

**REDUCING WASTE IN GOVERNMENT: ADDRESSING  
GAO'S 2013 REPORT ON DUPLICATIVE FEDERAL  
PROGRAMS**

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**HEARING**

BEFORE THE

COMMITTEE ON OVERSIGHT  
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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# CONTENTS

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Hearing held on April 9, 2013 .....	Page 1
WITNESS	
The Honorable Gene L. Dodaro, Comptroller General of The U.S. Government Accountability Office	
Oral Statement .....	5
Written Statement .....	7
APPENDIX	
The Honorable Elijah E. Cummings, a Member of Congress from the State of Maryland, Opening Statement .....	83
GAO Response to Follow-up from Duplication Hearing: IRS and Return on Investment (ROI) .....	85



# REDUCING WASTE IN GOVERNMENT: ADDRESSING GAO'S 2013 REPORT ON DUPLICATIVE FEDERAL PROGRAMS

Tuesday, April 9, 2013

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,  
*Washington, D.C.*

The committee met, pursuant to call, at 2:05 p.m., in Room 2153, Rayburn House Office Building, Hon. Darrell E. Issa [chairman of the committee] presiding.

Present: Representatives Issa, Lankford, Duncan, Lummis, Woodall, Collins, Meadows, Bentivolio, DeSantis, Cummings, Norton, Connolly, Duckworth, and Horsford.

Staff Present: Will L. Boyington, Press Assistant; Molly Boyl, Parliamentarian; Lawrence J. Brady, Staff Director; David Brewer, Counsel; Daniel Bucheli, Assistant Clerk; Steve Castor, General Counsel; Katelyn E. Christ, Professional Staff Member; John Cuaderes, Deputy Staff Director; Gwen D'Luzansky, Research Analyst; Adam P. Fromm, Director of Member Services and Committee Operations; Linda Good, Chief Clerk; Tyler Grimm, Professional Staff Member; Christopher Hixon, Deputy Chief Counsel, Oversight; Michael R. Kiko, Staff Assistant; Justin LoFranco, Digital Director; Mark D. Marin, Director of Oversight; Tegan Millspaw, Professional Staff Member; James Robertson, Professional Staff Member; Peter Warren, Legislative Policy Director; Rebecca Watkins, Deputy Director of Communications; Eric Cho, Detailee; Krista Boyd, Minority Deputy Director of Legislation/Counsel; Beverly Britton Fraser, Minority Counsel; Adam Koshkin, Minority Research Assistant; Elisa LaNier, Minority Deputy Clerk; and Dave Rapallo, Minority Staff Director.

Chairman ISSA. The committee will come to order.

We exist to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them is well-spent. And, second, Americans deserve an efficient, effective government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights.

Our solemn responsibility is to hold government accountable to taxpayers because taxpayers have a right to know what they get from their government. It is our job to work tirelessly, in partnership with citizen watchdogs, to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

Today's hearing will focus on the GAO's third annual report on areas of duplication within the Federal Government. The GAO is

our key partner in eliminating waste, fraud, and abuse and providing transparency and an honest, nonpartisan view of government and its spending.

In the past, the GAO has made almost 300 recommendations among 131 issue areas to Congress and to the executive branch to reduce cost, duplication, fractured and overlapping programs. As of today, sadly, only 16 of 131 have been fully addressed.

However, to be timely, just tomorrow we expect the President's budget to have a number of these addressed. Perhaps sequestration was the impetus, perhaps simply a fifth year of a Presidency. But as budget pressure increases and the American taxpayer says, "I cannot afford to buy the same services twice," both Congress, including the GAO, and the executive branch must find these programs—must find this waste and must do our job differently.

One of the things that this report cannot do is it cannot talk about the pure inefficiency of branches thinking separately. Even when there is not pure duplication, ultimately every part of government, every administrative part, at least 26 different entities, buy separately, think separately, staff separately, and have separate executives to do substantially the same work.

I am pleased that the committee has already been responsible to the GAO's—or, responsive to the GAO's nonpartisan recommendations. Several of the cost-saving recommendations addressed by the GAO were addressed in the Federal Information Technology Acquisition Reform Act that was unanimously voted out of this committee last month.

IT procurement is a classic example that I believe all of us on the dais and all of us in America can understand. The buying of computers, the buying of software to meet the basic needs of communication and of contact with the public, and database management is, in fact, the same both in and out of government, for the most part, and certainly the same within government.

If we implement this and other harmonizing programs, we can save many of the dollars that the Comptroller General will speak of today. But only a thorough reorganization of government will, in fact, prevent these from happening again.

My first question today to our witness will be just that. Isn't it inherent within our government that as long as we have individual budgets, individual authority, individual freedoms by Cabinet positions and bureaucrats, won't they inherently try to build their organizations, not because they are evil, not because they choose to waste money, but because ultimately it is their career?

We need to change that. We need to create a career path in government that says, where you are in government and what you do in government do not have to be based on protecting your own bureaucracy. Congress must focus on this. And I am delighted to say that, with the President's pre-announcement of as much as \$25 billion addressed by the GAO and others, we will, in fact, for the first time see a budget that dramatically reduces duplication.

As I said earlier, this isn't enough. And fundamental change must be in Congress' hands, and we must rise to that occasion.

And, with that, I would like to recognize the ranking member for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. And I thank you for holding this very important hearing.

And I want to thank you, Mr. Dodaro, for being here to testify about GAO's findings.

Today's hearing will examine GAO's latest annual report on duplication in Federal programs and opportunities for significant cost savings.

And before I go on, let me, Mr. Dodaro, thank you and your hard-working staff for the excellent work that you all do. So often, Federal employees do not get the credit that they are due, but the integrity and the excellent work that you all put out is a real benefit to not only the Congress but the people of the United States of America. And I just want to make sure I say that.

Hearings like this one provide an important opportunity to identify ways to cut government waste, save money, and make our taxpayer dollars go further. But holding hearings is not enough. Congress must follow up with concrete action to save the taxpayers money.

GAO issued two of these reports previously in 2011 and 2012, and GAO made 300 specific recommendations to the executive branch and to Congress. This year's report provides a status update on those recommendations, and it finds that Congress is doing a much poorer job than the executive branch in implementing these recommendations.

Specifically, GAO finds that the executive branch has fully or partially addressed 80 percent of their recommendations, but Congress has fully or partially addressed only 32 percent of their recommendations. This is a poor record that Congress should strive to correct.

In this year's report, GAO highlights 11 areas of unimplemented recommendations from its previous reports that, if implemented, would save billions of dollars. Seven out of the 11 areas would require congressional action, but so far Congress has failed to act.

For example, in previous reports GAO found that the Federal Government could save up to \$2 billion over the next 10 years if Congress authorized the Department of the Interior to revise the royalty rates for oil and gas revenues in the Gulf of Mexico. But Congress has failed to act on this recommendation. As a result, it is listed yet again in the GAO's report for 2013.

GAO's new report also identifies additional ways our government can save money. For example, according to GAO, if Congress limited subsidies for crop insurance, it would save up to \$1.2 billion a year. GAO found that agencies could save billions of dollars by improving oversight over their information technology investments, and GAO also found that agencies could save millions of dollars by using cloud computing.

It seems to me that this is one hearing in which Democrats and Republicans can join forces to eliminate waste, fraud, and abuse.

I shall never forget, Mr. Dodaro, when I first ran for Congress and was 15 points behind. And I hired this guy to manage my campaign, and he said, Although you are 15 points behind—and the race was only a 2-month race—he said, Always remember this. He says, Most people know what to do, they know the plan, but they

don't execute it. He said, If you execute the plan, you are going to win. And I won by 15 points.

And so I think this is about coming up with a plan and trying to execute it, make it happen. So whether you believe the savings should go toward deficit reduction or making our current government programs more effective and efficient, we should all be able to agree that a dollar wasted here is a dollar that is not put to better use elsewhere. I think Republicans and Democrats will agree that we want to see the taxpayers' dollars spent in an effective and efficient manner.

Mr. Dodaro, I look forward to hearing your testimony, including specific recommendations to cut waste and save the government money. I would also appreciate your guidance on steps we can take to remove some of these longstanding recommendations from your list so we are not here again in 2014 asking the same questions.

And as I said a little earlier, I compliment your staff, but we also want them to feel that we are doing what they have suggested that we do after all of their hard work.

And, with that, Mr. Chairman, I yield back.

Chairman ISSA. I thank the gentleman.

Chairman ISSA. Members may have 7 days to submit opening statements for the record.

Chairman ISSA. We now have the honor of welcoming our primary witness and the ladies and gentlemen he brought with him.

The first witness is the Honorable Gene Dodaro. He is Comptroller General of the United States.

We are also pleased to welcome several experts from the United States Government Accountability Office that will be with him here today. And we would ask that they also rise to be sworn in a minute.

I would like to recognize, though, specifically—and there may be others, but—Ms. Janet St. Laurent. She is the Managing Director of Defense Capabilities and Management. Mr. Joel Willemsen is Managing Director of Information Technology. Mr. Mark Gaffigan is Managing Director of Natural Resources and Environment. And Ms. Cathleen Berrick is Managing Director of Homeland Security and Justice.

Will those individuals and anyone else who may provide information to the Comptroller General please rise to take the oath? Would you please raise your right hand?

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Please be seated.

Let the record reflect that all witnesses have answered in the affirmative.

Gene, you have been here so many times, it is almost crazy to say look at the lights. Your statements are always sufficiently short, and our questions are always long. So your entire opening statement will be placed in the record, and you are recognized to give your abbreviated opening statement.



**STATEMENT OF THE HON. GENE L. DODARO, COMPTROLLER  
GENERAL OF THE UNITED STATES, U.S. GOVERNMENT AC-  
COUNTABILITY OFFICE**

Mr. DODARO. Thank you very much, Mr. Chairman. It is a pleasure to be here this afternoon.

Ranking Member Cummings, I appreciate your comments about our staff.

Members of the committee, I am very pleased to be here today to discuss our most recent report on ways to make government more efficient and effective. We, in this report, highlighted 17 areas where we have focused on areas of fragmentation, overlap, or duplication in the Federal Government and made recommendations to address these issues.

For example, from 2002 until most recently, the Department of Defense has moved from two camouflage ground-based uniforms to up to seven so that they are service-based purchases rather than joint purchases, thereby foregoing the opportunity for tens of millions of dollars of savings but also, importantly, from ensuring equivalent protection of servicemembers during joint operations. We have made recommendations to address that issue.

Also, in the Medicaid program, which is an area where there is a large amount of improper payments, billions of dollars a year, the Department of Health and Human Services, CMS, has taken a number of actions. However, we have pointed out one action where they actually hired two contractors for every State—one to review the data to decide which claims to audit and another contractor to audit the claims. We said that is inefficient, duplicative; one contractor will do.

And then, also, in the area of geospatial or mapping information, there are billions of dollars spent every year by the Federal Government to buy this information, and it has been well reported that there are duplicative investments.

And so we have focused on recommendations to ensure more effective coordination of a joint committee that is focused on these activities. It needs to do a better job. OMB needs to have more visibility and to be able to prevent these duplicative investments. And it needs to become a priority.

In this case, Mr. Cummings, they have a plan. It is not executed, Mr. Chairman, and it is not a priority. And it has to be both, thereby reaping benefits of millions of dollars in this area.

Now, we also identify 14 other areas where there are opportunities for cost savings and revenue enhancements.

In cost savings, we have testified before this committee on the Medicare demonstration pilot on Medicare Advantage and recommended the pilot be canceled. At the time we did that, there was the possibility of saving \$8.3 billion because this pilot only rewards average performing plans and is not really going to demonstrate what it is intended to demonstrate. Right now, there is still an opportunity to save \$2 billion, but Congress has to act soon in order to cancel this pilot.

Also, in the Medicaid area, there are billions of dollars spent, in addition to reimbursements for claims, in order to make sure that there is money provided for uncompensated care. We think there is not enough oversight over these areas, and there are costs being

reimbursed that are well in excess of the costs that are spent to deliver those services, and this doesn't make sense. So there needs to be more transparency and accountability.

We made recommendations on the revenue side, for example. We have made a number of recommendations to the IRS in order to help close a \$385 billion tax gap. There are also opportunities for the Congress to legislate in the tobacco tax area to make the tax equivalent for similar types of products. That could garner the Federal Government several hundred millions of dollars and up to a little over a billion dollars a year and make that more equitable.

Now, turning to our prior reports, if I could direct your attention to the chart here, this shows the percent of actions that have been taken on the 130 recommendations we have had already. Twelve percent, as you mentioned, Mr. Chairman, 16, or 12 percent, have been acted on. Sixty-six percent have been, or 87 of them, we have partial addressment. And 21 percent, or 27 of those actions, have not been addressed at all. So there are plenty of opportunities.

And the opportunities are throughout government. I will show my last chart. This is, for all 3 years, we have 162 areas, 380 specific recommendations for action, that go across virtually every major department and agency of the Federal Government. Many here are in defense, HHS, and Treasury, which are about 56 percent of total obligations for the year.

So, many opportunities, Mr. Chairman. I look forward to answering your questions today and working with this committee to make government more efficient and effective on behalf of the American people.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Dodaro follows:]

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United States Government Accountability Office

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**GAO**

Testimony  
Before the Committee on Oversight and  
Government Reform, House of  
Representatives

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For Release on Delivery  
Expected at 2:00 p.m. EDT  
Tuesday, April 9, 2013

**GOVERNMENT  
EFFICIENCY AND  
EFFECTIVENESS**

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

Statement of Gene L. Dodaro  
Comptroller General of the United States



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Chairman Issa, Ranking Member Cummings, and Members of the Committee:

Thank you for the opportunity to discuss our 2013 annual report, which presents 31 new opportunities to reduce fragmentation, overlap, and duplication as well as achieve other financial benefits. It also presents the results of our efforts to follow up on progress made by executive branch agencies and Congress in addressing the areas we identified in our 2011 and 2012 annual reports.<sup>1</sup> Through these three annual reports, we have completed a systematic examination to identify major instances of fragmentation, overlap, or duplication across the federal government. In light of today's challenging fiscal environment, we have also identified additional opportunities to achieve greater efficiency and effectiveness by means of cost savings or enhanced revenue collection.

My testimony today describes the (1) new areas identified in our 2013 annual report where fragmentation, overlap, or duplication exists among federal programs or activities, as well as other opportunities to achieve cost savings or enhanced revenue; (2) status of actions taken by executive branch agencies and Congress in addressing the 131 areas identified in our 2011 and 2012 annual reports; and (3) the summary results of our 3-year systematic examination across the federal government to identify major instances of fragmentation, overlap, or duplication. My comments are based upon our 2013 annual report, which is being released today. That report is based upon work GAO previously conducted in accordance with generally accepted government auditing standards.

In summary, our 2013 annual report identifies 31 new areas where agencies may be able to achieve greater efficiency or effectiveness. Within these 31 areas, we identify 81 actions that the executive branch or Congress could take to address the issues we identified. Although it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort, our report includes 17 areas of fragmentation, overlap, or

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

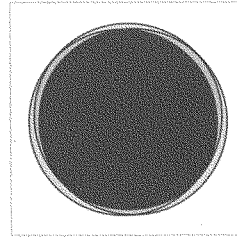
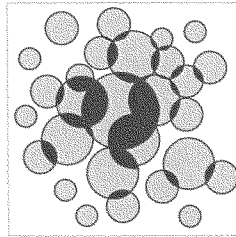
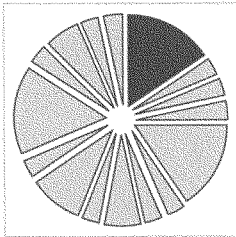
duplication where multiple programs and activities may be creating inefficiencies. Figure 1 illustrates the definitions we use for fragmentation, overlap, and duplication for this work. The report also identifies 14 additional areas where opportunities exist to achieve cost savings or enhance revenue collections.

**Figure 1: Definitions of Fragmentation, Overlap, and Duplication**

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

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

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



Source: GAO.

The executive branch and Congress have made some progress in addressing the areas that we previously identified. In our 2011 and 2012 annual reports, we identified approximately 300 actions among 131 overall areas that the executive branch and Congress could take to reduce or eliminate fragmentation, overlap, or duplication or achieve other potential financial benefits. As of March 6, 2013, the date we completed our progress update audit work, 16 of the 131 overall areas were

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addressed; 87 were partially addressed; and 27 were not addressed.<sup>2</sup> Within these areas, 65 of the approximately 300 individual actions were addressed.<sup>3</sup> However, 149 actions were partially addressed and 85 actions remain not addressed, highlighting the need for sustained attention and leadership.<sup>4</sup>

Through our three annual reports, we have identified 162 areas in which there are opportunities to reduce fragmentation, overlap, or duplication or to achieve cost savings or enhance revenue. (Appendix I presents a summary of the areas we identified in our three annual reports.) Within these 162 areas, we identify approximately 380 actions that the executive branch or Congress could take to address the issues we identified. These areas span a wide range of government missions, covering activities within all 15 cabinet-level executive departments and 17 other federal entities. Collectively, if the actions we suggest are implemented, the government could potentially save tens of billions of dollars annually.

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<sup>2</sup>In assessing progress on the 81 areas we identified in our 2011 annual report for this year's report, we combined two areas related to the Department of Homeland Security's management of acquisitions (Areas 75 and 76) into one area. Therefore, we are evaluating progress for 80 areas identified in our 2011 annual report and 51 areas identified in our 2012 annual report. In assessing overall progress for an area, we determined that an area was "addressed" if all actions in that area were addressed; "partially addressed" if at least one action needed in that area showed some progress toward implementation but not all actions were addressed; and "not addressed" if none of the actions needed in that area was addressed or partially addressed.

<sup>3</sup>For congressional actions, we applied the following criteria: "addressed" means relevant legislation has been enacted; "partially addressed" means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation 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. For executive branch actions, "addressed" means implementation of the action needed has been completed; "partially addressed" means a response to the action needed is in development, but not yet completed; and "not addressed" means that minimal or no progress has been made toward implementing the action needed.

<sup>4</sup>We are not assessing 9 actions this year that were previously included in our 2011 and 2012 reports. Based on subsequent audit work that we conducted, these actions have been consolidated, redirected from a congressional to an executive branch action, or revised to reflect updated information or data that we obtained. Further, 16 actions reported in 2011 and 2012 were revised this year due to additional audit work or other information we considered.

**2013 Annual Report  
Identifies 31 New  
Areas Where  
Opportunities Exist to  
Achieve Greater  
Efficiency or  
Effectiveness**

In 17 of the 31 new areas where agencies may be able to achieve greater efficiency or effectiveness, we found evidence of fragmentation, overlap, or duplication among federal programs or activities. As described in table 1, these programs or activities cover a wide range of federal functions and missions.

**Table 1: Fragmentation, Overlap, and Duplication Areas Identified in Our 2013 Annual Report, by Mission**

Mission	Areas Identified
Agriculture	1. <b>Catfish Inspection:</b> Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture's Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of already existing federal programs and could save taxpayers millions of dollars annually without affecting the safety of catfish intended for human consumption.
Defense	2. <b>Combat Uniforms:</b> The Department of Defense's fragmented approach to developing and acquiring uniforms could be more efficient, better protect service members, and result in up to \$82 million in development and acquisition cost savings through increased collaboration among the military services. 3. <b>Defense Foreign Language Support Contracts:</b> The Department of Defense should address fragmentation in the department's acquisition approach for foreign language support contracts, which are estimated to cost more than \$1 billion annually, by exploring opportunities to gain additional efficiencies.
Energy	4. <b>Renewable Energy Initiatives:</b> Federal support for wind and solar energy, biofuels, and other renewable energy sources, which has been estimated at several billion dollars per year, is fragmented because 23 agencies implemented hundreds of renewable energy initiatives in fiscal year 2010—the latest year for which GAO developed these original data. Further, the Departments of Energy and Agriculture could take additional actions—to the extent possible within their statutory authority—to help ensure effective use of financial support from several wind initiatives, which GAO found provided duplicative support that may not have been needed in all cases for projects to be built.
Health	5. <b>Joint Veterans and Defense Health Care Services:</b> The Departments of Veterans Affairs and Defense should enhance their collaboration to reduce costs, overlap, and potential duplication in the delivery of health care services between two of the nation's largest health care systems that together provide health care to nearly 16 million veterans, service members, military retirees, and other beneficiaries. 6. <b>Medicaid Program Integrity:</b> The Centers for Medicare & Medicaid Services needs to take steps to eliminate duplication and increase efficiency in two Medicaid Integrity Program activities—provider audits and the collection of state program integrity data.
Homeland security/law enforcement	7. <b>Department of Homeland Security Research and Development:</b> Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help the Department of Homeland Security address fragmentation, overlap, and potential unnecessary duplication.

