



Testimony

Before the Committee on Homeland  
Security and Governmental Affairs,  
U.S. Senate

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**GOVERNMENT  
EFFICIENCY AND  
EFFECTIVENESS**

**Opportunities to Reduce  
Fragmentation, Overlap,  
and Duplication and  
Achieve Other Financial  
Benefits**

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Comptroller General of the United States

Accessible Version

# GAO Highlights

Highlights of [GAO-15-522T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

As the fiscal pressures facing the government continue, so too does the need for executive branch agencies and Congress to improve the efficiency and effectiveness of government programs and activities. Such opportunities exist throughout government.

To bring these opportunities to light, Congress included a provision in statute for GAO to annually identify federal programs, agencies, offices, and initiatives (both within departments and government-wide) that are fragmented, overlapping, or duplicative. As part of this work, GAO also identifies additional opportunities to achieve cost savings or enhanced revenue collection. GAO's 2015 annual report is its fifth in this series ([GAO-15-404SP](#)).

This statement discusses (1) new opportunities GAO identifies in its 2015 report; (2) the status of actions taken to address the opportunities GAO identified in its 2011-2014 reports; and (3) existing and new tools available to help executive branch agencies and Congress reduce or better manage fragmentation, overlap, and duplication. To identify what actions exist to address these issues and take advantage of opportunities for cost savings and enhanced revenues, GAO reviewed and updated prior work, including recommendations for executive action and matters for congressional consideration.

View [GAO-15-522T](#). For more information, contact Orice Williams Brown or A. Nicole Clowers at (202) 512-8678.

April 14, 2015

## GOVERNMENT EFFICIENCY AND EFFECTIVENESS

### Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits

## What GAO Found

GAO's 2015 annual report identifies 66 new actions that executive branch agencies and Congress could take to improve the efficiency and effectiveness of government in 24 areas. GAO identifies 12 new areas in which there is evidence of fragmentation, overlap, or duplication. For example, GAO suggests that Congress repeal the statutorily required US Family Health Plan—a decades-old component of the Department of Defense's (DOD) Military Health System—because it duplicates the efforts of DOD's managed care support contractors by providing the same benefit to military beneficiaries. GAO also identifies 12 areas where opportunities exist either to reduce the cost of government operations or enhance revenue collections. For example, GAO suggests that Congress update the way Medicare has paid certain cancer hospitals since 1983, which could save about \$500 million per year.

The executive branch and Congress have made progress in addressing the approximately 440 actions government-wide that GAO identified in its past annual reports. Overall, as of March 6, 2015, 37 percent of these actions were addressed, 39 percent were partially addressed, and 20 percent were not addressed. Executive branch and congressional efforts to address these actions over the past 4 years have resulted in over \$20 billion in financial benefits, with about \$80 billion more in financial benefits anticipated in future years from these actions. Although progress has been made, fully addressing all the remaining actions identified in GAO's annual reports could lead to tens of billions of dollars of additional savings.

**Status of Actions Directed to Congress and the Executive Branch from GAO's 2011-2014 Annual Reports, as of March 6, 2015**

| Status                             | Number of executive branch actions (percentage) | Number of congressional actions (percentage) | Total (percentage) |
|------------------------------------|---|--|--------------------|
| Addressed                          | 149 (39%)                                       | 20 (27%)                                     | 169 (37%)          |
| Partially addressed                | 168 (44)  | 11 (15)                                      | 179 (39)           |
| Not addressed                      | 52 (14)   | 38 (51)                                      | 90 (20)            |
| Consolidated or other <sup>a</sup> | 15 (4)  | 5 (7)  | 20 (4)             |

Source: GAO. | [GAO-15-522T](#).

<sup>a</sup>Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered.

Addressing fragmentation, overlap, and duplication within the federal government is challenging due to, among other things, the lack of reliable budget and performance information. If fully and effectively implemented, the GPRA Modernization Act of 2010 and the Digital Accountability and Transparency Act of 2014 could help to improve performance and financial information. In addition, GAO has developed an evaluation and management guide ([GAO-15-49SP](#)), which is being released concurrently with the 2015 annual report. This guide provides a framework for analysts and decision makers to identify and evaluate instances of fragmentation, overlap and duplication and consider options for addressing or managing such instances.

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Chairman Johnson, Ranking Member Carper, and Members of the Committee:

I appreciate the opportunity to discuss our 2015 annual report, which presents 24 opportunities to reduce fragmentation, overlap, and duplication and achieve other financial benefits.<sup>1</sup> My testimony today describes (1) new issues identified in our 2015 annual report; (2) the status of actions taken by the administration and Congress to address the issues identified in our 2011-2014 annual reports;<sup>2</sup> and (3) existing and new tools available to help executive branch agencies and Congress reduce or better manage fragmentation, overlap, and duplication. My comments are based upon our 2015 annual report and an evaluation and management guide for assessing fragmentation, overlap, and duplication,<sup>3</sup> which are both being released today, as well as our update on the progress made in implementing actions that we have suggested in our previous annual reports.<sup>4</sup> These efforts are based upon work GAO conducted in accordance with generally accepted government auditing standards, or GAO's quality assurance framework.<sup>5</sup> More details on our scope and methodology can be found in the full report.

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<sup>1</sup>GAO, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-15-404SP](#) (Washington, D.C.: Apr. 14, 2015).

<sup>2</sup>GAO, *2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-14-343SP](#) (Washington, D.C.: Apr. 8, 2014); *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-13-279SP](#) (Washington, D.C.: Apr. 9, 2013); *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 *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011).

<sup>3</sup>See GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015).

<sup>4</sup>See [GAO's Action Tracker](#), a publicly accessible website that includes progress updates and assessments of the actions from this series of reports.

<sup>5</sup>We conducted the work for Area 16: U.S. Enrichment Corporation Fund under GAO's quality assurance framework. We use this framework when we conduct routine nonaudits, such as technical assistance provided to Congress. GAO's quality assurance framework requires that we plan and perform the engagement to meet our stated objectives and to discuss any limitations in our work. We maintain that the information and data obtained, and the analysis conducted, provide a reasonable basis for our findings and conclusions.

## Twenty-four Areas Identified to Improve Efficiency and Effectiveness across the Federal Government

In our 2015 annual report, we identify 12 new areas in which we found evidence of fragmentation, overlap, or duplication, and we present 20 actions to executive branch agencies and Congress to address these issues. As described in table 1, these areas span a wide range of federal functions or missions.

**Table 1: Fragmentation, Overlap, and Duplication Areas Identified in GAO’s 2015 Report, by Mission**

| Mission            | Areas identified   |
|--------------------|--|
| Agriculture        | 1. <b>EPA’s and FDA’s Laboratory Inspections:</b> To avoid potential duplication of certain types of laboratory inspections and better leverage limited resources, the Environmental Protection Agency and the Food and Drug Administration should develop a formal process to collaborate and share information on planned inspections.   |
| Defense            | 2. <b>Ground Radar and Guided Munitions Programs:</b> The Department of Defense should take steps to minimize the risk of future duplication within its ground radar and guided munitions weapons systems.<br>3. <b>Weapon System Milestone Decision Process:</b> To improve efficiency, the Secretary of Defense should streamline the Department of Defense’s milestone decision process used for major weapon system acquisition programs by eliminating reviews that can be duplicative and are not highly valued by acquisition officials.  |
| General government | 4. <b>Consumer Product Safety Oversight:</b> More formal and comprehensive coordination among over 20 federal agencies is needed to help increase efficiency and effectiveness related to consumer product safety oversight and address challenges related to fragmentation and overlap.<br>5. <b>Nonemergency Medical Transportation:</b> To mitigate the effects of overlap, the Department of Transportation should take steps to enhance federal, state and local coordination among 42 programs that provide nonemergency medical transportation to individuals who cannot provide their own transportation due to age, disability, or income constraints.  |
| Health             | 6. <b>DOD US Family Health Plan:</b> To potentially save millions of dollars and eliminate duplication within the Department of Defense’s health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other DOD health care contractors.<br>7. <b>Medicare Postpayment Claims Reviews:</b> To prevent inappropriate duplicative postpayment claims reviews by contractors, the Centers for Medicare & Medicaid Services should monitor the Recovery Audit Data Warehouse—the database developed in part to prevent duplicative reviews—and develop more complete guidance on contractors’ responsibilities.<br>8. <b>Programs for Serious Mental Illness:</b> To help ensure that the eight federal agencies administering over 100 programs supporting individuals with serious mental illness are able to develop an overarching perspective in order to understand the breadth of programs and resources used—including any potential gaps or overlap—greater coordination of federal efforts is needed. The Department of Health and Human Services, and within it, the Substance Abuse and Mental Health Services Administration, should establish a mechanism to facilitate coordination of programs relating to mental illness throughout the federal government. |

