subsidized Direct Stafford Loans	Loans are made on the basis of financial need to undergraduate, graduate, and professional students who are enrolled at least half-time. The federal government pays the interest costs on subsidized loans while the student is in school, for a grace period of 6 months after the student leaves school, and during subsequent periods if needed.	\$41,774,526,000
	Unsubsidized Direct Stafford Loans	Loans are made to undergraduate, graduate, and professional students who are enrolled at least half-time. Unlike the case with subsidized Stafford Loans, students are responsible for interest costs throughout the life of the loan. Annual and aggregate borrowing limits for unsubsidized Stafford Loans include any subsidized Stafford Loans taken by the student.	\$48,081,625,000
	Parent Loans for Undergraduate Students (PLUS) Loans	Loans are made to parents of dependent undergraduates and to graduate and professional students who are enrolled at least half-time. Borrowers are subject to a credit check for adverse credit history and may be denied a loan. Borrowers are responsible for paying all interest on the loan.	\$19,070,152,000

Agency	Program name	Program description	Fiscal year 2011 obligations
Department of Veterans Affairs	Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill)	Provides benefits to veterans and service members who served on active duty for at least 90 days after September 10, 2001. The program is designed to provide individuals who served on active duty for a full 36 months with the full cost of attendance at a public school and up to \$17,500 for private nonprofit and private for-profit schools.	\$7,656,490,000
	Montgomery GI Bill-Active Duty	Provides a fixed monthly allowance primarily to veterans who enter active duty after June 30, 1985. In fiscal year 2011, the benefit was \$1,426 per month for full-time study.	\$1,385,943,000
	Montgomery GI Bill-Selected Reserve	Provides a monthly benefit payment for Reservists, including the National Guard, who agree to serve for 6 years. In fiscal year 2011, the benefit was \$337 per month for full-time study.	\$201,433,000
	Survivors' and Dependents' Educational Assistance Program	Provides education and training opportunities to eligible dependents of certain veterans that were disabled or died during active duty service.	\$462,877,000
	Reserve Educational Assistance Program	Provides benefits to Reservists with at least 90 days of consecutive active-duty service after September 10, 2001. In fiscal year 2011, the benefit was \$1,141 per month for full-time study, with at least 2 years of consecutive active-duty service.	\$95,324,000
Department of Defense	Military Tuition Assistance	Provides tuition assistance to service members in order to help them fulfill their academic goals and enhance their professional development. In order to participate in the program, the Department of Defense (DOD) requires that postsecondary institutions be accredited by an accrediting agency recognized by the U.S. Department of Education.	\$711,241,164 ^a

Source: GAO analysis of agency data.

Notes: Loan amounts reflect the amount actually loaned to borrowers, not the federal cost of the loans. We selected Title IV programs that served more than 500,000 recipients in school year 2007-2008, with the exception of programs set to expire at the end of fiscal year 2011.

^aThe DOD figure represents the sum of actual obligations for active duty and reserve personnel where applicable across services. However, the fiscal year 2011 data available for the U.S. Marine Corps are composed of estimated obligations.

Table 14: Higher Education Assistance: List of Select Tax Expenditures and Total Estimated Benefits, Tax Year 2009

Agency	Tax expenditure	Tax expenditure description	Total estimated benefits, tax year 2009
Internal Revenue Service	American Opportunity Credit	Provides a credit up to \$2,500 for qualified education expenses paid to each eligible student. Forty percent of the credit may be refundable.	\$16,000,000,000
	Lifetime Learning Credit	Provides a credit up to \$2,000 per return. It is a nonrefundable credit limited to the amount of tax paid on taxable income.	\$2,400,000,000
	Tuition and Fees Deduction	Provides a deduction up to \$4,000 per return.	\$628,900,000
	Student Loan Interest Deduction	Provides a deduction up to \$2,500 for interest paid on eligible education loans.	\$1,300,000,000
	Parental personal exemption for students ages 19-23	Tax filers with eligible dependents aged 19-23 who are full-time students are allowed an exemption of \$3,650 per dependent.	\$5,300,000,000
	Earned Income Tax Credit for students ages 19-23	Provides a refundable credit up to \$5,666 to eligible filers depending on their income and number of qualifying children.	\$3,300,000,000

Source: GAO analysis of Internal Revenue Service data.