Mission	Areas Identified
	<p>8. <b>Field-Based Information Sharing:</b> To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, the Departments of Justice and Homeland Security and the Office of National Drug Control Policy could improve coordination among five types of field-based information sharing entities that may collect, process, analyze, or disseminate information in support of law-enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers.</p>
	<p>9. <b>Justice and Treasury Asset Forfeiture:</b> Conducting a study to evaluate the feasibility of consolidating the Departments of Justice's and Treasury's multimillion dollar asset forfeiture activities could help the departments identify the extent to which consolidation of potentially duplicative activities would help increase the efficiency and effectiveness of the programs and achieve cost savings.</p>
Information technology	<p>10. <b>Dissemination of Technical Research Reports:</b> Congress may wish to consider whether the fee-based model under which the National Technical Information Service currently operates for disseminating technical information is still viable or appropriate, given that many of the reports overlap with similar information available from the issuing organizations or other sources for free.</p>
	<p>11. <b>Geospatial Investments:</b> Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of millions of dollars.</p>
International affairs	<p>12. <b>Export Promotion:</b> Enhanced collaboration between the Small Business Administration and two other agencies could help to limit overlapping export-related services for small businesses.</p>
	<p>13. <b>International Broadcasting:</b> The Broadcasting Board of Governors—with a budget of \$752 million in fiscal year 2012—has recognized the need to reduce overlap and reallocate limited resources to broadcasts that will have the greatest impact, but the agency could do more to achieve this goal, such as systematically considering overlap of language services in its annual language services review.</p>
Science and the environment	<p>14. <b>Rural Water Infrastructure:</b> Additional coordination by the Environmental Protection Agency and the Department of Agriculture could help three water and wastewater infrastructure programs with combined funding of about \$4.3 billion avoid potentially duplicative application requirements, as well as associated costs and time developing engineering reports and environmental analyses.</p>
Social services	<p>15. <b>Drug Abuse Prevention and Treatment Programs:</b> More fully assessing the extent of overlap and potential duplication across the fragmented 76 federal drug abuse prevention and treatment programs and identifying opportunities for increased coordination, including those programs where no coordination has occurred, would better position the Office of National Drug Control Policy to better leverage resources and increase efficiencies.</p>
Training, employment, and education	<p>16. <b>Higher Education Assistance:</b> Federal agencies providing assistance for higher education should better coordinate to improve program administration and help reduce fragmentation.</p>
	<p>17. <b>Veterans' Employment and Training:</b> The Departments of Labor, Veterans Affairs, and Defense need to better coordinate the employment services each provides to veterans, and Labor needs to better target the Disabled Veterans' Outreach Program so that it does not overlap with other programs.</p>

Source: GAO.

We consider programs or activities to be fragmented when more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities may exist to improve how the government delivers services. We identified fragmentation in multiple programs we reviewed, including the following:

- *Combat Uniforms:* We found that the Department of Defense's (DOD) fragmented approach to developing and acquiring uniforms could be



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more efficient. Since 2002, the military services have shifted from using two camouflage patterns to seven service-specific camouflage uniforms with varying patterns and colors. Although DOD established a board to help ensure collaboration and DOD-wide integration of clothing and textile activities, we continue to identify inefficiencies in DOD's uniform acquisition approach. For example, we found that none of the services had taken advantage of opportunities to reduce costs through partnering on inventory management or by collaborating to achieve greater standardization among their various camouflage uniforms. We have identified several actions DOD should take to realize potential efficiencies and up to \$82 million in development and acquisition cost savings through increased collaboration among the military services. These actions include directing the Secretaries of the military departments to actively pursue partnerships for the joint development and use of uniforms.

- *Defense Foreign Language Support Contracts:* DOD obligated over \$6.8 billion from fiscal years 2008 through 2012 on contracts to acquire a range of foreign language services and products, such as translation and interpretation services. Although the department has gained some efficiencies by centralizing contracting for certain services under an executive agent, it has not taken steps to comprehensively assess whether additional opportunities exist to gain efficiencies in the department's fragmented acquisition approach for foreign language support contracts. For example, we found that 159 contracting organizations in 10 different DOD components obligated approximately \$1.2 billion on contracts outside of those managed by the executive agent, resulting in an uncoordinated and fragmented approach. Our prior work has found that agencies, including DOD, reported savings ranging between 5 and 20 percent by implementing more coordinated acquisition approaches rather than fragmented contracting. Given the department's level of obligations for foreign language support services, DOD could achieve significant cost savings by assessing and addressing the fragmentation in its current approach for managing these contracts.
- *Renewable Energy Initiatives:* Federal support for wind and solar energy, biofuels, and other renewable energy sources has increased significantly in recent years. Specifically, third-party estimates indicate that federal spending over the 7-year period from 2002 through 2008 averaged about \$4 billion per year and increased to almost \$15 billion in fiscal year 2010, in part because of additional spending through the American Recovery and Reinvestment Act of 2009. We found that federal support for renewable energy is fragmented, as 23 agencies

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and their 130 subagencies implemented hundreds of initiatives in fiscal year 2010.<sup>5</sup> We could not comprehensively assess the potential for overlap or duplication among these nearly 700 renewable energy initiatives, because existing agency information was not sufficiently complete to allow for such an assessment. However, fragmentation can be a harbinger of potential overlap or duplication. For example, we assessed federal wind energy initiatives and found that 82 wind-related initiatives that we examined had overlapping characteristics, and several of them have provided duplicative financial support to deploy wind energy projects. Such duplicative federal financial support may not have been needed in all cases for the projects to be built. To help ensure effective use of financial support, we suggested that the Department of Energy (Energy) and the Department of Agriculture (USDA), to the extent possible within their statutory authority, assess and document whether the financial support of their initiatives is needed when considering applications.

In some areas where fragmentation exists, we also found evidence of overlap, which occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We found overlap among federal programs or initiatives in a variety of areas such as joint veterans and defense health care services, export promotion activities, and veterans' employment and training programs, as well as the following:

- *Department of Homeland Security Research and Development:* Within the Department of Homeland Security (DHS), we found six department components involved in research and development (R&D) activities. We examined 47 R&D contracts awarded by these components and found 35 instances among 29 contracts in which the contracts overlapped with activities conducted elsewhere in the department. Taken together, these 29 contracts were worth about \$66 million. In one example of the overlap, we found that two DHS components awarded five separate contracts that each addressed detection of the same chemical. While we did not identify instances of

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<sup>5</sup>We defined a renewable energy-related initiative as a program, tax expenditure, or group of activities serving a similar purpose or function that was related to renewable energy through a specific emphasis or focus, even if renewable energy was part of a broader effort. There is no comprehensive database that tracks federal renewable energy spending across agencies for all types of activities. Fiscal year 2010 is the latest year for which we developed original data on the renewable energy initiatives.

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unnecessary duplication among these contracts, DHS has not developed a policy defining who is responsible for coordinating R&D and what processes should be used to coordinate it, and does not have mechanisms to track all R&D activities at DHS that could help prevent overlap, fragmentation, or unnecessary duplication. We suggested that developing a policy defining the roles and responsibilities for coordinating R&D, and establishing coordination processes and a mechanism to track all R&D projects could help DHS mitigate existing fragmentation and overlap, and reduce the risk of unnecessary duplication.

- *Drug Abuse Prevention and Treatment Programs:* In fiscal year 2012, about \$4.5 billion was allocated to 15 federal agencies that administer 76 fragmented programs intended to prevent or treat illicit drug use or abuse. Of the 76 drug abuse prevention and treatment programs we reviewed, we also found evidence of overlap across 59 programs (nearly 80 percent). The Office of National Drug Control Policy (ONDCP) is responsible for overseeing and coordinating the implementation of drug abuse prevention and treatment program activities across the federal government. Although ONDCP has taken some steps to coordinate these activities, it has not systematically assessed drug abuse prevention and treatment programs to examine the extent of overlap and potential for duplication or to identify opportunities for greater coordination. Such an assessment would better position ONDCP to help ensure that federal agencies undertaking similar prevention and treatment efforts identify opportunities for increased efficiencies.

Overlap and fragmentation among government programs or activities can lead to duplication, which occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. Our 2013 report includes several areas where we identified potentially duplicative federal efforts, including the following:

- *Catfish Inspection:* We found that when USDA's Food Safety and Inspection Service (FSIS) begins the catfish inspection program as mandated in the Food, Conservation, and Energy Act of 2008, the program will duplicate work already conducted by the Food and Drug Administration (FDA) and by the National Marine Fisheries Service. For example, as many as three agencies—FDA, FSIS, and the National Marine Fisheries Service—could inspect facilities that process both catfish and other types of seafood. To avoid this duplication, we suggest that Congress repeal the provisions of the act

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that assigned USDA responsibilities for examining and inspecting catfish and establishing a catfish inspection program. Taking this action could save taxpayers millions annually, according to FSIS estimates of the program's cost.<sup>6</sup>

- *Medicaid Program Integrity:* We also identified duplication in the Medicaid Integrity Program, which provides federal support and oversight of state programs.<sup>7</sup> Specifically, we identified duplication in two integrity program activities: (1) the National Medicaid Audit Program, which consists of audits of state Medicaid claims data to identify overpayments; and (2) state program integrity assessments, one of several tools through which the Centers for Medicare & Medicaid Services (CMS) collects data on state program integrity activities. For example, we found that the data collected through state program integrity assessments duplicate data collected through triennial comprehensive reviews and other reports, which provide more timely and useful information. We suggested that CMS merge certain functions of the federal review and audit contractors and discontinue the annual state program integrity assessment to eliminate or avoid duplicative activities.
- *Geospatial Investments:* According to the Department of the Interior, the federal government invests billions of dollars annually 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

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<sup>6</sup>To create this potential savings, Congress would need to repeal the provision in the Food, Conservation, and Energy Act of 2008, or direct in the Food Safety and Inspection Service's appropriation that no funds may be spent on the program. If Congress enacts a legislative restriction, there may be some opportunity to rescind appropriated amounts. Because the inspection program is funded from a lump sum appropriation to USDA, funds that would have been used for the program could be available for new obligations within the appropriations account. USDA could identify the amount of funds currently available for obligation that would have been used for the catfish inspection program and Congress could rescind those amounts.

<sup>7</sup>Medicaid is the joint federal-state health care financing program for certain low-income individuals and is one of the largest social programs in federal and state budgets. We have had long-standing concerns about Medicaid's program integrity because of problems with the sufficiency of federal and state oversight. For example, the Centers for Medicare & Medicaid Services estimated that in fiscal year 2012, \$19.2 billion (7.1 percent) of Medicaid's federal expenditures involved improper payments.

implemented policies and procedures that would help them to identify and coordinate geospatial data acquisitions across the government. For example, although the Office of Management and Budget (OMB) has oversight responsibilities for investments in geospatial data, OMB staff members acknowledged that OMB does not have complete and reliable information to identify potentially duplicative geospatial investments. According to these officials, this lack of information is largely because agencies do not appropriately and consistently classify geospatial investments in their budget documents submitted to OMB. As a result, the agencies make duplicative investments and risk missing opportunities to jointly acquire data. Better coordination by agencies and better oversight by OMB could help to reduce duplication of geospatial investments, providing the opportunity for potential savings of millions of dollars on geospatial information technology.

In addition to areas of fragmentation, overlap, and duplication, our 2013 annual report identified 14 areas where opportunities exist either to reduce the cost of government operations or enhance revenue collections for the Treasury. 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 Our 2013 Annual Report, by Mission**

Mission	Areas Identified
Agriculture	<p>18. <b>Agricultural Quarantine Inspection Fees:</b> The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as \$325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.</p> <p>19. <b>Crop Insurance:</b> To achieve up to \$1.2 billion per year in cost savings in the federal crop insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.</p>
Defense	<p>20. <b>Joint Basing:</b> The Department of Defense needs an implementation plan to guide joint bases to achieve millions of dollars in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another.</p>
Energy	<p>21. <b>Department of Energy's Isotope Program:</b> Assessing the value of isotopes to customers, and other factors such as prices of alternatives, may show that the Department of Energy could increase prices for isotopes that it sells to commercial customers to create cost savings by generating additional revenue.</p>
General government	<p>22. <b>Additional Opportunities to Improve Internal Revenue Service Enforcement of Tax Laws:</b> The Internal Revenue Service can realize cost savings and increase revenue collections by billions of dollars by, among other things, using more rigorous analyses to better allocate enforcement and other resources.</p>

Mission	Areas Identified
	<p>23. <b>Agencies' Use of Strategic Sourcing:</b> Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories—savings of one percent from selected agencies' procurement spending alone would equate to over \$4 billion.</p> <p>24. <b>Opportunities to Help Reduce Government Satellite Program Costs:</b> Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving hundreds of millions of dollars to date from using these innovative mechanisms.</p>
Health	<p>25. <b>Medicare Prepayment Controls:</b> More widespread use of prepayment edits could reduce improper payments and achieve other cost savings for the Medicare program, as well as provide more consistent coverage nationwide.</p> <p>26. <b>Medicaid Supplemental Payments:</b> To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare &amp; Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis for providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars.</p> <p>27. <b>Medicare Advantage Quality Bonus Payment Demonstration:</b> Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare &amp; Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014.</p>
Homeland security/law enforcement	<p>28. <b>Checked Baggage Screening:</b> By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.</p>
Information technology	<p>29. <b>Cloud computing:</b> Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars.</p> <p>30. <b>Information Technology Operations and Maintenance:</b> Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.</p>
International affairs	<p>31. <b>Tobacco Taxes:</b> Federal revenue losses were as much as \$815 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.</p>

Source: GAO.

Among the 14 areas of opportunity to reduce costs or enhance revenue identified in our 2013 annual report are the following examples of opportunities for executive branch agencies or Congress to take action to address the issues we reported:

- *Medicare Advantage Quality Bonus Payment Demonstration:* We report concerns about CMS's Medicare Advantage Quality Bonus Payment Demonstration, which was estimated to cost \$8.35 billion over 10 years, most of which will be paid to plans with average performance. Medicare Advantage provides health care coverage

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through private health plans offered by organizations under contract with CMS. The agency's stated research goal for the demonstration is to test whether a modified bonus structure leads to larger and faster annual quality improvement for Medicare Advantage plans. We found that the demonstration's design precludes a credible evaluation of its effectiveness because it lacks an appropriate comparison group needed to isolate the demonstration's effects, and because the demonstration's bonus payments are based largely on plan performance that predates the demonstration. Based on these concerns, we suggest that Department of Health and Human Services (HHS) cancel the Medicare Advantage Quality Bonus Payment Demonstration. In addition, the demonstration's design raises legal concerns about whether it falls within HHS's demonstration authority. Although the demonstration is now in its second year, HHS still has an opportunity to achieve significant cost savings—about \$2 billion, based on our analysis of CMS actuaries' estimates—if it cancels the demonstration for 2014.

- *Crop Insurance:* The federal government's crop insurance costs have increased in recent years—rising from an average of \$3.1 billion per year from fiscal years 2000 through 2006 to an average of \$7.6 billion per year from fiscal years 2007 through 2012—and are expected to increase further. These costs include subsidies to pay for part of a farmer's crop insurance premiums, which farmers can purchase to insure against certain losses for insurable crops they produce. Unlike many farm programs, the federal crop insurance program does not have statutory income and payment limits that apply to individual farmers and legal entities, including corporations. Congress could achieve up to \$1.2 billion per year in cost savings by limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of both.
- *Information Technology Operations and Maintenance:* Of the \$79 billion federal agencies budgeted for information technology (IT) in fiscal year 2011, \$54 billion (about 69 percent) was reported to have been spent on the operations and maintenance of existing legacy IT systems—commonly referred to as steady state investments. However, many federal agencies are not performing analyses to determine whether or not their steady state systems are continuing to meet business and customer needs and are contributing to meeting the agencies' strategic goals, as called for by OMB guidance. We found that agencies did not conduct such an analysis on 52 of the 75 major existing information technology investments we reviewed. As a

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result, there is increased potential for these IT investments in operations and maintenance to result in waste and duplication. We suggest that agencies analyze all IT investments annually and report the results of their analyses to OMB. These actions could help agencies achieve cost savings by strengthening the oversight of their existing IT investments in operations and maintenance, resulting in the potential for billions of dollars in savings.

- *Opportunities to Help Reduce Government Satellite Program Costs:* In recent years, Congress has appropriated more than \$25 billion a year to agencies for developing space systems.<sup>8</sup> To save money, several federal agencies are actively using or exploring nontraditional approaches to managing their space-based programs, such as hosting government instruments on commercial spacecraft and having multiple satellites share the same launch vehicle.<sup>9</sup> For example, DOD has two ongoing hosted payload pilot missions and has taken preliminary steps to develop a follow-on effort. According to DOD estimates, the commercial partnership has saved the department over \$200 million. While these approaches hold promise for providing lower-cost access to space in the future, we identified a variety of technical, cultural, logistical, and legal and policy challenges. We identify actions that Congress may wish to consider to address these challenges and better take advantage of nontraditional approaches, such as authorizing agencies enhanced flexibility to acquire certain satellite services related to hosted payload and ride sharing arrangements, when appropriately planned and justified.
- *Medicaid Supplemental Payments:* Medicaid—the joint federal-state program that finances health care for certain low-income individuals—cost the federal government and states an estimated \$410 billion in 2011.<sup>10</sup> States pay qualified health care providers for covered services delivered to Medicaid beneficiaries and obtain federal matching funds

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<sup>8</sup>A space system can include multiple components such as satellites, ground control stations, terminals, and user equipment.

<sup>9</sup>Several federal agencies, including DOD, the National Aeronautics and Space Administration, the Federal Aviation Administration, the National Oceanic and Atmospheric Administration, and the U.S. Coast Guard, are actively using or beginning to look at these approaches in order to save costs.

<sup>10</sup>The 2011 cost figure represents combined federal and state Medicaid expenditures for provider services in fiscal year 2011 and does not include expenditures for administration.



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for the federal share of these payments. We found that many states are making Medicaid payments to many providers that are far in excess of those providers' costs of providing Medicaid services. Specifically, in 2007, the most recent year for which these data were available, 39 states made payments to certain providers in excess of Medicaid costs by a total of about \$2.7 billion. To improve the transparency of and accountability for certain high-risk Medicaid payments, we suggest that Congress consider requiring CMS to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles. Such action could lead to cost savings in the hundreds of millions, or even billions, of dollars.

- *Agencies' Use of Strategic Sourcing:* Federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—an acquisition process that moves away from numerous individual procurement actions to a broader aggregated approach. For example, a reduction of 1 percent from selected agencies' procurement spending would equate to over \$4 billion in savings.<sup>11</sup> To help control spending, OMB established a government-wide strategic sourcing program to address opportunities to strategically source commonly purchased products and services and eliminate duplication of efforts across agencies. However, the program has not yet targeted the products and services on which the government spends the most. Moreover, a lack of clear guidance on metrics for measuring success has hindered the management of ongoing strategic sourcing efforts across the federal government. Thus, we suggested that OMB issue updated government-wide guidance on calculating savings and establish metrics to measure progress toward goals. Doing so would position OMB to help federal agencies better implement strategic sourcing practices and maximize their ability to realize billions of dollars in potential savings annually. In December 2012, OMB provided new direction to agencies to improve strategic sourcing, but it is too early to tell how effectively those actions will be implemented.

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<sup>11</sup>These selected agencies include DOD, DHS, Energy, and the Department of Veterans Affairs, which accounted for 80 percent of the \$537 billion in federal procurement spending in fiscal year 2011.

- *Department of Energy's Isotope Program:* Opportunities may also exist for Energy to generate additional revenue by increasing the price for isotopes that it sells to commercial customers.<sup>12</sup> Energy's Isotope Development and Production for Research and Applications program (Isotope Program) sells isotopes to commercial customers for a variety of uses, such as medical procedures and radiation detection equipment. To achieve its mission, the Isotope Program relies on annual appropriations—almost \$20 million in fiscal year 2012—and revenues from isotope sales. Although revenues from sales of isotopes alone totaled over \$25 million in fiscal year 2012, we found that Energy may be forgoing revenue because it is not using thorough assessments to set prices for commercial isotopes. To improve the program's transparency in setting isotope prices and determine if opportunities exist to generate additional revenue, we suggest that Energy assess the prices it sets for commercial isotopes to determine if prices can be increased.

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

In addition to the new actions identified in our 2013 annual report, we have continued to monitor the progress that the executive branch agencies and Congress have made in addressing issues we identified in our 2011 and 2012 annual reports. In these reports, we identified approximately 300 actions that the executive branch and Congress could take to reduce or eliminate fragmentation, overlap, or duplication or achieve other potential financial benefits.<sup>13</sup>

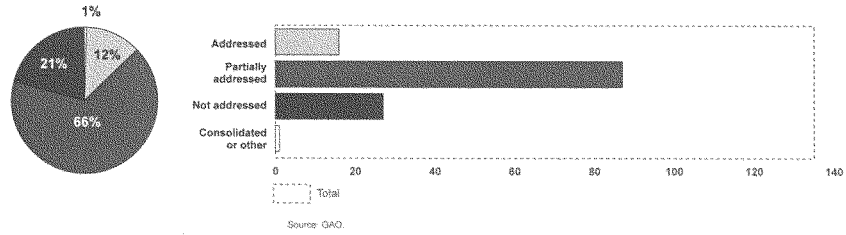
We evaluated progress by determining an "overall assessment" rating for each area and an individual rating for each action within an area (see figs. 2 and 3). We found that executive branch agencies and Congress have made progress in addressing many of the 131 areas we identified in 2011 and 2012. As of March 6, 2013, the date we completed our audit work, 16 of the 131 areas were addressed; 87 were partially addressed; and 27

<sup>12</sup>Isotopes are varieties of a given chemical element with the same number of protons but different numbers of neutrons. For example, the helium-3 isotope, which is used in research and to detect neutrons in radiation detection equipment, has one less neutron than the helium-4 isotope, which is the helium isotope commonly used in party balloons.

<sup>13</sup>We are not assessing 9 actions this year that were previously included in our 2011 and 2012 reports. Based on subsequent audit work that we conducted, these actions have been consolidated, redirected from a congressional to an executive branch action, or revised to reflect updated information or data that we obtained. Further, 16 actions reported in 2011 and 2012 were revised this year due to additional audit work or other information we considered.