| Mission                                    | Areas identified  |
|--|---|
| <b>Homeland security / law enforcement</b> | 9. <b>Vulnerability Assessments of Critical Infrastructure:</b> The Department of Homeland Security could mitigate potential duplication or gaps by consistently capturing and maintaining data from overlapping vulnerability assessments of critical infrastructure and improving data sharing and coordination among the offices and components involved with these assessments. |
| <b>Information technology</b>              | 10. <b>DHS Processing of FOIA Requests:</b> To address duplication in the processing of Freedom of Information Act requests, the Department of Homeland Security should determine the viability of re-establishing an agreement between two of its component agencies that process immigration files.   |
| <b>International affairs</b>               | 11. <b>Federal and States' Export Promotion:</b> Because federal and state export promotion efforts overlap, the Department of Commerce should take steps to enhance collaboration among them to promote economic development while ensuring the most efficient use of limited federal resources.   |
| <b>Science and environment</b>             | 12. <b>Oceanic and Atmospheric Observing Systems Portfolio:</b> The National Oceanic and Atmospheric Administration should analyze its portfolio of observing systems to determine the extent to which unnecessary duplication may exist.   |

Source: GAO. | GAO-15-522T

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, which may result in inefficiencies in how the government delivers services. We identified fragmentation in multiple programs we reviewed. For example, in our 2015 annual report, we reported that oversight of consumer product safety involves at least 20 federal agencies, including the Consumer Product Safety Commission (CPSC), resulting in fragmented oversight across agencies. Although agencies reported that the involvement of multiple agencies with various expertise can help ensure more comprehensive oversight by addressing a range of safety concerns, they also noted that fragmentation can result in unclear roles and potential regulatory gaps. Although a number of agencies have a role, no single entity has the expertise or authority to address the full scope of product safety activities. We suggested that Congress consider establishing a formal comprehensive oversight mechanism for consumer product safety agencies to address crosscutting issues as well as inefficiencies related to fragmentation and overlap, such as communication and coordination challenges and jurisdictional questions between agencies. Mechanisms could include, for example, formalizing relationships and agreements among consumer product safety agencies or establishing an interagency work group. CPSC, the Department of Homeland Security (DHS), the Department of Housing and Urban Development, and the Department of Commerce's National Institute of Standards and Technology agreed with GAO's matter for congressional consideration, while the remaining agencies neither agreed nor disagreed.

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Fragmentation can also be a harbinger for overlap or duplication. 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, including nonemergency medical transportation (NEMT). Forty-two programs across six different federal departments provide NEMT to individuals who cannot provide their own transportation due to age, disability, or income constraints.<sup>6</sup> For example, NEMT programs at both Medicaid, within the Department of Health and Human Services (HHS), and the Department of Veterans Affairs (VA) have similar goals (to help their respective beneficiaries access medical services), serve potentially similar beneficiaries (those individuals who have disabilities, are low income, or are elderly), and engage in similar activities (providing NEMT transportation directly or indirectly).

We found a number of challenges to coordination for these NEMT programs. For example, Medicaid and VA largely do not participate in NEMT coordination activities in the states we visited, in part because both programs are designed to serve their own populations of eligible beneficiaries and the agencies are concerned that without proper controls payments could be made for services to ineligible individuals. However, because Medicaid and VA are important to NEMT, as they provide services to potentially over 90 million individuals, greater interagency cooperation—with appropriate controls and safeguards to prevent improper payments—could enhance services to transportation-disadvantaged individuals and save money. An interagency coordinating council was developed to enhance federal, state, and local coordination activities, and it has taken some actions to address human service-transportation program coordination. However, the council has not convened since 2008 and has provided only limited leadership. For example, the council has not issued key guidance documents that could promote coordination, including an updated strategic plan.

To improve efficiency, we recommended that the Department of Transportation (DOT), which chairs the interagency coordinating council, take steps to enhance coordination among the programs that provide NEMT. In response, DOT agreed that more work is needed to increase

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<sup>6</sup>The six federal departments are the Departments of Agriculture, Health and Human Services, Education, Housing and Urban Development, Transportation, and Veterans Affairs.

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coordination activities with all HHS agencies, especially the Centers for Medicare & Medicaid Services (CMS). DOT also said the Federal Transit Administration is asking its technical assistance centers to assist in developing responses to NEMT challenges.

In other aspects of our work, 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. An example of duplicative federal efforts is the US Family Health Plan (USFHP)—a statutorily required component of the Department of Defense’s (DOD) Military Health System—and TRICARE Prime, which offers the same benefits to military beneficiaries.<sup>7</sup> The USFHP was initially incorporated into the Military Health System in 1982 when Congress enacted legislation transferring ownership of certain U.S. Public Health Service hospitals to specific health care providers, referred to as designated providers under the program. During the implementation of the TRICARE program in the 1990s, Congress required the designated providers to offer the TRICARE Prime benefit to their enrollees in accordance with the National Defense Authorization Act for Fiscal Year 1997. Today, the USFHP remains a health care option required by statute to be available to eligible beneficiaries in certain locations, despite TRICARE’s national presence through the managed care support contractors. However, the USFHP has largely remained unchanged, and its role has not since been reassessed within the Military Health System.

DOD contracts with managed care support contractors to administer TRICARE Prime—TRICARE’s managed care option—in three regions in the United States (North, South, and West). Separately, TRICARE Prime is offered through the USFHP by designated providers in certain locations within the same three TRICARE regions that are served by a managed care support contractor. Thus, the USFHP offers military beneficiaries the same TRICARE Prime benefit that is offered by the managed care support contractors across much of the same geographic service areas and through many of the same providers. As a result, DOD has incurred added costs by paying the USFHP designated providers to simultaneously administer the same TRICARE Prime benefit to the same population of eligible beneficiaries in many of the same locations as the

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<sup>7</sup>TRICARE-eligible beneficiaries include active duty personnel and their dependents, medically eligible Reserve and National Guard personnel and their dependents, and retirees and their dependents and survivors.

managed care support contractors. To eliminate this duplication within DOD’s health system and potentially save millions of dollars, we suggested that Congress terminate the statutorily required USFHP.

In addition to areas of fragmentation, overlap, and duplication, our 2015 report identified 46 actions that the executive branch and Congress can take to reduce the cost of government operations and enhance revenue collections for the U.S. Treasury in 12 areas. These opportunities for executive branch or congressional action exist in a wide range of federal government missions (see table 2).

**Table 2: Cost Savings and Revenue Enhancement Opportunities Identified in GAO’s 2015 Report, by Mission**

| Mission            | Areas identified  |
|--------------------|---|
| Defense            | <p>13. <b>Defense Facilities Consolidation and Disposal:</b> To help identify opportunities for saving costs by consolidating or disposing of unutilized or underutilized facilities, the Department of Defense should ensure that data on the utilization of Department of Defense facilities—which were collectively valued at around \$850 billion in fiscal year 2013—are complete and accurate.</p> <p>14. <b>DOD Headquarters Reductions and Workforce Requirements:</b> The Department of Defense could potentially achieve hundreds of millions of dollars in cost savings and help to ensure that headquarters organizations are properly sized to meet their assigned missions by reevaluating its ongoing headquarters-reductions efforts and conducting periodic reassessments of workforce requirements.</p>   |
| Energy             | <p>15. <b>Strategic Petroleum Reserve:</b> The Department of Energy could potentially realize significant savings by reexamining the appropriate size of the Strategic Petroleum Reserve—which was valued at about \$45 billion as of December 2014—and depending on the outcome of the analysis, selling crude oil from the reserve and using the proceeds to fund other national priorities.</p> <p>16. <b>U.S. Enrichment Corporation Fund:</b> Congress may wish to consider permanent rescission of the entire \$1.6 billion balance of the U.S. Enrichment Corporation Fund—a revolving fund in the U.S. Treasury—because its purposes have been fulfilled.</p>   |
| General government | <p>17. <b>Tax Policies and Enforcement, 2015:</b> By more effectively using data to manage various enforcement programs, the Internal Revenue Service could bolster tax compliance and potentially collect hundreds of millions of dollars in additional revenue.</p>   |
| Health             | <p>18. <b>DOD TRICARE Improper Payments:</b> To achieve potential cost savings associated with billions of dollars of improper payments, the Department of Defense should implement a more comprehensive improper payment measurement methodology and develop more robust corrective action plans for the military health care program known as TRICARE.</p> <p>19. <b>Medicare Payments to Certain Cancer Hospitals:</b> To achieve almost \$500 million per year in program savings, Congress should consider updating how Medicare pays certain cancer hospitals.</p> <p>20. <b>State Medicaid Sources of Funds:</b> To potentially save hundreds of millions of dollars, the Centers for Medicare &amp; Medicaid Services should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states’ financing arrangements that can increase costs for the federal government.</p> |
| Income security    | <p>21. <b>Children’s Disability Reviews:</b> To prevent an estimated \$3.1 billion dollars in potential overpayments over 5 years, the Social Security Administration needs to conduct timely disability reviews to better ensure that only eligible children receive cash benefits from the Supplemental Security Income program.</p>  |