Note: For details on eligibility requirements for each tax expenditure, see [GAO-12-560](#). Estimates have 95 percent confidence intervals within plus or minus 10 percent of the estimate itself. We selected tax expenditures that (1) are designed to assist students and their families save for, pay current expenses, or repay expenses for higher education; (2) have eligibility requirements that are not based on criteria other than income or higher education expenses; (3) were available in tax years 2006-2009; and (4) had more than 50,000 tax filers claim the benefit in 2009. Our estimates for the number of filers claiming an education tax benefit include only those filers that reduced their tax liability by claiming these expenditures. We did not include estimates for qualified tuition programs or Coverdell education savings accounts in this table because we were unable to analyze the accounts separately.

Table 15: Veterans' Employment and Training: List of Programs and Related Budgetary Information

Agency	Program name	Program description	2011 funding ^a
Department of Labor			
	Disabled Veterans' Outreach Program	Formula grants to states to fund staff positions in the state workforce agencies. These staff provide employment services to eligible veterans. The law requires that—to the greatest extent possible—Labor hire qualified veterans to fill these positions. ^b	\$85,000,000
	Local Veterans' Employment Representative Program	Formula grants to states to fund staff positions in the state workforce agencies. These staff reach out to employers to find jobs for veterans. The law requires that—to the greatest extent possible—Labor hire qualified veterans or eligible persons to fill these positions. ^c	\$72,000,000
	Homeless Veterans' Reintegration Program	Competitive grants to state and local agencies, for profit/commercial entities, and nonprofit organizations to provide employment and supportive services to homeless veterans.	\$36,000,000
	Transition Assistance Program	Provides workshops to help service members prepare for civilian employment.	\$7,000,000
	Veterans' Workforce Investment Program	Competitive grants to state and local agencies, for profit/commercial entities, and nonprofit organizations to provide employment and supportive services to veterans.	\$9,000,000 ^d
Department of Veterans Affairs			
	Vocational Rehabilitation Program	Provides funding for staff located in field offices and subsistence allowances to veterans and pays for tuition, books, and supplies.	\$973,000,000 ^e

Source: GAO analysis of Department of Labor and Department of Veterans Affairs annual budget justifications, performance reports, and fact sheets.

^aThe Homeless Veterans' Reintegration Program and Veterans' Workforce Investment Program numbers represent program year 2010, which began on July 1, 2010, and ended on June 30, 2011, rather than in fiscal year 2011. Funding for the other programs listed represents fiscal year 2011.

^b38 U.S.C. § 4103A(b).

^c38 U.S.C. § 4104(c).

^dIn fiscal year 2013, the Department of Labor is requesting that Congress defund the Veterans' Workforce Investment Program, because of the increasingly high cost per placement in employment for program participants.

^eThis number includes administrative cost and readjustment benefits such as tuition, books, and supplies.

Table 16: Crop Insurance: Program and Related Budgetary Information

Agency or subagency	Program name	Program description	Fiscal year 2011 obligation
U.S. Department of Agriculture			
Risk Management Agency	Federal Crop Insurance Program	Through the federal crop insurance program, farmers insure against losses on more than 100 crops including major crops—such as corn, cotton, soybeans, and wheat—as well as nursery crops and certain fruits and vegetables.	\$4,600,900,000 ^a

Source: GAO analysis of USDA documents.

^aThis figure includes the federal government's subsidy costs for crop insurance premiums, but does not include other expenses, such as administrative expenses.

Table 17: Department of Energy's Isotope Program: Program and Related Budgetary Information

Agency or subagency	Program name	Program description	Fiscal year 2012 obligation
Department of Energy			
Office of Science	Isotope Program	The Isotope Program develops, produces, and sells isotopes, byproducts, surplus materials, and related services worldwide to commercial, research, and medical communities.	\$47,022,978

Source: GAO summary of Department of Energy information.