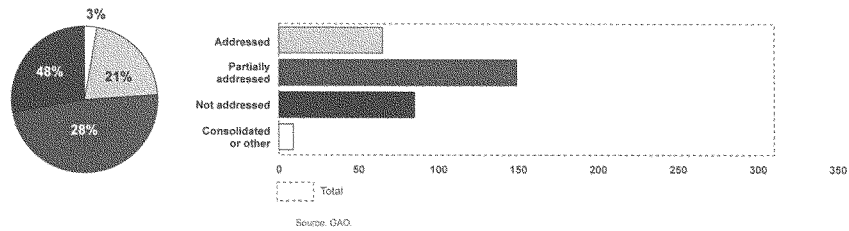
were not addressed. We also found that of the approximately 300 actions needed within these areas, 65 were addressed; 149 were partially addressed; and 85 were not addressed.

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



Note: In assessing overall progress for an area, we determined that an area was "addressed" if all actions in that area were addressed, "partially addressed" if at least one action needed in that area showed some progress toward implementation but not all actions were addressed, and "not addressed" if none of the actions needed in that area was addressed or partially addressed. The consolidated area was not assessed in 2013 due to additional work or other information we considered.

Figure 3: Assessment of 2011 and 2012 Actions, as of March 6, 2013



Note: 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

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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 a response to the action needed is in development, or started but not yet completed; and "not addressed" means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed. Consolidated actions were not assessed in 2013 due to additional work or other information we considered.

According to our analysis, 198 of the 249 actions (almost 80 percent) identified in 2011 and 2012 that were directed to executive branch agencies are either partially addressed or addressed. An example of the progress made is DOD's efforts to implement our suggested action related to the area of overseas defense posture. Specifically, in our 2012 annual report, we suggested the Secretary of Defense should direct appropriate organizations within DOD to complete a business case analysis, including an evaluation of alternative courses of action, for the strategic objectives that have to this point driven the decision to implement tour normalization in South Korea.<sup>14</sup> Based on the resulting business case analysis, DOD officials stated that United States Forces Korea determined that the tour normalization initiative was not affordable. This decision not to move forward with the tour normalization initiative resulted in cost avoidance of \$3.1 billion from fiscal years 2012 through 2016.

Congress has also addressed some of our suggested actions—16 of the 50 actions directed to Congress in our 2011 and 2012 annual reports are either partially addressed or addressed (32 percent). For example, in our 2011 annual report, we stated that Congress could reduce revenue losses by more than \$5.7 billion annually by addressing duplicative federal efforts directed at increasing domestic ethanol production. To reduce these revenue losses, we suggested that Congress consider whether revisions to the ethanol tax credit were needed, and we suggested options to consider, including allowing the volumetric ethanol excise tax credit to expire at the end of 2011. Congress addressed this suggested action by allowing the tax credit to expire at the end of 2011, which ended the ethanol tax credit for fuel blenders that purchase and blend ethanol with gasoline.

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<sup>14</sup>Tour normalization refers to the initiative to extend the tour length of military service members and move thousands of dependents to South Korea.

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Although the executive branch and Congress have made some progress in addressing the issues that we have previously identified, additional steps are needed to address the remaining areas to achieve associated benefits. A number of the issues are difficult to address, and implementing many of the actions identified will take time and sustained leadership. Nevertheless, implementing the actions could potentially save the government tens of billions of dollars annually. Appendix II highlights opportunities for potential financial benefits from our body of work.

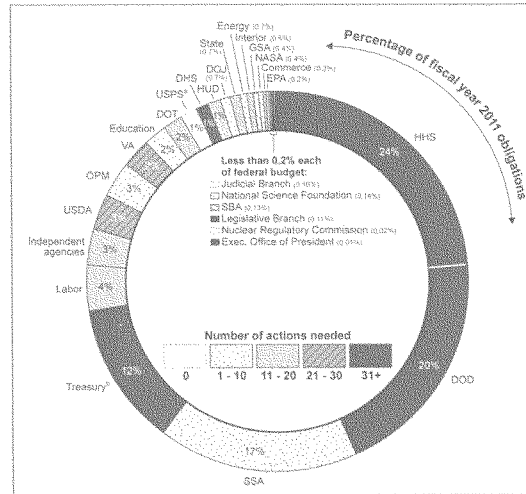
To help maintain attention on these issues, we are concurrently releasing GAO's *Action Tracker*, a publicly accessible website of the 162 areas and approximately 380 suggested actions presented in our 2011, 2012, and 2013 reports. GAO's *Action Tracker* includes progress updates and assessments of legislative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

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

Through our three annual reports, we have identified a total of 162 areas with actions that the executive branch and Congress could take to address fragmentation, overlap, and duplication or achieve cost savings. These three reports touch on areas in virtually all major federal departments and agencies. Specifically, the reports collectively identify opportunities to reduce fragmentation, overlap, and duplication or achieve other financial benefits within all 15 cabinet-level executive departments and at least 17 other federal entities. Figure 4 illustrates actions needed that we directed to federal departments and agencies in our three annual reports. As the figure shows, we have directed numerous actions to large federal departments and agencies that represent the majority of federal obligations, including 90 actions directed to DOD, 51 to Treasury, and 44 to HHS. These three agencies alone represented 56 percent of fiscal year 2011 obligations.

**Figure 4: Actions Needed Directed to Federal Departments and Agencies in 2011-2013 Annual Reports**



Source: GAO.

\*U.S. Postal Service (USPS) obligations are primarily funded by postal revenues, although USPS receives minimal appropriations for overseas voting and mail for the blind. Additionally, USPS has maximum \$15 billion in borrowing authority, which it reached in fiscal year 2012.

†Treasury's percentage of fiscal year 2011 obligations includes interest on the national debt.

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

Our 2013 annual report completes our 3-year systematic examination across the federal government to identify major instances of fragmentation, overlap, or duplication. Our systematic examination required a multiphased approach. First, we reviewed the budget functions

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of the federal government representing nearly all of the overall federal funds obligated in fiscal year 2010.<sup>15</sup> Federal budget functions classify budget resources by national need (such as National Defense, Energy, or Agriculture), and instances in which multiple federal agencies obligate funds within a particular budget function may indicate potential duplication or cost savings opportunities. Although this type of analysis cannot answer the question of whether overlap or duplication exists, it can help in the selection of areas for further investigation. Using this information, we identified each instance in which an executive branch or independent agency obligated more than \$10 million within these 18 budget functions for further consideration.

Second, we reviewed key agency documents, such as strategic plans, performance and accountability reports, and budget justifications, as we have found that when multiple executive branch agencies have similar missions, goals, or programs, the potential for fragmentation, overlap, or duplication exists. Third, we reviewed key external published sources of information. In particular, we reviewed reports published by the Congressional Budget Office, Inspectors General, and the Congressional Research Service, as well as the President's budgets, to identify potential overlap and duplication among agency missions, goals, and programs. We relied on our previous work and professional judgment to target areas for further review by considering a variety of factors, including the extent of potential cost savings; opportunities for enhanced program efficiency or effectiveness; the degree to which multiple programs may be fragmented, overlapping, or duplicative; whether issues had been identified by GAO or external sources; and the level of coordination among agency programs.

Based on our multiphased approach, we have identified, to date, 162 areas in which there are opportunities to reduce fragmentation, overlap, or duplication or to achieve cost savings or revenue enhancement. Our three annual reports provide extensive coverage of major instances of fragmentation, overlap, or duplication across the federal government. Moving forward, we plan to perform further analysis to identify any other potential or emerging instances that may result in fragmentation, overlap, and duplication.

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<sup>15</sup>Our examination did not include two budget functions: Allowances, because there were no actual obligations, and Undistributed Offsetting Receipts, because no obligations are charged to agencies.

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In closing, as the fiscal pressures facing the nation continue, so too does the need for executive branch agencies and Congress to improve the efficiency and effectiveness of government programs and activities. Opportunities exist to improve the efficiency and effectiveness of government operations in the 162 areas we have included in our 2011-2013 annual reports.

Identifying, preventing, and addressing fragmentation, overlap, and duplication within the federal government is challenging. 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. Compounding these challenges is the lack of a comprehensive list of federal programs, reliable funding information, and regular performance information. Without knowing the full range of programs involved or the cost of implementing them, gauging the magnitude of the federal commitment to a particular area of activity or the extent to which associated federal programs are duplicative is difficult. Effective implementation of the Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010 could help address these challenges, as well as improve information sharing and coordination among federal agencies—both of which are needed to help address issues of fragmentation, overlap, and duplication.<sup>16</sup> The GPRA Modernization Act gave us a number of important reporting responsibilities, and through these responsibilities we will monitor the implementation of the act for Congress.

Furthermore, we plan 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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<sup>16</sup>Pub. L. No. 103-62, 107 Stat. 285 (1993); Pub. L. No. 111-352, 124 Stat. 3866 (2011).



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

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








### GAO Contacts

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## Appendix I: All Areas Identified in 2011-2013 Annual Reports, by Mission

This appendix summarizes all 162 areas we identified in our annual reports for 2011 through 2013. For areas included in our 2011 and 2012 reports, we also include our assessment of the overall progress made, as of March 6, 2013, in addressing the issues we identified. Table 3 presents areas related to fragmentation, overlap, and duplication. Table 4 presents areas related to cost savings or revenue enhancement.

**Table 3: GAO Identified Areas of Fragmentation, Overlap, and Duplication in 2011-2013 Annual Reports**

Mission	Annual report	Areas identified	Overall assessment
Agriculture	2011	Area 1: Fragmented <b>food safety</b> system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources.	
	2012	Area 1: <b>Protection of Food and Agriculture</b> : Centrally coordinated oversight is needed to ensure more than nine federal agencies effectively and efficiently implement the nation's fragmented policy to defend the food and agriculture systems against potential terrorist attacks and major disasters.	
	2013	Area 1: <b>Catfish Inspection</b> : Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture's Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of already existing federal programs and could save taxpayers millions of dollars annually without affecting the safety of catfish intended for human consumption.	
Defense	2011	Area 2: Realigning the <b>Department of Defense's (DOD) military medical command</b> structures and consolidating common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually.	
	2011	Area 3: Opportunities exist for consolidation and increased efficiencies to maximize response to <b>warfighter urgent needs</b> .	
	2011	Area 4: Opportunities exist to avoid unnecessary redundancies and improve the coordination of <b>counter-improvised explosive device efforts</b> .	
	2011	Area 5: Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of <b>intelligence, surveillance, and reconnaissance</b> capabilities.	
	2011	Area 6: A department-wide acquisition strategy could reduce DOD's risk of costly duplication in purchasing <b>Tactical Wheeled Vehicles</b> .	
	2011	Area 7: Improved joint oversight of DOD's <b>propositioning programs</b> for equipment and supplies may reduce unnecessary duplication.	
	2011	Area 8: <b>DOD's business systems modernization</b> : opportunities exist for optimizing business operations and systems.	
	2012	Area 2: <b>Electronic Warfare</b> : Identifying opportunities to consolidate DOD airborne electronic attack programs could reduce overlap in the department's multiple efforts to develop new capabilities and improve the department's return on its multibillion-dollar acquisition investments.	

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas Identified	Overall assessment
	2012	Area 3: <b>Unmanned Aircraft Systems:</b> Ineffective acquisition practices and collaboration efforts in the DOD unmanned aircraft systems portfolio creates overlap and the potential for duplication among a number of current programs and systems.	
	2012	Area 4: <b>Counter-Improvised Explosive Device Efforts:</b> DOD continues to risk duplication in its multibillion-dollar counter Improvised Explosive Device efforts because it does not have a comprehensive database of its projects and initiatives.	
	2012	Area 5: <b>Defense Language and Culture Training:</b> DOD needs a more integrated approach to reduce fragmentation in training approaches and overlap in the content of training products acquired by the military services and other organizations.	
	2012	Area 6: <b>Stabilization, Reconstruction, and Humanitarian Assistance Efforts:</b> Improving the DOD's evaluations of stabilization, reconstruction, and humanitarian assistance efforts, and addressing coordination challenges with the Department of State (State) and the U.S. Agency for International Development (USAID), could reduce overlapping efforts and result in the more efficient use of taxpayer dollars.	
	2013	Area 2: <b>Combat Uniforms:</b> The Department of Defense's fragmented approach to developing and acquiring uniforms could be more efficient, better protect service members, and result in up to \$82 million in development and acquisition cost savings through increased collaboration among the military services.	a
	2013	Area 3: <b>Defense Foreign Language Support Contracts:</b> The Department of Defense should address fragmentation in the department's acquisition approach for foreign language support contracts, which are estimated to cost more than \$1 billion annually, by exploring opportunities to gain additional efficiencies.	a
Economic development	2011	Area 9: The efficiency and effectiveness of fragmented <b>economic development programs</b> are unclear.	
	2011	Area 10: The federal approach to <b>surface transportation</b> is fragmented, lacks clear goals, and is not accountable for results.	
	2011	Area 11: Fragmented federal efforts to meet <b>water needs</b> in the <b>U.S.-Mexico border region</b> have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources.	
	2012	Area 7: <b>Support for Entrepreneurs:</b> Overlap and fragmentation among the economic development programs that support entrepreneurial efforts require the Office of Management and Budget (OMB) and other agencies to better evaluate the programs and explore opportunities for program restructuring, which may include consolidation, within and across agencies.	
	2012	Area 8: <b>Surface Freight Transportation:</b> Fragmented federal programs and funding structures are not maximizing the efficient movement of freight.	
Energy	2011	Area 12: Resolving conflicting requirements could more effectively achieve <b>federal fleet energy goals</b> .	
	2011	Area 13: Addressing duplicative federal efforts directed at increasing <b>domestic ethanol production</b> could reduce revenue losses by more than \$5.7 billion annually.	






Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas Identified	Overall assessment
General government	2012	Area 9: <b>Department of Energy Contractor Support Costs:</b> The Department of Energy (DOE) should assess whether further opportunities could be taken to streamline support functions, estimated to cost over \$5 billion, at its contractor-managed laboratory and nuclear production and testing sites, in light of contractors' historically fragmented approach to providing these functions.	●
	2012	Area 10: <b>Nuclear Nonproliferation:</b> Comprehensive review needed to address strategic planning limitations and potential fragmentation and overlap concerns among programs combating nuclear smuggling overseas.	○
	2013	Area 4: <b>Renewable Energy Initiatives:</b> Federal support for wind and solar energy, biofuels, and other renewable energy sources, which has been estimated at several billion dollars per year, is fragmented because 23 agencies implemented hundreds of renewable energy initiatives in fiscal year 2010—the latest year for which GAO developed these original data. Further, the DOE and USDA could take additional actions—to the extent possible within their statutory authority—to help ensure effective use of financial support from several wind initiatives, which GAO found provided duplicative support that may not have been needed in all cases for projects to be built.	●
	2011	Area 14: <b>Enterprise architectures:</b> key mechanisms for identifying potential overlap and duplication.	●
	2011	Area 15: Consolidating <b>federal data</b> centers provides opportunity to improve government efficiency.	●
	2011	Area 16: Collecting improved data on <b>interagency contracting</b> to minimize duplication could help the government leverage its vast buying power.	●
	2011	Area 17: Periodic reviews could help ineffective <b>tax expenditures</b> and redundancies in related tax and spending programs, potentially reducing revenue losses by billions of dollars.	●
	2012	Area 11: <b>Personnel Background Investigations:</b> The Office of Management and Budget (OMB) should take action to prevent agencies from making potentially duplicative investments in electronic case management and adjudication systems.	○
	2012	Area 12: <b>Cybersecurity Human Capital:</b> Government-wide initiatives to enhance cybersecurity workforce in the federal government need better structure, planning, guidance, and coordination to reduce duplication.	●
Health	2012	Area 13: <b>Spectrum Management:</b> Enhanced coordination of federal agencies' efforts to manage radio frequency spectrum and an examination of incentive mechanisms to foster more efficient spectrum use may aid regulators' attempts to jointly respond to competing demands for spectrum while identifying valuable spectrum that could be auctioned for commercial use, thereby generating revenues for the U.S. Department of Treasury (Treasury).	●
	2011	Area 18: Opportunities exist for DOD and the U.S. Department of Veterans Affairs (VA) to jointly modernize their <b>electronic health records systems</b> .	●
	2011	Area 19: VA and DOD need to control <b>drug costs</b> and increase <b>joint contracting</b> wherever it is cost-effective.	●
	2011	Area 20: The U.S. Department of Health and Human Services (HHS) needs an overall strategy to better integrate nationwide <b>public health information</b> systems.	○

Appendix I: All Areas Identified in 2011-2013 Annual Reports, by Mission

Mission	Annual report	Areas identified	Overall assessment
	2012	Area 14: <b>Health Research Funding:</b> The National Institutes of Health (NIH), DOD, and VA can improve sharing of information to help avoid the potential for unnecessary duplication.	●
	2012	Area 15: <b>Military and Veterans Health Care:</b> DOD and VA need to improve integration across care coordination and case management programs to reduce duplication and better assist servicemembers, veterans, and their families.	●
	2013	Area 5: <b>Joint Veterans and Defense Health Care Services:</b> The Departments of Veterans Affairs and Defense should enhance their collaboration to reduce costs, overlap, and potential duplication in the delivery of health care services between two of the nation's largest health care systems that together provide health care to nearly 16 million veterans, service members, military retirees, and other beneficiaries.	a
	2013	Area 6: <b>Medicaid Program Integrity:</b> The Centers for Medicare & Medicaid Services needs to take steps to eliminate duplication and increase efficiency in two Medicaid Integrity Program activities—provider audits and the collection of state program integrity data.	a
Homeland security/law enforcement	2011	Area 21: Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against <b>biological threats</b> .	●
	2011	Area 22: DHS oversight could help eliminate potential duplicating efforts of interagency forums in <b>securing the northern border</b> .	○
	2011	Area 23: The Department of Justice (DOJ) plans actions to reduce overlap in <b>explosives investigations</b> , but monitoring is needed to ensure successful implementation.	●
	2011	Area 24: <b>The Transportation Security Administration's (TSA) security assessments</b> on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap.	●
	2011	Area 25: DHS could streamline mechanisms for <b>sharing security-related information with public transit agencies</b> to help address overlapping information.	●
	2011	Area 26: The <b>Federal Emergency Management Agency (FEMA)</b> needs to improve its oversight of <b>grants</b> and establish a framework for assessing capabilities to identify gaps and prioritize investments.	●
	2012	Area 16: <b>Department of Justice Grants:</b> The Department of Justice could improve how it targets nearly \$3.9 billion to reduce the risk of potential unnecessary duplication across the more than 11,000 grant awards it makes annually.	●
	2012	Area 17: <b>Homeland Security Grants:</b> DHS needs better project information and coordination among four overlapping grant programs.	●
	2012	Area 18: <b>Federal Facility Risk Assessments:</b> Agencies are making duplicate payments for facility risk assessments by completing their own assessments, while also paying DHS for assessments that the department is not performing.	●
	2013	Area 7: <b>Department of Homeland Security Research and Development:</b> Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help DHS address fragmentation, overlap, and potential unnecessary duplication.	a

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas Identified	Overall assessment
	2013	<b>Area 8: Field-Based Information Sharing:</b> To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, the Departments of Justice and Homeland Security and the Office of National Drug Control Policy could improve coordination among five types of field-based information sharing entities that may collect, process, analyze, or disseminate information in support of law enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers.	a
	2013	<b>Area 9: Justice and Treasury Asset Forfeiture:</b> Conducting a study to evaluate the feasibility of consolidating Justice's and Treasury's multimillion dollar asset forfeiture activities could help the departments identify the extent to which consolidation of potentially duplicative activities would help increase the efficiency and effectiveness of the programs and achieve cost savings.	a
Information technology	2012	<b>Area 19: Information Technology Investment Management:</b> OMB, and DOD and DDE need to address potentially duplicative information technology investments to avoid investing in unnecessary systems.	
	2013	<b>Area 10: Dissemination of Technical Research Reports:</b> Congress may wish to consider whether the fee-based model under which the National Technical Information Service currently operates for disseminating technical information is still viable or appropriate, given that many of the reports overlap with similar information available from the issuing organizations or other sources for free.	a
	2013	<b>Area 11: Geospatial Investments:</b> Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of millions of dollars.	a
International affairs	2011	<b>Area 27:</b> Lack of information sharing could create the potential for duplication of efforts between U.S. agencies involved in <b>development efforts in Afghanistan.</b>	
	2011	<b>Area 28:</b> Despite restructuring, overlapping roles and functions still exist at State's <b>Arms Control and Nonproliferation Bureaus.</b>	
	2012	<b>Area 20: Overseas Administrative Services:</b> U.S. government agencies could lower the administrative cost of their operations overseas by increasing participation in the International Cooperative Administrative Support Services system and by reducing reliance on American officials overseas to provide these services.	
	2012	<b>Area 21: Training to Identify Fraudulent Travel Documents:</b> Establishing a formal coordination mechanism could help reduce duplicative activities among seven different entities that are involved in training foreign officials to identify fraudulent travel documents.	
	2013	<b>Area 12: Export Promotion:</b> Enhanced collaboration between the Small Business Administration (SBA) and two other agencies could help to limit overlapping export-related services for small businesses.	a
	2013	<b>Area 13: International Broadcasting:</b> The Broadcasting Board of Governors—with a budget of \$752 million in fiscal year 2012—has recognized the need to reduce overlap and reallocate limited resources to broadcasts that will have the greatest impact, but the agency could do more to achieve this goal, such as systematically considering overlap of language services in its annual language services review.	a

