AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. Hrg. 114–265

IMPLEMENTING SOLUTIONS: THE IMPORTANCE OF FOLLOWING THROUGH ON GAO AND OIG RECOMMENDATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON
REGULATORY AFFAIRS AND FEDERAL
MANAGEMENT

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

DECEMBER 10, 2015

Available via http://www.fdsys.gov

Printed for the use of the Committee on Homeland Security
and Governmental Affairs

U.S. GOVERNMENT PUBLISHING OFFICE

99–903 PDF WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

RON JOHNSON, Wisconsin, *Chairman*

JOHN McCAIN, Arizona
ROB PORTMAN, Ohio
RAND PAUL, Kentucky
JAMES LANKFORD, Oklahoma
MICHAEL B. ENZI, Wyoming
KELLY AYOTTE, New Hampshire
JONI ERNST, Iowa
BEN SASSE, Nebraska

THOMAS R. CARPER, Delaware
CLAIRE McCASKILL, Missouri
JON TESTER, Montana
TAMMY BALDWIN, Wisconsin
HEIDI HEITKAMP, North Dakota
CORY A. BOOKER, New Jersey
GARY C. PETERS, Michigan

KEITH B. ASHDOWN, *Staff Director*
GABRIELLE A. BATKIN, *Minority Staff Director*
JOHN P. KILVINGTON, *Minority Deputy Staff Director*
LAURA W. KILBRIDE, *Chief Clerk*
BENJAMIN C. GRAZDA, *Hearing Clerk*

SUBCOMMITTEE ON REGULATORY AFFAIRS AND FEDERAL MANAGEMENT

JAMES LANKFORD, Oklahoma, *Chairman*

JOHN MCCAIN, Arizona
ROB PORTMAN, Ohio
MICHAEL B. ENZI, Wyoming
JONI ERNST, Iowa
BEN SASSE, Nebraska

HEIDI HEITKAMP, North Dakota
JON TESTER, Montana
CORY A. BOOKER, New Jersey
GARY C. PETERS, Michigan

JOHN CUADERESS, *Staff Director*
ERIC BURSCH, *Minority Staff Director*
RACHEL NITSCHE, *Chief Clerk*

CONTENTS

	Page
Opening statement:	
Senator Lankford	1
Senator Heitkamp	2
Senator Tester	10
Senator Ernst	13
Senator Portman	22
Prepared statement:	
Senator Lankford	35
Senator Heitkamp	36

WITNESSES

THURSDAY, DECEMBER 10, 2015

Hon. Gene L. Dodaro, Comptroller General of the U.S., U.S. Government Accountability Office	5
Hon. Michael E. Horowitz, Inspector General, U.S. Department of Justice, and Chair, Council of the Inspectors General on Integrity and Efficiency	6
Jim H. Crumpacker, Director, Departmental GAO–OIG Liaison Office, U.S. Department of Homeland Security	8

ALPHABETICAL LIST OF WITNESSES

Crumpacker, Jim H.:	
Testimony	8
Prepared statement	84
Dodaro, Hon. Gene L.:	
Testimony	5
Prepared statement	38
Horowitz, Hon. Michael E.:	
Testimony	6
Prepared statement	77

APPENDIX

Mr. Crumpacker response to Senator Lankford's question	95
Mr. Dodaro response to Senator Lankford's question	98
Graph referenced by Senator Tester	101
Statemensts submitted for the Record from:	
The Mercatus Center, George Mason University	102
Congressional Research Service	109
Audit process chart	126
Deloitte Services	127
Responses to post-hearing questions for the Record:	
Mr. Dodaro	155
Mr. Horowitz	169
Mr. Crumpacker	176

IMPLEMENTING SOLUTIONS: THE IMPORTANCE OF FOLLOWING THROUGH ON GAO AND OIG RECOMMENDATIONS

THURSDAY, DECEMBER 10, 2015

U.S. SENATE,
SUBCOMMITTEE ON REGULATORY,
AFFAIRS AND FEDERAL MANAGEMENT,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:02 a.m., in room SD–342, Dirksen Senate Office Building, Hon. James Lankford, Chairman of the Subcommittee, presiding.

Present: Senators Lankford, Portman, Ernst, Sasse, Heitkamp, and Tester.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Good morning, everyone. I would like to welcome you to today's Subcommittee hearing that will focus on the recommendations made by the Government Accountability Office (GAO) and the Inspectors General (IG) to improve government efficiency.

We all want a Federal Government that serves the American people in the most effective and efficient way. The Government Accountability Office and agencies' Inspectors General are on the front lines in combating waste, fraud, and mismanagement within the Government. Their audits and investigations are vital in uncovering and eliminating the billions of waste and mismanagement of taxpayer dollars.

Through reports, recommendations, and their High-Risk List, GAO serves Congress and the public by conducting oversight of how Federal dollars are spent. The mission is particularly vital today as we face a Federal debt approaching $19 trillion. Last year, GAO saved the taxpayers a record $74.7 billion, bringing their total to over a half a trillion dollars saved since 2003.

Despite these important and impressive results, agencies consistently fail to implement roughly 20 percent of what GAO recommends each year.

While GAO looks for waste across government, Inspectors General are uniquely positioned to focus on and work within their respective agency and play a critical role in congressional oversight. IG recommendations also have the potential to save significant tax-

payer dollars, but there are 709 unimplemented recommendations at the Department of Justice (DOJ) alone.

I recently published a report titled "*Federal Fumbles*" that described 100 examples of wasteful spending and burdensome regulations while also proposing solutions to each of these problems. I relied extensively on GAO and IG recommendations for this report and acknowledge that this report sheds light on only a small fraction of the waste that GAO and IGs identify every year.

When looking at this issue, it is important to remember that this is not an adversarial conversation. Creating a responsible, efficient government is something we all can and should agree on, and I find many Federal employees that struggle with the waste that they clearly see every day in their agencies and look for ways and outside accountability to be able to help them solve it. It is important for Congress to take an active role and ensure that the GAO, IGs, and agencies work together to eliminate waste and mismanagement, and I look forward to this conversation today.

With that, I would like to recognize Ranking Member Heitkamp for her opening remarks.

OPENING STATEMENT OF SENATOR HEITKAMP

Senator HEITKAMP. Thank you, Chairman Lankford, and thank you, all of you, for your service and for agreeing to come here during the holiday season. We really appreciate it. This has been an incredibly active Subcommittee, probably the most active Subcommittee in all of the Senate, because this is a Committee where we come to talk about how we can do things better. And if anyone thinks you cannot do things better, they are wrong. Nobody is perfect. We have to constantly be striving.

The Federal Government spends hundreds of millions of dollars annually to have Federal programs audited and investigated by the Government Accountability Office and the Offices of Inspectors General (OIGs). The GAO and IGs spend their days providing incredibly valuable recommendations on how the Federal Government can be more effective and efficient with those sacred taxpayer dollars.

This type of oversight is critical and valuable. The American people can be sure that their taxpayer dollars are being used wisely when agencies like GAO and IG recommendations are taken seriously and that we use these recommendations to make government more efficient and better.

Our hearing today is about learning more about how we can improve agency follow up and make sure that everyone is doing their part in assessing and improving recommendations and recommendation follow up. The work that GAO and Inspectors General perform in providing recommendations to agencies is important, and the recommendations should not go unimplemented or unnecessarily delayed.

I want to just point out one of the topics I want to cover today, and as you can see from the Audit Process over to the side, on the chart[1] on the left, a great deal of planning and many hours of work go into the auditing process by GAO and IGs. We want to make

[1] The chart referenced by Senator Heitkamp appears in the Appendix on page 125.

sure that that the hard work does not go unnoticed, unappreciated, and certainly unimplemented.

But I want to also draw your attention to the lower left-hand side. You will see GAO's work on monitoring and implementation of recommendations. Over the years, GAO has taken a number of steps to increase oversight of whether their recommendations have been implemented. The GAO maintains an online database of open recommendations that still need to be addressed by agencies. And according to GAO's website, the goal of the recommendation database is to "help congressional and agency leaders prepare for appropriations and oversight activities, as well as help improve government operations." Because of this database of open recommendations, we know that there are almost 4,600 open recommendations with Federal agencies. This is a huge number, and it is not insignificant. I hope we can discuss today how we can lower that number, move forward and give you the tools to continue to do your excellent work.

I also want you to take a look at the other side of the chart when we look at the recommendations that Inspectors General provide. They operate differently than GAO. It is a little more challenging for us as decisionmakers here to know how Federal agencies are responding to Inspector General recommendations. The information is not as transparent as what it is at GAO. And while the IGs are required by law to provide a semiannual report to Congress tracking audit recommendation implementation, each IG has their own system for tracking those recommendations.

IGs do not maintain a centralized database in which all outstanding recommendations governmentwide are input, stored, and accessible to Members of Congress and the public. While we know there are IGs doing terrific work, great work, we need to know about that follow up, and we need to see if we have inconsistencies across agencies.

Every agency operates differently, but a lot of these recommendations, I would assume, are fairly consistent across the board. So it is not just Congress that would win with having a more open process regarding IG recommendations, but other IGs, taking a look at the work that is being done by their colleagues.

Today's hearing is about learning the recommendation follow up practices that work for agencies and figuring out how we can do more, how we can reduce those numbers of recommendations that are not implemented. We are not here, as you know, in this Committee to place blame. This is the good government Committee, and everybody should be for good government. There is no controversy about this. I think just as you are very nonpartisan—not bipartisan but nonpartisan—this Committee has been very nonpartisan in how we evaluate and look at some of these challenges of inefficient government.

And so I want to thank Chairman Lankford for his excellent leadership, and we look forward to hearing this testimony and having an ongoing dialogue this morning.

Senator LANKFORD. Thank you, Senator.

At this time we will proceed with testimony from our witnesses. Let me introduce our three witnesses. Then we will swear each in.

Mr. Gene Dodaro is the Comptroller of the United States. He is the head of the Government Accountability Office. As Comptroller General, Mr. Dodaro helps oversee the development and issuance of hundreds of reports and testimonies each year to various committees and individual Members of Congress. These and other GAO products have led to hearings, legislation, billions of dollars in taxpayer savings, and improvements to a wide range of government programs and services.

Mr. Dodaro, how many hearings do you think you have testified before?

Mr. DODARO. At least 150.

Senator LANKFORD. That is impressive just to survive that. [Laughter.]

Mr. Michael Horowitz is the Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and the Inspector General for the Department of Justice. As Inspector General, he oversees a nationwide workforce of more than 400 special agents, auditors and inspectors, attorneys, and support staff whose mission is to detect and deter waste, fraud, and misconduct in DOJ programs and personnel and to promote economy and efficiency in Department operations. Thank you again. You have also been on this Hill quite a few times giving testimony. We thank you for your service in that.

Mr. Jim Crumpacker is the Director of the Departmental GAO-OIG Liaison Office within the Department of Homeland Security (DHS). In this capacity, he serves as the executive management official responsible for maintaining mutually beneficial and productive relations within the U.S. Government Accountability Office and the DHS Office of the Inspector General. He also functions as a key adviser to senior DHS leadership, including the Secretary and Deputy Secretary.

I would like to also note that Mr. Crumpacker also served with the U.S. Air Force (USAF), both active duty and reserve officer, retiring as a colonel after 29 years. Thank you, Colonel Crumpacker, for that and for your continued service.

I would like to thank all of our witnesses and I would like to ask you to rise. It is the custom of this Subcommittee to swear in all witnesses that appear before us. Would you please raise your right hand? Do you swear that the testimony you are about to give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DODARO. I do.

Mr. HOROWITZ. I do.

Mr. CRUMPACKER. I do.

Senator LANKFORD. Thank you. You may be seated.

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

We will be using a timer system in front of you. Most of you are very familiar with that. As you know, your written testimony is a part of the permanent record. Anything you would like to add to that in your oral testimony, we will be glad to be able to receive.

Mr. Dodaro, since you are a rookie at this, we will take you first. [Laughter.]

TESTIMONY OF THE HONORABLE GENE L. DODARO,[1] COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. DODARO. Thank you, Mr. Chairman. Good morning to you, Ranking Member Senator Heitkamp, Senator Tester. I appreciate the opportunity to be here today to talk about GAO's work.

Our mission is to support the Congress in carrying out its responsibilities, but also to help improve the performance and ensure the accountability of the Federal Government for the benefit of the American people.

One of the chief ways that we do this is to make recommendations to improve government operations and activities. On average, we issue about 1,800 recommendations each year. As has been noted in your opening statement, Mr. Chairman, about 80 percent of our recommendations on average are implemented within a 4-year period of time.

The recommendations that are implemented have tremendous benefits to the government. Mr. Chairman, you mentioned that last year our recommendations resulted in over $74 billion in financial benefits to the government. That is a $134 return for every $1 invested in GAO.

The Bipartisan Budget Act that just passed this year, covering fiscal years (FY) 2016 and 2017, for example, had over $30 billion in offsets to help avoid sequestration as a result of implementing GAO's recommendations. So both cost savings and revenue enhancements are always on our mind, and we are trying to press that.

But there are thousands of other benefits that occur as a result of implementation of our recommendations. There are enhanced services to veterans, children, the elderly. There are improvements in public safety and security. There is strengthening of our homeland security and national defense operations. There is bolstering of our cyber defenses as a result of implementing our recommendations, and a wide range of program improvements across the full spectrum of the Federal Government's programs and activities. So we are very proud of that record.

Now, as you mentioned, Senator Heitkamp, there are a lot of open recommendations. There are over 4,600 for the 24 major Chief Financial Officers (CFO) Act agencies, and if you include, the Office of Management and Budget (OMB) and a wide range of smaller agencies, there are another 1,000 that are outstanding. So there is a lot of work to be done. Implementation of these open recommendations can result in tens of billions of dollars in additional savings and can result in improved program operations and help the Federal Government carry out its services to citizens across the country more efficiently.

Now, in order to encourage implementing our recommendations, we carry out a wide variety of activities, and I will highlight some of them, given your interest in follow up. We start with the audit process. During the audit process itself, if we have recommendations for agencies to take action right away, we encourage that, and that happens on occasion.

[1] The prepared statement of Mr. Dodaro appears in the Appendix on page 38.

We provide draft reports to agencies for comment, and include their comments on whether they agree with the recommendations that we are proposing. And, by and large, agencies agree with many of our recommendations.

One important point I would make is that for most of the open recommendations, agencies have agreed to implement them. They just have not executed and implemented them yet.

Then 60 days after GAO issues a report, by law, the agencies have to provide a report to the Congress about their response to our recommendations, and that follow up process has been in place now for about 40 years. I would like to take a look at it and make sure it is best serving the needs of the Congress, particularly in the current budget environment. We will be doing a reexamination of that process to assure it is used effectively.

And then we follow up on our recommendations to agencies at least once a year. Also, I meet on a regular basis with the Deputy Director for Management at OMB and the heads of major departments and agencies about implementing recommendations related to the high-risk areas we identified. We issue the overlap and duplication report each year. That includes a scorecard for the recommendations implemented by the Executive Branch as well as recommendations we have made to the Congress. We can expand that and do more in order to show the overall number of recommendations we have for the Congress. Right now we have close to 200 open recommendations to the Congress. About a third of them are the ones we report in the overlap, duplication, and fragmentation report.

We are very focused on this. One of the reasons you see an elaborate process, Senator Heitkamp, as you pointed out, is that we judge our performance not on how many reports we issue or how many recommendations we make, but how many are implemented and what kind of benefits we have brought to the Federal Government as a result of the investment that all of you make in the GAO each year.

So, again, thank you for the opportunity to be here today, and I would be happy to answer any of your questions.

Senator LANKFORD. Thank you. Mr. Horowitz.

TESTIMONY OF THE HONORABLE MICHAEL E. HOROWITZ,[1] INSPECTOR GENERAL, U.S. DEPARTMENT OF JUSTICE, AND CHAIR, COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

Mr. HOROWITZ. Thank you, Mr. Chairman, Senator Heitkamp, Members of the Subcommittee. Thank you for inviting me to testify at this important hearing today.

The Federal Inspector General community issues thousands of recommendations each year that help make our government more effective and efficient and reduce waste, fraud, and abuse in government programs. One of the many important responsibilities that IGs have is to ensure that agencies are implementing those recommendations and that identified cost findings are remedied.

[1] The prepared statement of Mr. Horowitz appears in the Appendix on page 77.

To remain vigilant in this effort, OIGs maintain information about unimplemented recommendations, analyze agency efforts to close those recommendations, and request and respond to agency status updates. In addition, we issue semiannual reports that include information identifying significant recommendations for which corrective action has not been completed.

At my office at the DOJ OIG, we have developed a robust process to follow up and ensure implementation on our recommendations. Where the Department has agreed with an OIG recommendation, which is almost always the case, the Department will seek to demonstrate to us how it has addressed the concerns we have identified that gave rise to the recommendation. We only close a recommendation after we conduct an independent analysis on that information and we determine that sufficient actions have been taken to close the recommendation. For those that remain unimplemented, the Department must provide us with periodic status reports on how they are proceeding toward closing that recommendation.

In those rare instances where the Department does not agree with an OIG recommendation, we undertake an accelerated resolution process. If no agreement is reached with the Department within 6 months, we then elevate that to the leadership of the Department, and we report it to Congress in our semiannual report so that there is transparency around that kind of an issue.

In addition, every 6 months we provide to the Department's leadership and Congress a report on unimplemented OIG recommendations. That is something that we began within the last 2 years in an effort to reduce the number of open recommendations in the Department and to elevate it to a higher level and ensure there was high-level oversight. That has proven to be very effective.

We have had the Deputy Attorney General and her staff follow up on those recommendations and see action with the Department components as a result. We have appreciated the leadership's support for the process, and having them involved, having leadership involved, has proven to be beneficial.

In addition, the Department's leadership just implemented this month a new system that will utilize Justice Management Division auditors to track unimplemented recommendations and to work with Department components to make the changes necessary to implement them, and we are hopeful that that new process will further move us toward closing more and more recommendations in a timely fashion.

In a further effort to ensure that our recommendations are implemented, we often conduct follow up reviews to assess compliance. We are in the middle of one on the Fast and Furious recommendations, for example. Additionally, we will often issue in the course of our reviews and audits interim reports or Management Advisory Memoranda where we see issues that require immediate action. And as Gene said, one of the things we frequently do is inform the Department as we are learning about information of problems we find so they can take immediate action to resolve the problems.

We also try and take proactive steps to address issues. We, of course, as every IG does, issue Top Management and Performance

Challenges that summarize the issues we have seen in the past and we foresee in the future that the Department should be looking at.

We have also engaged, as an example, in our grant fraud and grant oversight work in an interagency process and created a working group that brings together IGs and various Department components—OMB is involved as well—trying to identify challenges associated with administering grant programs. That group has pulled together documents and recommendations about improving grant administration and how to improve internal controls in that regard. My office separately has issued guidance in that area as well, all in an effort to increase and promote proactively increased effectiveness in our oversight efforts.