| Mission                | Areas identified  |
|------------------------|---|
|                        | 22. <b>Supplemental Nutrition Assistance Program Fraud and Abuse:</b> States should be able to more effectively fight fraud among beneficiaries of the Supplemental Nutrition Assistance Program—which provided more than \$76 billion in benefits in fiscal year 2013—by using data to better focus investigative efforts on high-risk households. |
| Information technology | 23. <b>Federal Software Licenses:</b> In order to achieve hundreds of millions of dollars in government-wide savings, federal agencies should apply better management of software licenses and the Office of Management and Budget should issue a directive to assist agencies in doing so.   |
| Social services        | 24. <b>Disaster Relief Fund Administrative Costs:</b> Cost savings of millions of dollars could be realized if Federal Emergency Management Agency officials enhance their oversight of the agency’s administrative costs obligated from the Disaster Relief Fund for major disasters.  |

Source: GAO. | GAO-15-522T

Examples of opportunities to reduce costs or enhance revenue collections from our 2015 annual report include updating the way Medicare pays certain cancer hospitals, rescinding unobligated funds, and re-examining the appropriate size of the Strategic Petroleum Reserve.

- Updating the way Medicare pays certain cancer hospitals:* To better control Medicare spending and generate cost savings of almost \$500 million per year, Congress should consider changing Medicare’s cost-based payment methods for certain cancer hospitals. Medicare pays the majority of hospitals using an approach known as the inpatient and outpatient prospective payment systems (PPS). Under a PPS, hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries. Beginning in 1983, in response to concern that certain cancer hospitals would experience payment reductions under such a system, Congress required the establishment of criteria under which 11 cancer hospitals are exempted from the inpatient PPS and receive payment adjustments under the outpatient PPS. Since these cancer hospitals were first designated in the early 1980s, cancer care and Medicare’s payment system have changed significantly. Advances in techniques and drugs have increased treatment options and allowed for more localized delivery of care. Along with these developments, the primary setting for cancer care has shifted from the inpatient setting to the outpatient setting. In addition, Medicare’s current payment system better recognizes the resource intensity of hospital care than the system put in place in 1983.

While most hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries, Medicare generally pays these 11 cancer hospitals based on their reported costs, providing little incentive for efficiency. We found that if beneficiaries who received care at the 11 cancer hospitals had

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received inpatient and outpatient services at nearby PPS teaching hospitals, Medicare might have realized substantial savings in 2012. Specifically, we estimated inpatient savings of about \$166 million; we calculated outpatient savings of about \$303 million if forgone payment adjustments were returned to the Medicare Trust Fund.<sup>8</sup> Until Medicare pays these cancer hospitals in a way that encourages greater efficiency, Medicare remains at risk for overspending.

- *Rescinding unobligated funds:* Congress may wish to consider permanently rescinding the entire \$1.6 billion balance of the U.S. Enrichment Corporation (USEC) Fund, a revolving fund in the U.S. Treasury. As part of a 2001 GAO legal opinion, we determined that the USEC Fund was available for two purposes, both of which have been fulfilled: (1) environmental clean-up expenses associated with the disposition of depleted uranium at two specific facilities and (2) expenses of USEC privatization. Regarding the first authorized purpose, the construction of intended facilities associated with the disposition of depleted uranium has been completed. Regarding the second authorized purpose, USEC privatization was completed in 1998 when ownership of USEC was transferred to private investors. In an April 2014 report to Congress, the Department of Energy's (DOE) National Nuclear Security Administration stated that the USEC Fund was one of two sources of funding that it was exploring to finance research, development, and demonstration of national nuclear security-related enrichment technologies. However, this is not one of the authorized purposes of the USEC Fund. Transparency in budget materials is important for informing congressional decisions, and DOE's efforts to utilize USEC Fund monies instead of general fund appropriations diminish that transparency.

The House of Representatives included language to permanently rescind the USEC Fund in H.R. 4923, Energy and Water Development and Related Agencies Appropriations Act, which passed the House on July 10, 2014. However, the rescission was not included in Public Law 113-235, Consolidated and Further Continuing Appropriations Act, 2015. As of March 2015, legislation containing a similar rescission had not been introduced in the 114th Congress.

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<sup>8</sup>We estimated this inpatient savings amount within a range of plus or minus \$4 million at a 95 percent confidence level. This savings estimate covers 9 of the 11 cancer hospitals due to missing 2012 data for 2 hospitals.

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- *Re-examining the appropriate size of the Strategic Petroleum Reserve:* DOE should assess the appropriate size of the Strategic Petroleum Reserve (SPR) to determine whether excess crude oil could be sold to fund other national priorities. The United States holds the SPR so that it can release oil to the market during supply disruptions to protect the U.S. economy from damage. After decades of generally falling U.S. crude oil production, technological advances have contributed to increasing U.S. production. Monthly crude oil production has increased by almost 68 percent from 2008 through April 2014, and increases in production in 2012 and 2013 were the largest annual increases since the beginning of U.S. commercial crude oil production in 1859, according to the Energy Information Administration (EIA).<sup>9</sup>

As of September 2014, the reserve had 106 days of imports, which DOE estimated was valued at about \$45 billion as of December 2014. In addition, as of September 2014, private industry held reserves of 141 days. As a member of the International Energy Agency, the United States is required to maintain public and private reserves of at least 90 days of net imports and to release these reserves and reduce demand during oil supply disruptions.

We found in September 2014 that DOE had taken steps to assess aspects of the SPR but had not recently reexamined its size. Without such a reexamination, DOE cannot be assured that the SPR is holding an appropriate amount of crude oil. If, for example, DOE found that 90 days of imports was an appropriate size for the SPR, it could sell crude oil worth \$6.7 billion and use the proceeds to fund other national priorities. In addition, by reducing the SPR to 90 days, DOE may be able to reduce its operating costs by about \$25 million per year.<sup>10</sup> DOE concurred with our recommendation, stating that a broad, long-range review of the SPR is needed and that it has initiated a process for conducting a comprehensive re-examination of the appropriate size of the SPR.

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<sup>9</sup>EIA is a statistical agency within the Department of Energy that collects, analyzes, and disseminates independent information on energy issues.

<sup>10</sup>The estimated operation savings was based on GAO's calculation of the amount of oil in excess of 90 days of net imports as of September 2014 and DOE's assessment of its annual operating cost for the SPR at \$0.25 per barrel.

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## Congress and Executive Branch Agencies Continue to Make Progress toward Addressing Our Identified Actions

In addition to the 66 new actions identified for this year's annual report, we have continued to monitor the progress that executive branch agencies or Congress have made in addressing the issues we identified in our 2011-2014 annual reports.