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas identified	Overall assessment
Science and the environment	2012	Area 22: <b>Coordination of Space System Organizations:</b> Fragmented leadership has led to program challenges and potential duplication in developing multibillion-dollar space systems.	●
	2012	Area 23: <b>Space Launch Contract Costs:</b> Increased collaboration between the Department of Defense and the National Aeronautics and Space Administration could reduce launch contracting duplication.	●
	2012	Area 24: <b>Diesel Emissions:</b> Fourteen grant and loan programs at DOE, Department of Transportation (DOT), and the Environmental Protection Agency (EPA), and three tax expenditures fund activities that have the effect of reducing mobile source diesel emissions; enhanced collaboration and performance measurement could improve these fragmented and overlapping programs.	○
	2012	Area 25: <b>Environmental Laboratories:</b> EPA needs to revise its overall approach to managing its 37 laboratories to address potential overlap and fragmentation and more fully leverage its limited resources.	●
	2012	Area 26: <b>Green Building:</b> To evaluate the potential for overlap or fragmentation among federal green building initiatives, the Department of Housing and Urban Development, DOE, and EPA should lead other federal agencies in collaborating on assessing their investments in more than 90 initiatives to foster green building in the nonfederal sector.	●
	2013	Area 14: <b>Rural Water Infrastructure:</b> Additional coordination by the EPA and the USDA could help three water and wastewater infrastructure programs with combined funding of about \$4.3 billion avoid potentially duplicative application requirements, as well as associated costs and time developing engineering reports and environmental analyses.	•
Social services	2011	Area 29: Actions needed to reduce administrative overlap among <b>domestic food assistance</b> programs.	○
	2011	Area 30: Better coordination of federal <b>homelessness</b> programs may minimize fragmentation and overlap.	●
	2011	Area 31: Further steps needed to improve cost-effectiveness and enhance services for <b>transportation-disadvantaged</b> persons.	●
	2012	Area 27: <b>Social Security Benefit Coordination:</b> Benefit offsets for related programs help reduce the potential for overlapping payments but pose administrative challenges.	●
	2012	Area 28: <b>Housing Assistance:</b> Examining the benefits and costs of housing programs and tax expenditures that address the same or similar populations or areas, and potentially consolidating them, could help mitigate overlap and fragmentation and decrease costs.	○
	2013	Area 15: <b>Drug Abuse Prevention and Treatment Programs:</b> More fully assessing the extent of overlap and potential duplication across the fragmented 76 federal drug abuse prevention and treatment programs and identifying opportunities for increased coordination, including those programs where no coordination has occurred, would better position the Office of National Drug Control Policy to better leverage resources and increase efficiencies.	•

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas identified	Overall assessment
Training, employment, and education	2011	Area 32: Multiple <b>employment and training</b> programs: providing information on colocating services and consolidating administrative structures could promote efficiencies.	◐
	2011	Area 33: <b>Teacher quality</b> : proliferation of programs complicates federal efforts to invest dollars effectively.	◐
	2011	Area 34: Fragmentation of <b>financial literacy</b> efforts makes coordination essential.	●
	2012	Area 29: <b>Early Learning and Child Care</b> : The Departments of Education and Health and Human Services (HHS) should extend their coordination efforts to other federal agencies with early learning and child care programs to mitigate the effects of program fragmentation, simplify children's access to these services, collect the data necessary to coordinate operation of these programs, and identify and minimize any unwarranted overlap and potential duplication.	◐
	2012	Area 30: <b>Employment for People with Disabilities</b> : Better coordination among 45 programs in nine federal agencies that support employment for people with disabilities could help mitigate program fragmentation and overlap, and reduce the potential for duplication or other inefficiencies.	◐
	2012	Area 31: <b>Science, Technology, Engineering, and Mathematics Education</b> : Strategic planning is needed to better manage overlapping programs across multiple agencies	◐
	2012	Area 32: <b>Financial Literacy</b> : Overlap among financial literacy activities makes coordination and clarification of roles and responsibilities essential, and suggests potential benefits of consolidation.	●
	2013	Area 16: <b>Higher Education Assistance</b> : Federal agencies providing assistance for higher education should better coordinate to improve program administration and help reduce fragmentation.	*
	2013	Area 17: <b>Veterans' Employment and Training</b> : The Departments of Labor, Veterans Affairs, and Defense need to better coordinate the employment services each provides to veterans, and Labor needs to better target the Disabled Veterans' Outreach Program so that it does not overlap with other programs.	*

Source: GAO analysis.

\*As of April 9, 2013, we have not assessed the 2013 areas identified.

● = Addressed, meaning all actions needed in that area were addressed.

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

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

Consolidated or other = actions were not assessed this year



Appendix I: All Areas Identified in 2011-2013 Annual Reports, by Mission

Table 4: GAO Identified Areas of Cost-Savings and Revenue-Enhancement Opportunities in 2011-2013 Annual Reports			
Mission	Annual report	Areas identified	Overall assessment
Agriculture	2011	Area 35: Reducing farm program direct payments could result in savings from \$800 million over 10 years to up to \$5 billion annually.	○
	2013	Area 18: <b>Agricultural Quarantine Inspection Fees:</b> The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as \$325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.	a
	2013	Area 19: <b>Crop Insurance:</b> To achieve up to \$1.2 billion per year in cost savings in the federal crop insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.	a
Defense	2011	Area 36: DOD should assess costs and benefits of overseas military presence options before committing to costly personnel realignments and construction plans, thereby possibly saving billions of dollars.	◐
	2011	Area 37: Total compensation approach is needed to manage significant growth in military personnel costs.	◐
	2011	Area 38: Employing best management practices could help DOD save money on its weapon systems acquisition programs.	◐
	2011	Area 39: More efficient management could limit future costs of DOD's spare parts inventory.	◐
	2011	Area 40: More comprehensive and complete cost data can help DOD improve the cost-effectiveness of sustaining weapons systems.	◐
	2011	Area 41: Improved corrosion prevention and control practices could help DOD avoid billions in unnecessary costs over time.	◐
	2012	Area 33: <b>Air Force Food Service:</b> The Air Force has opportunities to achieve millions of dollars in cost savings annually by reviewing and renegotiating food service contracts, where appropriate, to better align with the needs of installations.	●
	2012	Area 34: <b>Defense Headquarters:</b> DOD should review and identify further opportunities for consolidating or reducing the size of headquarters organizations.	◐
	2012	Area 35: <b>Defense Real Property:</b> Ensuring the receipt of fair market value for leasing underused real property and monitoring administrative costs could help the military services' enhanced use lease programs realize intended financial benefits.	◐
	2012	Area 36: <b>Military Health Care Costs:</b> 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.	◐

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas identified	Overall assessment
	2012	Area 37: <b>Overseas Defense Posture:</b> DOD could reduce costs of its Pacific region presence by developing comprehensive cost information and re-examining alternatives to planned initiatives.	●
	2012	Area 38: <b>Navy's Information Technology Enterprise Network:</b> Better informed decisions are needed to ensure a more cost-effective acquisition approach for the U.S. Navy's Next Generation Enterprise Network.	○
	2013	Area 20: <b>Joint Basing:</b> DOD needs an implementation plan to guide joint bases to achieve millions of dollars in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another.	*
Economic development	2011	Area 42: Revising the <b>essential air service</b> program could improve efficiency.	●
	2011	Area 43: Improved design and management of the <b>universal service fund</b> as it expands to support broadband could help avoid cost increases for consumers.	●
	2011	Area 44: The U.S. Army <b>Corps of Engineers</b> should provide Congress with project-level information on unobligated balances.	●
	2012	Area 39: <b>Auto Recovery Office:</b> Unless the Secretary of Labor can demonstrate how the Auto Recovery Office has uniquely assisted auto communities, Congress may wish to consider prohibiting the Department of Labor from spending any of its appropriations on the Auto Recovery Office and instead require that the department direct the funds to other federal programs that provide funding directly to affected communities.	○
Energy	2011	Area 45: Improved management of federal <b>oil and gas resources</b> could result in approximately \$2 billion in revenues over 10 years.	●
	2012	Area 40: <b>Excess Uranium Inventories:</b> Marketing the Department of Energy's excess uranium could provide substantial revenue for the government.	○
	2013	Area 21: <b>Department of Energy's Isotope Program:</b> Assessing the value of isotopes to customers, and other factors such as prices of alternatives, may show that the Department of Energy could increase prices for isotopes that it sells to commercial customers to create cost savings by generating additional revenue.	*
General government	2011	Area 46: Efforts to address <b>government-wide improper payments</b> could result in significant costs savings.	●
	2011	Area 47: Promoting <b>competition</b> for the over \$500 billion in <b>federal contracts</b> could potentially save billions of dollars over time.	●
	2011	Area 48: Applying <b>strategic sourcing</b> best practices throughout the federal procurement system could save billions of dollars annually.	●
	2011	Area 49: Adherence to guidance on <b>award fee contracts</b> could improve agencies' use of award fees to produce savings.	●
	2011	Area 50: Agencies aimed to save at least \$3 billion by continued disposal of <b>unneeded federal real property</b> .	Consolidated or other
	2011	Area 51: Improved cost analyses used for making <b>federal facility ownership and leasing</b> decisions could save millions of dollars.	○

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas Identified	Overall assessment
	2011	Area 52: The Office of Management and Budget's <b>IT Dashboard</b> reportedly has already resulted in savings and can further help identify opportunities to invest more efficiently in information technology.	●
	2011	Area 53: Increasing <b>electronic filing</b> of individual income <b>tax returns</b> could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars.	●
	2011	Area 54: Using <b>return on investment</b> information to better target IRS enforcement could reduce the tax gap; for example, a 1 percent reduction would increase tax revenues by \$3.8 billion.	●
	2011	Area 55: Better management of <b>tax debt collection</b> may resolve cases faster with lower IRS costs and increase debt collected.	●
	2011	Area 56: Broadening IRS's authority to correct <b>simple tax return errors</b> could facilitate correct tax payments and help IRS avoid costly, burdensome audits.	○
	2011	Area 57: Enhancing <b>mortgage interest information</b> reporting could improve tax compliance.	○
	2011	Area 58: More information on the types and uses of canceled debt could help IRS limit revenue losses of <b>forgiven mortgage debt</b> .	●
	2011	Area 59: Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated <b>real estate tax deductions</b> .	●
	2011	Area 60: Revisions to content and use of <b>Form 1098-T</b> could help IRS enforce higher education requirements and increase revenues.	●
	2011	Area 61: Many options could improve the tax compliance of <b>sole proprietors</b> and begin to reduce their \$68 billion portion of the tax gap.	●
	2011	Area 62: IRS could find additional <b>businesses not filing tax returns</b> by using third-party data, which show such businesses have billions of dollars in sales.	●
	2011	Area 63: Congress and IRS can help <b>S corporations</b> and their shareholders be more tax compliant, potentially increasing tax revenues by hundreds of millions of dollars each year.	●
	2011	Area 64: IRS needs an agencywide approach for addressing tax evasion among the at least 1 million <b>networks of businesses</b> and related entities.	●
	2011	Area 65: Opportunities exist to improve the targeting of the \$6 billion <b>research tax credit</b> and reduce forgone revenue.	○
	2011	Area 66: Converting the <b>new markets tax credit</b> to a grant program may increase program efficiency and significantly reduce the \$3.8 billion 5 years revenue cost of the program.	○
	2011	Area 67: Limiting the tax-exempt status of certain <b>governmental bonds</b> could yield revenue.	○

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas identified	Overall assessment
	2011	Area 68: Adjusting civil tax penalties for inflation potentially could increase revenues by tens of millions of dollars per year, not counting any revenues that may result from maintaining the penalties' deterrent effect.	●
	2011	Area 69: IRS may be able to systematically identify nonresident aliens reporting unallowed tax deductions or credits.	●
	2011	Area 70: Tracking undisbursed balances in expired grant accounts could facilitate the reallocation of scarce resources or the return of funding to the Treasury.	●
	2012	Area 41: General Services Administration Schedules Contracts Fee Rates: Re-evaluating fee rates on the General Services Administration's Multiple Award Schedules contracts could result in significant cost savings government-wide.	●
	2012	Area 42: U.S. Currency: Legislation replacing the \$1 note with a \$1 coin would provide a significant financial benefit to the government over time.	○
	2012	Area 43: Federal User Fees: Regularly reviewing federal user fees and charges can help the Congress and federal agencies identify opportunities to address inconsistent federal funding approaches and enhance user financing, thereby reducing reliance on general fund appropriations.	○
	2012	Area 44: Internal Revenue Service Enforcement Efforts: Enhancing the Internal Revenue Service's enforcement and service capabilities can help reduce the gap between taxes owed and paid by collecting billions in tax revenue and facilitating voluntary compliance.	●
	2013	Area 21: Additional Opportunities to Improve Internal Revenue Service Enforcement of Tax Laws: The Internal Revenue Service can realize cost savings and increase revenue collections by billions of dollars by, among other things, using more rigorous analyses to better allocate enforcement and other resources.	a
	2013	Area 23: Agencies' Use of Strategic Sourcing: Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories—savings of one percent from selected agencies' procurement spending alone would equate to over \$4 billion.	a
	2013	Area 24: Opportunities to Help Reduce Government Satellite Program Costs: Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving hundreds of millions of dollars to date from using these innovative mechanisms.	a
Health	2011	Area 71: Preventing billions in Medicaid improper payments requires sustained attention and action by CMS.	●
	2011	Area 72: Federal oversight of Medicaid supplemental payments needs improvement, which could lead to substantial cost savings.	○
	2011	Area 73: Better targeting of Medicare's claims review could reduce improper payments.	●

Appendix I: All Areas Identified in 2011-2013 Annual Reports, by Mission

Mission	Annual report	Areas identified	Overall assessment
	2011	Area 74: Potential savings in Medicare's payment for health care.	
	2012	Area 45: <b>Medicare Advantage Payment:</b> The Centers for Medicare & Medicaid Services could achieve billions of dollars in additional savings by better adjusting for differences between Medicare Advantage plans and traditional Medicare providers in the reporting of beneficiary diagnoses.	
	2012	Area 46: <b>Medicare and Medicaid Fraud Detection Systems:</b> The Centers for Medicare & Medicaid Services needs to ensure widespread use of technology to help detect and recover billions of dollars of improper payments of claims and better position itself to determine and measure financial and other benefits of its systems.	
	2013	Area 25: <b>Medicaid Prepayment Controls:</b> More widespread use of prepayment edits could reduce improper payments and achieve other cost savings for the Medicare program, as well as provide more consistent coverage nationwide.	a
	2013	Area 26: <b>Medicaid Supplemental Payments:</b> To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare & Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis of providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars.	a
	2013	Area 27: <b>Medicare Advantage Quality Bonus Payment Demonstration:</b> Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare & Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014.	a
Homeland security/law enforcement	2011	Areas 75 and 76: <b>DHS's management of acquisitions</b> could be strengthened to reduce cost overruns and schedule and performance shortfalls.	
	2011	Area 77: Validation of <b>TSA's behavior-based screening program</b> is needed to justify funding or expansion.	
	2011	Area 78: More efficient <b>baggage screening systems</b> could result in about \$470 million in reduced TSA personnel costs over the next 5 years.	
	2011	Area 79: Clarifying availability of certain <b>customs fee collections</b> could produce a one-time savings of \$640 million.	
	2012	Area 47: <b>Border Security:</b> Delaying proposed investments for future acquisitions of border surveillance technology until the Department of Homeland Security better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding.	
	2012	Area 48: <b>Passenger Aviation Security Fees:</b> Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs.	

Appendix I: All Areas Identified in 2011-2013  
Annual Reports, by Mission

Mission	Annual report	Areas Identified	Overall assessment
	2012	Area 49: <b>Immigration Inspection Fee:</b> The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than using general fund appropriations.	●
	2013	Area 28: <b>Checked Baggage Screening:</b> By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.	a
Income security	2011	Area 80: <b>Social Security</b> needs data on pensions from noncovered earnings to better enforce <b>offsets</b> and ensure benefit fairness, resulting in estimated \$2.4-\$2.9 billion savings over 10 years.	○
Information technology	2013	Area 29: <b>Cloud Computing:</b> Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars.	a
	2013	Area 30: <b>Information Technology Operations and Maintenance:</b> Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.	a
International affairs	2011	Area 81: Congress could pursue several options to improve collection of <b>antidumping and countervailing duties</b> .	○
	2012	Area 50: <b>Iraq Security Funding:</b> When considering new funding requests to train and equip Iraqi security forces, Congress should consider the government of Iraq's financial resources, which afford it the ability to contribute more toward the cost of Iraq's security.	●
	2013	Area 31: <b>Tobacco Taxes:</b> Federal revenue losses were as much as \$615 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.	a
Social Services	2012	Area 51: <b>Domestic Disaster Assistance:</b> The Federal Emergency Management Agency could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance.	○

Source: GAO.

\*As of April 9, 2013, we have not assessed the 2013 areas identified.

Legend:

● = Addressed, meaning all actions needed in that area were addressed.

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

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

Consolidated or other = actions were not assessed this year.

## Appendix II: Opportunities for Potential Financial Benefits in 2011-2013 Annual Reports

Through our 2011-2013 annual reports, we have identified 162 areas in which greater efficiency and effectiveness of government operations could be gained. As we have previously reported, estimating financial benefits associated with implementing our suggested actions is difficult in some cases due to budget and performance data limitations. Furthermore, the amount of savings can depend on the extent to which the actions are taken. However, using available information, we were able to identify potential financial benefits of addressing some of the areas we identified. This information may help facilitate congressional decision making about the issues we identified.

Table 5 includes the areas for which we were able to estimate the potential financial benefits associated with implementing our suggested actions. Table 6 includes additional areas for which information was not available to develop precise estimates; however, using available information we were able to identify the range or magnitude of potential financial benefits.

**Table 5: Estimated Financial Benefits for Certain Areas Included in 2011-2013 Annual Reports, as of March 15, 2013**

Annual report	Areas identified
2012	<b>Medicare and Medicaid Fraud Detection Systems</b> (Area 46): The Centers for Medicare & Medicaid Services need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the \$21 billion in financial benefits that the agency projected as a result of implementing these systems.
2011	<b>Farm Program Payments</b> (Area 35): Reducing farm program direct payments could result in savings from \$800 million over 10 years to up to \$5 billion annually depending on the policy choices made.
2013	<b>Crop Insurance</b> (Area 19): To achieve up to \$1.2 billion per year in cost savings in the federal crop insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.
2011	<b>Federal Data Centers</b> (Area 16): Consolidating federal data centers provides an opportunity to improve government efficiency and achieve cost savings of up to \$3 billion over 10 years.

**Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports**

<b>Annual report</b>	<b>Areas Identified</b>
2012	<b>Passenger Aviation Security Fees</b> (Area 48): Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs by reducing the funds appropriated to address passenger aviation security. These options could increase fee collections from about \$2 billion to \$10 billion over 5 years.
2013	<b>Medicare Advantage Quality Bonus Payment Demonstration</b> (Area 27): Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare & Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014.
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, which could result in an estimated \$2.4 billion to \$2.9 billion savings over 10 years.
2011	<b>Oil and Gas Resources</b> (Area 45): Improved management of federal oil and gas resources could result in approximately \$2 billion in additional revenue over 10 years.
2012	<b>U.S. Currency</b> (Area 42): Legislation replacing the \$1 note with a \$1 coin would provide a significant financial benefit of \$4.4 billion over 30 years to the government, amounting to an average yearly discounted net benefit of about \$146 million.
2013	<b>Tobacco Taxes</b> (Area 31): Federal revenue losses were as much as \$615 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.
2011	<b>Baggage Screening Systems</b> (Area 78): More efficient baggage screening systems could result in about \$470 million in reduced Transportation Security Administration personnel costs over the next 5 years.
2013	<b>Checked Baggage Screening</b> (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies of up to \$300 million by 2030 and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.
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 \$325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.
2012	<b>Border Security</b> (Area 47): Delaying proposed investments for future acquisitions of border surveillance technology until the Department of Homeland Security better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding. U.S. Customs and Border Protection requested \$242 million to fund the new Plan for fiscal year 2012.



Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports

Annual report	Areas identified
2012	<b>Immigration Inspection Fee</b> (Area 49): The air and sea passenger immigration inspection user fee 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 using general fund appropriations; In 2011 this could have resulted in a reduction of about \$178 million in appropriated funds used for inspection services.
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, Health and Human Services will achieve savings and cost avoidance of <b>over \$150 million</b> between fiscal year 2011 to 2015 by leveraging its EA to improve its telecommunications infrastructure.
2013	<b>Combat Uniforms</b> (Area 2): The Department of Defense's fragmented approach to developing and acquiring uniforms could be more efficient, better protect service members, and result in <b>up to \$82 million</b> in development and acquisition cost savings through increased collaboration among the military services.
2012	<b>Auto Recovery Office</b> (Area 39): Unless the Secretary of Labor can demonstrate how the Auto Recovery Office has uniquely assisted auto communities, Congress may wish to consider prohibiting the Department of Labor from spending any of its appropriations on the Auto Recovery Office, thereby saving <b>up to \$1.2 million</b> per year.

Source: GAO.

**Table 6: Range or Magnitude of Potential Financial Benefits for Certain Areas Included in 2011-2013 Annual Reports, as of March 15, 2013**

Annual report	Areas identified
	<b>Category: Defense</b>
2011	<b>Overseas Military Presence</b> (Area 36): The Department of Defense should assess costs and benefits of overseas military presence options before committing to costly personnel realignments and construction plans, thereby possibly saving <b>billions of dollars</b> .
2011	<b>DOD's Spare Parts Inventory</b> (Area 39): More efficient and effective management could limit future costs of DOD's spare parts inventory by <b>billions of dollars</b> .
2011	<b>Tactical Wheeled Vehicles</b> (Area 6): A department-wide acquisition strategy could reduce DOD's 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> of cost savings.

Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports

Annual report	Areas Identified
2011	<b>Corrosion Protection</b> (Area 41): Improved corrosion prevention and control practices could help DOD avoid <b>hundreds of millions of dollars</b> in unnecessary costs.
2011	<b>DOD's Military Medical Command Structures</b> (Area 2): Realigning the Department of Defense's military medical command structures and consolidating common functions could increase efficiency and result in projected savings in the hundreds of <b>millions of dollars</b> .
2012	<b>Defense Headquarters</b> (Area 34): To further reduce overhead-related costs in light of the recent changes in DOD's strategic priorities, DOD should continue to examine opportunities to consolidate or eliminate military commands that are geographically close or have similar missions, and to seek further opportunities to centralize administrative and command support services, functions or programs. Since we made our recommendation, DOD has set targets to save <b>several hundred million dollars</b> by 2017 through a range of planned headquarters-efficiency measures. However, in some cases the specific actions to achieve these savings have not yet been identified.
2012	<b>Military Health Care Costs</b> (Area 36): To help achieve significant projected cost savings of <b>millions of dollars</b> and other performance goals, the Department of Defense needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives.
2013	<b>Joint Basing</b> (Area 20): The Department of Defense needs an implementation plan to guide joint bases to achieve <b>millions of dollars</b> in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another.
	<b>Category: Improper Payments</b>
2011	<b>Government-wide Improper Payments</b> (Area 46): Efforts to address government-wide improper payments, including Medicare and Medicaid, estimated at <b>\$108 billion in 2012</b> , could result in significant cost savings.
	<b>Category: Federal Contracting</b>
2011	<b>Competition for Federal Contracts</b> (Area 47): Promoting competition for the over \$500 billion in federal contracts could potentially save <b>billions of dollars</b> over time.
2011	<b>Strategic Sourcing</b> (Area 48): Applying strategic sourcing best practices throughout the federal procurement system could save billions of dollars annually.
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 one percent from selected agencies procurement spending alone would equate to <b>over \$4 billion</b> .
2013	<b>Opportunities to Help Reduce Government Satellite Program Costs</b> (Area 24): Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving <b>hundreds of millions of dollars</b> to date from using these innovative mechanisms.
	<b>Category: Information Technology</b>
2011	<b>IT Dashboard</b> (Area 52): OMB's IT Dashboard contributed to <b>billions of dollars</b> in reported savings and can further help identify opportunities to invest more efficiently in information technology.

**Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports**

<b>Annual report</b>	<b>Areas identified</b>
2012	<b>Navy's Information Technology Enterprise Network</b> (Area 38): Better informed decisions to ensure a more cost-effective acquisition approach for the Navy's Next Generation Enterprise Network could result in <b>billions of dollars</b> in cost savings.
2013	<b>Information Technology Operations and Maintenance</b> (Area 30): Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides an opportunity for <b>billions of dollars</b> in savings.
2012	<b>Information Technology Investment Management</b> (Area 19): Identifying and consolidating potentially duplicative IT investments at the Departments of Defense and Energy could result in <b>millions of dollars</b> in cost savings.
2013	<b>Cloud Computing</b> (Area 29): Better planning of cloud-based computing solutions provides an opportunity for potential savings of <b>millions of dollars</b> .
2013	<b>Geospatial Investments</b> (Area 11): Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of <b>millions of dollars</b> .
<b>Category: Tax Expenditures</b>	
2011	<b>Research Tax Credits</b> (Area 65): Opportunities exist to improve the targeting of the <b>\$6 billion research tax credit</b> and reduce forgone revenue.
2011	<b>New Markets Tax Credit</b> (Area 66): Converting the new markets tax credit to a grant program could decrease the 35 percent to 50 percent difference between the cost of the credit to the Treasury ( <b>\$4.3 billion over 5 years</b> ) and the amount actually received by projects being subsidized.
2011	<b>Ineffective Tax Expenditures and Redundancies</b> (Area 17): Periodic reviews could help ineffective tax expenditures and redundancies in related tax and spending programs, potentially reducing revenue losses by <b>billions of dollars</b> .
2011	<b>Governmental Bonds</b> (Area 67): As Congress considers whether tax-exempt governmental bonds should be used for professional sports stadiums that are generally privately used, it may also wish to consider whether other facilities, including hotels and golf courses, that are privately used should continue to be financed with tax-exempt governmental bonds. Implementing this suggestion could increase revenue because the interest earned by investors who purchase tax bonds is generally excluded from federal income taxes, resulting in <b>billions of dollars</b> annually in federal revenue losses.
2011	<b>Real Estate Tax Deductions</b> (Area 59): Better information and outreach could help increase revenues by tens or <b>hundreds of millions of dollars</b> annually by addressing overstated real estate tax deductions.

Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports

Annual report	Areas identified
	<b>Category: Tax Gap</b>
2011-12	<p data-bbox="485 632 1219 741"><b>Internal Revenue Service Enforcement</b> (Area 54, 2011; Area 44, 2012): More complete analysis of return on investment—revenue collected including from improvements in voluntary compliance compared to costs—across all of IRS's service and enforcement programs could help better target IRS's limited resources and reduce the \$385 billion net tax gap. If service and enforcement improvements reduce the tax gap by 1 percent, the additional revenue would be about <b>\$3.8 billion per year</b>. For example, expanding third-party information reporting on rental real estate service payments and service payments to corporations alone, as GAO has recommended, would increase revenues by an estimated <b>\$5.9 billion over 10 years</b>.</p> <p data-bbox="485 764 870 781">Other areas in which IRS could enhance enforcement include:</p> <ul data-bbox="485 785 1219 1003" style="list-style-type: none"> <li data-bbox="485 785 1219 852">• <b>Broad and specific math-error authority</b> (Area 56, 2011): Math error authority is statutory authority that allows IRS to correct certain errors on tax returns without a burdensome audit of the taxpayer. By granting either general authority or specific math error authority related to, for example, individual retirement accounts or the residential energy credit, IRS could improve compliance at low costs.</li> <li data-bbox="485 856 1219 903">• <b>Form 1098T</b> (Area 60, 2011): Every year millions of taxpayers claim billions of dollars of credits for post-secondary education tuition expenses. Revising the Form 1098 T to provide more complete information on qualified expenses could make it easier for IRS to ensure that taxpayers claim the correct amount.</li> <li data-bbox="485 907 1219 953">• <b>Businesses Not Filing Tax Returns</b> (Area 62, 2011): According to third-party information, businesses not filing tax returns have billions of dollars in sales. Better use of the third-party information to enforce filing requirements could ensure taxes are paid on income associated with such sales.</li> <li data-bbox="485 957 1219 1003">• <b>Networks of Businesses</b> (Area 64, 2011): Some owners of related businesses use such networks to evade tax. Because there are at least 1 million such networks, an IRS-wide strategy to address network-based tax evasion could bring in additional enforcement revenue.</li> </ul>
2011	<b>Better Management of Tax Debt Collection</b> (Area 55): Better management of tax debt collection may resolve cases faster with lower Internal Revenue Service costs and increase debt collected. The Internal Revenue Service has recognized that each year individuals do not pay <b>billions of dollars</b> of their acknowledged tax debts.
2011	<b>S Corporations Compliance</b> (Area 63): Better IRS guidance on S corporation basis and shareholder compensation could, potentially, increase taxes paid by <b>hundreds of millions of dollars</b> each year.
2011	<b>Electronic Filing of Individual Income Tax Returns</b> (Area 53): Increasing electronic filing of individual income tax returns could save the Internal Revenue Service millions of dollars in processing costs by avoiding transcription.
	<b>Category: Other</b>
2012	<b>Spectrum Management</b> (Area 13): Enhanced coordination of federal agencies' efforts to manage radio frequency spectrum and an examination of incentive mechanisms to foster more efficient spectrum use may aid regulators' attempts to jointly respond to competing demands for spectrum while identifying valuable spectrum that could be auctioned for commercial use. Past auctions of spectrum have generated <b>tens of billions of dollars</b> for the U.S. Treasury.

Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports

Annual report	Areas identified
2012	<b>Medicare Advantage Payment</b> (Area 45): The Centers for Medicare & Medicaid Services could achieve billions of dollars in additional savings by better adjusting for differences between Medicare Advantage plans and traditional Medicare providers in the reporting of beneficiary diagnoses. We estimated that cumulatively across the three years from 2010 to 2012, a more accurate adjustment could have saved between <b>\$3.2 billion to \$5.1 billion</b> .
2012	<b>Domestic Disaster Assistance</b> (Area 51): Providing a more comprehensive assessment of a jurisdiction's capability to respond to and recover from a disaster without federal assistance to support disaster declaration decisions could save <b>billions of dollars</b> . As of January 31, 2012, FEMA anticipated that when all 539 approved disaster declarations designated during fiscal years 2004-2011 are closed, total Disaster Relief Fund obligations will be about \$91.5 billion. GAO's analysis of FEMA's anticipated obligations for 508 declarations with Public Assistance during fiscal years 2004-2011 shows that 44 percent and 25 percent would not have met the indicator used to support declaration decisions if it had been adjusted for increases in personal income and inflation, respectively, since 1986.
2013	<b>Medicaid Supplemental Payments</b> (Area 26): To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare & Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis for providers for which data are available suggests that savings could be in the <b>hundreds of millions, or billions, of dollars</b> .
2011	<b>FEMA Grants</b> (Area 26): Congress may wish to consider limiting preparedness grant funding to maintaining existing capabilities (as determined by the Federal Emergency Management Agency) until FEMA completes a national preparedness assessment of capabilities gaps at each level based on tiered, capability-specific performance objectives to enable prioritization of grant funding. In April 2011, Congress reduced funding for FEMA preparedness grants by <b>\$875 million</b> from the amount requested in the President's fiscal year 2011 budget. In December 2011, Congress reduced funding for FEMA preparedness grants by <b>\$1.28 billion</b> from the amount requested in the President's fiscal year 2012 budget.
2012	<b>Overseas Administrative Services</b> (Area 20): U.S. government agencies could lower the over <b>\$2 billion</b> administrative cost of their operations overseas by increasing participation in the International Cooperative Administrative Support Services system and by reducing reliance on American officials overseas to provide these services.
2011	<b>Behavior Based Screening</b> (Area 77): Upon completion of the validation effort, Congress may also wish to consider the study's results— including the Screening of Passengers by Observation Techniques (SPOT) program's effectiveness in using behavior-based screening techniques to detect terrorists in the aviation environment—in making future funding decisions regarding the program. Depending on the results of DHS's validation effort and Congressional action, savings over the next 5 years could total tens of <b>millions of dollars</b> .
2011	<b>Civil Tax Penalties</b> (Area 68): Adjusting civil tax penalties for inflation potentially could increase revenues by <b>tens of millions of dollars</b> per year, not counting any revenues that may result from maintaining the penalties' deterrent effect.
2011	<b>Federal Facility Ownership and Leasing</b> (Area 51): Improved cost analysis used for making federal facility ownership and leasing decisions could save <b>millions of dollars</b> .

Appendix II: Opportunities for Potential  
Financial Benefits in 2011-2013 Annual  
Reports

Annual report	Areas identified
2013	<b>Catfish Inspection</b> (Area 1): Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture's Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of already existing federal programs and could save taxpayers <b>millions of dollars</b> annually without affecting the safety of catfish intended for human consumption.
2011	<b>Excess Uranium Inventories</b> (Area 40): Marketing the Department of Energy's excess uranium could provide <b>substantial revenue</b> to the government.

Source: GAO.

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Chairman ISSA. I will recognize myself for a couple of—a quick statement and then a couple of questions.

The ranking member in his opening statement mentioned raising the revenues from drilling of oil and natural gas. That is not a cost savings. He called it a cost savings. It is a tax increase, right? It is not one of your recommendations that you simply increase the percentages that you charge for royalties?

Mr. DODARO. What we recommended is that the Department—there were studies showing that other agencies—that other entities that give those leases were gaining more revenues from the leases than the Federal Government. So we recommended that Interior conduct a study to determine whether or not it was, you know, maximizing the revenue capabilities. The study has been done, but they haven't made any recommendations.

Chairman ISSA. Well, but isn't it true that they actually don't know what they are entitled to? They are not able to properly audit how much oil or natural gas they get out? There is a huge amount of areas that have not been available for leasing?

In other words, if we were to look at this as a savings—I kind of look at it as a tax or a revenue, but if we were to look at it as revenue, we would have to make these things comparable to the highest and best selling price you could find in the private sector—in other words, get at least what you would get on private lands—recognizing that the State of Texas, for example, has rights in shallow water. So there is a comparable between the State of Texas in the State versus our offshore leases and so on. But it would be there, it would be Federal lands for grazing.

And, ultimately, wouldn't there be a return if they simply got their audit? And I know this is where you have an expert about to jump up.

Mr. DODARO. Right.

Chairman ISSA. But if they did proper audits so they actually knew what they were entitled to and could ensure they get 100 cents on the dollar of what they are entitled to.

Mr. DODARO. Yes. And I will ask our expert, Mark, to come to the table.

But there are really two issues. And we are looking at a revenue issue, all right? Number one, are we charging the right royalties in the first place? And, number two, are we really getting what we are owed due to the volume and extraction of the oil? So you are exactly right.

Chairman ISSA. And, as you know, this committee, on a very bipartisan basis, went back and forth trying to get the revenues. There were contract failures that led to no revenues, when, in fact, that wasn't the intent nor the letter of the law that Congress passed.

Please, Mark.

Mr. GAFFIGAN. Thank you, Chairman Issa. Yes. And we enjoyed working with your staff, Larry Brady and company, on that back in the day.

There are sort of three parts of this. One is sort of the product verification, and that is what you are alluding to. We have 19 recommendations we made to what was MMS and is now—

Chairman ISSA. Changed the names, but they are still not doing their job, right?

Mr. GAFFIGAN. —still within the Department of Interior. They have made some progress, and that is why we addressed it as partially addressed. They have gotten together a committee that meets to talk about current trends in measurement.

But they are missing in some other areas. For example, they really don't have real realtime production data so they can verify, you know, what we are producing.

The other part of it is the diligent development concern. We have leases that aren't being—that aren't being utilized. And there have been several proposals in Congress, and Interior has made some proposals, to charge a rent for those leases that aren't being used as a motivation to seek development. And that is part of where that \$2 billion potentially could come from.

Chairman ISSA. Although that wouldn't be able to come under current leases.

Mr. GAFFIGAN. Right.

Chairman ISSA. That would be part of the bid process. So wouldn't there be an offset in that if I know I might have to pay the rent, in my bidding process I might bid a little less?

Mr. GAFFIGAN. Yeah, that is definitely a possibility. But the idea is it would provide that incentive to them.

Chairman ISSA. Sure.

Mr. GAFFIGAN. And the other part is the revenue collection. We did recommend that they do some studies on what the government take was compared to others. They have done three of those studies, but they just haven't acted with the recommendation to either affirm what we are charging now makes sense or whether we want to adjust it, up or down.

Chairman ISSA. Sure. Well, I can tell you that it is a heck of a deal until you get into the regulatory time it takes to get an oil well or a natural gas well drilled sometimes. But you are absolutely right, we should try to maximize that revenue.

Switching slightly, Mr. Dodaro, your previous report and this report continue to identify the IT investment. And I am particularly interested in your view on what I—if I read it correctly, from 2012, still today, OMB has essentially been tasked to find out how much is being spent on IT. We recently did a hearing on this \$80 billion nominal amount.

But if I read correctly, what you are telling me is that it is underreported, that, in fact, because they are not reporting their IT expenditures to the OMB and the OMB is not forcing them to, that, in fact, we may be spending more and spending it poorer.

Is that a succinct way of saying it?

Mr. DODARO. Yeah. I will ask Joel Willemsen to come up and explain that. But I think that that is a correct statement.

And I also would say, Mr. Chairman, I meant in my opening statement to commend this committee for passage of the IT Acquisition Reform Act. That act touches on a number of areas that we have reported in all 3 years.

Chairman ISSA. If you stop over at the Senate, mention that.

Mr. DODARO. I will. I will be there next month.

Joel?

Mr. WILLEMSSEN. Mr. Chairman, as you mentioned, when OMB talks about the amount of money the Federal Government spends on IT, it is an understated figure for a variety of reasons.

One is that a number of smaller independent agencies don't report this information to OMB. That is about 58 agencies. In addition, there are a number of IT projects, whether they are R&D projects or space projects, which include a huge percentage of IT, that are often not reported.

In addition, from a total Federal Government perspective, we are only talking about a slice of the executive branch. We are not talking about the legislative branch, we not talking about the judicial branch. In addition, the intel area is not included.

So, with all of those exclusions, what is the total amount spent? Nobody knows. Is it slightly north of \$100 billion annually? Probably, but we don't know for sure.

Chairman ISSA. Thank you.

I will mention, the only thing I take away from my time on the Select Intelligence Committee is that I learned the definition of "petabyte" of data. So I share with you that that it is a lot of procurement over there.

Mr. CUMMINGS?

Mr. CUMMINGS. Thank you very much.

Mr. Dodaro, you know, the more I am in government—and I have been here 17 years, been in the State legislature for 14—you know, I am always reminded of something that my mother used to say. She said, So often you have motion, commotion, and emotion, and no results.

You know, the older I get, the more I am concerned about that. Because we come here, the government spends billions of dollars for staff, you have people working 365 a year. And the question is, you know, how do we—you mentioned a few success stories in your opening. And you, you know—and I know you want to see things implemented.

Have you seen something that gives you some hope so that when you go back to your staff you say, You know what, guys, you know—and ladies and gentlemen, we have done some great work, and, you know, I think this is an area that we are going to see some change?

Because I can imagine that—and I alluded to this in my opening—that when people work hard and give it everything they have, and then if they see the recommendations put on the shelf and turn dusty, they begin to wonder whether or not they are truly feeding their souls. In other words, a lot of people come to government because they want to make a difference, the ones I talk to. And so when they don't see those differences being made, they get frustrated and they may move on to something else. And these are great people.

So I am trying to get to bottom lines. You know, I go back to that "motion, commotion, emotion, and no results." Because, as I say to people all the time, we only have a limited amount of time on this earth and a limited amount of time in these positions.

The question is, I mean, do you see something, can you tell us something, based upon the things that you have seen enacted, that might help us to get there? Are you following my question?

Mr. DODARO. Yes. Yes. Definitely. Definitely.

First of all, 80 percent of our recommendations at GAO are implemented. I mean, we are——

Mr. CUMMINGS. So you feel good about that.

Mr. DODARO. We feel good about that.

Mr. CUMMINGS. Is that something new? Is that new?

Mr. DODARO. No. That is about the average——

Mr. CUMMINGS. Great.

Mr. DODARO. And, actually, last year, there were financial benefits accrued to the Federal Government, over \$55 billion, as a result of GAO work. That is \$105 for every dollar invested in GAO. So we feel good about it.

Now——

Mr. CUMMINGS. But do you all have a party or anything, like, when you have one of these big—I mean, seriously.

Mr. DODARO. No.

Mr. CUMMINGS. No?

Mr. DODARO. No.

Mr. CUMMINGS. Oh, all right.

Chairman ISSA. We would investigate——

Mr. CUMMINGS. That is right, you would be investigated.

Mr. DODARO. Yeah, right, right, right. We just keep feeding our souls. We just keep going at it.

Chairman ISSA. You can have “Donut Friday.”

Mr. DODARO. But, I mean, among that, though, I will just give two examples of good successes related to this area.

We recommended that the ethanol tax credit be looked at because it was duplicating the renewable fuel standard. Congress let that tax credit lapse, and that was about \$5.7 billion in revenue losses to the Federal Government.

We also recommended that—DOD was planning on sending all the families of the servicemembers over to South Korea to enable them to have more of a normal tour of duty over there. We said, you know, that is going to cost a lot of money; have you done a business case? They did the business case, decided against it, avoided over \$3 billion that would have been spent on that activity.

And there are stories like that all the time. We are here talking about some tough issues that haven’t been addressed yet and need to be addressed. But be sure that the people at GAO are working hard to make sure that these things do get addressed.

Mr. CUMMINGS. I want to go back to, you know, this whole oil and gas royalties. In that report 2 years ago, you found that the Federal Government could receive an additional \$1.7 billion in oil and gas royalties over the next 10 years if the Federal Government started getting a fair market value for the leases. Is that right?

Mr. GAFFIGAN. The estimate that we got from Department of the Interior was \$2 billion over 10 years. About \$800 million would come from the rents that I spoke of and another \$1.2 billion from changes to the royalties.

Mr. CUMMINGS. And GAO has also included management of Federal oil and gas resources on its annual high-risk list for the last 3 years. Is that right?

Mr. GAFFIGAN. Right. I think we put that on in 2009.

Mr. CUMMINGS. And do you get frustrated?

Mr. GAFFIGAN. We stay at it. We see some progress being made. There is still some work to be done. For example, we were concerned about the reorganization, and we think they came through on that with the high-risk series.

But we still think in two major areas they have some work to do: the revenue collection, which we alluded to, and as well as the human capital challenge of having the staff to be able to implement these programs.

Mr. CUMMINGS. And you all said, Mr. Dodaro, that the administration had at least partially implemented 80 percent of the recommendations and the Congress, 32 percent. Is that right?

Mr. DODARO. That is correct. And, actually, if you look at, though, to put it in perspective, if you just look at fully addressed, executive branch and Congress are about the same, about 20 percent. But if you look—the executive branch has a lot more partially addressed areas. In order to get a partially addressed in Congress, you have to get a bill at least reported out of committee to be able to do it.

But what you said is correct.

Mr. CUMMINGS. Now, last year, the Obama administration requested a legislative change from Congress to allow it to implement certain recommendations. The administration requested authority from Congress in its fiscal year 2012 budget request to charge a \$4-per-acre annual fee on nonproducing Federal oil and gas leases, but Congress still refused to consider legislation to implement this recommendation, according to your report. Is that correct?

Mr. GAFFIGAN. That is correct. And that is the basis of the estimate from Interior of almost \$800 million over 10 years.

Mr. CUMMINGS. I see.

I see my time has expired. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

I just want to ask a clarifying question so everybody else understands what is in Congress to do and what is in the administration to do.