We are committed to working as a community to implement corrective actions that improve the effectiveness and efficiency of the government, and we appreciate this Committee and the Congress' bipartisan support for those efforts, and we look forward to working with you and the agencies to further that process.

Thank you.

Senator LANKFORD. Colonel Crumpacker.

TESTIMONY OF JIM H. CRUMPACKER,[1] DIRECTOR, DEPARTMENTAL GAO-OIG LIAISON OFFICE, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. CRUMPACKER. Good morning, Chairman Lankford, Ranking Member Heitkamp, and distinguished Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the Department of Homeland Security's interactions with the Government Accountability Office and our Office of Inspector General. I am the career executive management official responsible for maintaining mutually beneficial and productive relations with GAO and the OIG. Previously, I held leadership positions within the Offices of Inspector General at the Department of Transportation (DOT) and the U.S. Postal Service (USPS) and with the Air Force Audit Agency. I am also a certified internal auditor and a certified fraud examiner.

Today I am proud to say that the Department's relations with GAO and the DHS OIG have never been stronger or healthier. This is attributable to sustained senior leadership commitments from multiple Secretaries, Deputy Secretaries, General Counsels, and Under Secretaries of Management to having open and transparent relations with our auditors. In turn, this has resulted in a changed culture across DHS from one in which audits were generally viewed as unimportant to one where leadership, program officials, and others at all organizational levels now understand that audits are important and deserve an appropriate level of attention among competing priorities and demands in protecting the homeland.

In addition, continuous senior leadership focus sustaining this change has been dependent on strengthening and improving the Departmental GAO OIG Liaison Office and our DHS-wide audit liaison community.

[1] The prepared statement of Mr. Crumpacker appears in the Appendix on page 84.

My office is responsible for facilitating successful outcomes for everyone involved in the process, including activities related to auditor access to records and employees, tracking the resolution and closure of recommendations, and supporting and providing oversight of component audit liaison activities throughout the Department.

Within each component, we also have a senior component accountable official responsible for GAO and OIG activities that works with my office. Our overriding goals are to ensure that all parties that need to be involved in audits are involved; that audits are worked in concert with our operating principles of engagement, responsiveness, and mutual respect; that audit issues are worked at the lowest organizational level possible and only elevated to more senior leadership when absolutely necessary; and that there are no surprises for anyone at the end of the process.

We work collaboratively and as partners with our auditors while respecting their independence. For our employees, we start with clear expectations regarding interactions with auditors. DHS has a formal administrative policy issued in 2010 that acknowledges the important role GAO has and serves as a foundation of the Department's commitment to fully cooperating with GAO in its reviews consistent with well-established Executive Branch privileges and responsibilities.

Expectations for cooperating with the OIG were reaffirmed in a memorandum that Secretary Johnson sent to all DHS employees in May 2014, updating similar guidance that former Secretary Chertoff issued in 2008.

DHS has also instituted a number of formal processes to ensure it works collaboratively with auditors and, in turn, effectively resolves and implements audit findings and recommendations.

For example, DHS has documented formal performance measures and goals for program offices to submit corrective action plans, perform quarterly reporting on these actions, and strive to close recommendations within 24 months. The current status of these measures and goals is briefed to the Deputy Secretary and other senior leaders on a bimonthly basis.

DHS has also increased the standardization of its responses provided for draft GAO and OIG audit reports. Today a signed letter or memorandum is provided to the auditors for all reports having recommendations to the Department. This previously did not always happen.

DHS firmly believes that following through on GAO and OIG recommendations is an integral part of good management and essential to improving the effectiveness and efficiency of our programs, operations, and activities. We appreciate the GAO and OIG's understanding that this is a shared responsibility between management officials and auditors.

Examples of a few of our successes include: closing more GAO and OIG audit recommendations than auditors have issued for the fifth year in a row; and steadily reducing the number of open DHS OIG recommendations by 65 percent, from a high of 1,663 at the end of fiscal year 2011 to just 583 at the end of fiscal year 2015.

DHS is in a very different place than it was just a few years ago with its GAO and OIG relationships. This not only includes the

openness and transparency with which we work with our auditors and a significantly lower number of open recommendations, but also our institutional attitude toward oversight. We are committed to continuing improvements.

Thank you for the opportunity to appear before you today. I would be pleased to address any questions the Committee may have.

Senator LANKFORD. Thank you all three gentlemen.

Senator Heitkamp and I are going to defer our questions to the end. I recognize Senator Tester for questions.

OPENING STATEMENT OF SENATOR TESTER

Senator TESTER. Thank you, Chairman Lankford. I appreciate the hospitality, and, Ranking Member Heitkamp, the same. And thank you for your testimony. It is always good to see you, Gene. Michael, Jim, I do not know if we have had the opportunity to work together much, but we look forward to it this morning.

This is the way I understand it, Gene: You issue a report. The agency has 60 days to return what they have done to address what you have pointed out. That is correct?

Mr. DODARO. That is correct. But they also have an opportunity when we give them the draft report to comment as to whether they want to agree with the recommendation and to say what they are planning to do. Then there is the letter agencies write 60 days after the final report is issued. So there are two windows.

Senator TESTER. And in that 60 days, that report goes to you, right, Jim, the report of what the agency has done?

Mr. CRUMPACKER. No, sir. That is a letter that we sent to OMB and Congress with a copy to GAO. It is 60 days after we receive a copy of GAO's final report, 60 days from the date we receive that final report.

Senator TESTER. OK. Let me get to the crux of my—and maybe I am wrong on this, but it is my understanding that this Committee—and I do not have a problem with that—gets the update on what the agency has done. Is that correct?

Mr. DODARO. That is correct.

Senator TESTER. OK. So I also serve on Veterans' Affairs, which is an authorizing committee, and all of us serve on authorizing committees here. When does the authorizing committee get the results of that?

Mr. DODARO. I believe they are supposed to get it within the 60-day window as well.

Senator TESTER. Simultaneously?

Mr. DODARO. Yes.

Senator TESTER. Good. Solve that problem. Thank you.

Mr. DODARO. But I do think, Senator, that process has been in place for about 40 years right now, and I want to take a look at it. We are going to reexamine whether it is serving the needs of the Congress. So we are going to look at that, and we will give you the results of any suggestions we have for improving it.

Senator TESTER. OK. This is for you, Gene, and Michael. Do you have the resources you need to do your job?

Mr. DODARO. We are not at the optimum level I believe GAO needs to be.

Senator TESTER. How short are you?

Mr. DODARO. We do not have an appropriation for this year yet, but I am hopeful it will be sufficient. I mentioned to the appropriators I believe GAO's optimal level should be 3,250 people. Last year, we were slightly under 3,000. So, we are close, but we are not where we need to be.

Senator TESTER. OK. Michael.

Mr. HOROWITZ. We have the same issue. We have asked for slightly increased funding to cover some of the additional challenges we face. We are waiting to see what happens through the appropriations process.

Senator TESTER. OK. That sounds like you are about 10 percent short, Gene, by the numbers you gave?

Mr. DODARO. Correct.

Senator TESTER. About the same thing with you, Michael?

Mr. HOROWITZ. Correct.

Senator TESTER. OK. That is fine.

Are both of you given the access within the agencies that you need to be able to conduct the studies that you need to conduct?

Mr. HOROWITZ. We have had a number of issues over the last 5 years, and in light of the Office of Legal Counsel opinion from July, the answer is that problem continues. The Department has tried to address it by setting up a process, but it is a non-independent process, and what we need is the IG Empowerment Act that this Committee has moved on to get through so that we can get that access again that we need.

Senator TESTER. How about you, Gene?

Mr. DODARO. Yes, we generally get the access that we need, although in some cases, I have to get involved and elevate it to the department head or get assistance from the Congress. But we are in pretty good shape.

There is one area, though, where Congress could be very helpful. That is on the National Directory of New Hires that the Department of Health and Human Services (HHS) maintains. Their interpretation of the law is that they are prevented from sharing that information with us. We do not agree with that legal interpretation. Access to it would make a significant advancement in our ability to identify improper payments across the government and help solve that problem. We have asked the Congress to confirm our access to that information.

Senator TESTER. Is there a bill to do that?

Mr. DODARO. I have been trying for three Congresses now to get this through.

Senator TESTER. Senator Heitkamp will take care of that. [Laughter.]

Mr. DODARO. I am counting on it.

Senator TESTER. Michael, how many IG recommendations to agencies are out there currently?

Mr. HOROWITZ. I do not know the total number across all 72 IGs. In DOJ OIG, just about 700 is the number. That is down from about 800 2 or 3 years ago when we started the process, as I mentioned in my statement.

Senator TESTER. Is that a reasonable number? Is that something we should be concerned about? Or is it that——

Mr. HOROWITZ. I think if you look at our aging report, on the internal side it is a reasonable number with the follow up that has occurred recently. We have currently over the last 3 years about 84 percent of our recommendations closed, so that is a pretty good number. The ones that linger longer tend to be the external grant-related reports, and that is where we need more vigilance, I think, generally.

Senator TESTER. OK. And excuse me for running a little bit over, but this graph[1]—and I do not know who put this out. Maybe it was you, Mr. Chairman. Maybe it was the GAO. This graph shows the number of open recommendations, and it is amazing to me that the Department of Defense (DOD) has over two times as many as the next highest agency. And I know that there has never been an audit done on the Department of Defense. What is going on here, Gene? Can you tell me what—I mean, is it they just do not want to respond? Are they balking? Tell me what is going on.

Mr. DODARO. Yes, well, the Defense Department spends roughly half of all the discretionary spending in the Federal Government, so commensurate with that, we do a lot of audit work there. They have one of the lowest response rates of implementing our recommendations. They are more in the 70-percent range rather than the 80-percent range.

Part of the issue is that we find lots of problems at DOD. One-quarter of our High-Risk List focuses on, the Department of Defense and its business practices, and it is very difficult to get these issues addressed. One of the reasons is it requires multiple components of the Defense Department to work together.

Many of our recommendations on overlap, fragmentation, and duplication are for issues within the Defense Department. So it is a large operation.

Senator TESTER. But that is not an excuse.

Mr. DODARO. Well, I agree with that. I have sent letters recently to the heads of all major departments and agencies listing the total number of open recommendations and prioritizing which ones that I think require their personal attention. I have not yet received a response from the Defense Department. I have from other agencies.

Senator TESTER. When did you send that out?

Mr. DODARO. I am going to follow up with them.

Senator TESTER. When did you send that out to the departments?

Mr. DODARO. The Defense one, in August.

Senator TESTER. And no response?

Mr. DODARO. Not yet, other than that they are working on it.

Senator TESTER. OK. Well, I would just say that I think this should be concerning to everybody on the Committee, and I thank the Chairman for putting that chart in front of us. There is no doubt we are very proud of our military, but we need to make sure that we are not wasting dough.

Mr. DODARO. Right.

Senator TESTER. Thank you, guys. I thank all of you for what you do. I appreciate your service.

Senator LANKFORD. Before we move to Senator Ernst, can I ask one quick clarification as well? You had mentioned this new hire

[1] The graph referenced by Senator Tester appears in the Appendix on page 101.

database access for HHS. Can you give us greater clarity to that? What is missing and what you do not have access to?

Mr. DODARO. Yes, this database was set up for child enforcement purpose for HHS, so it has all the current information on wage earnings by people across the country. We could use it for comparison purposes with programs within the Federal Government, that have eligibility criteria based on income levels. We find that that information is more current than anything else the Federal Government has. So if we cannot use that information to determine eligibility for means-tested Federal programs it limits our ability to address the high level of improper payments. We want to go in and match that database to eligibility decisions that agencies made for programs where there is an income eligibility determination.

Now, we have obtained some of the data in the past, but we had to go to all 50 States to collect the information from the individual States because HHS would not provide it. It is not efficient. It takes a large amount of resources. There was a time when the Department was advising States not to cooperate with us.

Senator LANKFORD. So HHS has said you do not have access to it because?

Mr. DODARO. Well, in the law it says they are not to provide it to anybody other than specified agencies, and we do not think that Congress intended for that to mean not to give it to GAO. So we disagree with them on the legal interpretation, but we are stuck right now.

Senator LANKFORD. All right. Thank you. Senator Ernst.

OPENING STATEMENT OF SENATOR ERNST

Senator ERNST. Thank you, Mr. Chairman and Ranking Member Heitkamp. I appreciate it.

Thank you, gentlemen, for being here today. Your input is always very valuable to us, so I appreciate the time that you take.

Mr. Dodaro, in 2015 you added VA Health Care to your High-Risk List, citing concerns about the VA's ability to ensure the timeliness, cost-effectiveness, quality, and safety of the health care the Department provides in a number of different areas. You mentioned that there are more than 100 GAO recommendations that have not been addressed by the agency, which is very concerning.

Approximately one year later from when this report was released, can you tell us where the VA is on implementing some of these recommendations and how they are coming on their high-risk progress with that rating? And has there been what you would call significant progress made from the beginning of the year until now?

Mr. DODARO. Thank you, Senator Ernst. There has not been significant progress. I am very disappointed that we have not seen a very good corrective action plan from VA to address the high-risk areas.

Now, I know there are other assessments that have been made and set in law by the Veterans Choice Act in terms of the commission on care and an independent technical assessment. So they are receiving a lot of different recommendations.

But I have been concerned. In fact, I have asked for a meeting with the Secretary. I am meeting with him tomorrow.

Senator ERNST. Very Good.

Mr. DODARO. We have a scheduled meeting to talk about the fact that I do not think they have a good plan. They have not made significant progress. A number of our recommendations overlap those of or are consistent with ones from these independent assessments that are being done now by other parties. So I think they need an integrated plan to address our concerns and those expressed by the IG and by others. And I have some ideas on how they could do that that I want to talk to the Secretary about. But I am concerned.

Senator ERNST. OK. Thank you. I appreciate that honest and very straightforward response, because so many of us want to be great supporters of the VA, but we cannot right now because they are not providing the necessary services for our veterans. And so we need to continue talking about this. It is important. But more than talk, we need to make sure that the VA is actually following up, and if there is a way that we can assist with that, we need to make sure we are doing that.

Mr. DODARO. I will keep this Committee posted on our progress.

Senator ERNST. OK. Thank you. I appreciate it.

Also, following up with that, too, I cosponsored Senators Ayotte and Manchin's Duplication Elimination Act, which would require the President to submit to Congress a proposed joint resolution implementing recommendations outlined in your annual report on duplication. It also includes procedures for expedited consideration of the joint resolution in Congress, and I would just like to know what your thoughts are on that particular piece of legislation. We have seen that these Federal agencies have fully implemented only 36 percent of the recommendations, and I really think it is time that Congress starts holding someone responsible. So if you could just maybe talk a little bit about the legislation and what your thoughts are.

Mr. DODARO. I think it is a very good legislative initiative. I am supportive of it. I think it is necessary because many of our recommendations involve overlap and duplication among or between agencies across the Federal Government. Most of the 36 percent that have been implemented have been implemented where it involves one agency and they could take action. So you need leadership on the part of OMB and the President to work with multiple agencies and come up with an administration position on our recommendations. And this legislation would require that. I think that is fair. They either agree or they do not agree, or they are going to implement it or not. And then the Congress can take action on those areas.

And it also helps where you have multiple congressional jurisdictions over some of these issues, too. I have advocated joint hearings in some of the committees. So you have, both within the Executive Branch and the Congress multiple parties that have to agree in order to implement our recommendations.

Senator ERNST. Well, good. I appreciate that. And it goes to Senator Tester's point as well with the DOD. There is so much duplication within the DOD, and I think that we do need to hold people accountable and streamline and find efficiencies where we can. So thank you, gentlemen, for being here. Again, thank you very much. I appreciate that.

Thank you.

Senator LANKFORD. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman, and thanks for holding this hearing.

I want to get back to kind of collaboration, and I think, Gene, I have been asking you repeatedly whether it would be a good idea to prioritize recommendations. Let us say there is limited resources within the agency, kind of big bang for the buck. I failed to write this down, but I think you said for every dollar invested in GAO, you return over $130 in savings, right? Was it $135, Gene?

Mr. DODARO. 134. You are only a buck off.

Senator HEITKAMP. OK, 134. That is what I was going to say. But that is a pretty good return on investment. But when people do not implement the recommendations, we are not only frustrating the purpose of government, but we are frustrating this opportunity for financial savings.

So, when you look at the creation of a possible database that would serve kind of as a crosswalk across the top 25 open GAO recommendations and any related IG recommendations for agencies to address specific findings, can we look at a way of prioritizing or collaborating or actually—as we whittle down this number, if they take the low-hanging fruit—I do not want them always to take the low-hanging fruit, is my point, because doing the tough thing has the effect of having long-term systemic reforms that will reap rewards and financial opportunities going forward.

Mr. DODARO. Yes, I agree with you. And as a step in that direction——

Senator HEITKAMP. That is always a good way to start an answer to the question: "I agree with you." [Laughter.]

Mr. DODARO. Well, I have learned something in over 100 hearings. But as a step in that direction, though, I have sent these letters to all major departments and agencies with the total number of recommendations, but also prioritizing them on a very limited number of areas where I think there are dollar savings and big improvements that could occur. We have shared those letters with the Congress, with the various committees, the appropriation and authorizing committees for the agencies. So we could start there with a list of those priority recommendations and make a major push where Congress could hold hearings, write follow up letters, et cetera. And then we can figure out a way to better institutionalize that in the database.

Senator HEITKAMP. Yes, I am very excited about what you are doing, and I hope you share with our staff all of those letters. Once again, it is the diffusion of all this authority. This is the Committee where it all can come together.

Michael, thank you so much, and I am going to go back to my chart. Obviously, GAO has that consolidation. You are present, kind of the internal auditor, the internal watchdog in every agency, so we do not have that overarching view of what the IG recommendations are. There may be, some patterns that we can see that we need to take corrective action on. What do you think about doing a database, doing something like GAO does that can give us a better kind of view from a mile high perspective?

Mr. HOROWITZ. I think it is a great idea. I think the issue has been for us in the IG community—Congress created the Council of IGs in 2008 to try and place some of these functions. We have not been funded with an appropriation in any year since our creation. The last 4 years, we have asked to be included in the President's budget. We have not been. We have been funded through a variety of mechanisms, and we are talking about a request of about $4 million that we have asked for.

Our budget this year is about $6.5 million. It takes a fair amount of staff to do that kind of work and information technology (IT) infrastructure as well. We do not think we even have the IT capacity to do that at this point without an actual appropriated direct appropriation to do it.

Senator HEITKAMP. It is just so frustrating because this is so penny-wise and pound-foolish, I mean, to not have agencies like yours fully funded, in fact, not even challenge you to amp up your work, to realize more savings. And so we want to participate and play a pretty active role in encouraging and being your advocate here to get that level of funding, because I think that it would be very enlightening to see those recommendations across agencies and see what we are seeing over and over again as recurring patterns of inefficiency.