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### Overall Progress on 2011-2014 Actions

The executive branch and Congress have made progress in addressing a number of the approximately 440 actions we previously identified (fig. 1).<sup>11</sup> In total, as of March 6, 2015, the date we completed our audit work, we found that overall 169 (37 percent) were addressed, 179 (39 percent) were partially addressed, and 90 (20 percent) were not addressed.<sup>12</sup> An additional 46 actions have been assessed as addressed over the past year; these include 13 actions identified in 2011, 14 actions identified in 2012, 11 actions identified in 2013, and 8 identified in 2014.<sup>13</sup>

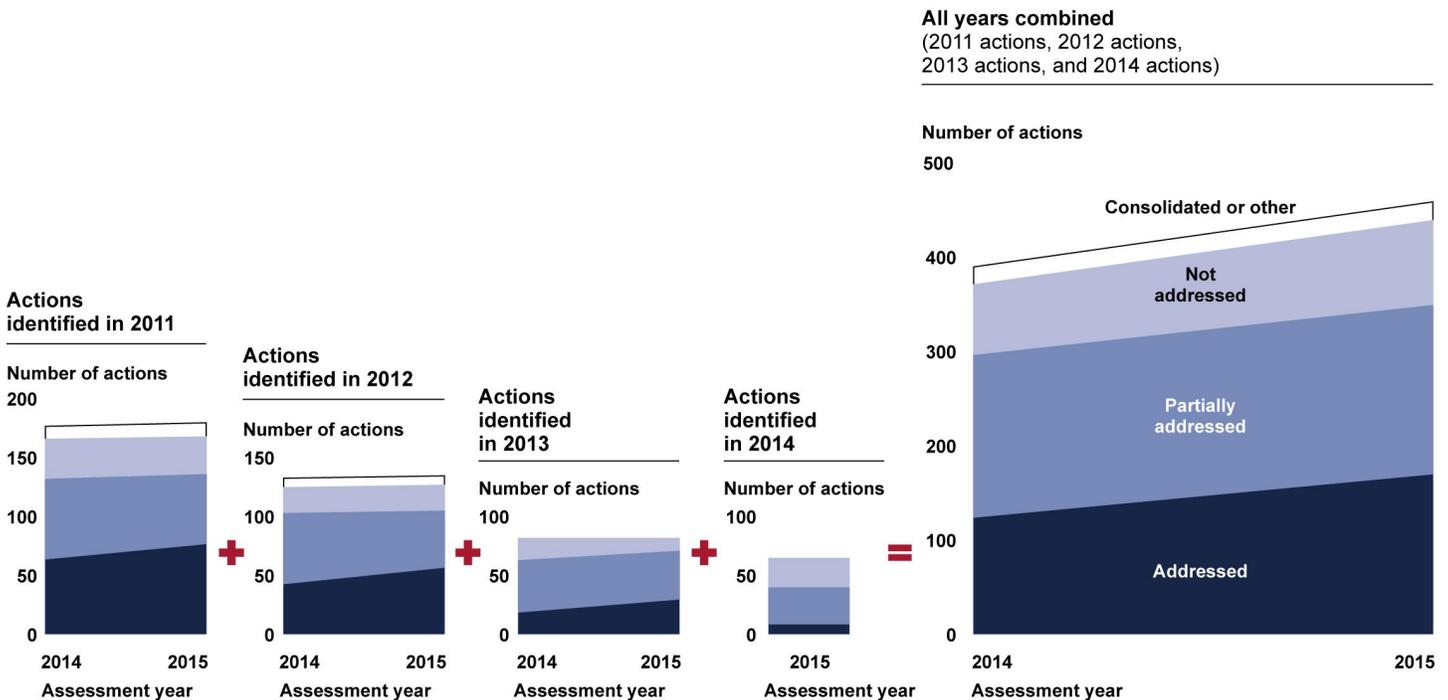
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<sup>11</sup>In assessing actions suggested for Congress, we applied the following criteria: "addressed" means relevant legislation has been enacted and addresses all aspects of the action needed; "partially addressed" means a relevant bill has passed 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.

<sup>12</sup>Twenty actions were categorized as "consolidated or other" and were not assessed due to subsequent events or new information we considered.

<sup>13</sup>Our findings on this progress are reported in [GAO's Action Tracker](#), a publicly accessible website that includes progress updates and assessments of the actions from this series of reports.

**Figure 1: Changes in Assessment of Actions from GAO’s 2011 to 2014 Annual Reports**



Source: GAO analysis. | GAO-15-522T

Note: Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered. Additionally, 2014 actions were not assessed in 2014 since that was the year that the actions were identified.

Executive branch and congressional efforts from fiscal years 2011 through 2014 have resulted in over \$20 billion in realized cost savings to date, with another approximately \$80 billion in additional benefits projected to be accrued through 2023.<sup>14</sup> The following examples illustrate the progress that has been made over the last 4 years.

- *Combat Uniforms*: In our 2013 annual report, we found that DOD’s fragmented approach could lead to increased risk on the battlefield for military personnel and increased development and acquisition costs.

<sup>14</sup>In calculating these estimates, we relied on estimates from the Congressional Budget Office and the Joint Committee on Taxation, where possible. We also developed estimates based on agencies’ data and used agencies’ developed estimates. The totals reflect a summary of these estimates, which relied on different data sources and methodologies and considered different time periods.

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In response, DOD developed and issued guidance on joint criteria to help ensure that future service-specific uniforms will provide equivalent levels of performance and protection. In addition, a provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces.<sup>15</sup> Most recently, the Army chose not to introduce a new family of camouflage uniforms into its inventory, in part because of this legislation, resulting in a cost avoidance of about \$4.2 billion over 5 years.

- *Employment and Training:* Congress and executive branch agencies have taken actions to help address the proliferation of certain employment programs and improve the delivery of benefits. Specifically, in June 2012, we reported on 45 programs administered by nine federal agencies that supported employment for people with disabilities and found these programs were fragmented and often provided similar services to similar populations.<sup>16</sup> The Workforce Innovation and Opportunity Act, enacted in July 2014, eliminated three programs that supported employment for people with disabilities, including the Veterans' Workforce Investment Program, administered by the Department of Labor, and the Migrant and Seasonal Farmworker Program and Projects with Industry, administered by the Department of Education.<sup>17</sup> In addition, the Office

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<sup>15</sup>Subject to certain exceptions, the provision also prohibits the military departments from adopting new pattern designs or uniform fabrics unless they will be adopted by all services or the uniform is already in use by another service. See Pub. L. No. 113-66, § 352(a), (b) (2013). In addition, DOD must issue implementing guidance requiring the military departments to, among other things, ensure that new uniforms meet commanders of combatant command's geographic and operational requirements and continually work together to assess and develop new uniform technologies to improve warfighter survivability. See Pub. L. No. 113-66, § 352(f).

<sup>16</sup>GAO's February 2012 annual report on opportunities to reduce fragmentation, overlap, and duplication across the federal government included 50 programs that supported employment for people with disabilities in fiscal year 2010. GAO later updated its analyses to exclude, for example, programs that had been phased out or ended as of April 2012. In June 2012, GAO reported on 45 programs that supported employment for people with disabilities.

<sup>17</sup>Funding for Projects with Industry was eliminated in fiscal year 2011. As a result, we excluded it from our list of 45 programs in our June 2012 report.

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of Management and Budget (OMB) worked with executive agencies to propose consolidating or eliminating two other programs, although Congress did not take action and both programs continued to receive funding.

The Workforce Innovation and Opportunity Act also helped to promote efficiencies for some of the 47 employment and training programs that support a broader population (including people with and without disabilities), which we reported on in 2011. In particular, this law requires states to develop a unified state plan that covers all designated core programs in order to receive certain funding. As a result, states' implementation of the requirement may enable them to increase administrative efficiencies in employment and training programs—a key objective of our prior recommendations. In addition, the House Budget Resolution for fiscal year 2016<sup>18</sup> calls for further streamlining and consolidating federal job training programs and empowering states with the flexibility to tailor funding and programs to specific needs of their workforce, consistent with our recommendations in this area.

- *Farm Program Payments:* We reported in our 2011 annual report that Congress could save up to \$5 billion annually by reducing or eliminating direct payments to farmers. These are fixed annual payments based on a farm's history of crop production. Farmers received them regardless of whether they grew crops and even in years of record income. Direct payments were expected to be transitional when first authorized in 1996, but subsequent farm bills continued these payments.<sup>19</sup> Congress passed the Agricultural Act of 2014, which eliminated direct payments to farmers and should save approximately \$4.9 billion annually from fiscal year 2015 through fiscal year 2023, according to the Congressional Budget Office.

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<sup>18</sup>H.R. Con. Res. 27, 114th Cong. (2015).

<sup>19</sup>According to the conference report accompanying the 1996 Farm Bill, production flexibility contract payments—the precursors to direct payments, which were similar in design—were established to help farmers make a transition to basing their planting decisions on market signals rather than on government programs. Accordingly, production flexibility contract payments were scheduled to decrease over time and expire in 2002. Federal Agricultural Improvement and Reform Act of 1996, Pub. L. No. 104-127, 110 Stat. 888. However, farm bills passed in 2002 and 2008 continued these payments as “direct payments.”