We in the House, including you, have about \$4.5 billion in budget. You are not talking about us saving money on our budget. When you talk about “congressional,” you are talking about the need to pass laws, presumably that the President would sign, and that is what is on our plate.

When you talk “the President,” you talk about an Executive authority. He gets on the phone and says to the OMB Director, Do it.

Am I correct that that is—

Mr. DODARO. Yes. Yes. That is exactly right. That is exactly right.

Chairman ISSA. Okay. And I think the gentleman knows that. I just, hopefully, for all the new Members particularly, that one of them—I am not trying to make excuses for our body, but one of them requires that we get the Senate to agree with us, the President to agree with us, and make a law. The other is, in fact, direct. All you have to do is order it done, and if it is not done, you find somebody new that you order to have it done.

It is a little bit of a difference. And I am not making excuses because I think we should have a “partially done” on every one of your recommendations.

And speaking of people that would get a lot of that done, we now recognize the gentleman from Oklahoma, Mr. Lankford.

Mr. LANKFORD. Thank you, Mr. Chairman.

There is a semi-unprecedented recommendation that is in the middle of all this, as well, and it is the Medicare Advantage demonstration program. GAO seemed to stick its neck out last year and to say there is a program that HHS is implementing that, I think the term was, is outside the bounds of the statute, what they are given permission to do. And it is about an \$8 billion program that you said is not only wasteful but it is probably not even legal, though, obviously, you didn’t make that statement. The GAO was very careful to say, We are not attorneys, we are not making this recommendation about the legality of it.

But of all the demonstration programs that have happened since 1995, it is larger than all of them combined. You recommended and said, This program is not demonstrating anything; we recommend to the administration that it be canceled. Was that program canceled?

Mr. DODARO. No.

Mr. LANKFORD. Can you determine why the program came into existence? A program that is outside of the bounds of the statute, that they don’t have legal authority to do, that is larger than all of the demonstration programs combined. Were you able to get an answer from the administration why they are doing this program at all?

Mr. DODARO. Yeah, with the chairman’s permission, I would like to bring up another person who wasn’t sworn in.

Chairman ISSA. Oh, no, absolutely.

Mr. DODARO. Okay. James Cosgrove was our witness before this committee and is our expert on this matter.

Chairman ISSA. Just to be technical, please rise and raise your right hand.

Do you solemnly swear the testimony you will give will be the truth, the whole truth, and nothing but the truth, so help you God?

Let the record reflect an affirmative also.

And you are in.

Mr. LANKFORD. What is your best guess of why the administration did it in the first place?

Mr. COSGROVE. The stated intention from the administration was that they wanted to test a way of giving plans a stronger incentive to improve their quality.

Mr. LANKFORD. The way they had designed the program, was that possible to get that outcome?

Mr. COSGROVE. What we determined was that it was impossible for an evaluation to be done to see whether the demonstration worked or not, which is why we recommended that the demonstration be canceled.

Mr. LANKFORD. So they dumped \$8.3 billion over 3 years into a program to demonstrate something that it is not possible to demonstrate something with. Why would they do that? They are very

smart folks. Could you ever determine, did you ever get an answer back from them?

We had a hearing with this committee, as well, to try to ask some of the same questions. Were you able to determine why they are spending this 8-point-some-odd billion dollars?

Mr. COSGROVE. What we have is simply their stated reason for doing the demonstration.

This is also in the context that Congress passed and the President signed into law provisions that would have given plans an incentive to increase their quality. CMS, instead of implementing those provisions, set those aside and implemented the demonstration program instead.

Mr. DODARO. We are still, in this report that we are talking about today, recommending that this demonstration be canceled. There is still \$2 billion that hasn't been spent yet that the Congress could act to stop the demonstration.

Mr. LANKFORD. Correct. So Medicare Advantage was to be cut, based on the existing law that is sitting out there. The Affordable Care Act I assume is what you are talking about when you talk about the law that has been passed. There was a reduction in the Affordable Care Act. That reduction was replaced with this demonstration program, appropriately right before last year's election, to sustain it over 3 years, and then it goes away at that point.

So we are still trying to figure out where they came up with \$8 billion to be able to move into a program that everyone said this is not legal and that everyone has said this is wasteful, it is not actually demonstrating—you can't do a demonstration project that doesn't demonstrate anything, and be able to just insert money into the process on that.

We are still dealing with the same dynamic here of now we have \$2 billion left. Their full recommendation is, continue to cut this off for next year because it is not actually accomplishing anything? Is that correct?

Mr. DODARO. Yes.

Mr. COSGROVE. Yes.

Mr. LANKFORD. There is also the Medicaid portion of this, as well, to deal with the uncompensated care. Can we go through a little bit of those recommendations also? Because you made some pretty strong recommendations on that. This is a high-risk area and has been for a while.

Mr. DODARO. Yes. I would like to bring our expert up on this, Mr. Chairman, Carolyn Yocom, please, if I might indulge the committee.

Chairman ISSA. Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Let the record reflect another yes.

Mr. LANKFORD. Thank you.

Let's talk a little about the recommendations that are there for uncompensated care reimbursement from Medicaid going to the States. What was the recommendation?

Ms. YOCOM. One of the main recommendations had to do with the way that States calculate their disproportionate share payments and the use of supplemental payments. In general, the issue

that—there are several issues. One of the main points is getting some transparency and some accountability to how States are managing these payments.

We have also suggested that Congress require CMS to take three broad actions: first, to improve the State reporting of these supplemental payments; secondly, to clarify the methods of calculating how these payments will be made; and then, thirdly, to require independent audits of these payments.

Mr. LANKFORD. Are there some States that are more prone to these supplemental payments than others?

Ms. YOCOM. That is a difficult question to answer because we don't have the full picture of all the supplemental payments that are out there.

Mr. DODARO. But the nature of these payments has grown over the years quite extensively, correct, Carolyn?

Ms. YOCOM. Yes.

Mr. LANKFORD. Right. But, at this point, we don't even know which States are more open to this or using it more often than others, even able to get that level of information from CMS?

Ms. YOCOM. We really don't. What we know is that reporting on these payments is improving but it is still not 100 percent. And we know that from 2010 there was \$32 billion and in 2011 it is up to \$43 billion, so they are on the rise.

Mr. DODARO. And, basically, I believe in this area that Congress will need to act to require CMS to take these actions. And I believe it is appropriate. There is a lot of money at stake here, and there is not a proper amount of transparency and accountability.

Mr. LANKFORD. Thank you.

With that, I yield back.

Chairman ISSA. I thank the gentleman.

We now go to the very timely gentlelady from Illinois, Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

Mr. Dodaro, I was particularly interested in the portion of the report which deals with the need for better collaboration between the VA and the DOD in their delivery of healthcare services. I think a lot of folks in the civilian community think that it is the same population, and oftentimes it is not.

For example, the VA has not had to deal with combat veterans giving birth before, but since Iraq and Afghanistan we actually now have female veterans of childbearing age, and yet that care is not available on the VA side. So, being able to go to DOD for that care will actually cut down costs, as opposed to sending them to civilian providers.

I was especially interested in your discussion about improving the exchange of electronic health records between DOD and VA, and I was hoping that you could perhaps elaborate and summarize that. Because they are the two systems. We do have in Illinois and also in Georgia two joint DOD-VA facilities that are supposed to be becoming a single system and they are really not.

Could you speak to that a little bit?

Mr. DODARO. Yes. I find this area very perplexing. And Mr. Willemsen has been following it for many, many years, and I would like him to provide—he will give you a thorough answer.



Mr. WILLEMSSEN. Congresswoman, in 2011, the DOD and VA Secretaries agreed that they were going to pursue a unified, single system for veterans and Active Duty personnel. Unfortunately, just this past February, they elected to no longer pursue that route, and they now are going back to trying to have interoperable exchange of information between the major two systems.

We testified on this in late February and expressed concern about the lack of a plan to do that and how they are actually going to carry it out. Not the least to say is the amount of time that has passed and the money that was spent in trying to develop that single system, which has now been set aside, and they are going back to their original plans of trying to go with the two systems.

Ms. DUCKWORTH. What was the reason for going with the two different systems?

Mr. WILLEMSSEN. At the February hearing, the DOD and the VA witnesses said that they thought they could do it in a more cost-effective manner by continuing with the two systems. However, when pressed on that, they said the analysis of that was not yet complete. So we will have to wait and see whether the conclusion of that analysis bears that out or not.

Mr. DODARO. I think the analysis also ought to include an analysis of using one of the two systems that they currently have and just going with it and having the other agency adopt that system, as well.

I mean, this has gone on way too long. I think a lot of people, both veterans and military, Active Duty military, deserve a better system. And it is possible. The technical difficulties aren't the problem here; it is a management decision, and there needs to be some action taken. I would encourage the Congress to have active oversight over this issue until there is a satisfactory resolution.

Ms. DUCKWORTH. Am I correct in my understanding that between the two systems, the VA's VistA system and the DOD's AHLTA system, the VistA system is generally perceived to be the better system but we are not abandoning AHLTA? Is that understanding correct?

Mr. WILLEMSSEN. AHLTA is not being abandoned at this time. That is correct.

Ms. DUCKWORTH. But it is not—but the VistA system is superior. Is that—from the practitioner's point of view, those who have to use it.

Mr. WILLEMSSEN. I would hesitate to come to that generalization. It depends on the user population you are talking to. But as a generic conclusion, most would probably agree with your statement.

Ms. DUCKWORTH. So, then, if we were to go with what you just said, Mr. Dodaro, as a recommendation, which is just use one of the two instead of trying to build a whole third one, which is even more expensive, how do we go about doing that? Is it a requirement from the White House? Is it Congress saying that you will use one of these two systems? That seems to be meddling down to a level in the services that we may not want to get into.

Mr. DODARO. Yeah. Well, my recommendation would be for the Congress to ask for the analysis that supports their current decision and ask for that analysis to be expanded to include the pros and cons of going to one of the two other systems and to see, at

that point, you know, what the proper decision would be. And if the Congress then is not satisfied with that decision, it can legislate.

Ms. DUCKWORTH. Do you think that—in their testimony, well, what they are saying is it is too expensive to develop a new system and they are going back to the two. Is it because they were each counting their money that each was spending and not the cumulative between the two together? Do you see what I am saying?

Mr. WILLEMSSEN. I want to clarify one thing. When the 2011 decision was made to go to a unified system, it was not necessarily stated that they would develop a brand-new one. In fact, we assumed they would default to one of the existing ones, from a cost perspective. So I just wanted to make that—clarify that for you.

Ms. DUCKWORTH. Thank you. I think this goes back to Mr. Chairman, what he has been working on with the purchase of software.

And I yield back my time.

Mrs. LUMMIS. [presiding.] The gentlelady's time has expired.

We will now yield our time to the gentleman from Georgia, Mr. Collins.

Mr. COLLINS. Thank you, Madam Chair.

Just a quick question. You used a term there, and before I get to it, you talked about depending on the population that was using it. Is that just a very nice way of saying that this is the one I am trained on so I like it better?

Mr. WILLEMSSEN. Yeah, and depending on the practitioners.

Mr. COLLINS. Right. So, basically, we are not talking costs, we are not talking effective. We are just saying, I was trained on this, I like this better. We are not looking at a big picture.

I think we are hitting—I think that right there may have summed up the entire hearing that is really concerning me, is we are looking at what we like, we are looking at what we are trained on. And in many of these departments—but I appreciate the way you said that. It was a very nice way of saying it, just basically I like what I am doing and I don't want to change.

Mr. WILLEMSSEN. That is correct.

Mr. COLLINS. Okay. Thank you.

An overview question here. One, as I was looking over this report, which are always fascinating, I was—as a boy from north Georgia growing up, I didn't realize catfish needed that much inspection, but—I usually just caught them. You know, I inspected them and said, Yep, that is a good one, put it in the bucket, you know, we are good.

An overview question here. What is the greatest problem—and it may not be an easy answer—fragmentation, duplication, or overlap?

Mr. DODARO. Well, of the three, we typically find most of it in the overlap area.

Mr. COLLINS. Okay.

Mr. DODARO. Among those three options, I would say.

Mr. COLLINS. Okay.

Going back to the reality of what you had commented on earlier, I was reading in the report on page 211, and it came to the checked baggage screening, TSA. And this one really disturbed me as we were going along. And, basically, your report says that TSA has not yet conducted a study to determine about the 90 percent cost-share.

And it went on and actually stated this. It said that it generally applies—the reimbursable agreements of the checked baggage—absent direction from Congress that TSA conduct a study, the agency currently has no plans to do so.

Ms. BERRICK. That is correct.

TSA was actually mandated to do that study back in 2004. They attempted to do the study in 2006, but they really couldn't reach consensus. Some of the issues they were grappling with was, what was the appropriate Federal role in terms of paying for these systems? They also couldn't reach consensus on who benefited the most. Was it the Federal Government? Was it the traveling public? Was it the airports? Because there are significant benefits to the airports, themselves, in terms of fewer bags being lost and stolen.

So they couldn't reach consensus, so they decided just to stay with the 90 percent cost-share. And they identified that they wouldn't review that again unless Congress directed it.

Mr. COLLINS. I mean, again, shouldn't the appropriate role of any Federal agency, stewards of taxpayer dollars, be to run the most efficient, most productive organization that they can and not to bog down in what-if scenarios?

Ms. BERRICK. We agree. We think they need to tackle this issue. We think they need to look at it. There are opportunities for savings here.

Also related to checked baggage, we also identified that if TSA deployed more of these in-line systems, they could achieve significant savings just in reduced personnel costs.

Mr. COLLINS. Well, I think it is very disturbing that they had a mandate do it, they chose—that they found problems and stopped. I mean, it is a story here almost like my child. When my child, once I tell him to do something, he says, Well, it is hard, Daddy, I don't want to do it, so we give up. This is the part that most Americans don't understand and they don't get when we come to this.

Moving along, page 41, the uniform procurement. As a member of the Air Force, this one is one, as just a general member, it is like any new—and with no offense to my higher-up generals—it is like the new general comes along, “We need a new uniform.” That is crazy. And especially when we are doing—is this a service branch issue?

And I agree with my colleague here, not wanting to meddle, but why do we come along in looking at the cost of production—I am still trying to figure out why it took \$400,000 to redo the Navy uniform when they actually look like the others. I would have done it for a lot less than that because it is the same pattern.

What can we do there? Or is there anything we can do there to continue this process? I know the Air Force has now decided that they will use something with Army, but they are not really sure what they can use. I can use a lot of examples here of people that didn't like the new ones. And, really, a force protection issue here.

Can you elaborate on that real quickly?

Ms. ST. LAURENT. Yes, I definitely think there is more that the Department of Defense can do. It has a board that is responsible for establishing policies and procedures with regard to uniforms and managing this whole process.

And there are a couple of issues. One is certainly from a cost perspective. The Defense Logistics Agency will waive a fee if two services go together and procure uniforms. And that is really probably just the tip of the iceberg here in terms of potential cost savings because there could be further efficiencies and economies of scale if two services are purchasing uniforms.

I think a lot of this, again, stems to each service has their own culture, each service has their own acquisition process. And it is often easier for them to be able to go their own route, do their own testing, and develop a uniform exactly to their own specifications.

But particularly in a joint environment, there are also security and safety risks if you have people in a combat environment with different types of uniforms, different camouflage patterns.

Mr. COLLINS. I have experienced that in Iraq.

Real quickly, and I am out of time, but are personnel costs—I know you look at the cost of the program savings, but is personnel, like elimination or others, included in your potential cost savings or streamlining?

Mr. DODARO. It depends on which of the options we are talking about.

Mr. COLLINS. Okay. And I will have some questions I will provide after, because I would like some answers on that.

Mr. DODARO. Yeah, we'd be happy to talk to you more about it.

But I would just say on one point, this combat uniform issue, if you look at many of our other options, there are much more expensive examples of what is happening here—unmanned aircraft systems, electronic warfare. There are huge opportunities there to be more efficient in the Department.

Mr. COLLINS. Well, thank you for your work.

And I yield back my time.

Mrs. LUMMIS. Thank you.

The chair now recognizes the gentleman from Nevada, Mr. Horsford.

Mr. HORSFORD. Thank you, Madam Chair.

Mr. Dodaro, good to see you again. Thank you for your agency's work.

I have a technical question first, just on the report itself. Once you do a review of an agency, I am reading through here, sometimes an agency comments, sometimes they don't respond at all. What is the requirement on an agency to respond to your—the GAO's recommendations?

Mr. DODARO. Yeah, there is really no requirement. We give them an opportunity in accordance with our procedures and our generally accepted auditing standards, provide them an opportunity to comment. There is no mandatory requirement that they do so.

Mr. HORSFORD. That seems like a fundamental flaw in the process, as well. As a former State legislator, you do an audit or a review of an agency, at a minimum that agency should respond to those recommendations to say whether—you know, and, again, sometimes they have, they agree. Sometimes they explain further why there may be an overlap or duplication. And sometimes they don't respond at all, which, to me, if they are not responding at all, that is completely being unresponsive.

Mr. DODARO. Yeah, I don't disagree with you at all on that. And two things I would say. One is it is relatively rare when they don't; usually they do. And they will agree or disagree. Sometimes they will comment on our findings but not on the recommendations. If I think it is a significant issue, I try to meet with the heads of the agencies and talk them through those issues. But, by and large, we get good comments and good cooperation because they know it is in their interest.

Mr. HORSFORD. Okay.

So let me turn specifically to the higher education assistance portion. And another technical question is, you say here that, as of April 9th, GAO has not been able to assess the 2013 areas identified. What does that mean?

Mr. DODARO. Let me ask Barbara.

Madam Chair, we need to have her sworn in, please, if I might?

Mrs. LUMMIS. Thank you.

Please raise your right hand. Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Thank you, ma'am. You may take your seat.

Let the record reflect that the witness answered in the affirmative.

Ms. BOVBJERG. My name is Barbara Bovbjerg. I am the Managing Director for Education, Workforce, and Income Security Issues.

And we wanted to discuss higher education assistance, because there are three different kinds of assistance out there. There are grants, like the Pell Grants. There are student loans, loans to students and parents. And there are tax benefits. And these are not necessarily well-coordinated.

There are programs in Education, in the Veterans Affairs Department, in DOD that assist students with education. There are multiple tools for different situations; they don't all get used. There is not a lot of coordination across agencies.

Mr. HORSFORD. But on this report, it shows an "A" next to "Completion." What does that mean?

Ms. BOVBJERG. You are talking about the STEM program, I am thinking.

Mr. HORSFORD. No, it says, Area 16, Higher Education Assistance. You know, if it is fully enclosed, it has been addressed; if it is half-enclosed, it is partially. And then there is a thing that says, "A, as of April 9, 2013, we have not assessed the 2013 areas identified."

Mr. DODARO. Oh. Okay. It is because it is a new issue, it is really not addressed. That is a footnote A. That means it is a brand-new issue, and so we haven't yet—they haven't had a chance to implement it yet.

Mr. HORSFORD. Okay.

So let me ask my question specifically. And you pointed out the three agencies—actually, four different Federal agencies that administer Federal aid. On one of them, the report states that, in 2009, 1.5 million taxpayers failed to file for an education credit for which they were eligible.

Have the Treasury and Education Departments taken any steps to improve the public's knowledge of these education tax credits, to your knowledge?

Ms. BOVBJERG. As in many areas, they are starting to think about this. We had suggested that they look at the demographics, at the characteristics of the households and individuals who were eligible but didn't file.

We also asked that they improve the information to them. People don't well understand how these programs work. They also don't understand how the Federal aid programs work generally. So the application, the FAFSA that you fill out for Federal financial assistance, even though there has been an effort on the Department of Education to streamline that and to prepopulate it with IRS information, it can be difficult and tedious for people to fill out, and people don't.

And so there are people who not only don't get to take advantage of the tax benefits that could accrue for education expenditures, but there are doubtless people who don't apply for benefits for which they would be qualified and perhaps do not get the education to which they may be entitled.

Mr. HORSFORD. Yeah, and, obviously, that is troubling at a time when the costs for education are going up.

Madam Chair, I know my time has expired. I don't know if the time of her having to be sworn in counts against me or if I get any extra time or not.

Mrs. LUMMIS. I will grant the gentleman additional time.

Mr. HORSFORD. Thank you.

On the improper payments in the VA's comprehensive Post-9/11 GI Bill program, apparently that quadrupled between 2009 and 2010. And your report recommends that the Department of Ed share best practices with the VA and the Department of Defense. In what ways do you recommend that that collaboration occur?

Ms. BOVBJERG. Well, one of the issues when this program was first implemented was how to get improper payments back. And if the funding is going to the schools, it is much easier to get things back because we have institutional relationships and there are a number of people getting funding via the school. We can withhold money—we can do different things to get that money back. It is much more difficult when it goes to the individual.

And this was something that was really a little bumpy at the beginning of the Post-9/11 GI Bill implementation. And we felt that the Department of Education has for many years run grant programs and loan programs for students in higher ed and that they might have been able to help with certain common practices that are used.

Now, in the VA's defense, they have begun talking to the Department of Education. I don't want to hold out the education programs as being perfect, by any means, but, certainly, there is a level of experience and lessons learned from many years of practice that could help.

Mr. HORSFORD. Thank you.

Thank you, Madam Chair.

Mrs. LUMMIS. Thank you.

And now we will—the chair recognizes the gentleman from Michigan, Mr. BENTIVOLIO.

Mr. BENTIVOLIO. Thank you, Madam Chairwoman.

My question deals with combat uniforms. Now, just for clarification's sake, the two uniforms we went from was desert camo and forest BDU, if I am not mistaken? "BDU" meaning battle dress uniform. Correct?