Mr. HOROWITZ. And just to pick up the investment point, every dollar invested in IGs returns about $18 in much the same way. And that does not count, for example, in my agency all the non-dollar-related work we do like on a Fast and Furious, like on National Security Letters, and that kind of work.

Senator HEITKAMP. Yes, and I think Gene made such an excellent point, that not only do we see dollar returns, but we see returns in better services. The point that Joni made about veterans, it is not just about dollars. This is livelihood.

And, Colonel Crumpacker, when I started on this Committee, we were tearing our hair out because there was an attitude, we believed, about GAO at Homeland Security that was not very conducive to resolving a lot of the controversy, and with your presentation today, we are seeing a pretty positive attitude, seeing the numbers go down. I think that is really a step in the right direction, so I want to applaud the effort of Homeland Security in stepping up and actually being responsive.

Mr. CRUMPACKER. Thank you, Senator.

Senator HEITKAMP. I think that is a great step forward and real progress.

With that, I will yield the floor.

Senator LANKFORD. Thank you.

I will ask a few questions as well, and then we are just going to open up the microphone, and we will have open dialogue here around the table.

Gene, talk to me a little bit more about the follow up process with Congress. As you mentioned before, this is a 40-year process that has been in place, and it needs a review. So talk about the rest of the details on that.

Mr. DODARO. Yes. Well, first, we have a wide footprint across the Congress. Last year, about 97 percent of the committees and 66 percent of the subcommittees requested GAO work. And some of

that requested work is actually right on following up on our recommendations on previous reports. So that dialogue goes on all the time.

We are heavily involved with the appropriations bill every year. Since it is a vehicle that goes through every year in both the Appropriations Committees and the subcommittees work with them on open recommendations and recommendations things the agencies have not agreed to and that still need to be implemented. We encourage them to put something in statute, and that works. For example, where there is a need for an agency plan, say, to improve an IT project, the committees will withhold the money until agencies implement our recommendations.

This happened for Defense spending. For example, we found that the Department of Defense was using a proliferation of camouflage across all the different services. And not only was it wasteful from a dollars standpoint, but it had safety implications because you cannot operate well in joint environment having different camouflage patterns. You are supposed to be disguised from the enemy, not from yourselves. And so DOD agreed with our recommendations, but Congress mandated in the national defense authorization bill that they have a uniform approach to that issue. So that is just one minor example of Congress acting to reinforce our recommendations over time.

Now, the 60-day response is something that has been in statute for 40 years, and regularly these letters go to committees. I am not sure, quite frankly, what all the committees do with the letters that they receive. We get them, too. We follow up. In some committees we have regular dialogue on these. Some others we may not have the same level of attention. Because I am not sure, I want to look at it systematically across the various committees in the Congress, and we plan to do that. And once we have that done, we will share the results with this Committee and see if there are any changes that need to be made in statute or in practice.

I want to look at this, too—what the quality of the responses are from the agencies in the 60-day letters. So I want to look at whether or not they are being clear on whether they are going to implement our recommendations.

Regarding Senator Tester's question earlier about DOD, I also want to make sure, too, ultimately that they will implement the recommendations. But the pace at which they are going about this in many cases is too slow to realize the full benefit. So it is not only whether they are going to eventually implement recommendations, but it is the pace at which they are implementing them, where Congress can be very helpful. We expect that the prioritization of the recommendations could be helpful too.

Senator LANKFORD. Is it your suspicion, because of the, let us say, tenacity of the infrastructure there and bureaucracy at DOD that it tends to slow down the process and takes long to get anything done? Or is it the decision whether they are going to do it or not?

Mr. DODARO. I think sometimes the decision to implement a recommendation may not be with the level of intensity that we would like to see. It is like, DOD says, it is a good idea, we will get

around to it when we can. Definitely resource issues also come into play.

I am very concerned—one of the reasons I sent the letters to the heads of the departments and agencies now is that we are going to have a transition in administrations. There is a huge potential—and I have seen this happen over the years; it does not matter what administration it is—where there will be a lull in the activities of the individual departments and agencies. They will not know, what the new priorities are going to be of the new administration. It is an opportunity, if they do not really believe fully in implementing the recommendations, to slow things down until they get new priorities.

So there is a lot of lost momentum that occurs in a change in administration, and the Congress needs to be helpful. I try to do what I can because we have a lot of continuity in GAO. I have a 15-year term, so I see administrations come and go. And I try to focus on making sure they maintain good progress on initiatives they began but also attend to things that have not been addressed before. But I always worry about the loss of momentum during these changes in administration.

Senator LANKFORD. OK. Let me just open this up for open dialogue as well. Mr. Horowitz, let me ask you a question. How do you all share ideas. As you mentioned, CIGIE is a fairly new organization, so how are the Inspectors General sharing ideas, "This is what we do, this has been effective," and not only methods of investigation but places to go look and things to do that become a frequent gold mine for efficiencies within agencies?

Mr. HOROWITZ. We have organized ourselves not only in monthly meetings to get together to talk about issues we are seeing and we need to address, but we have broken down our structures by committee consistent with the kind of work we do. So there is an audit committee, an investigations committee, evaluations and inspections committee, an IT committee. Those are the committees that get together and talk about what are the auditors seeing, what are we finding, what are the agents seeing when they are doing their work; evaluators and inspectors, same thing; on the IT side, cyber related, what are we seeing there?

They then generate proposals and ideas that the larger community then discusses on what should we jointly do. That led to our cloud computing review last year, which was a very useful and I think important review. We are undertaking one now on cyber-related issues as well, trying to think about these issues across the community. But we could be doing more in this regard, and that is one of the reasons we have sought a direct appropriation for several years now because there could be more we are doing across 72 IGs and what we are learning and seeing and sharing that. But we need to upgrade our IT systems. We need staffing to do that.

We have about 20 staff total for CIGIE. Many of them are detailees because we do not have the direct appropriation, which means we do not know year to year what the pass-through funding is going to be, which has been largely the mechanism we have had over the last several years.

So the President's budget does not include money directly for us, but for the prior several years, they have divided up through 17

IGs to see if they get funding. Those that get funding—not all of them do—then pass the money through to the CIGIE. We have asked for, for example, $6 to $7 million over the last several years, and in the pass-through process have gotten $1 to $4 million. That is no way—we cannot run an organization and do some of the things that make complete sense to do when we do not know how much money we are getting year to year because we cannot hire staff in that way. We can get detailees, but that means people are just coming and going, and we do not have the kind of consistency that you need to do these kind of efforts.

Senator HEITKAMP. It just kind of boggles my mind that, from somebody who used to run a State agency and when the State auditor gave me a recommendation, man, we turned Heaven and Earth to get it done, because we knew there was going to be political accountability, accountability and oversight committees in the State legislature. We did not always agree with what the State auditor told us, but we certainly came to terms and said, "Let us get this done. Let us get the review done."

And so I think that part of this is trying to change the dynamic of what seems to be maybe a little bit too cavalier of an attitude that, "Well, it is just those guys," "It might be a bad hearing on the Hill, but everybody will forget about it, and we will just go about our life the way we have always gone about our life."

How do we change that attitude? Colonel, I want to talk to you, because I think we have—and I think Gene would agree—seen an attitude change at DHS. What kinds of things internally did you do to really make the supervisors and everybody there aware that these are problems, we do not want to go to the Hill anymore and say we are on high-risk and doing nothing about it, let us change attitude, let us work collaboratively and cooperatively with GAO? And how can we kind of take your experience and expand on it in other agencies?

Mr. CRUMPACKER. So with us at DHS, it, quite frankly, started with the senior most leadership in the Department, from the Secretary, the Deputy Secretary, the General Counsel, and the Under Secretary for Management. If you go back to each of their confirmation hearings, this type of issue was discussed at the hearings, and they all went on record and committed to helping grow and robust up the new and improved process that we had. And that cascaded down through the Department. They have been tremendously supportive of my office. We are allowed to reach out and touch anyone anywhere within the Department at any time to dialogue and engage on GAO and OIG audit activity.

Senator HEITKAMP. So you think the accountability point really was when it reached a level here where we are sitting across from the nominee saying, "Here is your audit report. What are going to do about it?"

Mr. CRUMPACKER. Well, I think our leadership wanted to do the right thing and would have done it regardless. But certainly when it is on record at a confirmation hearing and they have taken that to heart and followed through, they have cascaded it down. The Comptroller General talked about recommendations hopefully being closed within 4 years. Our goal at DHS is to close them within 2 years, 24 months, and we track and monitor that all the time,

to include bimonthly briefings to the Deputy Secretary and other senior leaders, including the Under Secretary for Management and the General Counsel.

Senator HEITKAMP. Not to belabor this, but, Gene, that might be the point of getting that kind of information on what is open so we do not see a lapse as we transition and make it part of that process, make it part of the expectation that when you come, you are going to take these recommendations seriously, and if you do not agree with them, then we can have that debate. But if you do agree with them, then what is the timeframe?

And so I think, having a high-profile evaluation here on these kinds of recommendations and having your priority list and having those letters is going to be useful in the transition.

Mr. DODARO. Yes, there are two points on this.

One, we have done for this Committee in the past a set of questions that could be asked during nomination hearings. Senator Voinovich was involved in this before. We can dust that off and update it and provide that to you as well. This was made broadly available from this Committee to all the other committees that hold confirmation hearings on new appointees.

Second, under the Presidential Transition Act, GAO has a responsibility to be a source of information to incoming administrations. So last time, in 2008, we produced a website with all the key issues that we thought by department and agency, on a cross-cutting basis and priority recommendations for the incoming administration to use. That was made available to the Congress and the public all at the same time. We did that 2 days after there was a President-elect determination, so we are positioning ourselves to do the same thing next time around.

Now, while I have the floor, there is one correction I need to make, that I think is significant. The 60-day letters that we have been talking about, by law they come to this Committee, GAO's oversight committee in the House and the Appropriations Committees. They do not go, my team tells me, to the authorizing committees, as Senator Tester mentioned. So I want to correct that answer, but also, I think that is an opportunity for changing the law. I think they need to go to the authorizing committees.

Senator LANKFORD. Or it should be standard practice that this Committee shares it with the authorizing committee.

Mr. DODARO. Yes, so we will take that and then build upon any other suggestions in our reexamination. But I think that change should be made.

Senator LANKFORD. Can I ask a follow up question as well on DHS? Some of the high-risk areas that have come up, the Federal Emergency Management Agency (FEMA) Disaster Relief Fund (DRF) and the administrative costs, that was one of those areas that for 10 years, there was 13 percent administrative costs to be able to run the Disaster Relief Fund. Tell me where that is and what the conversation is like, and how do you resolve that? So as you are walking through, that is a big one. That is billions of dollars. How does that kind of thing get resolved?

Mr. CRUMPACKER. Well, there was an audit report this year, which we responded to, and it began with our program officials and subject matter experts specifically concurring or non-concurring

with each recommendation, and I believe, as I recall, they concurred with all of them. And then we told GAO which office within FEMA or elsewhere is going to take the action, what are they going to do and when is it going to be done. And, generally speaking, when we respond to any audit report, GAO or OIG, our rules of engagement, if you will, within DHS are that you have an estimated completion date, and it is generally OK to have that up to 12 months from the date the report is issued. If it is going to go beyond 12 months, we ask the program officials to provide us interim milestones, which we track and monitor.

On the Disaster Relief Fund administrative costs, that was also a duplication/overlap issue that came out this year, in 2015, and so that is new for us in the duplication/overlap, and that is a work still in progress. We could certainly get back to you with details[1] on what is being done to address that.

Senator LANKFORD. Is that an assumption that that is a 2-year project then? As you mentioned, it is 4 years that you consider it open, but for you, you really try to get this done in 2 years.

Mr. CRUMPACKER. On the recommendations-related audit reports our goal is to close them all within 24 months of issuance. On the duplication and overlap, those are not recommendations per se. We call them "actions." We track and monitor those separately. Many of those actions are the same as the recommendations in the underlying supporting audit reports, but I would have to look at those specifically.

Senator LANKFORD. And when you have other agencies engaged in this, and this is what Gene Dodaro was mentioning before about when it is multi-agency it gets tougher, what happens? Give us an example of a multi-agency issue that you will have, and how does the process work with OMB to be able to help resolve the issues where there is duplication between agencies or there is overlap there.

Mr. CRUMPACKER. So I would not be able to speak to what might or might not go on at OMB. Typically, that would be handled by——

Senator LANKFORD. I am just talking from your side of it, what communication you receive from OMB and how that works and how they coordinate with you.

Mr. CRUMPACKER. And that communication would typically go directly to the program officials.

Senator LANKFORD. OK.

Mr. CRUMPACKER. Our office is not involved in that.

Senator LANKFORD. So you work directly with GAO and with the OIG, but not necessarily with OMB, in implementing some of their recommendations if it is multi-agency.

Mr. CRUMPACKER. That is correct. What we do with regard to a nexus to OMB is that we do track and monitor and ensure the accomplishment of the 60-day letters that are supposed to be sent to OMB and the Congress, and so we ensure that those are going in in a timely manner. DHS, as you can see in the written statement, I think it was 2008. It took us, quite frankly, 18 and a half months

[1] Mr. Crumpacker response to Senator Lankford's question appears in the Appendix on page 95.

to get a 60-day letter out. The last 2 or 3 years, we have been down to 62, 63 days. 2016 is going to be the year that for the first time ever we get down below that 60-day——

Senator LANKFORD. Fifty-nine days. [Laughter.]

Mr. CRUMPACKER. Yes, sir.

Senator LANKFORD. Can I ask another one lingering—and, Senator Portman, just jump in any time. We are on our second round, and it is a more open conversation here. But one other question just about Fast and Furious. Mr. Horowitz, you brought that up. Obviously, that is a long, lingering issue with a lot of recommendations that are now sitting out there. It is 6 years at this point on Fast and Furious. Tell me where that status is, recommendations, and the implementation of that.

Mr. HOROWITZ. So while the issues for Fast and Furious were back in the 2009–10 period, our report was 2012. So we are finishing up our follow up review of where those recommendations remain 3 years later so that we can decide whether they are now closed—whether they can be closed. And we are pretty near finalizing that and getting it here to the Hill, I think, very soon. And that is one of the ways, by the way, that we prioritize. We do not internally prioritize our open recommendations. We usually issue an aging report in essence to this Committee and to the leadership. We prioritize by doing follow ups on the most significant issues that we have and doing a review within 2 or 3 years usually to see where that is, a more thorough follow up review than perhaps just getting their paperwork, and reviewing what the Department is submitting to us. We are actually out there interviewing people and talking to people.

Senator LANKFORD. OK. Senator Portman.

OPENING STATEMENT OF SENATOR PORTMAN

Senator PORTMAN. Well, first, thanks very much to both of you for holding the hearing and, more importantly, this Subcommittee has been more active than perhaps Subcommittees have been in the past on the issue of oversight and specifically how you take the IG work and the GAO work and track it and implement it as appropriate. So I appreciate them spending the time and effort on this.

I think this is a time when we should all be doubling down on how to make government work more efficiently. We have this unsustainable debt and deficit, and one place to have some savings is, of course, with regard to more efficient government. And so I rely on the GAO reports and the IG reports and the Permanent Subcommittee on Investigations. As you know, that is one of our great sources of information. But there are some broader things that I think can and should be done by the full Committee, too, and so this is a great way for us to understand whether we are tracking this or not.

I am sorry I got here a little late. There is a lot going on right now with the omnibus and the extenders package, and I was in a meeting on that extenders issue.

I guess my question would be more generally about the process. My understanding is that when you all at GAO, Gene, issue a report that the agency head has a requirement to send that report

to us within a certain period of time and that you have indicated you might look at that process, and I do not know how my colleagues Senator Heitkamp and Senator Lankford feel about this, but it seems to me there could be a more transparent way for us to get those reports and to get some agency reaction to those reports. But maybe you have already talked about this this morning. If you have, I apologize, but what is your proposal about how to make that system work better?

Mr. DODARO. Well, first of all, I would like to look to see whether the agencies are responding in a timely manner 60 days or not. I am not sure we have a systemic picture across government on that issue. We talked about making sure the letters now go to the authorizing committees as well as the oversight and the appropriation committees, so that is a change I would propose that we make in the future.

Second would be the transparency you mentioned. I want to evaluate the quality of their responses whether the agencies are actually giving good responses to the Congress. I also want to then evaluate standard practices in GAO for reviewing those letters we will then engage in a dialogue with the committees regarding their perspective on the agency response letter.

So I think we could perhaps look at ways where this could be more transparent——

Senator PORTMAN. Are you undertaking that process already to look at the system and see whether it is working?

Mr. DODARO. We have not started yet. I plan to start—quite frankly, the genesis of this hearing prompted me to think about it.

Senator PORTMAN. OK.

Mr. DODARO. So I would credit this hearing as a means of getting us started on that process.

Senator PORTMAN. I for one would like to encourage you to do it, and I am sure that Chairman Lankford and Ranking Member Heitkamp would also like to be part of that. But I think that is really an interesting opportunity for us to at least get the good work that is being done used in a more effective way, to put it in the agency's hands to have to react to it and to get it to us in a way that makes more sense to actually follow through and hold people accountable.

The other question I would have, I guess, is just what your relationship is like with your departments. Mr. Crumpacker, you talked a little about how your relationship with your DHS senior officials is positive. There is a transparent relationship; they look to you to provide them information. Is that accurate? Do you feel like you have a good relationship?

Mr. CRUMPACKER. Absolutely, yes, sir. I have a good relationship within the Department with senior leadership at all levels, and I have a good relationship outside of the Department with both GAO and the OIG. As an example, with GAO, we have a quarterly coordination senior leadership meeting that has happened—I cannot remember when it started, at least 6 years ago. Every quarter we meet with George Scott, the Managing Director for Homeland Security and Justice Issues, on the DHS side. That meeting is chaired by the Under Secretary for Management and the General Counsel. So that is the type of ongoing engagement, an example of the type

of ongoing engagement that we have to maintain and continue to build our relationships.

Senator PORTMAN. Would the IG agree with you?

Mr. CRUMPACKER. Yes, sir. As a matter of fact, in my written statement there is a quote from Mr. Roth where he recently told me that—if I could just turn to it, he said: "That your office even exists is a testament that DHS has a mature and constructive attitude toward what we do." So I do believe he would agree.

Senator PORTMAN. All right. Now let us turn to Mr. Horowitz. Do you think your office enjoys a similar relationship with the Department of Justice leadership?