## Committed Leadership Is Needed to Fully Address the Remaining Actions

Although Congress and executive branch agencies have made progress toward addressing the actions we have identified, further steps are needed to fully address the remaining actions, as shown in table 3. More specifically, 57 percent of the actions addressed to executive branch agencies and 66 percent of the actions addressed to Congress identified in our 2011-2014 reports remain partially or not addressed.<sup>20</sup>

**Table 3: Status of 2011-2014 Actions Directed to Congress and the Executive Branch, as of March 6, 2015**

| Status                | Executive branch <sup>a</sup> |            | Congress <sup>b</sup> |            | Total                   |                    |
|-----------------------|-------------------------------|------------|-----------------------|------------|-------------------------|--------------------|
|                       | Number of actions             | Percentage | Number of actions     | Percentage | Total number of actions | Overall percentage |
| Addressed             | 149                           | 39%        | 20                    | 27%        | 169                     | 37%                |
| Partially addressed   | 168                           | 44         | 11                    | 15         | 179                     | 39                 |
| Not addressed         | 52                            | 14         | 38                    | 51         | 90                      | 20                 |
| Consolidated or other | 15                            | 4          | 5                     | 7          | 20                      | 4                  |

Source: GAO. | GAO-15-522T

Note: Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered.

<sup>a</sup>Executive branch agencies took steps that addressed four actions directed to Congress.

<sup>b</sup>Congress took steps that fully addressed one action and partially addressed another action directed to executive branch agencies.

As our work has shown, committed leadership is needed to overcome the many barriers to working across agency boundaries, such as agencies' concerns about protecting jurisdiction over missions and control over resources or incompatible procedures, processes, data, and computer systems. Without increased or renewed leadership focus, opportunities will be missed to improve the efficiency and effectiveness of programs and save taxpayers' dollars.

## Reducing Contract Spending through Strategic Sourcing

In our 2013 annual report, we reported that 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. In particular, DOD, DHS, DOE, and VA accounted for 80 percent of the \$537 billion in federal procurement spending in fiscal year

<sup>20</sup>Twenty actions, or 4 percent, have been consolidated into other areas and are no longer being assessed due to subsequent events or new information that GAO considered.

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2011, but reported managing about 5 percent, or \$25.8 billion, through strategic sourcing efforts. In contrast, leading commercial firms leverage buying power by strategically managing 90 percent of their spending—achieving savings of 10 percent or more of total procurements costs. While strategic sourcing may not be suitable for all procurement spending, we reported that a reduction of 1 percent from procurement spending at these agencies would equate to over \$4 billion in savings annually—an opportunity also noted in the House Budget Resolution for fiscal year 2016. However, a lack of clear guidance on metrics for measuring success has hindered the management of ongoing strategic sourcing efforts across the federal government.

Since our 2013 report, OMB has made progress by issuing guidance on calculating savings for government-wide strategic sourcing contracts, and in December 2014 it issued a memorandum on category management that, among other things, identifies federal spending categories suitable for strategic sourcing. These categories cover some of the government's largest spending categories, including information technology and professional services. According to OMB, these categories accounted for \$277 billion in fiscal year 2013 federal procurements. This level of spending suggests that by using smarter buying practices the government could realize billions of dollars in savings. In addition, the administration has identified expanded use of high-quality, high-value strategic sourcing solutions as one of its cross-agency priority goals, which are a limited set of outcome-oriented, federal priority goals. However, until OMB sets government-wide goals and establishes metrics, the government may miss opportunities for billions in cost savings through strategic sourcing.

## More Effectively Targeting Defense Resources

Our work on defense has highlighted opportunities to improve efficiencies, reduce costs, and address overlapping and potentially duplicative services that result from multiple entities providing the same service, including the following examples.

- *Combatant Command Headquarters Costs:* Our body of work has raised questions about whether DOD's efforts to reduce headquarters overhead will result in meaningful savings. In 2013, the Secretary of Defense directed a 20 percent cut in management headquarters spending throughout DOD, to include the combatant commands and service component commands. In June 2014, we found that mission and headquarters-support costs for the five geographic combatant commands and their service component commands we reviewed more than doubled from fiscal years 2007 through 2012, to about \$1.7 billion. We recommended that DOD more systematically evaluate the

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sizing and resourcing of its combatant commands. If the department applied the 20 percent reduction in management headquarters spending to the entire \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, we reported that DOD could achieve up to an estimated \$340 million in annual savings.

- *Electronic Warfare:* We reported in 2011 that all four military services in DOD had been separately developing and acquiring new airborne electronic attack systems and that spending on new and updated systems was projected to total more than \$17.6 billion during fiscal years 2007-2016. While the department has taken steps to better inform its investments in airborne electronic attack capabilities, it has yet to assess its plans for developing and acquiring two new expendable jamming decoys to determine if these initiatives should be merged.<sup>21</sup>

More broadly, we identified multiple weaknesses in the way DOD acquires weapon systems and the actions that are needed to address these issues, which we recently highlighted in our high-risk series update in February 2015.<sup>22</sup> For example, further progress must be made in tackling the incentives that drive the acquisition process and its behaviors, applying best practices, attracting and empowering acquisition personnel, reinforcing desirable principles at the beginning of programs, and improving the budget process to allow better alignment of programs and their risks and needs. The House Budget Resolution for fiscal year 2016 encourages a continued review to improve the affordability of defense acquisitions. Addressing the issues that we have identified could help DOD improve the returns on its \$1.4 trillion investment in major weapon systems and find ways to deliver capabilities for less than it has in the past.

The federal government annually invests more than \$80 billion on information technology (IT). The magnitude of these expenditures highlights the importance of avoiding duplicative investments to better ensure the most efficient use of resources. Opportunities remain to reduce or better manage duplication and the cost of government

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<sup>21</sup>DOD employs expendable jamming decoys to degrade enemy air defense systems with the purpose of allowing U.S. aircraft to operate within threat environments.

<sup>22</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015).

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operations in critical IT areas, many of which require agencies to work together to improve systems, including the following examples.

- *Information Technology Investment Portfolio Management:* To better manage existing IT systems, in March 2012 OMB launched the PortfolioStat initiative. PortfolioStat requires agencies to conduct an annual, agency-wide review of their IT portfolios to reduce commodity IT spending and demonstrate how their IT investments align with their missions and business functions, among other things. In 2014, we found that while the 26 federal agencies required to participate in PortfolioStat had made progress in implementing OMB's initiative, weaknesses existed in agencies' implementation of the initiative, such as limitations in the Chief Information Officer's authority. In the President's Fiscal Year 2016 Budget submission, the administration proposes to use PortfolioStat to drive efficiencies in agencies' IT programs. As noted in our recent high-risk series update, we have made more than 60 recommendations to improve OMB and agencies' implementation of PortfolioStat and provide greater assurance that agencies will realize the nearly \$6 billion in savings they estimated they would achieve through fiscal year 2015.<sup>23</sup>
- *Federal Data Centers:* In September 2014, we found that consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of about \$5.3 billion by fiscal year 2017. Although OMB has taken steps to identify data center consolidation opportunities across agencies, weaknesses exist in the execution and oversight of the consolidation efforts. Specifically, we reported many agencies are not fully reporting their planned savings to OMB as required; GAO estimates that the savings have been underreported to OMB by approximately \$2.2 billion. It will continue to be important for agencies to complete their inventories and implement their plans for consolidation to better ensure continued progress toward OMB's planned consolidation, optimization, and cost-savings goals.
- *Information Technology Operations and Maintenance:* Twenty-seven federal agencies plan to spend about \$58 billion—almost three-quarters of the overall \$79 billion budgeted for federal IT in fiscal year 2015—on the operations and maintenance of legacy investments.

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<sup>23</sup>[GAO-15-290](#).

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Given the magnitude of these investments, it is important that agencies effectively manage them to better ensure the investments (1) continue to meet agency needs, (2) deliver value, and (3) do not unnecessarily duplicate or overlap with other investments. Accordingly, 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. In our 2013 annual report, we reported that agencies did not conduct such an analysis on 52 of the 75 major existing information technology investments we reviewed.<sup>24</sup> As a result, there was 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 recommended that agencies analyze all information technology investments annually and report the results of their analyses to OMB. Agencies have made progress in performing some operational analyses; however, until the agencies fully implement their policies and ensure complete and thorough operational analyses are being performed on their multibillion-dollar operational investments, there is increased risk that these agencies will not know whether these investments fully meet their intended objectives, therefore increasing the potential for waste and duplication.

- *Geospatial Investments:* In a 2013 report, we found that 31 federal departments and agencies invested billions of dollars to collect, maintain, and use geospatial information—information linked to specific geographic locations that supports many government functions, such as maintaining roads and responding to natural disasters. We found that federal agencies had not effectively implemented policies and procedures that would help them identify and coordinate geospatial data acquisitions across the government, resulting in duplicative investments.

In a 2015 report, we reported that federal agencies had made progress in implementing geospatial data-related policies and

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<sup>24</sup>Our review included major information technology investments at DOD, HHS, DHS, the Department of the Treasury, and VA.