Ms. ST. LAURENT. Yes. There were—we went from two to seven different uniforms.

Mr. BENTIVOLIO. So these are not—

Ms. ST. LAURENT. Different patterns.

Mr. BENTIVOLIO. Right. These are not Class A's, they are not dress whites. These are everyday-wear working uniforms, correct?

Ms. ST. LAURENT. Yes. Correct.

Mr. BENTIVOLIO. Great. That is what I thought. And we went from—if I am not mistaken, the difference between the old forest green camouflage for a Marine and an Army was the name of the branch, upper right-hand pocket, and I think the Marines wore their sleeves differently than the Army? Correct?

Ms. ST. LAURENT. Again, there have been a number of changes made—

Mr. BENTIVOLIO. Yeah.

Ms. ST. LAURENT. —over the years.

Mr. BENTIVOLIO. A number of changes. Now we have seven. We have the blue digital Navy, Air Force; Marine brown digital; Army gray-greenish digital. And we have a—do we have a special camouflage? I am trying to find the other three or four.

Mr. DODARO. There are pictures of them all in our report.

Ms. ST. LAURENT. Right.

Mr. DODARO. Let me get the page.

What is the page?

Mr. BENTIVOLIO. Okay. Well, I will look at that.

Mr. DODARO. Yeah, we have them all listed, pictures of them in the report.

Mr. BENTIVOLIO. All right. But I think I saw an \$82 million savings if we reduced it to one?

Ms. ST. LAURENT. Right. That would be the savings estimated, for example, if the Army and the Air Force go together in designing a new uniform. And the savings that we are reporting, these are the savings because the Defense Logistics Agency, which procures uniforms for all the services, will waive their initial inventory fee if two or more services join together in a procurement of a same uniform.

Mr. BENTIVOLIO. And that was the \$82 million that I read?

Ms. ST. LAURENT. Uh-huh.

Mr. DODARO. Yes.

Mr. BENTIVOLIO. So what is your estimate of the cost savings, for instance, if we went to just one digital uniform?

Ms. ST. LAURENT. We don't have a specific cost estimate. Again—

Mr. BENTIVOLIO. Okay. But it would be considerable?

Ms. ST. LAURENT. It would probably be significantly more because we would expect that there would be economies of—

Mr. BENTIVOLIO. Scale.

Ms. ST. LAURENT. —scale in the procurement of the uniforms, as well as some savings in the design and acquisition.

Mr. BENTIVOLIO. And the only difference would be the name of the branch, and possibly the way they wear their sleeves or their hat would tell the difference, correct?

Ms. ST. LAURENT. Right. Each service has to examine, look at their mission and determine where do you need pockets, how much material do you have to carry, and those kinds of things. So that is why the current Department of Defense guidance does not require all the services to have the same uniform. But it highly encourages them to explore opportunities to partner together and see if they can reach compromises and work through the requirements.

Mr. BENTIVOLIO. Okay. So when you said cargo pockets, I mean, it is my understanding the cargo pocket on your leg has to be big enough to fit an MRE. So an MRE is eaten by all branches—

Ms. ST. LAURENT. Right, that is correct. But, again, looking at the services' different missions, they may be carrying different types of equipment and want to modify things a little bit.

Mr. BENTIVOLIO. Okay.

Ms. ST. LAURENT. So that is where some of the individual requirements come from.

Mr. BENTIVOLIO. Have there been any studies on exactly what the cost savings would be if we went to one uniform?

Ms. ST. LAURENT. No. We checked with the Department of Defense, and we do not think that they have—we do not think that they have identified or done any particular studies. So, again, our analysis was based on the Army and Air Force going together and the inventory fees that could be saved.

Mr. BENTIVOLIO. Eighty-two million dollars. Thank you very much.

I yield back my time.

Chairman ISSA. [Presiding.] Would the gentleman yield?

One quick follow-up. In this year's statement, you talked about the uniforms, obviously the branches buying additional uniforms. Have you ever looked into the aborted program to consolidate non-uniformed service personnel in combat, their uniforms?

Apparently, they have repeatedly had these studies to try to come up with sort of what—when I visit Afghanistan or Iraq, civilians, other employees, the press, they are in haphazard different uniforms, sometimes sort of camouflage. I have become aware of it on multiple occasions, that apparently they keep getting ready to design one and then they can never get buy-in from the services.

Does that fit at all into sort of this, not invented here, I won't buy an Army solution even for civilians?

Ms. ST. LAURENT. We focused on the service uniforms, military officials in this study, so we haven't looked specifically at that issue.

Chairman ISSA. Okay. Thank you.

I thank the gentleman.

We now go to the gentleman from Virginia, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

And thank you and Mr. Cummings for holding this hearing. I think this is one of the most important hearings we have every



year, but I guess it is not sexy, looking at the press table. And yet, when we think about the potential for savings—

Chairman ISSA. Would the gentleman yield?

Mr. CONNOLLY. I would.

Chairman ISSA. You cannot insult the esteemed members of the press who are here. I would like to personally thank the esteemed members of the press who saw the importance of this.

Mr. CONNOLLY. That is right. But thank you for being here. I just wish more of your colleagues understood how important, actually, this topic really is.

General Dodaro, you had 381 recommendations—and thank you to you and your able staff for this very illuminating report. You had 381 recommendations since 2011, I think. What is the total estimated ballpark figure of savings to the government if all 381 were implemented?

Mr. DODARO. The estimate we have is tens of billions of dollars. We don't have a specific estimate.

Mr. CONNOLLY. Well, actually, it is a lot more than that. Just, I am going to get to one of them, tax collection. But, I mean—

Mr. DODARO. Well, if you closed the tax gap, you could, you know—

Mr. CONNOLLY. Yes. And improper payments.

Mr. DODARO. Right, right.

Mr. CONNOLLY. There is another \$125 billion a year, so, I mean—

Mr. DODARO. We are being very conservative.

Mr. CONNOLLY. You really are.

Mr. DODARO. Yeah.

Mr. CONNOLLY. I mean, because this committee actually has explored just those two items, and they exceed \$500 billion a year, just those two.

Mr. DODARO. Which two.

Mr. CONNOLLY. Well, the tax gap—

Mr. DODARO. Well, the tax gap is \$385—

Mr. CONNOLLY. And improper payments are \$125 billion a year, maybe more.

Mr. DODARO. Right. Right.

Mr. CONNOLLY. So uniforms is interesting, and certainly we should effectuate an efficiency. But when we are looking for savings, we ought to go, it seems to me, after the big stuff.

And let me do that. In your looking at the tax gap, the figure from 2006 is \$385 billion estimated. Is that correct?

Mr. DODARO. That is correct. That is the net tax gap, right.

Mr. CONNOLLY. Net tax gap. Now, could you define for us what "tax gap" means?

Mr. DODARO. "Tax gap" means the difference between taxes that are owed but not collected. For example, the voluntary compliance tax rate is about 84 percent, so about 84 percent of citizens voluntarily comply and file their taxes. And it has been that way for a number of years now. So if you think about it that way, 16 percent of the population is not properly filing their taxes.

And that can include companies, as well. The tax gap is really widely distributed across both corporations and individuals and different types of taxes.

Mr. CONNOLLY. And, in fact, you went into that, General, in the report, saying that taxpayers' underreporting is less likely to occur when the tax information is also reported to the IRS by a third party. Is that correct?

Mr. DODARO. That is correct. That is correct. And we recommend more third-party reporting.

Mr. CONNOLLY. What does that mean?

Mr. DODARO. That means getting information from other agencies outside the IRS or the particular employer of the individual. For example, there is a number of reports that are out there that show business activity of different businesses, and we have suggested IRS get those reports and compare them to the businesses that are reporting taxes to compare the data.

Mr. CONNOLLY. Okay.

Mr. DODARO. The data-matching aspect of this is the most efficient and effective way to spot potential problems.

Mr. CONNOLLY. And why would we be leaving \$385 billion of revenue that is owed the government—not new taxes, not cutting critical investments—why in the world would we leave \$385 billion, given our fiscal crisis, on the table? But for what?

Mr. DODARO. That is one of the reasons I have included it. It has been on our high-risk list for years, and I have included it in every single one of these three reports that we have put out. I just think we are not focusing enough attention—

Mr. CONNOLLY. Well, General, could it have something to do with resources at the IRS?

Mr. DODARO. In some cases, resources would be helpful, but not in all cases.

Mr. CONNOLLY. What is the ROI, what is the return on investment for every dollar in collection resources we invest in IRS? Do you know? Would at—

Mr. DODARO. My experts tell me they don't have good data on that.

Mr. CONNOLLY. Would at least \$1.60 be in the ballpark, do you think?

You can get back to us.

Mr. DODARO. Yeah.

Mr. CONNOLLY. You can get back to us.

Mr. DODARO. Okay.

Mr. CONNOLLY. But if you could get that for the record.

Mr. DODARO. All right.

Mr. CONNOLLY. And then I have 37 seconds, so real quickly, the chairman and I have introduced a bill, as you know, called FITARA in trying to streamline and make more efficient and effectuate savings in our Federal IT acquisition process. And in that bill there is something called the working capital funds to help cloud service transitions for a period of up to 5 years.

Real briefly, if the chairman will entertain it, would you comment on that provision? Because I think it is consistent with some of the findings in your report.

Mr. DODARO. Yes. I will ask Mr. Willemsen—

Mr. CONNOLLY. If the chairman would allow the answer.

Chairman ISSA. Of course.

Mr. CONNOLLY. I thank the chair.

Mr. WILLEMSSEN. Yes, Congressman, that provision would be clearly consistent with our message in the cloud area. And we are in—that is in part why we are supportive of the bill. The bill overall includes at least eight areas that are included in our duplication report that was issued today.

Mr. CONNOLLY. Thank you very much. And I knew the chairman would like to hear that.

Chairman ISSA. Would the gentleman yield?

Mr. CONNOLLY. Absolutely.

Chairman ISSA. General Dodaro, the gentleman asked about additional audit. And no question at all, I think he had an accurate, known figure. But isn't it that watchdog groups and others have come up with items that would, in fact, provide data that would give you a sense of people who you can't audit because they haven't filed a return that are in the cash or somewhat-cash economy? Isn't that a big part of that nonreported? You know, the 84 percent is who you audit, but the 16 percent would be the ones you are not auditing, right?

Mr. DODARO. Well, it could be. It could be the ones you are not auditing. I agree with you. That—

Chairman ISSA. Has the IRS ever audited someone who didn't file taxes?

Mr. DODARO. Well, only if they would get a tip or something—

Chairman ISSA. Yeah.

Mr. DODARO. —from somebody that indicates that they are a nonfiler in that area.

But there are other things that—like, we recommend that Congress give IRS math authority so they could fix some of these returns when they come in. That doesn't cost any additional money.

We recommend that IRS, in our most recent report, redirect some of their resources from auditing lower-income taxes returns to the higher-income taxes. They would get more ROI back on the money that they, you know, spent. Same amount of resources they would have, auditing different types of tax returns, yields more revenue back to the IRS.

So we have a long list of recommendations in this area that we think could be implemented without additional resources that would yield greater revenues to the government.

Chairman ISSA. Okay. I thank the gentleman.

We now go to the gentleman from North Carolina, Mr. Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman. And thank you for holding this hearing on this important topic.

And as I have just come back from the district, this particular issue continues to come up over and over again. American—the hardworking American taxpayers have a hard enough time paying for something once, but paying for it twice is really a problem.

And so I want to focus a little bit on something that was put in your GAO report on renewable energy initiatives. And I have an energy background going back some 35 years ago. And as we looked at that initiative, Federal spending over a 7-year period from 2002 to 2008 averaged about \$4 billion a year and increased in 2010 to some \$15 billion.

And in quoting you—this is a quote: “We found that Federal support for renewable energy is fragmented, as 23 agencies and their

130 sub-agencies implemented hundreds of initiatives in fiscal year 2010. We assess that the Federal wind energy initiative found that there were 82 wind-related initiatives that we examined that had overlapping characteristics.”

And so my question is this. In 2012, the GAO found that there were 700 government initiatives to promote renewable energy, and the report finds that there was overlapping initiatives throughout this entire area. Would it be safe to say that the Obama administration’s spending on renewable energy is lacking coordination?

Mr. GAFFIGAN. I would say that this has been a problem even before the Obama administration, in terms of the number of initiatives we have out there.

Just to go out and do the inventory and come up with those numbers was a huge effort on our part. We couldn’t go out and go to one source. You would think you could go to the Department of Energy and get that number, right? But the Department of Energy is just one of those agencies involved in dealing with renewable energy initiatives.

And we have in the body of the work that we have worked on energy issues for a long time, this has been an issue going back as long as I have worked in the area, in the early 1990s.

Mr. MEADOWS. Okay. Well, let me—

Mr. DODARO. It is also—

Mr. MEADOWS. Okay. Go ahead.

Mr. DODARO. It is also fair to say that a number of those initiatives were enacted by Congress, as well, that they weren’t just administration initiatives. It is a mixture of both.

Mr. MEADOWS. Well, but let’s look at the coordination. If this was a problem and we had a problem with coordination, why would we increase the spending by 400 percent because we take an inefficient program and make it more inefficient?

Mr. GAFFIGAN. I don’t think we spoke to the efficiency of the particular initiatives. There are a lot of initiatives out there, and some of them, you know, some initiatives, some projects may benefit from multiple sources.

What we are trying to point out is, does anybody have a sense of all these different initiatives, as the Comptroller General mentioned, established by Congress many of them, both on the tax side, the tax expenditure side, which tends to have the least amount of transparency, as well as program initiatives that every administration puts forward.

Mr. DODARO. But I think this goes back to Chairman Issa’s point, too, about the visibility over these things. Nobody really had visibility over it. Nobody is responsible for focusing in on this. And if it wasn’t for us going in and identifying this, nobody would know how many programs there were.

Mr. MEADOWS. Basically, if it is green, it is good. And that is what we are—and that is why I wore my tie today, to make sure that—but as we look at this, let’s go on a little bit further then. How much cost savings could we achieve if we resolved this coordination problem? I mean, what are we looking at?

Mr. GAFFIGAN. Yeah—

Mr. MEADOWS. Seven hundred government initiatives.

Mr. GAFFIGAN. Yeah. That is very hard to say, because we think that there could be some cost savings, but there also could be greater efficiencies, you know, more effective programs. So it is a combination of those two things.

The first step is to figure out what all these initiatives are. And even though we did those numbers, in 2011 they are going to change, in 2012 they are going to change, in 2013 they are going to change, because initiatives are coming in and going out. So it is very difficult to get a sense of the snapshot every time. It is a huge amount of our resources just to figure out and identify those 700 initiatives.

Mr. MEADOWS. And so those are changing on a regulatory basis? Because Congress is not changing it from year to year.

Mr. GAFFIGAN. Well, there are programs being, you know, implemented and different emphasis on various programs within the government. So—

Mr. MEADOWS. From a regulatory standpoint?

Mr. GAFFIGAN. I think it is a combination of changes in the Tax Code. You know, you have different Tax Codes that may be expiring and being renewed. Some are renewed, some aren't. So there is the changing landscape. And then agencies are making decisions on what to emphasize.

Mr. MEADOWS. All right. Let me—I am running out of time—let me ask one last question here. As we have seen, you know, there has been quite a bit of malfeasance uncovered within the administration in terms of spending on green energy over the last 2 years. And as we see this—you know, a lot of it coming from the Department of Energy.

What energy efficiency programs do you find most concerning out of these 700 government initiatives?

Mr. GAFFIGAN. Well, there is a lot of work we have done in the energy sector. I would say when we looked at the Loan Guarantee Program, we had some concerns about documentation of that program.

But, by and large, our main concern was just bringing forth the notion that no one had a good sense of how many different initiatives there were, and was there good coordination.

Mr. MEADOWS. So if you were to eliminate three—I can see my time has expired. Would the chair yield for one last question?

Chairman ISSA. I ask unanimous consent the gentleman have an additional 30 seconds.

Without objection, so ordered.

Mr. MEADOWS. Okay.

As we see this, if you were to put three programs that if you had a magic wand you could make disappear and save the hardworking American taxpayers money, what three programs would those be?

Mr. GAFFIGAN. You know, we haven't identified programs that we would eliminate. And, I mean, ultimately, that is Congress' decision in terms of policies.

What I would say is, if we want to make savings in green energy, renewable energy, we have to address the question and the issue of fossil fuels, which we are very heavily dependent on both for transportation and less so in the electricity sector, and recognize that we pick those because they are the most cost-competitive

sources of energy. And to force changes through government interaction is just one piece of that. And we have to really get an understanding of what government role should play. Should it be in the R&D sector? And those are policy decisions that are made by the Congress.

Chairman ISSA. The gentleman's time has expired.

Mr. MEADOWS. I thank the chairman, and I yield back.

Chairman ISSA. What are you yielding back? I thank the gentleman.

We now go to the gentlelady from the District of Columbia, Ms. Eleanor Holmes Norton.

Ms. NORTON. Thank you, Mr. Chairman.

This is always an important hearing, but it also is more of the same. And I want to suggest—ask a question concerning approach. The gentleman before me spoke of coordination. I want to speak of consolidation. I think both are important.

But it is in the nature of government, Mr. Dodaro, that we are going to have functions that overlap, even duplicate, because we have 12 appropriations subcommittees and they are pretty independent. We have many more authorization committees and subcommittees. And so it is the nature of the beast that they are going to put out duplicate programs. There comes a point when one has to look at those programs and say—make the kind of evaluation, the very helpful evaluation, you have made.

May I say how much I appreciate that a part of your report opens with a definition of the differences between fragmentation and overlap and duplication, although I do note that you still lump them all together in the text. And yet there is a tremendous difference, considering, for example, that you could easily have programs that are fragmented because it is too early to put them together, or that overlap for reasons that would be perfectly sensible.

But, at some point, if they are to be retained, one has to ask the questions that the GAO has asked. So I went out to get from staff the latest version of an attempt to consolidate—in other words, an approach that would try to take this and keep it from having a revolving-door aspect, as I think you will find the next time the Appropriations Committee comes out with yet another—with yet another provision.

Now, the President, in 2012, early 2012, submitted a proposal to consolidate some agencies within the trade-related sector. Now, put aside the sector; that is really not my question. As I recall, we had a hearing on that. That did not move forward.

It seemed to me fairly compelling, so I went looking for the letter, because it was focused on business and trade, and it indicated that it was difficult for firms and especially small business to get assistance. And so the proposal was to have one phone number, one mission. And it was said that this would help business succeed and support competitiveness, exports, job creation. Now, of course, that is all description. We would have to see if that would happen.

But does there not come a point when GAO itself, perhaps, might suggest a more comprehensive approach than simply pointing out the pockmarks and hoping that somebody will pick them up? The President hasn't had this authority since Ronald Reagan.

My question goes to the authority. Do you think that, given the nature of the problems you continue to uncover on an annual basis, that some of them might be eliminated through consolidation of some of the functions themselves?

Mr. DODARO. Yes. In certain areas, we have recommended that. For example, we have looked at the loans—loan programs at HUD and at Agriculture in the rural housing area. In fact, HUD is giving as many loans in rural communities as the Rural Housing Authority is in urban counties. And so—

Ms. NORTON. So how would you consolidate that?

Mr. DODARO. Well, you would put the two agencies together. You could locate them at HUD. HUD has a more extensive network. You could create another entity. I mean, there are different options for how to do it, but where we have identified that opportunity, we have pointed that out in those areas.

Ms. NORTON. Uh-huh.

Mr. DODARO. And I might say, as it relates to the scope of our work, I mean, we were mandated by Congress to have a routine set of audits and annual reports that outlined duplication across Federal Government agencies. I mean, that is why we are issuing these products. In some cases, you can do some consolidation, of course. And where we think it is appropriate, we have pointed it out.

Ms. NORTON. Well, I appreciate that you have pointed it out, because there is a kind of repetitive nature to this report. And the problem—I am not bothered by the repetitive nature. I am bothered by the fact that the next appropriations cycle is going to dump equal amounts of uncoordinated and unconsolidated even, of course, programs.

So this particular one didn't move forward. I never was able, frankly, to get a view because we didn't—we never got that deeply into it. But it does suggest that—and, by the way, only the Congress can give the President that authority, isn't that not the case?

Mr. DODARO. That is correct.

Ms. NORTON. Finally, could I ask you, on—

Chairman ISSA. Would the gentlelady yield for a second?

Ms. NORTON. Yes.

Chairman ISSA. Your question is a good one, but if we perhaps could ask it both ways. We can give them the authority, but, of course, the President can either get the authority to do something he hasn't asked for or he can ask for reorganization specific and then get that bill from the Congress. Either one is allowed.

Ms. NORTON. Say that again. He can either ask for it or?

Chairman ISSA. As you were alluding to, since Ronald Reagan, off and on, there has been reorganization authority. But Congress has the actual right, and we abrogate our rights when we give reorganization authority.

On the other hand, if the administration asked for a reorganization that he had planned and said, "I would like to do this, this, and this," then, in fact, he would be asking Congress to pass a bill, and he would send us a draft bill.

The two are rather interesting differences. And the only reason I mention that is, every time Congress sends a proposal for effectively reorganization, the administration—we could sua sponte

pass a bill and send it to the White House, where the President could say, I like parts of this, I don't like parts of this, and ask for it.

But I think the gentlelady's point is good. Without a reorg, without real change in the organization, you will probably not have full implementation of these at all.

Ms. NORTON. Indeed, that is a very important point that the chairman makes. And I note that the President asked for fast-track authority. Because once you do it by saying, Here are a set of agencies, then what you do is to have the Members, who, for reasons of their own, perhaps that function is in a Member's district or in a Member's State, pick and choose, and they pick the bill apart.