Mr. HOROWITZ. I do. We have had traditionally a very strong relationship with the Department's Justice Management Division, who is responsible for following these up. I think one of the things that we have done to effect more change at the Department is within the last 2 years send to the Attorney General and the Deputy Attorney General, as well as to the Congress, our complete list of open recommendations, because what we were finding is, among the dozens of components at the Justice Department, some were being more responsive than others. And the Justice Management Division, no matter how much they wanted to help, they are one of those components among many and having the leadership involved could perhaps move this process along further. And the Deputy Attorney General's office has been very helpful in that regard and just this month has put now in place a new system, a mechanism, and is advising the components across the Department to work with Justice Management Division auditors to move these along. So that has been helpful, and we are hoping to see more movement now.

Senator PORTMAN. How about your access to sensitive information? You have expressed concern in the past of not having access to everything that you would like in terms of sensitive issues.

Mr. HOROWITZ. There remain issues in not only the Justice Department but across all IG offices following up on the Office of Legal Counsel opinion that interpreted the IG statute, looked at the IG statute, and it is unclear at this point whether the provision in Section 6(a) of the IG Act regarding all records and access to all records for IGs indeed authorizes us to have access to all records in the hundreds, if not thousands of statutes that have limitations on them on access.

In connection with our work, we do not have independent access anymore to grand jury, wiretap, or credit information at the Department. The Department decides whether as a legal matter we are entitled to those records, and that is not consistent with, in our view, independent oversight.

Senator PORTMAN. Would you be willing to give us your recommendations as to how the statute could be clarified?

Mr. HOROWITZ. I would, and I would say, Senator, that the proposal that I think is pending to address this on the IG Empowerment Act, which this Committee already approved, would add the language that I think would resolve the issue for us. We are hopeful that is, in fact, the language that is adopted by——

Senator PORTMAN. That would solve the problem, you think, in the Empowerment Act?

Mr. HOROWITZ. That would solve the problem. It would make clear that unless Congress explicitly said IGs should not get certain records, the default is Congress intended the IGs to get the records. Right now we are operating essentially on the reverse proposition.

Senator PORTMAN. And, Gene, is there any legislative help that you think you need in order to make this system work better of transmitting reports to this Committee and to the Congress?

Mr. DODARO. I think that the recommendations I made earlier about making sure the reports go to the authorizing committees is the one I would cite right now.

Senator PORTMAN. Does that require statutory change, do you think?

Mr. DODARO. Yes. In the meantime, what we can do is make sure when we get them, we give them to the authorizing committees. But that is not an efficient way to do it. It would be better if the agencies did it as well.

Senator PORTMAN. With their input, preferably.

Mr. DODARO. Yes.

Senator PORTMAN. Thank you, Mr. Chairman.

Senator HEITKAMP. Can I just run down—I have been trying to keep a kind of running list of ideas and issues here as we look at adding this kind of good governance piece, and you are absolutely a foundational need for good government. There is no doubt about it. But if nobody wants to build on that, we do not get the results that we need.

So we are talking, Gene, about the 60-day letters. You are going to look to see if there is a quality response kind of indication, or if they are just—the night before it is due, throwing something together as opposed to actually having a plan for implementation. Then legislation on authorizing committees, looking at transparency, increasing the transparency of the 60-day letters. And then taking a look at standard practices on how you deal with them. And some of those are administrative, and some of those are legislative, and we will have to sort through that.

We have the IG Empowerment Act that absolutely needs to be done if the IGs are going to be our partners that they need to be. We have heard today a specific problem with the Department of Health and Human Services, access to the database for cross-referencing any kind of fraud or failure to basically do the double-check that we need to do to make sure that people are not getting paid who are not statutorily qualified to be paid.

Then looking at the additional resources, and that is something that we need to share with our colleagues. Senator Tester is on Appropriations. Senator Lankford is on Appropriations. That is helpful to bring that message back.

But I honestly believe that as we have seen the benefit of this collaboration across agencies that GAO is able to bring as a result of their centralized mission, that we need to do something like that—maybe not centralize the IGs, but definitely create a database and create the resources that we need. And then, obviously, the authorizing committee.

What did I miss here?

Mr. DODARO. No, I think you got everything. The human resource base, the new hire database——

Senator HEITKAMP. Yes.

Mr. DODARO. But that is a pretty good list. I do not think you missed anything.

Senator HEITKAMP. The one thing I want to talk a little bit about is, as we now go into tax season again, the problems that we have with the Internal Revenue Service (IRS) database and with inappropriate refunds. Everybody wants to get their refund quickly. That is the system that we have now designed. As a former tax commissioner, if we got your refund within a month, people were thrilled. That now would be seen as, my goodness, I want it tomorrow kind of thing. Obviously, that desire to get people back their refund has created a situation where we may not be doing the kind of double-check that we need to do before those refunds go out. And I know that is not the purpose of this hearing, but I am concerned as we go into this tax season that we are better prepared than we were last tax season to catch fraud and abuse of that refund system.

Mr. DODARO. This is an area—that fits with this hearing. We have open recommendations that require a statutory change by the Congress that we think is necessary to fix this problem.

No. 1, you need to accelerate the dates for W–2 filings. Right now the IRS does not get the W–2 information to match, from the employers until April. And by then it is too late. The crooks file early, and they are filing using identity theft, and that is a big vulnerability, and IRS is limited in their ability to obtain information to prevent it. This would also help in other areas in terms of, wage withholding for Social Security to have the W–2 information earlier. So that is No. 1.

No. 2, we think Congress ought to give IRS the authority to regulate paid tax preparers. A lot of returns are prepared by paid tax preparers. IRS has done an analysis. A significant number of those returns have inappropriate advice, for example claiming the Earned Income Tax Credit (EITC). We did an undercover investigation where we sent people out to 19 paid tax preparers, and in only 2 cases did we get the correct answer for the situation that we had in terms of the filing situation of our undercover teams. And we looked at the data that IRS had submitted, and over 60 percent of the returns, our estimate is—and they confirmed it—prepared by paid tax preparers had errors in them.

So IRS tried to regulate prepares based on these concerns. This is a case where the agency moved quickly on our recommendation, but then IRS was sued. And the courts determined they did not have the authority to regulate in this are and so Congress needs to act in order to——

Senator LANKFORD. So the question I would have with that, and I have had this conversation with the IRS as well on it, is the carrot-stick approach here. They used the stick heavily. The reverse of that is to say you can only do fast returns and be listed as a paid preparer that actually has a—who basically gets in the fast lane, the HOV lane of returns if you are certified. If you are not certified, your returns take a month to get back. If you are certified, it takes a week to get back. Every one of these paid preparers says they can get it turned around fast. They will all go through the certification if they get that access to it.

Do they have access to do that right now, or would that take legislative action?

Mr. DODARO. I will have to take a look at it. My initial response, pending a more detailed response, would be they would need to have legislation in order to do it.[1]

Senator LANKFORD. OK.

Mr. DODARO. We looked at Oregon that regulates tax preparers, has for a number of years, we did an analysis, and we found that you have a 72-percent higher rate of accuracy in tax returns filed in Oregon than you do anywhere else in the country. We always call our States the "laboratories of good government." It has been proven to be effective in Oregon, and I think the IRS could do it.

Now, how they exercise the authority and go through due process for a carrot-stick approach or a different, maybe tiered approach would be up to them. But I think it would be better if the Congress gave them the authority and had them develop a proposal for Congress on how they would exercise the new regulatory authority. The proposal could include benefits and costs and how to avoid any downsides of overregulation.

Senator PORTMAN. We have a little opportunity in the extenders package to do something for enrolled agents, something that has been in the mix for, I think 12 years now, and it would help because these enrolled agents do have this expertise and the certification process they have to go through, or they cannot advertise it. To me it is crazy. So that is a small way to help. That is not necessarily going to answer all of the questions that you have raised, but to have people who have professional certifications in this area being able to tell people that if you come to us, you are going to get a better, more accurate return in, I think that is helpful.

Could I ask a question about the Congressional Review Act? Again, this may have come up earlier, but it is not directly related to these reports, but it is related to GAO. And you know that it was for a while true that when a Federal agency sends final rules to Congress, they also send them to GAO before the rules can take effect, and GAO used to keep track of all those covered rules that are being submitted and would notify OMB of any missing rules. And in November 2011, my understanding is GAO stopped checking the Federal Register and stopped notifying OMB of these missing rules. According to the Administrative Conference, once GAO reduced the check of the Federal Register, stopped doing this process, the number of rules in the GAO database fell sharply.

Can you explain why GAO stopped keeping track of rules being submitted to Congress and whether you think it would be worthwhile to endeavor to resume that?

Mr. DODARO. We are still carrying out our statutory responsibilities. I will have to get back to you with an answer on that. I know this has come up before. I have looked into it. I was satisfied that we had a good reason but I cannot remember it off the top of my head. And I do not have anybody here who can give me an answer to that. But I will get you an answer by the end of the day.

Senator PORTMAN. Well, that would be helpful. When I was at OMB, it was done, and I am told, again, by the Administrative

[1] Mr. Dodaro response to Senator Lankford's question appears in the Appendix on page 98.

Conference folks that that is no longer the case. So we would love to hear from you on that.

Mr. DODARO. Sure.

Senator PORTMAN. Another potential legislative activity we could undertake here to help to get a better sense of what the rules are and just more transparency to Congress.

Mr. DODARO. And as I am recalling it now, I think it is a resource issue as well. So we will let you know about that as well.

Senator PORTMAN. All right. Thank you.

Thank you, Mr. Chairman.

Senator LANKFORD. Mr. Horowitz, could I ask you a question just about people and what I have found in visiting with many of the agencies and the individuals who work in the agencies? They are some of the most frustrated people about the work of the agency because they see the bureaucracy and they see the inefficiencies, and it seems like they have very few places to be able to get that out. Can you talk a little bit about whistleblowers and their own protection and then the opportunity for not just whistleblowers but just suggestions and ideas? And are the IGs watching for that and watching for how are good ideas rising out of the employees in these agencies? Is that something they regularly check? And if so, how are we managing some of the whistleblowers and some of the ideas and suggestions?

Mr. HOROWITZ. We do follow that, and one of the actions that IGs took in light of the Whistleblower Act adopted 2 years ago by Congress, the whistleblowers enhancements——

Senator LANKFORD. Right. We had additional protections that we had a markup on yesterday dealing with the same thing.

Mr. HOROWITZ. And we all have now ombudsmen throughout the OIG community. We have created in CIGIE a working group among the ombuds to get together to talk about the commonality of issues that we face across the IG community on whistleblower issues. We have been very engaged with the Office of Special Counsel (OSC) to make sure we understand what they are seeing, because they obviously have the best picture into retaliation issues that come to whistleblowers, and it is something that I have done particularly within my own agency, the Justice Department, to make sure that we are being, as an OIG, more responsive and appropriately responsive to whistleblowers and that we get training across the Justice Department on whistleblower issues.

We have authority on the Federal Bureau of Investigations (FBI) whistleblower retaliation. That comes to us as an OIG. It does not go to OSC. So we have a special interest in these issues for that reason. One of the messages that I have certainly tried to get out—I know my colleagues in the IG community have tried to get out—is that we have 14,000 staff throughout the 72 OIGs. We know a lot about what is going on in the agencies we oversee. But the real eyes and ears of the organization are the people who work day in, day out at the agency. They know far more than we ever will know, and they are the ones we need to come to us with issues they are seeing if they are not getting resolved by their supervisors, their managers, their boss' bosses, and we have to have that open door.

Senator LANKFORD. So how is that relationship? Is that different agency to agency? How are the Inspectors General getting out, get-

ting into the cubicles, getting a chance to visit with people, getting the feedback and ideas in that relationship? Is this a piece of paper in the break room that says if there is a suggestion here is where to call? Or is this an actual relationship that is out there being built?

Mr. HOROWITZ. It varies across the 72 IGs. As we have seen in the newspaper reports, various agencies have had issues with how they have dealt with whistleblower issues, and those have played out publicly. One of the things we have tried to do—and I know other IGs are doing and working with the Office of Special Counsel, for example—is getting certified pursuant to Section 2302, working with the agencies to get them certified pursuant to Section 2302, which is essentially an educational effort, to make sure managers and staff understand their rights, understand what they are supposed to do when an employee wants to come forward, and what they are not supposed to do when an employee comes forward. And study after study on these issues shows that what employees, whistleblowers, want to see is some responsiveness to their concerns and that they almost inevitably stay within their chain of commands first.

Coming to us as an OIG is usually an extraordinary step for somebody. They want to see change occur within their organization and within their own working group. And so we as IGs have to be sensitive to that, and that is something we have worked on, as I said, internally, but also getting our message out externally.

Senator LANKFORD. And that should be obviously working within the chain of command. If the first call is the Equal Employment Opportunity Commission (EEOC) or to the IGs or something, this suddenly blew up in a hurry, it should be resolved within chain of command most of the time. My concern is that for individuals that feel frustrated, it is not getting resolved.

I am going to flip the subject here real quick while we are dealing with personnel issues. This Committee also has the Federal workforce as well as multiple other areas. The issue of probation in the Federal workforce has been one that IGs have looked at over and over again. Administrative leave has been one of those issues that there have been multiple issues on how to be able to handle this. Any new recommendations or ideas dealing with probationary periods or administrative leave that have come up?

Mr. HOROWITZ. We have actually been working with some of the members recently. We are putting together a bill on this and communicating some of the issues we have seen, and I agree with you. One of the things we have tried to do, again, within our own agency is work with the Justice Department to try and ensure that they have information and understand when someone truly needs to be on administrative leave or perhaps just needs to be reassigned while we finish our work. And we are learning that is an experience we have across the IG community that we are sitting with Members of Congress right now as they are putting together a bill to address some of these concerns, and Senator Grassley in particular has been involved in that effort. I know a number of other members have as well.

Senator LANKFORD. OK. Thank you.

Senator HEITKAMP. Going back, James was talking about, the carrot and the stick. Let us talk a little bit about the carrot, which is, how do we reward agencies who can find cost savings so that they can actually kind of reward employees. I am curious, Gene, have you seen any agencies that have run a very good—tell us what your efficiency idea is and we will implement it and, kind of a good reward system for Federal employees to basically participate in cost savings.

Mr. DODARO. I would have to go back and check. I know we have looked over the years at various efforts including gain-sharing ideas, and they always ran into methodological problems in justifying the savings, having good data to justify any rewards, and then how the allocations would be done. But I know that there needs to be better incentives, because a lot of agencies will say, well, if we save the money, we do not get to keep any of it, and so what is the incentive?

And so I will go back and give you a thorough answer on this and understand a little bit, but I know enough to know and feel confident of telling you it is not where it needs to be.

Senator HEITKAMP. Right.

My point is we can kind of threaten agency heads with, whistleblower and, we are out to get you, or we can provide incentives for them to look for the cost savings and for them to actually participate with us in encouraging employees to step up and rewarding employees who do step up with great ideas on saving money. I just honestly believe that there is a plan out there or there could be a plan out there that could reap greater rewards, and more than anyone else, you have that kind of view from a mile high on all these agencies. And so I would be really curious about, what agency you have seen that has done a particularly good job incentivizing employees to participate in cost reduction.

Finally, I have one question that goes back to workforce and is something that you raised early on, Mike, which is this idea of cybersecurity. My question is: Do you think that there is adequate expertise within agencies—and this is probably for you, too, Gene—adequate expertise within agencies on cyber issues—and we say, obviously, very high profile instances of data breaches—today that protect that Federal database from hacking, that protect, critical infrastructure of this country? Do you think we have the employee base?

Mr. HOROWITZ. We just actually did a review of that earlier this year on the next-generation cyber initiative that the FBI does. We looked at this issue extensively within the FBI, and that was one of our most significant findings, is the FBI has lots of vacancies in these very critical positions for the reasons we now see in the news as to how important it is to have the right staff. Pay is an issue. Recruitment and other issues arise in getting top-notch talent to fill those jobs, and we found lots of vacancies and made recommendations regarding that.

Senator HEITKAMP. I know we are running a little bit over, but I am curious what you think the three key recommendations are to fill that gap.

Mr. HOROWITZ. Well, one is pay. The FBI simply cannot compete on some of these positions, as we learned, with private sector opportunities.

A second issue which Director Comey has talked about is some of the background checks that go on, and that the FBI has to think about how they do that for the current graduates and individuals they want to recruit for these positions and thinking about how do they attract the right talent and get them through, people who can get through the background investigation process.

So those were just a couple of things that we identified as well as outreach and greater recruitment efforts.

Mr. DODARO. Senator, I would just add, if I might——

Senator HEITKAMP. You bet.

Mr. DODARO. On the cyber area, there are critical skill gaps, clearly, and it is part of the issue. We first put cybersecurity on our High-Risk List in 1997. It was the first time that we ever identified a high-risk topic across the entire Federal Government as part of our high-risk effort. We added critical infrastructure protection in 2003. We just recently added the need to protect personally identifiable information (PII). People's skills are part of the problem, but also they do not have comprehensive security programs in place with good training for employees. A lot of malicious attacks come from employees clicking on emails and attachments that they should not.

Hundreds of our open recommendations are on the information security area and actions the agencies need to take. That is probably the single largest category of recommendations we make every year, because we do this across government along with the IGs. And there are just hundreds of these things, very technical things that they need to do, where they have not upgraded, they have not patched quickly, they need to do continuous monitoring. But the people part is important, but it is not the full set of recommendations.

Senator HEITKAMP. Right, and the first line of defense is cyber hygiene.

Mr. DODARO. Right.

Senator HEITKAMP. There are things that can happen every day that will make us safer, but it is not institutionalized. We just need to understand on this Committee the workforce issues, which is why I asked the question.

Senator LANKFORD. I have one final question as well dealing with the grants, something, Michael, you brought up earlier about the grant issues. Obviously, a large portion of Federal funding is shifting toward the grant side of it. How are we doing on oversight, both selection of individuals to make sure that our agencies, when they are selecting people to receive grants, have good oversight with that in the process of it and the results are actually benefiting the national security and economic benefit of the Nation?

Mr. HOROWITZ. I think on the former issue, in terms of how the grant-making agencies are scoring and awarding grants, I think we have seen a very significant amount of progress and, generally speaking, strong movement forward on doing that in a more rigorous way. I think the issue many of the IGs have, including myself, is the back-end issue that you just mentioned, which is how

are we really analyzing the performance measurements and what kind of metrics are we using to undertake that analysis.

Oftentimes I think we have seen that it is much more of a check-the-box approach if you said you would treat 500 people, we see you sent us reports that show you treated 500 people. Well, the next question would be: What happened?

Senator LANKFORD. Did it help?

Mr. HOROWITZ. Did it help? What is the outcome? And that is where we are not seeing as much rigor as certainly myself and several other IGs think should be occurring. And that is a reason why—and in our top management challenges this year and last year—we put on there that issue in terms of metrics generally to be addressed by the Department.