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procedures.<sup>25</sup> However, critical items remained incomplete, such as coordinating activities with state governments, which also use a variety of geospatial datasets—including address data and aerial imagery—to support their missions. We found that a new initiative to create a national address database could potentially result in significant savings for federal, state, and local governments. To foster progress in developing such a national database, we suggested that Congress consider assessing existing statutory limitations on address data. We also recommended that the interagency coordinating body for geospatial information (1) establish subcommittees and working groups to assist in furthering a national address database and (2) identify discrete steps to further a national imagery program benefitting governments at all levels. Finally, we recommended that the Director of OMB require agencies to report on their efforts to implement policies and procedures before making new investments in geospatial data. OMB generally agreed with this recommendation. In addition, in March 2015, the Geospatial Data Act of 2015 was introduced and includes provisions to improve oversight and help reduce duplication in the management of geospatial data, consistent with our recommended actions.<sup>26</sup> Fully addressing the actions in our two reports could help reduce duplicative investments and the risk of missing opportunities to jointly acquire data, potentially saving millions of dollars.<sup>27</sup>

The federal IT acquisition reforms enacted in December 2014 reinforced a number of the actions that we have recommended to address IT management issues.<sup>28</sup> It established that the Chief Information Officer in each agency has a significant role in the decision processes for planning, programming, management, governance and oversight related to

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<sup>25</sup>GAO, *Progress Needed on Identifying Expenditures, Building and Utilizing Data Infrastructure, and Reducing Duplicative Efforts*, [GAO-15-193](#) (Washington, D.C.: Feb. 12, 2015).

<sup>26</sup>S. 740, 114<sup>th</sup> Cong. (2015).

<sup>27</sup>We have added the recommendations from [GAO-15-193](#) to [GAO's Action Tracker](#).

<sup>28</sup>See the federal information technology acquisition reform provisions (commonly referred to as Federal Information Technology Acquisition Reform Act or FITARA) of the 2015 Defense Authorization Act. Sections 831—837, The Carl Levin & Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub.L. No. 113-291, Div. A., tit. VII, Subtitle D (2014).

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Improving Fiscal Oversight of  
Medicare and Medicaid

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information technology, as well as approval for IT budget requests. In addition, the law containing these reforms codifies federal data center consolidation, emphasizing annual reporting on cost savings and detailed metric reporting and OMB's PortfolioStat process, focusing on reducing duplication, consolidation, and cost savings. If effectively implemented, this legislation should improve the transparency and management of IT acquisitions and operations across the government.

Over the years, we have identified a number of actions that have the potential for sizable cost savings through improved fiscal oversight in the Medicare and Medicaid programs. For example, CMS could save billions of dollars by improving the accuracy of its payments to Medicare Advantage programs, such as through methodology adjustments to account for diagnostic coding differences between Medicare Advantage and traditional Medicare.<sup>29</sup> In addition, we found that federal spending on Medicaid demonstrations could be reduced by billions of dollars if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations.<sup>30</sup> In particular, our work between 2002 and 2014 has shown that HHS approved several demonstrations without ensuring that they would be budget neutral to the federal government.

To address this issue, we suggested that Congress could require the Secretary of Health and Human Services to improve the Medicaid demonstration review process, through steps such as improving the review criteria, better ensuring that valid methods are used to demonstrate budget neutrality, and documenting and making clear the basis for the approved limits. We concluded in August 2014 that HHS's approval of \$778 million dollars of hypothetical costs (i.e., expenditures the state could have made but did not) in the Arkansas demonstration spending limit and the department's waiver of its cost-effectiveness

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<sup>29</sup>Medicare Advantage is the private plan alternative to the original Medicare program. Medicare Advantage plans are paid a fixed, per member, per month payment to provide all services covered under original Medicare. This payment does not vary on the basis of the services beneficiaries receive.

<sup>30</sup>Under Section 1115 of the Social Security Act, the Secretary of Health and Human Services can approve waivers of certain Medicaid requirements, and provide states with new spending authorities, for purposes of implementing Medicaid demonstration projects. The demonstrations under the law are for purposes of testing new ways to operate state programs and deliver services, and agency policy requires that the programs not increase federal spending.

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requirement is further evidence of our long-standing concerns that HHS is approving demonstrations that may not be budget-neutral.<sup>31</sup> HHS's approval of the Arkansas demonstration suggests that the Secretary may continue to approve section 1115 Medicaid demonstrations that raise federal costs, inconsistent with the department's policy of budget neutrality. We maintain that enhancing the process HHS uses to demonstrate budget neutrality of its demonstrations could save billions in federal expenditures.

In our February 2015 high-risk series update, we reported that while CMS had taken positive steps to improve Medicare and Medicaid oversight in recent years, in several areas, CMS had still to address some issues and recommendations, and improper payment rates have remained unacceptably high.<sup>32</sup> We reported that to achieve and demonstrate reductions in the estimated \$60 billion dollars in Medicare improper payments in 2014, CMS should fully exercise its authority related to strengthening its provider and supplier enrollment provisions and address our open recommendations related to prepayment and postpayment claims review activities. Similarly, in the area of Medicaid for which the federal share of estimated improper payments was \$17.5 billion in 2014, we have made recommendations targeted at (1) improving the completeness and reliability of key data needed for ensuring effective oversight, (2) implementing effective program integrity processes for managed care, (3) ensuring clear reporting of overpayment recoveries, and (4) refocusing efforts on program integrity approaches that are cost-effective. These recommendations, if effectively implemented, could improve program management, help reduce improper payments in these programs, and achieve cost savings.<sup>33</sup>

## Increasing Tax Revenue Collections

Over the last 4 years, our work identified multiple opportunities for the government to increase revenue collections. For example, in 2014, we identified three actions that Congress could authorize that could increase tax revenue collections from delinquent taxpayers by hundreds of millions

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<sup>31</sup>GAO, *Medicaid Demonstrations: HHS's Approval Process for Arkansas's Medicaid Expansion Waiver Raises Cost Concerns*, [GAO-14-689R](#) (Washington, D.C.: Aug. 8, 2014).

<sup>32</sup>[GAO-15-290](#).

<sup>33</sup>For more details on these recommendations, please see our High Risk website: <http://www.gao.gov/highrisk/overview>.

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of dollars over a 5-year period: limiting issuance of passports to applicants, levying payments to Medicaid providers, and identifying security clearance applicants.<sup>34</sup> For example, Congress could consider requiring the Secretary of State to prevent individuals who owe federal taxes from receiving passports. We found that in fiscal year 2008, passports were issued to about 16 million individuals; about 1 percent of these collectively owed more than \$5.8 billion in unpaid federal taxes as of September 30, 2008. According to a 2012 Congressional Budget Office estimate, the federal government could save about \$500 million over a 5-year period by revoking or denying passports to those with certain federal tax delinquencies.

## Implementing Benefit Offsets

We have also identified opportunities to implement program benefit offsets, in which certain program benefits for individuals are reduced in recognition of other benefits received. Examples include the following:

- *Social Security Offsets:* In our 2011 annual report, we reported that the Social Security Administration (SSA) needs data from state and local governments on retirees who receive pensions from employment not covered under Social Security to better enforce offsets and ensure benefit fairness. In particular, SSA needs this information to fairly and accurately apply the Government Pension Offset, which generally applies to spouse and survivor benefits, and the Windfall Elimination Provision, which applies to retired worker benefits. The Social Security's Government Pension Offset and Windfall Elimination Provision take noncovered employment into account when calculating Social Security benefits. While information on receipt of pensions from noncovered employment is available for federal pension benefits from the federal Office of Personnel Management, it is not available to SSA for many state and local pension benefits.

The President's Fiscal Year 2016 Budget submission re-proposed legislation that would require state and local governments to provide information on their noncovered pension payments to SSA so that the agency can apply the Government Pension Offset and Windfall Elimination Provision. The proposal includes funds for administrative expenses, with a portion available to states to develop a mechanism

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<sup>34</sup>Federal law does not expressly prohibit an individual with unpaid federal taxes from being granted a security clearance; however, delinquent tax debt does pose a potential vulnerability that must be considered in making a broader determination of whether an applicant should be granted a security clearance.

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to provide this information. Also, we continue to suggest that Congress consider giving the Internal Revenue Service the authority to collect the information that SSA needs to administer these offsets. Providing information on the receipt of state and local noncovered pension benefits to SSA could help the agency more accurately and fairly administer the Government Pension Offset and Windfall Elimination Provision and could result in an estimated \$2.4 billion—\$6.5 billion in savings over 10 years if enforced both retrospectively and prospectively. If Social Security enforced the offsets only prospectively, the overall savings still would be significant.

