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GOVERNMENT EFFICIENCY AND EFFECTIVENESS

Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions in Financial Benefits

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Chair Hassan, Ranking Member Paul, and Members of the Subcommittee:

I am pleased to be here today to discuss opportunities to reduce fragmentation, overlap, and duplication, and achieve cost savings and other financial benefits for the federal government.

The federal government has made an unprecedented response to significant public health and economic challenges as the country continues to battle Coronavirus Disease 2019 (COVID-19). Once the pandemic recedes and the economy substantially recovers, Congress and the administration should develop and swiftly implement an approach to place the government on a sustainable long-term fiscal path.¹

In the short-term, opportunities exist for achieving billions of dollars in financial benefits and improving the efficiency and effectiveness of a wide range of federal programs in other areas. GAO has responded with annual reports to a statutory provision to report on federal programs, agencies, offices, and initiatives—either within departments or government-wide—that have duplicative goals or activities.² As part of this work, we also identified additional opportunities for greater efficiency and effectiveness that result in cost savings or enhanced revenue collection.

In annual reports issued from 2011 to 2021, we introduced more than 350 areas and more than 1,100 actions for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenues.³ We reported in May 2020 that actions from Congress and executive branch agencies to address many of these actions had resulted in about \$429 billion in financial benefits, including \$393 billion that accrued through 2019 and

¹GAO, *The Nation's Fiscal Health: After Pandemic Recovery, Focus Needed on Achieving Long-Term Fiscal Sustainability*, GAO-21-275SP (Washington, D.C.: Mar. 23, 2021). For additional information, see https://www.gao.gov/americas_fiscal_future.

²Pub. L. No. 111-139, § 21, 124 Stat. 8, 29 (2010), *codified at* 31 U.S.C. § 712 note.

³See GAO's Duplication and Cost Savings webpage for links to the 2011 to 2021 annual reports: <http://www.gao.gov/duplication-cost-savings>.

\$36 billion that was projected to accrue in future years.⁴ While GAO will update total financial benefits in fall 2021, at least tens of billions of dollars in additional financial benefits have been achieved since May 2020. We also estimate tens of billions more dollars in financial benefits could be realized by fully implementing all of our remaining open actions.⁵

Our 2021 report being released today, the 11th in the series, presents 112 new actions for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, or duplication and achieve other financial benefits.⁶ My testimony today describes (1) new issues identified in our 2021 annual report; and (2) examples of open actions recommended to Congress or executive branch agencies where potential financial benefits could amount to \$1 billion or more.

My comments today are based on our 2021 annual report, as well as our update on the progress made in implementing actions that we have suggested in our previous annual reports where potential financial benefits could amount to \$1 billion or more. These efforts are based upon work we previously conducted in accordance with generally accepted government auditing standards. More details on our scope and methodology, including the definitions we use for fragmentation, overlap, and duplication for this work, can be found in the [full report](#).

⁴For 2021, the work on fragmentation, overlap, and duplication will be published in two separate special publications. This publication focuses on newly identified areas of fragmentation, overlap, and duplication from GAO reports generally issued between March 2020 and March 2021, as well as prior actions raised in our 2011-2020 reports (referred to as follow-up), where general estimates of the potential financial benefits could amount to \$1 billion or more. The second publication, to be issued in the fall, will provide an update on remaining follow-up actions, as applicable, and an update to our online Action Tracker.

⁵In calculating our total estimated realized and potential financial benefits, we relied on individual estimates from a variety of sources, which considered different time periods and used different data sources, assumptions, and methodologies. These totals represent a rough estimate of financial benefits. Realized benefits have been rounded down to the nearest \$1 billion. Estimated potential benefits are subject to increased uncertainty, depending on whether, how, and when they are addressed, and are presented using a notional statement of magnitude.

⁶GAO, *2021 Annual Report: New Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions in Financial Benefits*, [GAO-21-455SP](#) (Washington, D.C.: May 12, 2021).