Senator LANKFORD. So what can we do as a Congress to be able to help with that? Because every year—my office just put out a report, as I mentioned earlier, that lists some of the grants. Obviously, I did not go through all of them, but they are some of the grants that you clearly come back and say, How does this help the national security of the United States? There was a grant that was given last year researching, Do media outlets drive the political climate of the Nation, or does the political climate of the Nation drive the media outlets? Why in the world did Federal taxpayers pay for that? I understand that might be a good research study for a university to do or for any media organization to do, but I do not see how that drives the benefit of the taxpayer to do a political research study like that. That was a study that was done, $375,000 to study the dating habits of senior adults. Well, I raised the question and said, "Tell me why the Federal taxpayer needed to pay for that particular study."

What can we do to help on that? Because there are really important research projects that are out there that the Federal taxpayer can and should be a part of, but we do not want them to get clouted or money to be squandered on things that are not important to the Federal taxpayer when there are other things that are.

Mr. HOROWITZ. Right. Well, through the appropriation and grant-making process, Congress puts in all sorts of language about certain measures it wants to see take place and occur, and certainly in that legislation, there can be requirements about reporting certain information and certain metrics and having OMB through its omnicirculars put requirements in place across the Executive Branch would be helpful as well so that it is not agency by agency, which is one of the struggles we have as IGs.

And I will add that in another plug for the IG Empowerment Act that this Committee has put forward is an exemption from the Computer Matching Act, which would allow us to look at, as IGs, across the Federal Government some of the improper payment issues that you have been discussing with Gene earlier. That would allow us as IGs to stop looking at this simply as department by department, but looking at what grants are our agencies doing. Duplicative grants has been an issue that we have been looking at and I know the GAO has been looking at. We struggle to understand and look at the question of not only are there duplicative grants within the Justice Department but across Federal agencies. And one of the things that we would be advanced on by the IG Em-

powerment Act is being able to perhaps share that data more regularly with each other.

Senator HEITKAMP. Can I add to this discussion something that is on the other end, which is, $20,000, we are going to help you, do some outreach with kids who might be runaways, and you end up costing that agency $5,000 in audit costs. So at some point, we have both ends of the spectrum, not enough, but then also, this kind of check-the-box accountability that leads to very high administrative costs on grants.

I would recommend that you take a look at what that accountability, especially the financial accountability piece, make recommendations to us and to other folks about, we asked for that, it is a check-the-box thing; it is not significant. We get that occasionally something might slip through the cracks and we end up paying something we should not. But we are creating a multibillion-dollar industry on the audit side with very little protection to the taxpayer.

I would just lay that on top of James' accountability on one end. Let us take a look at whether we are driving up administrative costs and actually resulting in inefficiencies through accountability measures that do not add to the security and safety of the Federal Treasury.

Mr. DODARO. First, on the point that you are making, there are inefficiencies not only in the audit process but in the application process and the whole delivery system. We have a very complicated, expensive intergovernmental delivery system in the United States that I think needs to be reexamined and roles and responsibilities clarified. The Federal Government is on an unsustainable long-term fiscal path. State and local governments are under a lot of fiscal stress as well for a lot of the same reasons. I do not have empirical information yet to support this, but my instincts tell me that we cannot support the complicated intergovernmental delivery system in the future in the same manner and expect to get a good result at the end.

With regard to the issue you raise, Senator Lankford, I believe we need a paradigm shift. Right now programs get funded year after year without having to demonstrate that they had a positive result on anything. And when we go in and look at overlap and duplication, we find many programs that have never been evaluated. So there is really not any empirical information to say that the investment that we have made is working very effectively. And it is up to the auditors to prove that the program is not doing something, you have to really prove that it is not doing anything for it to ever get stopped. This is in contrast to having positive assurance that the program was really successful in achieving its objectives and having good, independent evaluation results to say if we continue to fund this program, we will get good results.

I think that that it is totally backward in the way it is now. Unless that changes, you are not going to get a different outcome.

Senator LANKFORD. I would absolutely agree, and this hearing is not about legislation because we do not try to come with a pre-set piece on this. This is about trying to bring openness on it, but there are several pieces that do come up. The IG Empowerment Act has come up over and over again, which this Committee has already

worked through. The Taxpayers Right-to-Know, that bill which does transparency and also evaluates the metrics, that paradigm shift that you talked about, that is currently working through the Senate right now. And in the Grant Act, which has also been thrown around here, trying to provide some basic transparency in how we do grants, those are pieces that are currently in process of working through the Senate.

So our hope is that we can actually get some solutions on top of some of these big issues, but I appreciate it very much. Any other final comments?

Senator HEITKAMP. No. Just once again thank you so much, and, I hope this has been a good discussion for you as well as for us and gives you some ideas of what we are looking at.

I just really believe that this collaboration and partnership between this Committee and particularly this Subcommittee and you guys talking back and forth, I hope you find that that is a useful use of your time, because we really take seriously what you tell us and the need to move these ideas forward if we are going to be responsive to the taxpayers.

Mr. DODARO. I just want to say I really appreciate from GAO's perspective this hearing and the time and attention that you are giving to this subject. It is very important for our organization and our people to know that our work is valued and that we have this support. And there is no way that these recommendations will get implemented effectively without executive agency cooperation and congressional oversight.

So it is imperative. We will dialogue with you as much as you want in order to make this a better government.

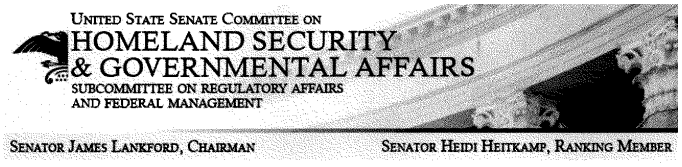
Senator LANKFORD. Well, just for the American people, I would say from last year about $74 billion in thanks back to GAO and what they have done for the IG and for so much work that has been done to be able to protect the taxpayer and Federal employees and folks around the country.

Thank you again. The hearing record will remain open until 5 p.m., Monday, December 28, for anyone who over Christmas wants to be able to put together their submission statements and questions for the record. [Laughter.]

With that, gentlemen, thank you very much. This hearing is adjourned.

[Whereupon, at 11:47 a.m., the Subcommittee was adjourned.]

APPENDIX



December 10, 2015

Opening Statement of Senator James Lankford

Homeland Security and Governmental Affairs Subcommittee Hearing:

Implementing Solutions: The Importance of Following Through on GAO and OIG Recommendations

Good morning. I would like to welcome everyone to today's Subcommittee hearing that will focus on the recommendations made by the Government Accountability Office and Inspectors General to improve government efficiency.

We all want a federal government that serves the American people in the most effective and efficient manner. The Government Accountability Office and Agencies' Inspectors General are on the front lines in combating waste, fraud, and mismanagement within government. Their audits and investigations are vital in uncovering and eliminating the billions of waste and mismanagement of taxpayer dollars.

Through reports, recommendations, and their High Risk List, GAO serves Congress and the public by conducting oversight of how federal dollars are spent. This mission is particularly vital today as we face a federal debt approaching 19 trillion dollars. Last year, GAO saved the taxpayers a record $74.7 billion dollars, bringing their total to over a half a trillion dollars saved since 2003.

While GAO looks for waste across government, Inspectors General are uniquely positioned to focus on and work within their respective agency and play a critical role in congressional oversight. IG recommendations have the potential to save significant taxpayer dollars but agencies continue to fail in implementing many of these recommendations – to highlight one agency – there are 709 unimplemented recommendations at the Department of Justice alone.

I recently published a report titled "Federal Fumbles" that described 100 examples of wasteful federal spending and burdensome regulations, while also proposing solutions to these problems. I relied extensively on GAO and IG recommendations for this report but acknowledge that this report sheds light on only a small fraction of the waste that GAO and IGs identify every year.

When looking at this issue it is important to remember that this is not an adversarial conversation. Creating a responsible, efficient government is something that we can and should all agree on. It is important that Congress takes an active role to ensure that the GAO, IGs, and the agencies work together to eliminate waste and mismanagement.

Today I look forward to discussing how the federal government can improve its implementation of GAO and IG recommendations and how Congress can better facilitate those efforts.

OPENING STATEMENT FOR SEN. HEIDI HEITKAMP

Regulatory Affairs and Federal Management Subcommittee hearing, December 10, 2015: "Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations"

Thank you, Chairman Lankford. Welcome Mr. Dodaro, Mr. Horowitz and Mr. Crumpacker.

The federal government spends hundreds of millions of dollars annually to have federal programs audited and investigated by the Government Accountability Office (GAO) and the offices of inspectors general (IGs). The GAO and IGs spend their days providing valuable recommendations on how federal agencies can be more effective and efficient with taxpayer dollars.

This type of oversight is critical and valuable. The American people can be sure that their tax dollars are being used wisely when agencies take GAO and IG recommendations seriously and use these recommendations to make the federal government work better.

Our hearing today is about learning more about how to improve agency follow-up and make sure that everyone is doing their part in assessing recommendation follow-up. The work that the GAO and inspectors general perform in providing recommendations to agencies is important and the recommendations shouldn't go unimplemented or unnecessarily delayed.

As you can see from the Audit Process charts in front of you and the chart on the easel to my left, a great deal of planning, and many hours of work, go into the auditing process by the GAO and IGs. We want to make sure that the hard work isn't going unnoticed, unappreciated or unimplemented.

If you take a look at the lower left hand side, you will see the GAO's work on monitoring and implementation of recommendations. Over the years, the GAO has taken a number of steps to increase oversight of recommendations. The GAO maintains an online database of open recommendations that still need to be addressed by agencies. According to GAO's website, the goal of the recommendations database is to "help congressional and agency leaders prepare for appropriations and oversight activities, as well as help improve government operations." Because of this database of open recommendations, we know that there are almost 4,600 open recommendations with federal agencies. That is a significant number and I hope to discuss ideas today on how to move that number lower.

Next, I want you to take a look at the lower right hand side. Inspectors general operate differently from the GAO. It is a little more challenging to know how Federal agencies are responding to inspectors general recommendations. While IGs are required by law to provide semi-annual reports to Congress tracking audit recommendation implementation, each IG has their own system for tracking the recommendation implementation.

IGs do not maintain a centralized database in which all outstanding recommendations government-wide are input, stored, and made accessible to Members of Congress and the public. While we know that there are IGs doing a great job of following up with recommendations, the current set-up right now doesn't allow Congress or the public to track outstanding recommendations or recommendations over time. And it's not just Congress that would win with having a more open process regarding IG recommendations, but other IGs would be able to see what is working at other IG departments so that they can incorporate into their own recommendation follow-up process.

Today's hearing is about learning the recommendation follow-up practices that work for agencies and figuring out how to do more of what works. We're not here to place blame on any

particular entity. We're here to stand with the GAO, offices of inspectors general and agencies as a partner in making the federal government more effective and efficient.

We are all in this together. This hearing is just as much about agencies, the GAO, IGs as it is about Congress.

My hope with this hearing is to start a dialogue on how Congress can work with agencies, the GAO and IGs to improve Congressional oversight of recommendations.

I look forward to the hearing the testimony from the witnesses.

United States Government Accountability Office

Testimony

Before the Subcommittee on Regulatory Affairs and Federal Management, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. ET
Thursday, December 10, 2015

GOVERNMENT EFFICIENCY AND EFFECTIVENESS

Implementing GAO Recommendations Can Achieve Financial Benefits and Strengthen Government Performance

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

GAO-16-272T

GAO Highlights

Highlights of GAO-16-270T, a testimony before the Subcommittee on Regulatory Affairs and Federal Management, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

GAO's mission is to support Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. GAO provides nonpartisan, objective, and reliable information to Congress, executive branch agencies, and the public. To help Congress and the government, GAO recommends solutions across the broad spectrum of federal responsibilities to foster efficiency and effectiveness in federal programs and address high risks, management issues, and other challenges.

GAO's work supports a broad range of interests throughout Congress. In fiscal year 2015, GAO received requests for work from 97 percent of the standing committees of Congress and 88 percent of their subcommittees.

Since fiscal year 2010, GAO's work has resulted in over $[illegible] billion dollars in financial benefits and about 17,000 program and operational benefits that helped to improve public services and promote sound management throughout government. Executive branch cooperation and congressional oversight have been, and will continue to be, critical in helping realize the benefits of GAO's recommendations.

This statement discusses (1) the status of GAO's recommendations, including key outcomes and open issues and (2) mechanisms for focusing attention on implementing GAO's open recommendations. It is based on GAO's prior work spanning the federal government, including high-risk areas and ways to address fragmentation, overlap, and duplication.

View GAO-16-270T. For more information, contact Lesley Mahaffey at (202) 512-6806 or mahaffeyl@gao.gov.

December 10, 2015

GOVERNMENT EFFICIENCY AND EFFECTIVENESS

Implementing GAO Recommendations Can Achieve Financial Benefits and Strengthen Government Performance

What GAO Found

GAO's work routinely generates recommendations for improving the efficiency and effectiveness of government programs, resulting in measurable improvements. Since fiscal year 2010, GAO's work has resulted in over $330 billion in financial benefits and over 8,000 program and operational benefits. In fiscal year 2015 alone, GAO's work yielded $74.7 billion in financial accomplishments—a return of about $134 for every dollar invested in GAO. Other wide-ranging benefits include helping to avoid sequestration and identifying legislative solutions to federal performance and management issues. GAO has made an average of 1,800 recommendations a year with an average of about 80 percent implemented between fiscal years 2010 and 2015.

As of November 12, 2015, about 4,800 of GAO's recommendations to executive branch agencies and the Office of Management and Budget remain open across the federal government. If implemented, they could result in significant benefits, such as increased savings, better services to the public, and improved federal programs. A couple of examples to illustrate this potential follow:

- Department of Defense (DOD) Weapon Systems Acquisition: On GAO's High Risk List since 1990, GAO's work has identified several opportunities for DOD to maximize its use of taxpayer dollars by improving its acquisition process. For example, given DOD's plans to increase F-35 funding by billions of dollars over the next 5 years, GAO recommended that DOD conduct a comprehensive affordability analysis of the program's procurement plan. DOD maintains that it accomplishes this through its annual budget process; however, without a more thorough and complete analysis, DOD may not fully understand the affordability implications of increasing funding at the planned rates.
- Medicare Program Payment Policy: On GAO's High Risk List since 1990 due in part to its complexity and susceptibility to mismanagement, GAO has made many recommendations to improve Medicare, including improving the accuracy of the adjustment made for differences in diagnostic coding practices between Medicare Advantage (MA) and Medicare Fee-For-Service. For example, the Centers for Medicare & Medicaid (CMS) could better account for additional beneficiary characteristics, such as residential location, and use more current and refined data in determining MA payments. GAO made this recommendation because of shortcomings in CMS's adjustment, which resulted in excess payments to MA plans totaling an estimated $3.2 billion to $5.1 billion over a 3-year period from 2010 through 2012.

GAO continuously engages with executive branch agencies to ensure recommendations are implemented. For example, GAO regularly follows up with agencies on its recommendations and posts their status online. This year GAO sent letters to the heads of key executive branch agencies identifying unimplemented recommendations that warrant priority attention. GAO's high risk and fragmentation, overlap, and duplication work also highlights critical open recommendations for executive branch agencies and Congress. In addition, GAO works with Congress to further progress on recommendations, including incorporating GAO work into legislation.

Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee:

Thank you for the opportunity to discuss how implementation of GAO's recommendations improves the federal government's performance and the efficiency and effectiveness of its operations. GAO's work has resulted in billions of dollars in savings and significantly improved government programs and operations. Addressing unimplemented recommendations can lead to additional savings, better services to the public, and improved program performance and accountability.

GAO's mission is to support Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. GAO provides nonpartisan, objective, and reliable information to Congress, executive branch agencies, and the public and supports a broad range of interests throughout Congress. In fiscal year 2015, GAO received requests for work from 97 percent of the standing committees of Congress and 66 percent of their subcommittees. Through our work across the breadth and scope of the federal government's responsibilities, we recommend solutions that offer significant opportunities to foster government efficiency, effectiveness, and responsiveness to high priority risks, management issues, and other challenges facing Congress and the nation. Executive branch cooperation and congressional oversight has been and will continue to be critical in realizing the full benefits of GAO's recommendations.

My testimony today describes (1) the status of GAO's recommendations, including key outcomes and open recommendations and (2) mechanisms for focusing attention on implementing GAO's open recommendations. This statement is based on our previous work in areas spanning the federal government such as defense, health care, and information technology; our high-risk program; fragmentation, overlap, and duplication; and our performance and accountability report. This statement is based upon work GAO conducted in accordance with generally accepted government auditing standards and GAO's quality assurance framework. We believe that the evidence obtained provides a reasonable basis for this statement.

GAO's Work Has Contributed to Significant Financial and Other Benefits, but Further Opportunities Exist to Save Money and Improve Government

Our work routinely leads to recommendations for improving efficiency and effectiveness across the federal government's programs, resulting in measurable savings and improvements. Since fiscal year 2003, our work has resulted in over ½ trillion dollars in financial benefits and about 17,000 program and operational benefits that helped to improve public services and promote sound management throughout government.

About 65 percent of our products contain recommendations, and since 2010, we have issued an average of almost 1,800 recommendations each year. Management of the audited agencies has discretion on whether to implement our recommendations, and executive branch agencies have implemented an average of about 80 percent of our recommendations, as reported in our performance and accountability reports for fiscal years 2010 through 2015 (see table 1).[1]

Table 1: Results of GAO's Work, Fiscal Years 2010 through 2015

	2010	2011	2012	2013	2014	2015
Reports and recommendations						
New products with recommendations[a]	61%	68%	67%	63%	64%	66%
Total new recommendations	2,005	2,132	1,807	1,430	1,619	1,680
Past recommendations implemented[b]	82%	80%	80%	79%	78%	79%
Benefits						
Financial benefits[c] (billions)	$49.9	$45.7	$55.8	$51.5	$54.4	$74.7
Other benefits[d]	1,361	1,318	1,440	1,314	1,288	1,286

Source: GAO. | GAO-16-272T

Notes: The number of total new recommendations varies based on the number of reports issued each year as well as the issues examined.

[a]New products with recommendations is the percentage of our written reports and numbered correspondence issued in the fiscal year that included at least one recommendation.

[b]Past recommendations implemented is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year. We use a 4-year reporting window because it generally takes up to four years to implement our recommendations.

[c]A financial benefit is an estimate of the federal monetary effect, including cost reduction and revenue enhancement, of agency or congressional actions.

[1]GAO, *Fiscal Year 2015 Performance and Accountability Report* GAO-16-3SP (Washington, D.C. Nov. 16, 2015). One of the ways we hope to improve getting action on our recommendations is by separately reporting recommendations implemented by executive branch agencies and matters for congressional consideration. We started this process in our fragmentation, overlap, and duplication work and implemented it GAO-wide beginning in fiscal year 2015.