- *Disability and Unemployment Benefits:* In our 2014 annual report, we found that 117,000 individuals received concurrent cash benefit payments in fiscal year 2010 from the Disability Insurance and Unemployment Insurance programs totaling more than \$850 million because current law does not preclude the receipt of overlapping benefits. Individuals may be eligible for benefit payments from both Disability Insurance and Unemployment Insurance due to differences in the eligibility requirements; however, in such cases, the federal government is replacing a portion of lost earnings not once, but twice. The President's Fiscal Year 2016 Budget submission proposes to eliminate these overlapping benefits, and during the 113th Congress, bills had been introduced in both the U.S. House of Representatives and the Senate containing language to reduce Disability Insurance payments to individuals for the months they collect Unemployment Insurance benefits. According to CBO, this action could save \$1.2 billion over 10 years in the Social Security Disability Insurance program. Congress should consider passing legislation to offset Disability Insurance benefit payments for any Unemployment Insurance benefit payments received in the same period.

Table 4 highlights some of our suggested actions within these and other areas that could result in tens of billions of dollars in cost-savings or revenue-enhancement opportunities, according to estimates from GAO, executive branch agencies, the Congressional Budget Office, or the Joint Committee on Taxation.

**Table 4: Selected Areas with Associated Cost-Savings and Revenue-Enhancement Opportunities Identified in GAO’s 2011-2014 Annual Reports**

| Annual report                  | Areas identified   |
|--------------------------------|--|
| <b>Defense and contracting</b> |  |
| 2011                           | <b>Tactical Wheeled Vehicles</b> (Area 6): A department-wide acquisition strategy could reduce the Department of Defense’s (DOD) risk of costly duplication in purchasing Tactical Wheeled Vehicles. Reducing the number of joint light tactical vehicles DOD procures could result in <b>billions of dollars</b> in cost savings.   |
| 2011                           | <b>Weapon Systems Acquisition Programs</b> (Area 38): Employing best management practices could help DOD achieve significant cost savings on the <b>\$1.4 trillion</b> (fiscal year 2015 dollars) it expects to invest in the development and procurement of its portfolio of 78 major defense acquisition programs.   |
| 2014                           | <b>Combatant Command Headquarters Costs</b> (Area 12): If the department applied the 20 percent reduction in management headquarters spending to the \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, DOD could potentially achieve up to an estimated <b>\$340 million in annual savings</b> .   |
| 2013                           | <b>Agencies’ Use of Strategic Sourcing</b> (Area 23): 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 1 percent from selected agencies’ procurement spending alone would equate to over <b>\$4 billion</b> .   |
| 2013                           | <b>Joint Basing</b> (Area 20): A plan to achieve the efficiencies and cost savings envisioned from joint bases, coupled with a reevaluation of associated goals and guidance, could lead to greater consolidation of installation services at joint bases and better position DOD to achieve its identified goals.   |
| 2012                           | <b>Military Health Care Costs</b> (Area 36): 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.  |
| 2011                           | <b>Military Personnel Costs</b> (Area 37): A total compensation approach would be needed to manage military personnel costs—which grew 31 percent from fiscal year 2001 to fiscal year 2014.   |
| <b>Information technology</b>  |  |
| 2014                           | <b>Information Technology Investment Portfolio Management</b> (Area 24): The Office of Management and Budget and multiple agencies could help the federal government realize <b>billions of dollars</b> in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology (IT) investments.   |
| 2011                           | <b>Federal Data Centers</b> (Area 15): Consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of <b>about \$5.3 billion</b> by fiscal year 2017.   |
| 2013                           | <b>Information Technology Operations and Maintenance</b> (Area 30): Strengthening oversight of key federal agencies’ major IT investments in operations and maintenance would provide an opportunity for <b>savings on billions</b> in IT investments.   |
| 2011                           | <b>Enterprise Architecture</b> (Area 14): Well-defined and implemented enterprise architectures in federal agencies can lead to consolidation and reuse of shared services and elimination of antiquated and redundant mission operations, which can result in significant cost savings. For example, the Department of the Interior demonstrated that it had used enterprise architecture to modernize agency IT operations and avoid costs through enterprise software license agreements and hardware procurement consolidation, resulting in financial savings of <b>at least \$80 million</b> . In addition, the Department of Health and Human Services (HHS) will achieve savings and cost avoidance of <b>over \$150 million</b> during fiscal years 2011-2015 by leveraging its enterprise architecture to improve its telecommunications infrastructure. |

| Annual report                 | Areas identified  |
|-------------------------------|---|
| <b>Energy and agriculture</b> |   |
| 2011                          | <b>Oil and Gas Resources</b> (Area 45): Improved management of federal oil and gas resources could result in approximately <b>\$2 billion in additional revenue over 10 years</b> .   |
| 2014                          | <b>Advanced Technology Vehicles Manufacturing Loan Program</b> (Area 13): Unless the Department of Energy can demonstrate demand for new Advanced Technology Vehicles Manufacturing loans and viable applications, Congress may wish to consider rescinding all or part of the remaining <b>\$4.2 billion</b> in credit subsidy appropriations.   |
| 2013                          | <b>Crop Insurance</b> (Area 19): To achieve <b>up to nearly \$2 billion per year in cost savings</b> in the crop insurance program, Congress could consider limiting the subsidy for premiums that are provided on behalf of individual farmers, reducing the subsidy, or some combination of limiting and reducing these subsidies.  |
| <b>Health care</b>            |   |
| 2014                          | <b>Medicaid Demonstration Waivers</b> (Area 21): Federal spending on Medicaid demonstrations could be reduced if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. We estimated the federal share of savings could have been <b>up to \$21 billion over 5 years</b> for two states' recent demonstrations that we reviewed.   |
| 2012                          | <b>Medicare and Medicaid Fraud Detection Systems</b> (Area 46): The Centers for Medicare & Medicaid Services would need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the <b>\$21 billion</b> in financial benefits that the agency projected as a result of implementing these systems.   |
| <b>Taxes and fees</b>         |   |
| 2014                          | <b>Collection of Unpaid Federal Taxes</b> (Area 15): The federal government could increase tax revenue collections by <b>\$500 million over a 5-year time period</b> , according to a 2012 Congressional Budget Office estimate, by identifying and, if congressionally authorized, taking actions to limit issuance of passports to applicants with unpaid federal taxes.  |
| 2013                          | <b>Tobacco Taxes</b> (Area 31): Federal revenue losses ranged from as much as <b>\$615 million to \$1.1 billion between April 2009 and 2011</b> 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.  |
| 2011                          | <b>Simple Tax Return Errors</b> (Area 56): Congress could grant the Internal Revenue Service (IRS) broader authority, with appropriate safeguards against misuse of that authority, to correct math errors during tax return processing. In March 2015, the Joint Committee on Taxation estimated that this change could result in <b>\$166 million in savings</b> over 10 years, similar to last year's scoring.   |
| 2013                          | <b>Agricultural Quarantine Inspection Fees</b> (Area 18): The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as <b>\$325 million in savings</b> (based on fiscal year 2011 data, as reported) 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. |
| 2012                          | <b>Immigration Inspection Fee</b> (Area 49): The user fee for immigration inspection of air and sea passengers should be reviewed and adjusted to fully recover the cost of the air and sea 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 relying on general fund appropriations; in 2012 this could have resulted in reduced reliance on general fund appropriations used for inspection services by <b>about \$175 million</b> .                           |

| Annual report            | Areas identified  |
|--------------------------|---|
| <b>Homeland security</b> |   |
| 2012                     | <b>Domestic Disaster Assistance</b> (Area 51): The Federal Emergency Management Agency (FEMA) 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. For fiscal years 2004 through 2011, had FEMA adjusted the indicator for increases in inflation or personal income since 1986, fewer jurisdictions would have met the primary criterion FEMA uses to determine whether to recommend that the President declare a major disaster, which could have reduced federal cost by <b>as much as \$3.59 billion</b> .                          |
| 2013                     | <b>Checked Baggage Screening</b> (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration (TSA) applies to agreements that finance modification projects related to the installation of checked baggage screening systems at airport facilities, TSA could, if a reduced cost share were deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than currently anticipated. According to TSA, as of March 2015, its data show that lowering the cost share from 90 percent to 75 percent could result in <b>roughly \$140 million in cost efficiencies</b> during the fiscal year 2015 to 2030 time frame. <sup>a</sup> |
| <b>Income security</b>   |   |
| 2011                     | <b>Social Security Offsets</b> (Area 80): Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, estimated to result in <b>\$2.4 billion to \$6.5 billion savings over 10 years</b> if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received.   |
| 2014                     | <b>Disability and Unemployment Benefits</b> (Area 8): Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save <b>\$1.2 billion over 10 years</b> in the Social Security Disability Insurance program according to the Congressional Budget Office.   |
| 2014                     | <b>Veterans' and Survivors' Benefits</b> (Area 23): The Department of Veterans Affairs' direct spending could be reduced—by an average of <b>about \$4 million annually</b> , according to the Congressional Budget Office—if new statutory provisions were enacted, namely, a look-back review and penalty period for claimants who transfer assets for less than fair market value before applying for pension benefits that are available to low-income wartime veterans who are at least 65 years old or have disabilities unrelated to their military service.   |

Source: GAO. | GAO-15-522T

Note: The estimates in this table are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, or the Joint Committee on Taxation.