New Opportunities Exist to Improve Efficiency and Effectiveness across the Federal Government

The 112 new actions we identified span the federal government and are opportunities that Congress or executive branch agencies can take to improve the efficiency and effectiveness of government. In some areas, we have identified fragmentation, overlap, or duplication in government missions and functions. In others, Congress or executive branch agencies could take action to reduce the cost of government operations or enhance revenue collections. For example:

- The Office of Management and Budget should improve how agencies buy common goods and services—such as medical supplies and computers—by addressing data management challenges and establishing performance metrics to help save the federal government **billions of dollars over the next 5 years**, as well as potentially eliminate duplicative contracts.
- The Internal Revenue Service (IRS) could enhance third-party information reporting to increase compliance with tax laws and raise revenue. GAO has also previously suggested (1) providing IRS with authority—with appropriate safeguards—to correct math errors and to correct errors in cases where information provided by the taxpayer does not match information in government databases and (2) establishing requirements for paid tax return preparers to help improve the accuracy of tax returns they prepare. These actions could help reduce the substantial tax gap and increase revenues.
- The National Nuclear Security Administration could implement cost savings programs to operate more effectively at its nuclear laboratory and production sites to potentially save **hundreds of millions of dollars over approximately a 5-year period**.
- The Department of Defense’s payments to privatized housing projects have lessened the financial effects of the housing allowance rate reductions for these projects, but revising the calculation for these payments could potentially result in **millions of dollars** of savings.
- Federal agencies could improve coordination of fragmented cybersecurity requirements and related assessment programs for state agencies, potentially minimizing the burden on states and saving **millions of dollars** in associated federal and state costs.

- The Department of Health and Human Services could improve coordination of its infectious disease modeling efforts to better identify any duplication and overlap among agencies, which could help them to better plan for and more efficiently respond to disease outbreaks.
- The Centers for Medicare & Medicaid Services could reduce inefficient duplication and potentially save **millions of dollars annually** by actively identifying and encouraging states to pursue information technology system sharing opportunities across state Medicaid programs.

Action on Remaining and New Areas Could Yield Significant Additional Benefits

Congress and executive branch agencies have made progress toward addressing actions that we have identified since 2011. For example, in 2020, Congress passed and the President signed into law legislation rescinding part of the Advanced Technology Vehicles Manufacturing (ATVM) program's remaining credit subsidy appropriations, as we had suggested in April 2014. Specifically, the Consolidated Appropriations Act, 2021, rescinded about \$1.9 billion of the ATVM program's remaining \$4.3 billion in credit subsidy appropriations.⁷ Congress now has the opportunity to appropriate the funds for other priorities. In addition, based on GAO's updates for spring 2021, the Department of Health and Human Service's changes to spending limit determinations for Medicaid demonstration waivers further reduced federal spending by about \$30 billion in 2019.

Further steps by Congress and executive branch agencies are needed to fully address open actions that could yield significant financial benefits, as shown in table 1. Specifically, Congress and executive branch agencies

⁷Pub. L. No. 116-260, 134 Stat. 1182, 1367 (2020); see also 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) and the online [Action Tracker](#).

could realize potential financial benefits ranging from millions of dollars to tens of billions of dollars.⁸

Table 1: Examples of Areas with Open Actions with Potential Financial Benefits of \$1 Billion or More

Area name and description (year-number links to Action Tracker)	Mission	Potential financial benefits ^a (Source)
<p>*DOE’s Treatment of Hanford’s Low-Activity Waste (2018-17): The Department of Energy may be able to reduce certain risks by adopting alternative approaches to treating a portion of its low-activity radioactive waste. (GAO-17-306)</p>	Energy	Tens of billions (GAO)
<p>*Medicaid Demonstration Waivers (2014-21): Federal spending on Medicaid demonstrations could be reduced if the Department of Health and Human Services was required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. (GAO-13-384)</p>	Health	Tens of billions (Centers for Medicare & Medicaid Services, GAO)
<p>*Disability and Unemployment Benefits (2014-08): Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period. (GAO-12-764)</p>	Income Security	\$2.2 billion over 10 years (Office of Management and Budget)
<p>*Tobacco Taxes (2013-31): By modifying tobacco tax rates to eliminate tax differentials between similar tobacco products Congress could reduce federal revenue losses from substitution. These losses were as much as \$2.5 to \$3.9 billion between April 2009 and September 2018. For example, if the pipe tobacco tax rate was equal to the higher rate for similar products, it could increase revenues by an estimated \$1.3 billion between fiscal year 2019 and fiscal year 2023 (GAO-19-467, GAO-14-811T, GAO-12-475)</p>	International Affairs	\$1.3 billion (GAO)
<p>Federal Payments for Hospital Uncompensated Care (2017-25): The Administrator of the Centers for Medicare & Medicaid Services should account for Medicaid payments a hospital has received that offset uncompensated care costs when determining hospital uncompensated care costs for the purposes of making Medicare Uncompensated Care payments to individual hospitals. (GAO-16-568)</p>	Health	More than \$1 billion annually (GAO)