Table 18: Medicare Prepayment Controls: Program and Related Budgetary Information

Agency or subagency	Program name	Program description	FY 2011 outlays
Department of Health and Human Services			
Centers for Medicare & Medicaid Services	Medicare	Medicare is the federal health insurance program for individuals aged 65 or over, certain individuals with disabilities, and individuals with end-stage renal disease.	\$408,202,000,000 ^a

Source: The President's Budget for Fiscal Year 2013.

^aThe \$408 billion represents outlays for the entire Medicare program. The President's Budget does not separately report outlays for the Medicare fee-for-service program.

Table 19: Medicaid Supplemental Payments: Non-Disproportionate Share Hospital Supplemental Payments and Related Budgetary Information

Agency or subagency	Program name	Program description	FY 2011 estimated cost
Centers for Medicare & Medicaid Services	Non-disproportionate share hospital supplemental payments	Payments separate from and in addition to the state's regular Medicaid payments	\$25,925,500,000 ^a

Source: Medicaid and CHIP Payment and Access Commission analysis of Centers for Medicare & Medicaid Services data.

Notes: Medicaid and CHIP Payment and Access Commission, *Report to the Congress on Medicaid and CHIP: March 2012* (Washington, D.C.: 2012).

^aThe \$25,925,500,000 represents total federal and state expenditures.

Table 20: Checked Baggage Screening: Budget Activities and Related Budgetary Information

Agency	Budget activity	Description	FY 2011 funding
Department of Homeland Security			
Transportation Security Administration (TSA)	Explosives Detection System Procurement and Installation	Funds available in fiscal year 2011 for the procurement and installation of explosives detection systems (EDS) and explosives trace detection (ETD) machines. Generally, EDS is used in conjunction with ETD to identify and resolve threats in checked baggage.	\$290,800,000
	Aviation Security Capital Fund	The first \$250 million collected in air passenger security fees is deposited into the Aviation Security Capital Fund, which is available to support airport facility modification projects primarily related to the installation of checked baggage screening equipment. See 49 U.S.C. §§ 44923, 44940(a)(1).	250,000,000
	Screening Technology Maintenance and Utilities	Funds available in fiscal year 2011 for the maintenance of EDS and ETD machines, related utilities to operate the machines, and expenses related to the disposal of old screening machines.	240,000,000
Total			780,800,000

Source: GAO analysis of TSA information.

Note: Amounts available as reported by TSA for activities related to the Electronic Baggage Screening Program's planning, procurement, installation (including facility modification), and maintenance and utilities.

Table 21: Information Technology Operations and Maintenance: Steady State Information Technology Investments and Related Budgetary Information

Agency	Steady state information technology investments^a	Investments with an operational analysis^b	FY 2011 investment costs
Department of Defense	4	0	\$381,000,000
Department of Homeland Security	44	16	2,186,000,000
Department of Health and Human Services	8	7	284,000,000
Department of the Treasury	16	0	152,000,000
Department of Veterans Affairs	3	0	1,590,000,000
Total			\$4,600,000,000

Source: GAO analysis based on agency data.

^aSteady state information technology investments are investments that are strictly in the operations and maintenance phase (excluding mixed cycle investments).

^bAn operational analysis examines the ongoing performance of existing information technology investments to measure, among other things, that the investment is continuing to meet business and customer needs and is contributing to meeting the agency's strategic goals.

Table 22: Tobacco Taxes: List of Products and Related Budgetary Information

Agency	Tobacco product	Current tax rate	FY 2011 federal excise tax revenue
Department of the Treasury			
Alcohol and Tobacco Tax and Trade Bureau	Roll-your-own tobacco	\$24.78 per pound	\$281,177,772
	Pipe tobacco	\$2.83 per pound	145,334,870
	Large cigars	52.75 percent of sales price, but not to exceed \$402.60 per thousand sticks	1,286,679,674
	Small cigars	\$50.33 per thousand sticks	86,172,159

Source: GAO analysis of Treasury and Bureau of Labor Statistics data.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