<sup>a</sup>We reported in 2013 that reducing the portion of costs that TSA pays for facility modifications associated with the installation of optimal baggage screening systems, from 90 percent to 75 percent, would lower the federal government's cost for airport modification projects it supports by roughly \$300 million from fiscal year 2012 through fiscal year 2030. However, according to TSA, since 2012, many assumptions and cost estimates for airport modification have changed. Specifically, TSA explained that as of March 2015, the data show that lowering the cost share from 90 percent to 75 percent would result in cost efficiencies of roughly \$140 million during the fiscal year 2015 to 2030 time frame. TSA stated that this variance in estimates is driven by the fact that cost savings for 2012 through 2015 can no longer be realized and many assumptions and definitions of related data elements have changed.

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## Existing and New Tools Can Assist in Identifying, Evaluating, and Addressing Fragmentation, Overlap, or Duplication

Addressing fragmentation, overlap, and duplication within the federal government is challenging. Even with sustained leadership, these are difficult issues to address because they may require agencies and Congress to re-examine (within and across various mission areas) the fundamental structure, operation, funding, and performance of a number of long-standing federal programs or activities with entrenched constituencies. As we have previously reported, these challenges are compounded by a lack of reliable budget and performance information. If fully and effectively implemented, the GPRAMA Modernization Act of 2010 (GPRAMA) and the Digital Accountability and Transparency Act of 2014 (DATA Act) hold promise for helping to improve performance and budget information and helping to address challenges in identifying and addressing areas of fragmentation, overlap, and duplication.<sup>35</sup>

- GPRAMA establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of GPRAMA could help clarify desired outcomes, address program performance spanning multiple organizations, and facilitate future actions to reduce, eliminate, or better manage fragmentation, overlap, and duplication.<sup>36</sup>
- The DATA Act requires actions that would help make spending data comparable across programs, allowing executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments. As we have previously reported, better data and

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<sup>35</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011) (GPRAMA); Pub. L. No. 113-101, 128 Stat. 1146 (2014) (DATA Act).

<sup>36</sup>For GAO's most recent work on GPRAMA, see GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, [GAO-15-83](#) (Washington D.C.: Oct. 31, 2014); *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington D.C.: Oct. 24, 2014); and *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, [GAO-14-747](#) (Washington D.C.: Sept. 26, 2014). In addition, information on GAO's work on GPRAMA can be found at [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary).

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a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts.<sup>37</sup>

To help analysts and decision makers better assess the extent of fragmentation, overlap and duplication, GAO has developed an evaluation and management guide ([GAO-15-49SP](#)), which is being released concurrently with our 2015 annual report.<sup>38</sup> The guide includes two parts. Part one provides four steps for analysts—including federal, state, and local auditors; congressional staff; and researchers—to identify and evaluate instances of fragmentation, overlap or duplication. Each step includes examples that illustrate how to implement suggested actions or consider different types of information. Part two provides guidance to help policymakers reduce or better manage fragmentation, overlap, and duplication.

In recognition that the pervasiveness of fragmentation, overlap, and duplication may require attention beyond the program level, the guide also includes information on a number of options Congress and the executive branch may consider to address these issues government-wide. Some of these options are executive branch reorganization, special temporary commissions, interagency groups, automatic sunset provisions, and portfolio or performance-based budgeting. These options can be used independently or together to assist policymakers in evaluating and addressing fragmentation, overlap, and duplication beyond the programmatic level.

Congress can also use its power of the purse and oversight powers to incentivize executive branch agencies to act on our suggested actions and monitor their progress. In particular, the Senate Budget Resolution for fiscal year 2016<sup>39</sup> directs committees to review programs and tax expenditures within their jurisdiction for waste, fraud, abuse, or duplication and to consider the findings from our past annual reports. Also, the accompanying report for the House Budget Resolution for fiscal year 2016<sup>40</sup> proposes that the Department of Justice (DOJ) streamline

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<sup>37</sup>See GAO, *Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight*, [GAO-15-241T](#) (Washington, D.C.: Dec. 3, 2014).

<sup>38</sup>[GAO-15-49SP](#).

<sup>39</sup>S. Con. Res. 11, 114th Cong. (2015).

<sup>40</sup>H.R. Rep. No. 114-47 (2015).

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grants into three categories—first responder, law enforcement, and victims—which is consistent with our prior work recommending that DOJ better target its grant resources. The resolution also highlights a number of the issues presented in our annual reports (including the multiple programs that support Science, Technology, Engineering, and Mathematics education, housing assistance, homeland security preparedness grants, and green building initiatives); notes the number of programs that will need to be reauthorized in fiscal year 2016; and states that our findings should result in programmatic changes in both authorizing statutes and program funding levels. Congressional use of our findings in its decision making for the identified areas of fragmentation, overlap, and duplication will send an unmistakable message to agencies that Congress considers these issues a priority. Through its budget, appropriations, and oversight processes, Congress can also shift the burden to the agencies to demonstrate the effectiveness of their programs to justify continued funding.

We will continue to conduct further analysis to look for additional or emerging instances of fragmentation, overlap, and duplication and opportunities for cost savings or revenue enhancement. Likewise, we will continue to monitor developments in the areas we have already identified in this series. We stand ready to assist this and other committees in further analyzing the issues we have identified and evaluating potential solutions.

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Chairman Johnson, Ranking Member Carper, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer questions.

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## GAO Contacts

For further information on this testimony or our April 14, 2015, reports, please contact Orice Williams Brown, Managing Director, Financial Markets and Community Investment, who may be reached at (202) 512-8678 or [williamso@gao.gov](mailto: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](mailto:clowersa@gao.gov). Contact points for the individual areas listed in our 2015 annual report can be found at the end of each area in [GAO-15-404SP](#). Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

# Appendix I: Accessible Data

## Data Tables for Figure 1: Changes in Assessment of Actions from GAO's 2011 to 2014 Annual Reports

### 2011 Actions

| Assessment            | 2014 Assessment | 2015 Assessment |
|-----------------------|-----------------|-----------------|
| Addressed             | 63              | 76              |
| Partially Addressed   | 68              | 59              |
| Not Addressed         | 34              | 32              |
| Consolidated or other | 11              | 12              |

### 2012 Actions

| Assessment            | 2014 Assessment | 2015 Assessment |
|-----------------------|-----------------|-----------------|
| Addressed             | 42              | 56              |
| Partially Addressed   | 60              | 48              |
| Not Addressed         | 22              | 22              |
| Consolidated or other | 8               | 8               |

### 2013 Actions

| Assessment            | 2014 Assessment | 2015 Assessment |
|-----------------------|-----------------|-----------------|
| Addressed             | 18              | 29              |
| Partially Addressed   | 44              | 41              |
| Not Addressed         | 19              | 11              |
| Consolidated or other | 0               | 0               |

### 2014 Actions

| Assessment            | 2014 Assessment | 2015 Assessment |
|-----------------------|-----------------|-----------------|
| Addressed             | N/A             | 29              |
| Partially Addressed   | N/A             | 41              |
| Not Addressed         | N/A             | 11              |
| Consolidated or other | N/A             | 0               |

### Overall Actions

| Assessment            | 2014 Assessment | 2015 Assessment |
|-----------------------|-----------------|-----------------|
| Addressed             | 123             | 169             |
| Partially Addressed   | 172             | 179             |
| Not Addressed         | 75              | 90              |
| Consolidated or other | 19              | 20              |

Source: GAO analysis. GAO-15-522T.

Note: Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered. Additionally, 2014 actions were not assessed in 2014 since that was the year that the actions were identified.

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