So the experience has been that if you don't give the President the authority in some kind of fast-track order, the way we do with trade itself, the notion of consolidation becomes just that, a notion.

So I am not—I just wanted to get on the record that that would be a way, although we haven't used it in some time, to deal with the overlapping. I don't even want to use that word because my next question is going to be, is there a way to unbundle how much of it has been fragmentation, how much of it has been overlap?

Because you appear to understand and want us to understand the difference. In this graph that you have on page 2, that speaks of what fragmentation means, what overlap means, and what duplication means, and, hence, a final—you know, somebody needs to go, with the duplication.

Chairman ISSA. The gentlelady's time has expired, but please answer.

Mr. DODARO. Right.

I mean, we can segregate that out. But I would make a very important point. We are just not reporting fragmentation to say things are fragmented. We are only pointing out areas of fragmentation where we believe there to be inefficiency.

Ms. NORTON. No, I understand that.

Mr. DODARO. You know, because you are right, I mean, we could point out a wide range of things that are fragmented but are not necessarily leading to inefficiencies.

Ms. NORTON. No, and I appreciate that, that this involves the analysis—

Mr. DODARO. Right.

Ms. NORTON. —that shows there is an underlying problem.

Mr. DODARO. Right. But we could identify that, recognizing in some areas there are both fragmentation and overlap and duplication. So there are elements of some, elements of three of them in several different areas. But we can attempt to isolate those and provide the committee with a listing.

Chairman ISSA. If you would do that.

Ms. NORTON. I would appreciate it.

Chairman ISSA. The gentlelady from Wyoming is recognized.

Mrs. LUMMIS. Thank you, Mr. Chairman.

And I would like to continue this conversation with the opportunity, I hope, to not only ask you questions, Mr. Dodaro, but also our chairman and the delegate because of their longtime experience on this committee.



Has there ever been a joint reorganization council in the Federal Government between the executive and legislation branch?

Chairman ISSA. There has. Probably—the Hoover Commission probably would be the huge success story where it was long-term, ongoing, and bought in by all the bodies.

Most recently, I think the Homeland Security standup would be a major reorganization, where the administration came to us, said what they wanted in this new entity, and then we passed a bill.

Those would be the two most current examples, one doing it one way, one doing it the other way.

Mrs. LUMMIS. Do they work better if they are topical, or can you do something broader than a consolidation on one topic? Meaning—

Chairman ISSA. I think that is where somebody has to come up and talk about the success of Hoover, because it is the poster child for how you do it right.

Mr. DODARO. If I could have Mr. Mihm come up and be sworn in.

Chairman ISSA. Please raise your right hand. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Let the record indicate the witness answered in the affirmative.

Mr. MIHM. Well, first, Mr. Chairman, thank you very much for raising the Hoover Commission. I mean, it is music to my ears, as a management geek here.

The reorganizations that work best are those in which the Congress is deeply involved at the outset in making sure that they understand what the proposals are going to be, what will be done, and how it will be done.

One of the concerns that I know various Members raised, you know, as regards to the last reorganization proposal that came in from the administration was that they hadn't been brought in at an early enough point to understand the implications of this.

And it doesn't mean that at the end of the day that it couldn't all have been resolved. But the experience, as the chairman just mentioned, of the Hoover Commission, of where you get the Congress and where you get the administration, supplemented by outside experts that can help them on that, deciding on an approach, whether it be a comprehensive or an agency-specific approach, such as the Department of Homeland Security, getting them all working together is really the best way to do it.

Mrs. LUMMIS. Well, Mr. Chairman, I want to follow up with this line of questioning then.

How long has it been since the Hoover Commission completed its work? Is it a—

Chairman ISSA. You weren't born, young lady.

Mr. MIHM. It has been a while, yes, ma'am.

Mrs. LUMMIS. Is it time—is it time to do it again?

Mr. MIHM. There is certainly, you know—it is, you know, given the current fiscal crisis, given how difficult the set of policy questions are that Congress confronts, given the track record of our overlap, duplication, and fragmentation efforts, it is certainly may be worthwhile to step back and say, do we have the right organization in shape here for a 21st-century government?

Technology has changed fundamentally in the way we can deliver services, and yet the basic institutional structure of Federal agencies, the way they deliver programs, has not changed in generations. In some cases, we have agencies that were put together to deliver services for an earlier time, an earlier client base. That continuously needs to be refreshed. Whether or not we do it on a big, broad commission or do it on a case-by-case basis is a different question. But, certainly, we need to be reviewing not just the increments but the base of government in the current environment.

Mrs. LUMMIS. Now, was the Hoover Commission created by Congress?

Mr. MIHM. I will have to—

Chairman ISSA. Technically, yes.

Mr. MIHM. Thank you. I will take the chairman's—

Mrs. LUMMIS. And with the assent and participation of the executive branch?

Mr. MIHM. Right.

Chairman ISSA. Yeah, it was actually Presidentially asked for, authorized, and then included all of them.

And do you remember how many years, sort of, between the beginning and the end? It was huge. Hoover 1 and Hoover 2.

Mr. MIHM. There was Hoover 1 and Hoover 2. I will have to refresh the history on that, but, you know, there were a number of years there.

I mean, there have been other attempts. You know, there was the Ash Council and other councils that have—you know, President Nixon, of course, had a huge effort. President Carter had a reorganization effort that was attempted.

But there really hasn't been a zero-base one. The closest we came to that in recent memory has been the National Performance Review under President Clinton, of course. But that really wasn't a big reorganization. That was about improving effectiveness of government with some reorganization elements.

Mrs. LUMMIS. And did it? Did the Clinton administration performance reviews improve performance?

Mr. MIHM. Overall, when we looked at—we have done a number of reviews of the 380 or so recommendations that they made. You know, we thought they were sensible recommendations.

They certainly—one of their big achievements, I think, was—whether or not we give the NPR credit for this—was bringing a focus to customer service within many Federal agencies. Agencies hadn't been familiar with thinking of the public in which they deal with as customers that have a right to polite, fast, and efficient and effective service.

Certainly, one of the other pieces that was put in place during the National Performance Review era, but it was a congressional initiative, was the Government Performance and Results Act. Congress, of course, has modernized that within the last couple years to try and get agencies to do a better job in setting long-term goals, annual performance goals, measuring performance, and, most importantly—and this was the thing that we haven't done since the first GPRA was passed in 1993 and a point of personal frustration for me—is to begin to get agencies to do a better job in using that performance information in order to improve performance.

Mrs. LUMMIS. Uh-huh.

Mr. MIHM. We produce volumes of information and data on how programs are doing. We do a very poor job across government in using that information to pinpoint improvement opportunities, making changes, and then following up rigorously to see if those changes were actually effective. And if they were, let's leverage them; if they are not, then let's go to something else.

Mrs. LUMMIS. I thank the gentleman and the chairman.

Chairman ISSA. And just for the record, the Hoover Commission was officially named the commission when it was organized by the executive branch, and the body was appointed by Harry S. Truman. But it went on to, Hoover 1 and Hoover 2, throughout the Eisenhower administration.

And I believe it is the last one that was essentially chaired by a former President. Is that right?

Mr. MIHM. That is my understanding.

Chairman ISSA. And perhaps that is the hallmark difference between it and other notables.

With that, we go to the gentleman from Tennessee, Mr. Duncan.

Mr. DUNCAN. Well, thank you, Mr. Chairman. And thank you for trying to continue to call attention to this staggering problem.

And I want to, first of all, commend Mr. Dodaro and his colleagues. And I suppose you could say that I am hopeful but not optimistic. It seems to me that we have allowed the Federal Government to get so big and so bureaucratic that it just is out of control and these problems just continue.

In fact, the Washington Examiner story today says, "Government overlap and duplication have dogged the Federal Government for years. President Reagan formed the Grace Commission to identify examples of the problem, and President Clinton assigned to Vice President Gore to the task of ending it by 'reinventing government.' But the new GAO report makes clear that the examples continue to pile up."

And then I was given this a short time ago. It is from a report, and it says, quote, "The last major study of Federal surveying and mapping nearly 40 years ago found a disturbing proliferation of duplication of activity among many different agencies. Today these activities are found among an even greater number." And that was from a 1973 report, 40 years ago.

And, you know, it is really sad. I mean, you have done a—you and your colleagues have done what I think is an absolutely great job finding all these examples. The Justice and Treasury Departments' forfeiture programs lost \$2.2 billion in 2011 because the agencies cannot find a way to share storage facilities. Drug abuse prevention programs are strewn over 76 programs, costing taxpayers \$4.5 billion. Veterans Administration, which seems to feel that they are immune from efforts to save money or immune from criticism because we all love veterans, but I think there is waste and inefficiency even in the VA. And your report says it could save \$1.2 billion by consolidating employment training programs. And contractors for the Defense Department foreign language services run over 159 separate contracting organizations. I mean, it just goes on and on.

Let me ask you this. How hopeful are you, Mr. Dodaro, that 5 years, 10 years from now, we won't be coming back finding that this program is just as bad or worse?

And, secondly, what do you—I was not able to get here for your testimony. Maybe you have covered this. But how much do you do in follow-up, like when you suggested to the—when you suggest that the training programs could be consolidated, do you write the VA and suggest that? And then when nothing happens, do you contact them again 30 days or 60 days or 90 days later? How does that work?

Mr. DODARO. First, we regularly follow up on all our recommendations on an every-6-month kind of cycle. And if we don't see enough progress made by the executive branch, then we will work with the Congress to try to get them involved.

Part of the issue here is that when we identify these programs and activities, they cross multiple Federal departments and agencies. And, really, OMB isn't the only position to help be a catalyst to look across the executive branch agencies. In my opinion, a fundamental flaw of our current organization in the executive branch in the government, notwithstanding the need to update them, as we were just talking, is there is really no accountability when multiple agencies are involved in the process. And more and more problems are requiring multiple agencies to be involved, I mean, because of the complexity of the problem.

So if we do ever get to the point of studying the government's organization, we have to deal with that fundamental issue. Because no matter how you reorganize the government, there are going to be multiple agencies that are going to have to be involved, and we need a way to be able to do it.

On your point about am I optimistic, I am cautiously optimistic. My term goes to 2025. I am hopeful that I won't be reporting all these same issues in that year. But I can tell you that it won't change unless the Congress gets involved in this process with active oversight.

The only times—and I was before this committee recently in February talking about our high-risk update. And the only areas that come off the high-risk list are where you have top-level executive branch attention and Congress is relentless in its oversight. Without those two elements, I mean, particularly in this overlap and duplication area, you know, you are not going to see very many major changes.

Mr. DUNCAN. You probably don't want to criticize any particular department, but I would be interested to know if there is one department that, more or less, is worse than others. Or the other side, is there one department that you feel does the best job in responding to your suggestions?

Mr. DODARO. Well, first, in my opening statement, I talked about how pervasive this problem is across government. We have recommendations for virtually all major Federal departments and agencies.

I would say that the areas where there is a need for rigorous follow-up on the part of Congress is the Defense Department and CMS, the Centers for Medicare and Medicaid Services. I would say

those two departments need attention in order to effectuate implementation of our recommendations.

Mr. DUNCAN. All right. Thank you.

Thank you very much.

Chairman ISSA. Thank you.

General, you have been very kind.

I am going to do a short couple more questions. Is anyone else going to want a second round?

Okay, seeing none, I will be brief.

Mr. Duncan just brought up a point, and you named two great names: CMS, meaning Medicare and Medicaid; Department of Defense, meaning all of what it obviously means. Isn't that sort of saying that look for where the big dollars are and you look for the big savings, something that Mr. Connolly said very well? And, fortunately, he said it to a national television audience that is watching it, not just the fine gentlemen in the room.

To that extent, when we look at those large dollars, the Department of Defense, duplication within the Department of Defense, isn't that a self-inflicted wound? Waste and duplication and fail to get information and do their job right within CMS and, obviously, all the Medicare funding, isn't that primarily a self-inflicted wound?

And I ask that for a reason. A lot of what you did in this fine study is you talked about a lot of diverse groups—you know, fisheries and catfish and just everything under the sun. But the big dollars, the ability to reorganize DOD so that you don't have a Pentagon just as filled as it was at the height of World War II—and you try to explain why there have to be as many people in this day and age in the white-collar, non-uniformed part of DOD, and the answer is because of, essentially, a wasteful way of management. And when you look at CMS, and we just had a hearing on \$15 billion that was simply paid out in excess of what the law allowed, aren't we, to a certain extent, having to find ways to make them do their job better?

And the question comes from, isn't that where something like the DATA Act, which was passed out of this committee unanimously in the last Congress and again is going to go through a process in this Congress, isn't that part of the process? Create a level of transparency to where these large agencies, it becomes so transparent, particularly potentially even to watchdogs and the public, that you can get them to do their job where it is really all in their turf?

Mr. DODARO. Definitely. Definitely. I am very supportive. I think that transparency is needed. I think there needs to be a statutory underpinning so it is enduring over time and there is consistency. Data standards need to be put in place.

I am very supportive of the need to have that type of legislation that would require that level of transparency, and from that transparency, can lead to better questions, can lead to better oversight and hopefully better results.

Chairman ISSA. Now, the DATA Act calls for recipient reporting. In a sense, I think I heard you say that this is one of the problems with the IRS, is they are not looking at both sides of the transaction in order to find people who don't report here but they report to Visa and Mastercard, they report to a lot of other transactions;

that if you looked at that, you would realize that you are missing the very report you needed.

Is that basically the same thing you are looking at in the DATA Act? Do you see those as the same sort of a problem? That government, if they are going to audit, has to, whenever possible, get information from multiple sources in order to realize what they don't know?

Mr. DODARO. Oh, that is definitely the case. That is definitely the case. And I think the implementation of the Recovery Act was a perfect example of how that could be used effectively to minimize fraud, waste, and abuse in programs.

Chairman ISSA. Yeah.

And I think, for the freshmen that are here, the Recovery Board is still in business for a reason: that Congress has recognized the need for it, kept it open, kept the mission for it. Because I think Congress and the GAO, certainly, we have recognized that it serves a purpose of showing you can do better.

Mr. DODARO. Yes.

Chairman ISSA. General, I am very thankful for every appearance here, but I think the discussion, because of Ms. Lummis, that occurred of the Hoover Commission—and she has left now, but Delegate Norton—the idea that, in fact, we have to create—and this committee is the committee of jurisdiction—create an environment in which Congress buys in, the executive branch buys in, to be honest the private sector has to be included, if we are going to have the kind of reorganization that in 2025 you can say, “On my watch, we made it better.”

Mr. DODARO. I think it is imperative we do that, particularly given our fiscal precarious nature. I mean, we can't afford to continue to operate the way we are operating, and it needs fundamental reexamination. We can do better, and we have to.

Chairman ISSA. And I am going to close with one thing. The ranking member opened thanking your staff, which I will reiterate thanking your staff.

I also will perhaps decry in a strange way the fact that sequestration hit your part of Congress, too. And I realize that you are now doing more oversight, more investigations, more of everything you are mandated to do, and you are doing it with less. So I would like to see that reversed as soon as possible. I don't think you lay off the auditors when you have a problem with accountability.

But I want to thank you for the good work you are doing—

Mr. DODARO. I appreciate—

Chairman ISSA. —and all the men and women that work for you.

Mr. DODARO. Thank you. I appreciate those kind remarks and for your support.

Chairman ISSA. You will continue to have it.

We stand adjourned.

[Whereupon, at 3:50 p.m., the committee was adjourned.]

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**Opening Statement**

**Rep. Elijah E. Cummings, Ranking Member**

**Hearing on "Reducing Waste in Government:  
Addressing GAO's 2013 Report on Duplicative Federal Programs"**

**April 9, 2013**

Thank you, Mr. Chairman, for holding this hearing. And thank you, Mr. Dodaro, for being here to testify about GAO's findings.

Today's hearing will examine GAO's latest annual report on duplication in federal programs and opportunities for significant cost savings. Hearings like this one provide an important opportunity to identify ways to cut government waste, save money, and make our taxpayer dollars go further. But holding hearings is not enough. Congress must follow-up with concrete action to save the taxpayers money.

GAO issued two of these reports previously—in 2011 and 2012—and GAO made 300 specific recommendations to the executive branch and Congress. This year's report provides a status update on those recommendations, and it finds that Congress is doing a much poorer job than the Executive Branch in implementing these recommendations.

Specifically, GAO finds that the Executive Branch has fully or partially addressed 80% of their recommendations, but Congress has fully or partially addressed only 32% of their recommendations. This is a poor record that Congress should strive to correct.

In this year's report, GAO highlights 11 areas of unimplemented recommendations from its previous reports that, if implemented, would save billions of dollars. Seven out of the 11 areas would require Congressional action, but so far Congress has failed to act.

For example, in previous reports, GAO found that the federal government could save approximately \$2 billion over the next ten years if Congress authorized the Department of the Interior to revise the royalty rates for oil and gas revenues. But Congress has failed to act on this recommendation. As a result, it is listed yet again in GAO's report for 2013.

GAO's new report also identifies additional ways our government can save money. For example, according to GAO, if Congress limited subsidies for crop insurance, it would save up to \$1.2 billion each year.

GAO found that agencies could save billions of dollars by improving oversight over their information technology investments, and GAO also found that agencies could save millions of dollars by using cloud computing.

It seems to me that this is one hearing in which Democrats and Republicans can join forces to eliminate waste, fraud, and abuse. Whether you believe the savings should go towards deficit reduction or making our current government programs more effective and efficient, we should all be able to agree that a dollar wasted here is a dollar that is not put to better use elsewhere.

Mr. Dodaro, I look forward to hearing your testimony, including specific recommendations to cut waste and save the government money. I would also appreciate your guidance on steps we can take to remove some of these longstanding recommendations from your list so we are not here again in 2014 asking the same questions.

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Contact: Jennifer Hoffman, Press Secretary, (202) 226-5181.



**GAO RESPONSE TO FOLLOW-UP FROM DUPLICATION HEARING: IRS and Return on Investment (ROI)****ROI: Revenue/Cost**

There are various levels of ROI, as listed below. They are useful for different purposes.

**1. Highest Overall Level**

FY 2012 Total Gross Revenue Collected before Refunds	\$2.524 trillion
FY 2012 Enacted Budget (costs)	11.8 billion
ROI: \$214 to 1	

**2. Enforcement Program (Direct ROI)**

IRS considers this to be the total IRS-wide ROI, and it is frequently referred to by number. It does not include the deterrence value of the investments and other IRS enforcement programs (indirect ROI), which IRS conservatively estimates to be at least three times the direct revenue impact.

FY 2012 Enforcement Revenue	\$50.2 billion
FY 2012 Enacted Budget (costs)	11.8 billion
ROI: \$4.2 to 1	

**3. Major Enforcement Programs (Average ROI)**

These data reflect average ROI and do not include the indirect effects of IRS enforcement activities on voluntary compliance.

**Exam**

FY 2012 Revenue	\$14.5 billion
FY 2012 Costs	4.23 billion
ROI: \$3.4 to 1	

**Collection**

FY 2012 Revenue	\$30.4 billion
FY 2012 Cost	\$1.7 billion
ROI: \$17.5 to 1	

**Automated Underreporter**

FY 2012 Revenue	\$5.3 billion
FY 2012 Cost	.27 billion
ROI: \$17.8 to 1	

**4. Projected ROI at the Initiative Level (Marginal ROI)**

There are several new program initiatives with ROI estimates cited in the 2014 budget request for IRS.

As an example:

<b>New Initiative: Increase Collection Coverage</b>	
FY 2016 Full Performance Projected Revenue	\$496.3 million
FY 2016 Full Performance Projected Costs	53.3 million
Projected ROI: \$ 9.3 to 1	

**5. Variation in Average ROIs across Different Categories of Examinations (Excluding Indirect Effects)**

Examples of the variation GAO found in exams opened in 2007 and 2008 (GAO-13-151):

Field Exam Category	ROI
Total positive income less than \$200,000; EITC present	\$1.0 to 1
Total positive income of \$1,000,000 or more	\$6.0 to 1
Correspondence Exam Category	
Total positive income less than \$200,000; EITC present	\$5.4 to 1
Total positive income of \$1,000,000 or more	\$47.2 to 1

Overall ROI can be increased by shifting resources from lower-return categories to ones with higher returns.

**Summary:**

In 2013, IRS made a significant step forward in beginning to calculate actual ROIs for major enforcement programs. Over the longer term IRS needs to develop better information relating to the marginal revenue and costs of its various enforcement activities, as well as the indirect effect that these activities have on revenues through increased voluntary compliance. In the meantime IRS can improve its allocation of enforcement resources by making use of average direct ROIs, such as the ones GAO estimated in the December 2012 report, in conjunction with its best judgment of (1) how marginal ROIs may differ from average ROIs and (2) whether the indirect effects of a resource allocation decision are likely to offset the direct effects.

**Related Work**

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

GAO, *IRS Budget 2013: Continuing to Improve Information on Program Costs and Results Could Aid in Resource Decision*, GAO-12-603 (Washington, D.C.: June 8, 2012).

GAO, *IRS Budget 2012: Extending Systematic Reviews of Spending Could Identify More Savings Over Time*, GAO-11-547 (Washington, D.C.: April 11, 2011).

GAO, *Internal Revenue Service: Assessment of Budget Justification for Fiscal Year 2011 Identified Opportunities to Enhance Transparency*, GAO-10-687R (Washington, D.C.: May 26, 2010).

GAO, *Internal Revenue Service: Review of the Fiscal Year 2010 Budget Request*, GAO-09-754 (Washington, D.C.: June 3, 2009).

GAO, *Internal Revenue Service: Fiscal Year 2009 Budget Request and Interim Performance Results of IRS's 2008 Tax Filing Season*, GAO-08-567 (Washington, D.C.: Mar. 13, 2008).

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