[d]Other benefits include benefits to the government that cannot be estimated in dollar terms and are categorized into six areas: (1) public insurance and benefits, (2) public safety and security, (3) acquisition and contract management, (4) tax law administration, (5) program efficiency and effectiveness, and (6) business process and management.

Since fiscal year 2010, our work has resulted in over $330 billion in financial benefits and over 8,000 program and operational benefits that helped to change laws, improve public services, and promote sound management throughout government. [2] The following examples illustrate the wide-ranging benefits from our work in several categories, including (1) identifying cost savings and revenue opportunities to help to avoid sequestration; (2) identifying legislative solutions; (3) achieving financial, program, and operational benefits; (4) helping Congress oversee key programs; (5) addressing high-risk areas; and (6) reducing fragmentation, overlap, and duplication in government programs.

Helping to Avoid Sequestration

Our work helped Congress achieve some of the billions in savings and revenue enhancements that could avoid sequestration in fiscal years 2014 through 2017. For example, key decisions adopted by Congress in the Bipartisan Budget Act of 2013 were linked to our work and helped Congress achieve about $23 billion in savings and revenue enhancements to avoid sequestration in fiscal years 2014 and 2015, such as

- improving the cost-effectiveness of filling the Strategic Petroleum Reserve, estimated by the Congressional Budget Office (CBO) to save $3.2 billion from 2014 to 2023;[3]
- increasing aviation security fees to cover 43 percent of aviation security costs in 2014, estimated by CBO to save $12.6 billion from 2014 through 2023;[4]
- expanding the risk-based element of the Pension Benefit Guaranty Corporation's premium rate structure, estimated by CBO to increase revenues and offset direct spending by $7.9 billion from 2014 through 2023[5]

[2] We use a robust methodology to calculate the benefits of our work. See GAO-16-3SP for more details on how we calculate the benefits from our work.

[3]Pub. L. No. 113-67, § 306, 129 Stat. 1165, 1183 (2013).

[4]Pub. L. No. 113-67, § 601, 127 Stat. 1165, 1187–1188 (2013).

[5]Pub. L. No. 113-67, § 703, 127 Stat. 1165, 1190–1192 (2013).

- limiting the amount of compensation contractors working on a federal contract can charge to the government to $487,000 annually, a decrease from the previous cap of $952,308; [6] and
- improving the collection of unemployment insurance overpayment by $159 million[7] and reducing improper payments to inmates for disaster relief and other assistance resulting in savings of $80 million from 2014 through 2023, according to CBO.[8]

The Bipartisan Budget Act of 2015 also included key provisions that linked to our work and which could help Congress achieve about $30 billion in savings and revenue enhancements (as estimated by CBO and the Joint Committee on Taxation (JCT)) needed to avoid sequestration in fiscal years 2016 and 2017, including

- streamlining and simplifying audit procedures for certain partnerships, resulting in increased revenue estimated to be $9.3 billion from 2016 through 2025;[9] and
- authorizing a 58 million barrel sale from the Strategic Petroleum Reserve, estimated at $5.1 billion from 2018 to 2025;[10]
- making additional spectrum, which companies use to provide services such as mobile broadband, available for auction, estimated to generate $4.4 billion from 2016 through 2025;[11]
- allowing for potential savings through reforming Social Security disability insurance by expanding fraud units, increasing criminal and civil penalties for fraud, and allowing the receipt of electronic payroll data to improve program administration, which is estimated to save $140 million from 2019 through 2025.[12]

Identifying Legislative Solutions

The Congress has used our work to identify legislative solutions to increase government transparency, achieve cost savings, address

[6]Pub. L. No. 113-67, § 702, 127 Stat. 1165, 1189–1190 (2013).

[7]Pub. L. No. 113-67, § 201, 127 Stat. 1165, 1176 (2013).

[8]Pub. L. No. 113-67, § 204, 127 Stat. 1165, 1179–1181 (2013).

[9] Pub. L. No. 114-74, § 1101, 129 Stat. 584, 625–638 (2015).

[10]Pub. L. No. 114-74, § 403, 129 Stat. 584, 589–590 (2015).

[11]Pub. L. No. 114-74, § 1004, 129 Stat. 584, 621–622 (2015).

[12]Pub. L. No. 114-74, §§ 801– 815, 129 Stat. 584, 601–605 (2015).

emerging problems, and find efficiencies in federal agencies and programs. Our work has contributed to a number of key authorizations, appropriations, and reauthorizations, including the following examples:

- The Digital Accountability and Transparency Act of 2014 requires the federal government to set government-wide data standards for financial data intended to result in consistent, reliable, and searchable government-wide spending data available to the Congress, agency managers, and the public.[13]
- The Consolidated and Further Continuing Appropriations Act, 2015, and its accompanying explanatory statement, rescinded or reduced Administration proposals for weapon systems (for an estimated total of over $500 million from programs such as for the Amphibious Combat Vehicle, Joint Tactical Radio System, and the Kiowa Warrior helicopter program); directed the Department of Veterans Affairs (VA) to report to Congress on why its strategy to serve the burial needs of rural veterans does not include all the elements required by law and why it has not used census tract data to calculate veteran populations served; and addressed the severe financial difficulties of multiemployer pension plans and the Pension Benefit Guaranty Corporation's Multiemployer Insurance Program.[14]
- Provisions of law commonly referred to as Federal Information Technology Acquisition Reform Act (FITARA) addressed cost and performance issues in federal information technology (IT) acquisitions by expanding the authorities of chief information officers and directing agencies to improve the transparency of high-risk IT investments, reduce duplication, and achieve cost savings opportunities.[15]

[13]Pub. L. No. 113-101, 128 Stat. 1146 (2014).

[14]Pub. L. No. 113-235, div. C, § 8040, div. O, §§ 101–131, 128 Stat. 2130, 2263, 2554–2555, 2556, 2774–2798 (2014). Explanatory Statement Submitted by the Chairman of the House Committee on Appropriations Regarding the House Amendment to the Senate Amendment of H.R. 83, 160 Cong. Rec. H9307, H9609, H9932 (Dec. 14, 2014).

[15]Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, §§ 831–837, 128 Stat. 3292, 3438–3450 (2014). FITARA includes specific requirements related to seven areas; (1) agency chief information officer enhancements; (2) enhanced transparency and improved risk management; (3) portfolio review; (4) federal data center consolidation initiative; (5) expansion of training and use of IT cadres; (6) maximizing the benefit of the federal strategic sourcing initiative and (7) government-wide software purchasing program. GAO, *Information Technology: Implementation of Reform Legislation Needed to Improve Acquisitions and Operations* GAO-16-204T (Washington, D.C.: Nov 4, 2015).

- The Veterans Access, Choice, and Accountability Act of 2014 changed the procedures by which the VA will pay for health care for veterans outside of the VA system and addressed concerns about coordination between VA and the Indian Health Service on veteran's health care.[16]
- The Protecting and Securing Chemical Facilities from Terrorist Attacks Act of 2014 responded to emerging security issues with regard to chemical facility security, which should improve risk assessment procedures.[17]

Achieving Financial, Program, and Operational Benefits

In fiscal year 2015, our work yielded $74.7 billion in financial accomplishments—a return of about $134 for every dollar invested in us. These financial benefits result from executive branch agency or congressional actions to change agency business operations or activities; restructure federal programs; or modify entitlements, taxes, or user fees. Table 2 includes examples of new financial benefits for fiscal year 2015.

Table 2: Examples of GAO Financial Benefits in Fiscal Year 2015

Action	What GAO Found	Financial Benefits
Extension of Federal Communications Commission (FCC) auction proceeds	In response to our 2011 recommendation, in 2012, the Congress and the President extended the FCC's authority to auction spectrum licenses, which companies use to provide services such as mobile broadband. In January 2015, the FCC completed the auction.[a]	$32.8 billion after accounting for costs.
Elimination of direct payments to farmers	Our work on direct payments to farmers—fixed annual payments based on a farm's history of crop production received regardless of whether farmers grew crops and even in years of record income – led to Congress passing the Agricultural Act of 2014 without reauthorizing these payments.[b]	$4.9 billion in reduced costs annually from fiscal years 2015 through 2019.
Cancellation of the BioWatch Generation-3 acquisition	In September 2012, we reported that the Department of Homeland Security (DHS) did not fully justify or pursue optimal solutions for its Generation-3 acquisition for BioWatch, a program for detecting an aerosolized biological attack. In concurrence with our recommendation, DHS analyzed alternatives, and then canceled the acquisition.[c]	$2.1 billion in fiscal year 2015.

[16] Pub. L. No. 113-146, §§ 101–106, 128 Stat. 1754, 1755–1769 (2014).

[17] Pub. L. No. 113-254, 128 Stat. 2898 (2014).

Action	What GAO Found	Financial Benefits
Cancellation of the Standard Missile Block IIB program	In 2012, we found that the Missile Defense Agency's Standard Missile-3 Block IIB Program included high levels of concurrence and acquisition risks, and in 2013 we reported that the lack of an analysis of alternatives contributed to the risk of cost growth and schedule delays. Following our report, the Department of Defense (DOD) effectively canceled the program.[d]	$1.7 billion in fiscal year 2015.

Source: GAO | GAO-16-272T

[a]Pub. L. No. 112-96, § 6405, 126 Stat. 156, 230 (2012).

[b]Pub. L. No. 113-79, 128 Stat. 649 (2014).

[c]GAO, Bio surveillance: DHS Should Reevaluate Mission Need and Alternatives before Proceeding with BioWatch Generation-3 Acquisition, GAO-12-810 (Washington, D.C.: Sept. 10, 2012).

[d]GAO, Standard Missile-3 Block IIB Analysis of Alternatives, GAO-13-382R (Washington, D.C.: February 11, 2013) and GAO, Missile Defense: Opportunity Exists to Strengthen Acquisitions by Reducing Concurrency, GAO-12-486 (Washington, D.C.: April 20, 2012).

Many other benefits resulting from our work cannot be measured in dollar terms, but improve programs and operations across the government. During fiscal year 2015, we recorded 1,286 of these benefits; a few examples follow:

- **Improved TSA Rail Security Incident Data.** In 2012, we reported that weaknesses hampered the Transportation Security Administration's (TSA) ability to extract information from its rail security incident data system, causing TSA to miss chances to identify important trends or patterns. In response to our recommendations, TSA established a process and provided guidance to ensure the completeness of incident data and minimize errors. TSA also developed the Surface Compliance Trend Analysis Network, which in part provides stakeholders with analyses of rail security trends and potential threats.[18] These actions will help TSA develop recommended security measures for rail agencies, as appropriate.
- **Protected Elderly Americans.** Our reports on elder abuse identified challenges that state Adult Protective Services (APS) had in addressing growing caseloads. These challenges stemmed from, among other things, difficulty collecting and using data to track outcomes and assess APS program effectiveness, leaving states with limited information for resolving cases of abuse. In response to our recommendations, the Department of Health and Human Services (HHS) established the National Adult Protective Services Resource

[18]GAO, *Passenger Rail Security: Consistent Incident Reporting and Analysis Needed to Achieve Program Objectives*, GAO-13-20 (Washington, D.C.: Dec. 19, 2012).

Center to provide technical assistance to APS to enhance the quality and effectiveness of state programs. The department also is working with states to develop a nationwide APS data system.[19] This data system will, for the first time ever, provide consistent national data on the extent and nature of the exploitation and abuse of vulnerable older adults, allowing states and the federal government to better understand and respond to the problem.

- **Secured the Skies with Stronger Aviation Cybersecurity.** In 2015, we reported that the Federal Aviation Administration lacked a comprehensive model for identifying cybersecurity threats to the NextGen air traffic control system. Our work drew congressional, media, and public attention to these potential threats, and spurred the agency to develop a cybersecurity model.[20]
- **Reduced Technology Threats to Financial Markets.** We reported that the Securities and Exchange Commission faced challenges in protecting financial securities markets from information technology outages and cyberattacks. In response to our work, in 2014, the commission required market participants better manage their information technology risks. As a result, markets should be more resilient to problems arising from both internal failures and external threats.[21]

Helping Congress Oversee and Strengthen Key Programs

We continue to build key bodies of work that help Congress (1) address current and emerging challenges to the well-being and financial security of the American people, (2) respond to changing security threats and global interdependence, and (3) transform the federal government to address national challenges. Work completed in fiscal year 2015 in these areas included these examples:

[19]GAO, *Elder Justice: National Strategy Needed to Effectively Combat Elder Financial Exploitation,* GAO-13-110 (Washington, D.C.: Nov. 15, 2012) and GAO, *Elder Justice: Stronger Federal Leadership Could Enhance National Response to Elder Abuse [Reissued on March 21, 2011],* GAO-11-208 (Washington, D.C.: Mar. 2, 2011).

[20]GAO, *Air Traffic Control: FAA Needs a More Comprehensive Approach to Address Cybersecurity As Agency Transitions to NextGen,* GAO-15-370 (Washington, D.C.: Apr. 14, 2015).

[21]GAO, *Financial Market Preparedness: Improvements Made, but More Action Needed to Prepare for Wide-Scale Disasters,* GAO-04-984 (Washington, D.C.: Sept. 27, 2004) and GAO, *Information Systems: Opportunities Exist to Strengthen SEC's Oversight of Capacity and Security,* GAO-01-863 (Washington, D.C.: July 25, 2001).

- **Protection of children.** We reported on children's health insurance, unregulated custody transfers of adopted children, oversight challenges for the Bureau of Indian Education, and care for unaccompanied alien children in U.S. custody.
- **Veterans.** We reported on the availability of qualified nursing staff at the VA medical centers, inconsistencies in processing veterans' disability benefits, improvements needed to support eligibility decisions for veterans' disability benefits, and the need to improve monitoring of veterans' antidepressant use and the accuracy of veterans' suicide data.
- **Health care.** We reported on the need to address improper payments in the Medicare and Medicaid programs, expand efforts to reduce antipsychotic drug use among older adults receiving care in homes and community-based settings, improve Indian health care services, and improve oversight of tax provisions for individuals under the Patient Protection and Affordable Care Act (PPACA).[22]
- **Science and Technology.** We reported on the need to enhance the nation's biosurveillance capabilities, address safety lapses at high-containment laboratories, address potential gaps in environmental satellite coverage, and minimize long-term federal exposure to climate-related risks. Our technology assessments included reducing freshwater use in hydraulic fracturing and thermoelectric power plant cooling.

Addressing High-Risk Areas

We maintain a list for Congress of high-risk areas, which focuses on government operations that are at high-risk of fraud, waste, abuse, and mismanagement, or that need broad-based transformation to address economy, efficiency, or effectiveness challenges of government operations.[23] Selected examples of programs on the High-Risk List include:

- **Strengthening the foundation for efficiency and effectiveness.** Restructuring the U.S. Postal Service to achieve sustainable financial viability and funding the nation's surface transportation system.

[22]Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010).

[23]In 1990, we began a program to report on government operations that were identified as "high-risk." Since then, generally coinciding with the start of the new Congress, we have reported on the status of progress to addressing high-risk areas and to update the High-Risk List.

- **Transforming the Department of Defense (DOD) program management.** DOD financial management and DOD supply chain management.
- **Ensuring public safety and security.** Strengthening the Department of Homeland Security management functions, ensuring the security of federal information systems and cyber critical infrastructure and protecting the privacy of personally identifiable information.
- **Managing federal contracting more effectively.** DOE's contract management for the National Nuclear Security Administration and Office of Environmental Management, and NASA acquisition management.
- **Assessing the efficiency and effectiveness of tax law administration.** Enforcement of tax laws and confronting identity theft tax fraud.
- **Modernizing and safeguarding insurance and benefit programs.** Improving and modernizing federal disability programs and the national flood insurance program.

In 2015, we issued our biennial update of our High-Risk List.[24] This report offers solutions to 32 identified high-risk problems, including two new high-risk areas:

- **Managing Risks and Improving VA Health Care.** Since 2000, we have reported about VA facilities' failure to provide timely health care. In some cases, these delays or VA's failure to provide care at all have reportedly harmed veterans. Although VA has taken actions to address some of our recommendations, more than 100 have not been fully addressed, including recommendations related to the following areas: (1) ambiguous policies and inconsistent processes, (2) inadequate oversight and accountability, (3) information technology challenges, (4) inadequate training for VA staff, and (5) unclear resource needs and allocation priorities. The Veterans Access, Choice, and Accountability Act of 2014[25] included provisions to help VA address systemic weaknesses.
- **Improving the Management of IT Acquisitions and Operations.** The administration has undertaken numerous initiatives to better manage IT investments. Nonetheless, federal IT investments too frequently fail to be completed or incur cost overruns and schedule

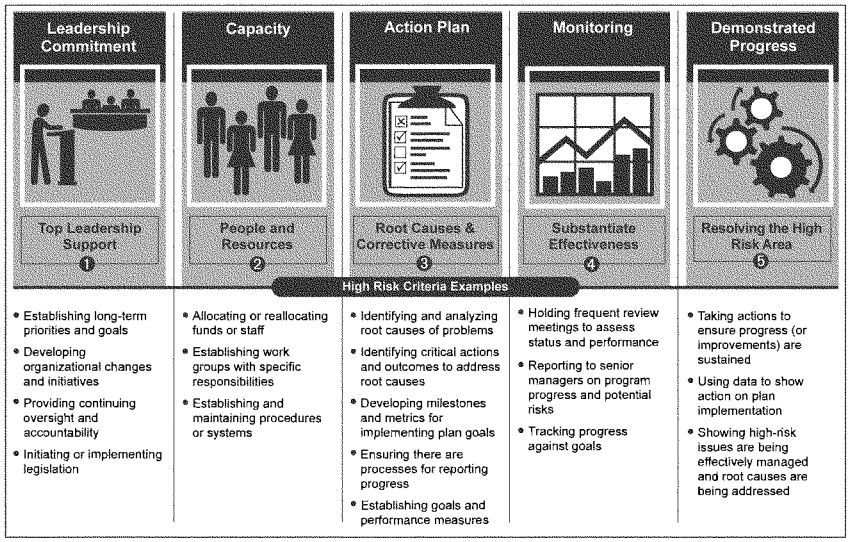
[24]GAO, *High-Risk Series: An Update,* GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

[25]Pub. L. No. 113-146, 128 Stat. 1754 (2014).

slippages while contributing little to mission-related outcomes, which led us to designating this as a new high-risk area in 2015. We found that the federal government spent billions of dollars on failed and poorly performing IT investments, which often suffered from ineffective management, such as project planning, requirements definition, and program oversight and governance. Over the past 6 years, we have made more than 800 recommendations in this area; about 32 percent have been fully implemented as of October 2015. It will be critical for executive branch agencies to implement our remaining recommendations—particularly in the areas of (1) incremental development, (2) reviews of troubled projects, (3) transparency, (4) operations and maintenance, (5) data center consolidation, and (6) portfolio management—as well as the provisions commonly known as FITARA, which also aims to improve the transparency and management of federal IT acquisitions and operations.