⁸In calculating this estimate, we relied on individual estimates from a variety of sources, which considered different time periods and used different data sources, assumptions, and methodologies. These estimates are subject to increased uncertainty, depending on whether, how, and when they are addressed. This amount represents a rough estimate of financial benefits.

Letter

Area name and description (year-number links to Action Tracker)	Mission	Potential financial benefits ^a (Source)
<p>*Internal Revenue Service Enforcement Efforts (2012-44): Enhancing the Internal Revenue Service enforcement and service capabilities can help reduce the tax gap between taxes owed and paid by collecting billions in tax revenue and facilitating voluntary compliance. This could include expanding third-party information reporting. For example, reporting could be required for certain payments that rental real estate owners make to service providers, such as contractors who perform repairs on their rental properties, and for payments that businesses make to corporations for services. (GAO-08-956, GAO-09-238, GAO-11-493, GAO-12-176)</p>	General Government	Billions (GAO)
<p>Information Technology Investment Portfolio Management (2014-24): The Office of Management and Budget and multiple agencies could help the federal government realize cost savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology investments. (GAO-14-65, GAO-16-511)</p>	Information Technology	Billions (GAO)
<p>Navy Shipbuilding (2017-18): The Navy could achieve cost savings by improving its acquisition practices and ensuring that ships can be efficiently sustained. (GAO-20-2, GAO-17-211, GAO-16-71)</p>	Defense	Billions (GAO)
<p>Tax Expenditures (2011-17): Periodic reviews could help identify ineffective tax expenditures and redundancies in related tax and spending programs, potentially reducing revenue losses. (GAO-16-622, GAO-15-83, GAO-05-690)</p>	General Government	Billions (GAO)

Legend: * = Legislation is likely to be necessary to fully address all actions in this area.

Source: GAO. | GAO-21-544T

Note: The potential financial benefits shown in this table represent estimates of amounts GAO or others believe could accrue if steps are taken to implement the actions described. All estimates of potential savings are dependent on various factors, such as whether action is taken and how it is taken. Actual savings may be less, depending on costs associated with implementing the action, unintended consequences, and the effect of controlling for other factors. The individual estimates in this table should be compared with caution, as they come from a variety of sources, which consider different time periods and use different data sources, assumptions, and methodologies.

^aGAO developed the notional estimates, which are intended to provide a sense of the potential magnitude of savings. Notional estimates have been developed using broad assumptions about potential savings, which are rooted in previously identified losses, the overall size of the program, previous experience with similar reforms, and similar rough indicators of potential savings. GAO generally determines the notional labels (millions, tens of millions, hundreds of millions, etc.) using a risk-based approach that takes into account factors, such as the possible minimum and maximum values of the cost savings estimate (where available), the quality of the data underlying those values, the certainty of those values, and the rigor of the estimation method used.

In conclusion, we will continue 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. We stand ready to assist this and other committees in further analyzing the issues we have identified and evaluating potential solutions.

Thank you, Chair Hassan, Ranking Member Paul, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer questions.

GAO Contacts

For further information on this testimony or our May 12, 2021 report, please contact Jessica Lucas-Judy, Director, Strategic Issues, who may be reached at (202) 512-6806 or lucasjudyj@gao.gov or Michelle Sager, Managing Director, Strategic Issues, who may be reached at (202) 512-6806 or sagerm@gao.gov. Contact points for the individual areas listed in our 2021 annual report can be found at the end of each area in [GAO-21-455SP](#). Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

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