We identified five criteria that form a road map for efforts to improve and ultimately address high-risk issues. Addressing some of the criteria leads to progress, while satisfying all of the criteria is central to removal from the list. Figure 1 shows the five criteria and examples of actions taken by agencies to address the criteria.

Figure 1: Criteria for Removal from the High-Risk List and Examples of Actions Leading to Progress

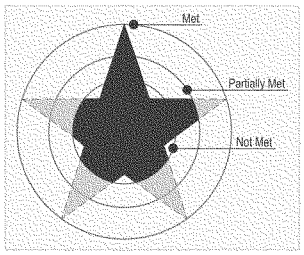


Source: GAO analysis of agencies' actions to address high-risk issues and GAO criteria for removal from the High Risk List in GAO-01-159SP and GAO-15-290. | GAO-16-272T

In 2015, we introduced a rating system for showing progress in high-risk areas to help more easily visualize continuing progress and remaining actions in high-risk areas (see figure 2). Each point of the star represents one of the five criteria for removal from the High-Risk List and each ring

represents one of three designations: not met, partially met, or met.[26] An unshaded point at the innermost ring means that the criterion has not been met, a partially shaded point at the middle ring means that the criterion has been partially met, and a fully shaded point at the outermost ring means that the criterion has been met.

Figure 2: High-Risk Progress Criteria Ratings



Source: GAO-15-290. | GAO-16-272T

These progress ratings are an important part of our efforts to provide greater transparency and specificity to agency leaders as they seek to address high-risk areas. Beginning in the spring of 2014 and leading up to our 2015 high-risk update, we met with agency leaders to discuss preliminary progress ratings and actions taken as well as actions needed to address the high-risk issues. Several agency leaders told us that the additional clarity provided by the progress rating helped them better target their improvement efforts.

Our high-risk report noted that solid, steady progress has been made in the vast majority of the high-risk areas. This progress has been possible

[26]In 2015, we added additional clarity and specificity to our assessments by rating each high-risk area's progress on these criteria using the following definitions. "Met" means actions have been taken that meet the criterion; there are no significant actions that need to be taken to further address this criterion. "Partially Met" means some, but not all, actions necessary to meet the criterion have been taken. "Not Met" means few, if any, actions towards meeting the criterion have been taken. GAO-15-290.

through the concerted actions and efforts of Congress and the leadership and staff in executive branch agencies and the Office of Management and Budget (OMB). As shown in appendix I, 18 high-risk areas have met or partially met all five criteria for removal from the list; 11 of these areas also fully met at least one criterion. Further, for two of these areas—Protecting Public Health through Enhanced Oversight of Medical Products and DOD Contract Management—enough progress has been made to remove subcategories of the high-risk areas.

Solving these high-risk problems has the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. government. For example, in 2015, our high-risk work resulted in $17 billion in financial benefits and 435 other benefits. We have documented more than $40 billion in financial benefits and 866 other improvements related to high-risk areas. The following are examples of benefits from this work.

- **Managing federal real property.** In 2014, we reported that a lack of criteria could have caused the General Services Administration (GSA) to miss opportunities for its "swap-construct" program, through which the government can provide unneeded property to developers in exchange for improving federal buildings on other properties. We also found that GSA provided too few details about construction needs to get meaningful input from interested parties. In response to our recommendations, GSA issued new guidance addressing these concerns, which will help the government address long-standing challenges with disposing of surplus real property and modernizing outdated buildings.
- **Strengthening Department of Homeland Security management functions.** The Department of Homeland Security (DHS) has established various initiatives collectively intended to improve its unity of effort by, improving the department's planning, programming, budgeting, and execution processes through strengthened departmental structures and increased capability, among other things. In addition, DHS has increased component-level acquisition capability by, among other things, initiating monthly Component Acquisition Executive staff forums to provide guidance and share best practices. DHS has also strengthened its enterprise architecture program (or blueprint) to guide and constrain information technology acquisitions, and it obtained a clean opinion on its financial statements for three consecutive years, fiscal years 2013 through 2015.

Reducing Fragmentation, Overlap, and Duplication in Government Programs

Our annual reports on opportunities to reduce fragmentation, overlap, and duplication and achieve other financial benefits also have contributed to significant financial benefits and improved efficiency and effectiveness across the federal government.[27] As of November 2015, 36 percent of the over 500 actions from our five annual reports have been addressed (see table 3). Executive branch and congressional efforts to address these recommendations have resulted in over $20 billion in financial benefits with about $80 billion to accrue in future years from the continued implementation of these recommendations. Further, fully addressing all the remaining actions we identified in our annual reports could lead to tens of billions in additional savings.

Table 3: Status of 2011 through 2015 Duplication and Cost Savings Actions, as of November 19, 2015[a]

	Executive branch		Congress		Totals	
Status	Number of actions	Percentage	Number of actions	Percentage	Total number of actions	Overall percentage
Addressed	174	38%	22	26%	196	36%
Partially addressed	185	40	13	15	198	37
Not addressed	82	18	45	53	127	24
Consolidated or other	18	4	5	6	23	4

Source: GAO. | GAO-16-272T

Note: In assessing the status of actions, we applied the following criteria: "addressed" means implementation of the action needed has been completed or relevant legislation has been enacted and addresses all aspects of the action needed; "partially addressed" means the action needed is in development, or started but not yet completed or a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and "not addressed" means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed. In assessing actions suggested for Congress a bill may have been introduced but did not pass out of a committee or no relevant legislation has been introduced. Actions assessed as "consolidated or other" are not assessed due to subsequent events or new information that we considered.

[a]These data reflect progress made on 152 actions that were updated in fall 2015. GAO will update the status of all actions in the spring of 2016.

[27]In 2010, Congress included a provision in statute for GAO to identify and report annually to Congress on federal programs, agencies, offices, and initiatives—either within departments or government-wide—that have duplicative goals or activities. Pub. L. No. 111-139, § 21, 124 Stat.8. 29-30 (2010), *codified at* 31 U.S.C. § 712 note. As part of this work, we also identify additional opportunities to achieve greater efficiency and effectiveness that result in cost savings or enhanced revenue collection.

Other Open Recommendations with Significant Potential Benefits

While much progress has been made on many of our recommendations, other critical recommendations to improve efficiency and effectiveness across the federal government remain unimplemented. As of November 12, 2015, about 4,800 of our recommendations to the executive branch agencies and OMB remain open across the federal government.[28] The following examples illustrate opportunities for realizing significant financial, program, and operational benefits if our open recommendations are implemented.

DOD Weapon Systems Acquisitions

DOD's portfolio of major defense acquisition programs, which has been on our High-Risk List since 1990, consists of 78 programs with an estimated cost of $1.4 trillion. While DOD continues to show progress in following a knowledge-based approach to reduce risk, it has significant room for improvement. While programs that have recently passed through major decision points have demonstrated best practices—such as constraining development times and achieving design stability—key practices like demonstrating technology maturity or controlling manufacturing processes are still not being fully implemented.[29] This is of particular concern for programs that have recently entered system development before satisfying best practices, leaving them at risk for future cost and schedule growth. However, we were pleased to find that more programs are implementing selected acquisition reforms focused on affordability, cost savings, and competition than in the past. Given the austere budgetary environment, the department should continue and even increase the use of these practices, as well as more fully implement others to avoid past problems.

We have open recommendations related to four acquisition programs that would benefit from the department's attention given the size of DOD's investments in them and their cost, schedule, and performance challenges, including:

[28]The total number of recommendations shown is for the 24 CFO agencies and OMB. Classified recommendations are not included in this total.

[29]GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs [Reissued on April 9, 2015]*, GAO-15-342SP (Washington, D.C.: Mar. 12, 2015).

- **F-35 Joint Strike Fighter Program:** In April 2015, we reported that the F-35 Joint Strike Fighter program continues to encounter significant technical problems, including engine and bulkhead failures, which require design changes at the same time aircraft production is well underway.[30] DOD plans to steeply increase F-35 funding over the next 5 years and projects that it will need between $14 billion and $15 billion annually for nearly a decade. This poses significant affordability challenges as other major programs—including the KC-46A Tanker, the DDG 51 Destroyer, and the Ohio-class submarine replacement—will vie for significant funding commitments at that time. Accordingly, we recommended that DOD conduct a comprehensive affordability analysis of the F-35 program's procurement plan that reflects various assumptions about future technical progress and funding availability. DOD agreed with our recommendation, although it maintains it accomplishes this through its annual budget process. However, without a more thorough analysis of possible future scenarios, DOD may not be able to accurately account for the future technical and funding uncertainty it faces, and thus may not fully understand the affordability implications of increasing F-35 procurement funding at the planned rates.
- **Littoral Combat Ships (LCS):** DOD also continues to contract for multiple LCS even though the ships have not demonstrated key capabilities. Specifically, the ships have not completed key testing, such as rough water, shock, and total ship survivability. The LCS's ability to conduct missions with two of the three mission packages is also largely undemonstrated. Moreover, the Navy has significantly altered its acquisition strategy and is modifying the design of future ships. As a result, we recommended that key tests be successfully completed before contracting for additional ships.[31] DOD partially concurred with our recommendation; however, unless the program is re-evaluated, the Navy remains at risk of procuring ships that do not meet mission requirements.
- **CVN 78 Ford-class aircraft carrier:** The Navy faces technical, design, and construction challenges in completing the CVN 78 Ford-class aircraft carrier, which have already led to cost increases, schedule delays, and reduced capabilities. In particular, the maturity

[30]GAO, *F-35 Joint Strike Fighter: Assessment Needed to Address Affordability Challenges,* GAO-15-364 (Washington, D.C.: Apr. 14, 2015).

[31]GAO, *Littoral Combat Ship: Additional Testing and Improved Weight Management Needed Prior to Further Investments*, GAO-14-749 (Washington, D.C.: Jul 30, 2014).

and testing of key technologies have fallen years behind. The ship is likely to need more time to complete testing. Cost estimates for the next carrier, CVN 79, have not fully reflected the actual experiences of CVN 78. As a result, we recommended that DOD explore capability tradeoffs, allot sufficient time for testing, and ensure that follow-on ships have realistic cost estimates.[32] DOD generally concurred with our recommendations, but stated that the capability analysis would occur after operational testing, which we think may be too late to make effective tradeoff decisions, and the Navy continues to overlap test activities which will constrain its opportunities to implement corrective action.

- **Missile Defense Agency (MDA):** MDA faces acquisition management challenges that hamper the agency's ability to make wise investment choices and develop and deliver cutting edge, integrated technologies within budget and time constraints. For over a decade, MDA has provided Congress with very limited insight into cost and schedule growth for individual elements. While baseline reporting is improved, in many instances, there is no way to track cost and schedule growth over time using those baselines. In April 2013, we recommended that MDA stabilize acquisition baselines to enable meaningful comparisons over time and make its cost estimates more comprehensive by including operation and support costs.[33] While DOD concurred with our recommendations, since the issuance of our report, we continue to see content and costs shift within or between programs, making it difficult to make meaningful comparisons over time. We will continue to monitor MDA's progress on stabilizing its baselines over the course of future audits.

Medicare Program Payment Policy

In 2014, Medicare financed health services for about 54 million elderly and disabled beneficiaries at a cost of $603 billion. Due to its size, complexity, and susceptibility to mismanagement and improper payments, we designated it as a high-risk program in 1990 and have identified several key recommendations to help address these issues.

[32]GAO, *Ford-Class Carriers: Lead Ship Testing and Reliability Shortfalls Will Limit Initial Fleet Capabilities*, GAO-13-396 (Washington, D.C.: Sept. 3, 2013).

[33]GAO, *Missile Defense: Opportunity to Refocus on Strengthening Acquisition Management*, GAO-13-432 (Washington, D.C.: Apr. 26, 2013).

For example, in January 2012, we recommended that the Centers' for Medicare & Medicaid Services (CMS) take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices between Medicare Advantage (MA) and Medicare Fee-For-Service. For example, CMS could better account for additional beneficiary characteristics, such as sex and residential location, and use more current and refined data in determining MA payments. We made our recommendation because we found that shortcomings in CMS's adjustment resulted in excess payments to MA plans totaling an estimated $3.2 billion to $5.1 billion over a 3-year period from 2010 through 2012.[34] CMS said it would take our findings into consideration, but as of April 2015 the agency has not established definitive plans or timeframes for improving the accuracy of its adjustment. Until CMS updates its practices, excess payments due to differences in coding practices are likely to increase.

Transparency and Integrity of Medicaid Program

Medicaid covered an estimated 65 million low-income people in fiscal year 2014, and enrollment is growing under PPACA. Medicaid outlays for fiscal year 2014 were $508 billion, of which $304 billion was financed by the federal government and the remainder by states. Medicaid accounted for 14 percent ($17.5 billion) of the almost $125 billion improper payment estimate in fiscal year 2014 with the estimate increasing to $29.1 billion for fiscal year 2015 (government-wide estimate not yet available).[35] We designated Medicaid as a high-risk area in 2003.

Over the past several years, we made numerous recommendations that if effectively implemented, could improve program management, help reduce improper payments in these programs, and help improve the

[34]GAO, Medicare Advantage: Substantial Excess Payment Underscore Need for CMS to Improve Accuracy of Risk Score Adjustments, GAO-13-206 (Washington, D.C.: Jan 31, 2013) and Medicare Advantage: CMS Should Improve the Accuracy of Risk Score Adjustments for Diagnostic Coding Practices, GAO-12-51 (Washington, D.C.: Jan 12, 2012)

[35]Improper payments include payments that either were made in an incorrect amount, including underpayments, or should not have been made at all. See GAO-16-92T. The government wide improper payment rate for 2015 is expected to be released in February 2016.

government's fiscal position. These recommendations include the following:

- **Medicaid Demonstrations:** We continue to be concerned that the approval process for demonstration waivers lacks transparency and raises cost concerns. For example, we estimated potential savings of about $33 billion in five states if HHS had approved spending limits consistent with what documentation supported. We have a longstanding recommendation that HHS take certain steps to improve its budget neutrality process and policy so the basis for spending limits would be clear and consistent and ensure that these demonstrations, which now represent almost one-third of Medicaid expenditures, do not further increase federal Medicaid liabilities.[36] HHS does not agree with our recommendation and suggested that steps it has taken, such as updating some guidance, have increased transparency. We agree that these steps may provide some guidance, but the overall efforts fall short of clarifying HHS's budget neutrality policy.
- **Medicaid Improper Payments:** We reported concerns in 2014 that neither CMS nor the states are well-positioned to identify improper payments made to managed care organizations or to ensure that these organizations are taking appropriate steps to identify and prevent improper payments to providers.[37] Given the growth in managed care and its increasing share of Medicaid expenditures, the lack of a comprehensive program integrity strategy for managed care leaves a growing portion of Medicaid funds at risk. We recommended that CMS increase its oversight of Medicaid managed care program integrity. Specifically, we recommended that CMS provide audit support and guidance to states, and hold them accountable for closer scrutiny of managed care payments. CMS has proposed major new guidance related to Medicaid managed care and this guidance includes provisions that would be relevant to this recommendation.

Supplemental Security Income (SSI)

The Social Security Administration's (SSA) SSI program provides cash benefits to eligible low-income individuals with disabilities, including

[36]GAO, *Medicaid Demonstration Waivers: Approval Process Raises Cost Concerns and Lacks Transparency*, GAO-13-384 (Washington, D.C.: Jun. 25, 2013).

[37]GAO, *Medicaid Program Integrity: Increased Oversight Needed to Ensure Integrity of Growing Managed Care Expenditures*, GAO-14-341 (Washington, D.C.: May 19, 2014).

children. In December 2014, SSA paid more than $860 million to about 1.3 million disabled children, the majority of whom received benefits due to a mental impairment.

SSA is required to periodically conduct reviews to determine if children are still eligible for payments, but in June 2012 we found that more than 24,000 continuing disability reviews (CDRs) for children with mental impairments were overdue by 6 or more years, including over 6,000 CDRs for children who were expected to medically improve within 6 to 18 months of their initial determination. We also identified several cases which exceeded their scheduled review date by 13 years or more. When CDRs are not conducted as scheduled, the potential for improper payments increases as some recipients receive benefits for which they are no longer eligible. SSA attributes delays in performing CDRs to resource limitations and other factors; SSA also generally gives lower priority to conducting CDRs for children receiving SSI. In 2012, we recommended that SSA eliminate the existing CDR backlog for children with impairments who are likely to improve and regularly conduct reviews for this group.

In each year since our audit, SSA has increased its number of reviews and officials said that with sustained, predictable funding, SSA will continue to work toward eliminating this backlog. In April 2015, we estimated that if this recommendation were implemented, SSA could potentially save $3.1 billion over 5 years, based on our analysis of fiscal year 2011 data.[38] When reviews are not conducted as scheduled, the government is at risk of billions of dollars in overpayments.

U.S. Financial Regulatory System

Since 2009, we have designated the reform of the U.S. financial regulatory system as high-risk. In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act created the Financial Stability Oversight Council (FSOC) to identify and address threats to the stability

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

of the U.S. financial system and Office of Financial Research (OFR) to support FSOC and Congress by providing financial research and data.[39]

In 2012, we reported that FSOC and OFR face challenges in achieving their missions to identify risks and respond to emerging threats to financial stability, and that some efforts may be duplicative because multiple FSOC members, such as the Federal Reserve, also have ongoing efforts to monitor threats to financial stability.[40] We recommended FSOC and OFR clarify responsibility for implementing requirements to monitor threats to financial stability across FSOC and OFR, including FSOC members and member agencies. In response, Treasury questioned the need for FSOC and OFR to clarify these responsibilities and as of October 2015, FSOC staff said formal distinctions are not needed because FSOC and OFR work well together. However, we maintain that more specific actions are still needed, as our past work has shown that without clearly delineating and coordinating roles and responsibilities, there can be duplication of efforts, confusion, and regulatory gaps.[41]

Information Security

The security of federal cyber security has been on our High-Risk List since 1997. Nineteen of 24 agencies covered by the Chief Financial Officers Act (CFO Act agencies)[42] declared cybersecurity as a significant deficiency or material weakness for fiscal year 2014. In addition, most of the 24 agencies continue to have weaknesses in key controls such as those for limiting, preventing, and detecting inappropriate access to computer resources and managing the configurations of software and hardware.

Since 2010, we have made approximately 2,000 recommendations in this area. Executive branch agencies have taken steps to address them, but

[39]Pub. L. No. 111-203, §§ 111–156, 124 Stat. 1376, 1392–1420 (2010).

[40]GAO, *Financial Stability: New Council and Research Office Should Strengthen the Accountability and Transparency of Their Decisions* GAO-12-886 (Washington, D.C.: Sept. 11, 2012).

[41]GAO-12-886.

[42]31 U.S.C. § 901(b).

about 840 recommendations remain outstanding. For example, we recommended that OMB (1) address agency cyber incident response practices in its oversight of agency information security programs, and (2) collaborate with stakeholders to enhance reporting guidance for the inspector general community.[43] OMB did not comment on the first recommendation and generally concurred with the second one, stating that it was working with stakeholders to improve the reporting process. Implementing these and other outstanding recommendations will enable federal agencies to better respond to cyberattacks and data breaches and will provide for more consistent and useful reporting to Congress.

Safety of the Food Supply

On our High-Risk List since 2007, the fragmented federal food safety system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources. While agencies and Congress have taken some steps to improve federal food safety oversight, several key recommendations remain unimplemented. For example, in September 2014, we found that the U.S. Department of Agriculture (USDA), which is responsible for ensuring the safety of poultry products, had not developed performance measures for all poultry products, such as ground chicken, to determine whether poultry processing plants are meeting the agency's goals for protecting human health.[44] Ensuring the safety of poultry products is particularly important because poultry products contaminated with pathogens cause more deaths than any other commodity; specifically, Salmonella and Campylobacter cause more than 2 million human illnesses per year. We recommended that performance measures be developed to help reduce illnesses caused by Salmonella and Campylobacter contamination for certain types of chicken and turkey. USDA agreed with our recommendations and noted it is taking steps toward implementing them; however, measures and targets have yet to be established. In the absence of such measures and targets,

[43]GAO, *Information Security: Agencies Need to Improve Cyber Incident Response Practices* GAO-14-354 (Washington, D.C.: Apr. 30, 2014) and *Federal Information Security: Agencies Need to Correct Weaknesses and Fully Implement Security Programs*, GAO-15-714 (Washington, D.C.: Sept. 29, 2015).

[44]GAO, *Food Safety: USDA Needs to Strengthen Its Approach to Protecting Human Health from Pathogens in Poultry Products,* GAO-14-744 (Washington, D.C.: Sept. 30, 2014).

performance information is not being publicly reported, limiting transparency, oversight, and accountability.

Strategic Sourcing

In the 2013 duplication and cost savings annual report, we reported that federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. For example, DOD, DHS, VA, and the Department of Energy accounted for 80 percent of the $537 billion in federal procurement spending in fiscal year 2011, but reported managing about 5 percent, or $25.8 billion, through strategic sourcing efforts. In contrast, leading commercial firms leverage buying power by strategically managing 90 percent of their spending—achieving annual savings of 10 percent or more. While strategic sourcing may not be suitable for all procurement spending, we reported that a reduction of 1 percent from procurement spending at the largest agencies at that time would equate to over $4 billion in savings annually—an opportunity also noted in the House Budget Resolution for fiscal year 2016.

OMB has made progress on improving strategic sourcing efforts across the federal government by issuing guidance on calculating savings for government-wide strategic sourcing contracts. In December 2014 it issued a memorandum on category management that, among other things, identifies federal spending categories suitable for strategic sourcing. These categories cover some of the government's largest spending categories, including information technology and professional services, which, according to OMB, accounted for $277 billion in fiscal year 2013 procurements. While these are important first steps, until OMB sets government-wide goals and establishes metrics, the government may miss opportunities for billions in cost savings through strategic sourcing.

Emergency Preparedness and Response

In December 2014, we recommended that DHS develop a plan to better control and reduce the Federal Emergency Management Agency's (FEMA) administrative costs for major disasters. FEMA has begun efforts to develop an integrated plan to control and reduce administrative costs

for major disaster declarations.[45] However, until FEMA meets its targets for controlling administrative costs, these costs could continue to increase federal expenditures by millions of dollars. We also recommended that FEMA develop a methodology to better assess a jurisdiction capability to respond to and recover from a disaster without federal assistance.[46] FEMA has submitted a report to Congress outlining various options that it could take to implement our recommendation. However, without an accurate assessment of jurisdiction capabilities to respond to and recover from a disaster, FEMA runs the risk of recommending to the President that federal disaster assistance be awarded without considering a jurisdiction's response and recovery capabilities or its fiscal capacity.

Border Security

In recent years, we identified a number of recommendations for improving a variety of the DHS border security programs and operations. For example, we recommended that DHS enhance the U.S. Immigration and Customs Enforcement's (ICE) oversight of the Student and Exchange Visitor Program.[47] DHS has begun to take steps to address our recommendations, such as working to re-certify schools eligible to admit foreign students. To fully address the recommendations, DHS needs to complete its recertification process and take any necessary compliance actions to help ensure that schools approved to admit foreign students are consistently following program requirements and to better position ICE to identify and mitigate fraud and other risks in the program. We also recommended that U.S. Customs and Border Protection (CBP) improve the acquisition management of the Arizona Border Surveillance Technology Plan to better ensure the reliability of its planning documents, such as schedules and cost estimates; inform future decision-making about technology deployments; and assess the effectiveness of deployed technologies. CBP is working toward addressing these recommendations.

[45]GAO, *Federal Emergency Management Agency: Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters*, GAO-15-65 (Washington, D.C.: Dec. 17, 2014).

[46]GAO, *Federal Disaster Assistance: Improved Criteria Needed to Assess a Jurisdiction's Capability to Respond and Recover on Its Own*, GAO-12-838 (Washington, D.C.: Sept. 12, 2012).

[47]GAO, *Student and Exchange Visitor Program; DHS Needs to Assess Risks and Strengthen Oversight Functions*, GAO-12-572 (Washington, D.C.: Jun. 18, 2012).

Strategic Human Capital Management

Mission-critical skills gaps in such occupations as cybersecurity and acquisition pose a high-risk to the nation: whether within specific federal agencies or across the federal workforce, they impede federal agencies ability to cost-effectively serve the public and achieve results. Addressing complex challenges, such as disaster response, national and homeland security, and rapidly evolving technology and privacy security issues, requires a high-quality federal workforce able to work seamlessly with other agencies, levels of government, and across sectors. On our High-Risk List since 2011, we have reported on human capital strategies which will help agencies meet their mission in an era of constrained resources. We made several recommendations that collectively will strengthen agencies' leadership commitment and capacity to address skills gaps.[48] OPM agreed with these recommendations, which included the following:

- Strengthening OPM's coordination and leadership of government-wide human capital issues, in part by developing a government-wide human capital strategic plan that would establish priorities, time frames, responsibilities, and metrics to better align the efforts of members of the federal human capital community;
- Exploring the feasibility of expanded use of enterprise or "whole of government" solutions to address shared human capital issues—such as workforce planning tools and lessons learned that would help build the capacity of agencies to address skills gaps; and
- Reviewing the extent to which new capabilities are needed to promote agile talent management—including developing or sharing tools and resources to help identify skills gaps and mechanisms for increasing staff mobility within and across agencies.

In response, OPM is considering a multi-phase human capital strategy designed to, among other things, institutionalize processes for identifying and addressing government-wide and agency skills gaps and emphasize the use of workforce data and analytic tools.

Our work has also identified a number of opportunities for the government to reduce costs and increase revenue collections through congressional action, including the following examples:

[48]GAO, *Human Capital: Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources*, GAO-14-168 (Washington, D.C.: May 7, 2014).

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

  We suggested that Congress give the IRS the authority to collect the information that SSA needs on government pension income to administer the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) accurately and fairly. The President's Fiscal Year 2016 Budget submission re-proposed legislation that would require state and local governments to provide information on their noncovered pension payments to SSA so that the agency can apply the GPO and WEP. The proposal includes funds for administrative expenses, with a portion available to states to develop a mechanism to provide this information. Providing information on the receipt of state and local noncovered pension benefits to SSA could help the agency more accurately and fairly administer the Government Pension Offset and Windfall Elimination Provision and could result in an estimated $2.4 billion in savings over 10 years, according to CBO, if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings still would be less.

- **Paid Preparer Regulation.** Establishing requirements for paid tax return preparers could improve the accuracy of the tax returns they prepare. Oregon began regulating preparers in the 1970s and requires testing among other requirements. In August 2008, we found that the odds that a return filed by an Oregon paid preparer was accurate were 72 percent higher than the odds for a comparable return filed by a paid preparer in the rest of the country. In August 2014, IRS reported that 68 percent of all tax returns claiming the EITC in tax years 2006 and 2007 were prepared by paid tax preparers—

most of whom were not subject to any IRS regulation—and that from 43 to 50 percent of the returns overclaimed the credit.[49] Similarly, in our undercover visits in 2014 to randomly selected tax preparers, a sample that cannot be generalized, we found errors in EITC claims and non-Form W-2 income reporting (for example, cash tips) resulting in significant overstatement of refunds.[50] Establishing requirements for paid tax return preparers could improve the accuracy of the tax returns they prepare. In 2014, we suggested Congress consider granting IRS the authority to regulate paid tax preparers, if it agrees that significant paid preparer errors exist. Multiple bills have been introduced which, if enacted, would regulate paid preparers.

- **Math error authority.** IRS has the authority to correct calculation errors and check for other obvious noncompliance such as claims above income and credit limits. Treasury has proposed expanding IRS's "math error" authority to "correctible error" authority to permit it to correct errors in cases where information provided by the taxpayer does not match information in government databases, among other things. Expanding such authority—which we have suggested Congress consider with appropriate safeguards—could help IRS correct additional errors and avoid burdensome audits and taxpayer penalties.[51] In March 2015, JCT estimated that more flexible correctible error authority could raise $133 million through 2025.

[49]Internal Revenue Service, *Compliance Estimates for the Earned Income Tax Credit Claimed on 2006- 2008 Returns*, Publication 5162 (8-2014) (Washington, D.C.: August 2014).

[50]GAO, *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors*, GAO-14-467T (Washington, D.C.: Apr. 8, 2014). A previous study found similar results: see *Paid Tax Return Preparers: In a Limited Study, Chain Preparers Made Serious Errors*, GAO-06-563T (Washington, D.C.: Apr. 4, 2006).

[51]GAO, *Recovery Act: IRS Quickly Implemented Tax Provisions, but Reporting and Enforcement Improvements Are Needed*, GAO-10-349 (Washington, D.C.: Feb. 10, 2010). GAO recently recommended that IRS assess whether data received from the health insurance marketplaces are sufficiently complete and accurate to be used to correct claims for the premium tax credit on returns, and if the assessment determines that such corrections would be effective, seek legislative "correctible error" authority for this specific purpose. GAO, *Patient Protection and Affordable Care Act: IRS Needs to Strengthen Oversight of Tax Provisions for Individuals*, GAO-15-540 (Washington, D.C.: July 29, 2015).

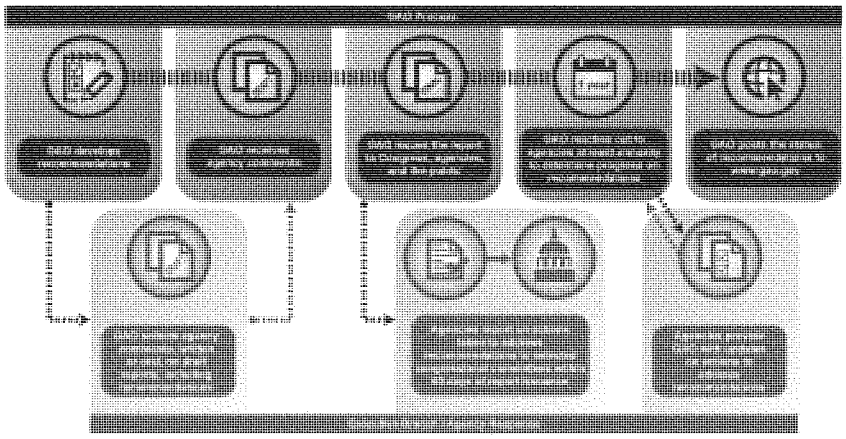
GAO Uses Various Mechanisms to Encourage Implementation of Its Recommendations

We focus attention on following up on our recommendations to help ensure that they are implemented effectively and in a timely manner. Notably, we engage with executive branch agencies on an on-going basis about opportunities to improve program performance during the course of our audit work. By communicating with executive branch agency officials throughout the audit process, deficiencies identified in our work can be immediately addressed, without waiting for a report to be issued. For example, when conducting our recent review of the IRS Whistleblower program, we identified some errors in awards payments IRS sent to whistleblowers. IRS took immediate action and reviewed all of its 17 closed high-dollar cases and found additional problems, which it resolved by providing affected whistleblowers with corrected award payments.[52]

Figure 3 highlights the mechanisms we use to emphasize our recommendations.

[52]Whistleblowers provide information to IRS and receive awards when IRS uses the information to collect underpaid taxes. GAO, *IRS Whistleblower Program: Billions Collected, but Timeliness and Communications May Discourage Whistleblowers*, GAO-16-20 (Washington, D.C.: Oct. 29, 2015).

Figure 3: GAO's Process for Monitoring and Reporting on Recommendations



Source: GAO analysis. | GAO-16-272T

Agency Review and Comment. We provide executive branch agency officials with an opportunity to review and comment on a draft of our report, including the recommendations, before it is issued.[53] Through this process, agency officials may indicate steps that they are taking or planning to take to address the recommendations, and we reflect these steps in the report as appropriate. If the officials do not agree with our recommendations, they can provide the rationale for any disagreement

[53]GAO does not seek comments from an agency or affected party when (1) disclosure of an investigation's results could pose risks to individuals and their confidentiality, (2) premature disclosure of information could compromise the results of the work, or (3) a product largely reflects prior GAO work. For example, a testimony statement that is largely based on issued GAO work is not provided for comment. GAO also reserves the right to issue a report without comments if they are not received in a timely manner. GAO, *GAO'S Agency Protocols*, GAO-05-35G (Washington, D.C.: Oct. 21, 2004).

with our report findings. After receiving the agency's comments, we consider their substance, revise the draft product as appropriate, and present the agency's comments in the final report.

Agency Reporting to Congress. When we issue a report containing recommendations to the head of an agency, that official is required by statue to submit a written statement of the actions taken by the agency on our recommendations to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform not later than 60 days after the date of the report and also to the Senate and House Appropriations Committees.[54] This process has been in place for over 40 years. I believe it is time to examine how well it is addressing Congress's needs, especially in the current budget environment. We will report the results of this examination to the committee.

Outreach to Agencies. At least once a year we reach out to agencies to determine the extent to which they have implemented our recommendations and if benefits can be attributed to our work. Throughout this process, our leadership works with executive branch agency officials to bring attention to our recommendations. Our analysts also update the status of recommendations when conducting related work on a particular topic.

Report on Recommendation Status. Updates are posted to a public database at www.gao.gov, which Congress can use to prepare for oversight hearings and budget deliberations. In addition, we update the status of recommendations when preparing testimony for Congress and as part of ongoing related work. Continued attention to recommendations is important because failure to implement our prior recommendations is often a major factor that leads to issues escalating to the point where they become high-risk.

In addition to these processes, our high-risk and fragmentation, overlap, and duplication work and efforts on priority recommendations highlight

[54]31 U.S.C. § 720. The statue requires that the report be submitted to the Committee on Governmental Affairs of the Senate and the Committee on Government Operations of the House of Representatives. The current successor to the Senate committee is the Senate Committee on Homeland Security and Governmental Affairs and the successor to the House Committee is the House Committee on Oversight and Government Reform.

critical unimplemented recommendations that we believe warrant attention by agencies and Congress. We maintain attention on these issues through our biennial reports to Congress on high-risk issues and our annual reports on duplication and cost savings.

Monitoring areas of high-risk and fragmentation, overlap, and duplication. As part of our high-risk initiative, we have met with OMB's Deputy Director for Management and with top agency officials to discuss progress in addressing individual high-risk areas. Such efforts are critical to tracking progress, pinpointing improvement opportunities, and resolving high-risk issues.

To further progress on outstanding duplication and cost savings recommendations, we regularly engage with OMB and recently identified a list of key issues where OMB attention could be instrumental in furthering progress on recommendations that involve multiple agencies or government-wide improvements. We also monitor the progress executive branch agencies and Congress have made in addressing the over 500 actions identified in our 2011 through 2015 annual reports. To maintain attention on these issues, in 2013, we launched GAO's Action Tracker, a publicly accessible online search tool that allows executive branch agencies, Congress, and the public to track the progress the government is making in addressing the issues we have identified.

To stimulate further progress in addressing high-risk issues, Senators Ernst, Heitkamp, and Casey sponsored the Program Management Improvement Accountability Act (S. 1550) which, if enacted, would establish processes for improving program and project management across the federal government. The act, among other things, designates Program Management Improvement Officers at agencies and establishes an interagency council to make recommendations to OMB based on GAO's high-risk work. In addition, the act would have GAO review the effectiveness of these program and project management improvements outlined in the bill. In November 2015, the bill passed the Senate, and a related bill H.R. 2144 Program Management Improvement and Accountability Act of 2015 has been referred to the House Committee on Oversight and Government Reform.

Identifying priority recommendations. In 2015, we undertook an effort to call attention to unimplemented recommendations that we believe warrant priority attention by the Secretary or agency heads at key departments and agencies. We sent letters to the heads of key departments and agencies identifying these high priority

recommendations and urging the agency head to continue to provide attention to these issues.[55] Fully implementing these priority recommendations should yield significant improvements in agency operations, program management, or costs.

Initial agency response to our letters has been positive, and in some instances, agencies have begun to take action on the priority recommendations including the following examples:

- Following our letter to the Secretary of HHS, we met with CMS officials in October 2015 to discuss the agency's efforts to address our recommendations. Officials noted that they are now tracking open recommendations using a dashboard that includes quarterly targets for closing recommendations. To facilitate CMS's efforts to close our recommendations, we agreed to hold regular meetings to discuss the status of our recommendations and what remains to be done to close them.
- In response to our letter to GSA, the Administrator committed to continuing to work with us to address the priority recommendations in advance of our next high-risk update in February 2017. We meet quarterly with GSA senior executives to discuss progress on implementing recommendations that would help GSA take steps to remove federal real property management from our High-Risk List and address other key management concerns.

Working with Congress to address recommendations. Congress plays a key role in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce desired results. In addition to reporting on the status of recommendations to Congress, we engage with Congress on strategies for further addressing our recommendations. These strategies include incorporating our recommendations into legislation. For example, our improper payments work informed the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), the latest in a series of laws Congress passed to address improper payments.[56]

[55]We plan to send letters to 23 CFO Act agencies. We are not sending a letter to the National Science Foundation because we had no key open recommendations involving that agency We are also sending letters to the IRS and OMB.

[56]Pub. L. No. 112-248, 126 Stat. 2390 (2013).

We also recommend agencies assess the need for legislation and report their findings to Congress. For example, we recommended that IRS fully assess the costs and benefits of accelerating Form W-2 deadlines to provide information needed for Congress to deliberate the merits of making such a significant change, which we previously reported could help improve problems associated with identity theft tax fraud and Earned Income Tax Credit improper payments.[57] In September 2015, IRS provided us a report on the potential costs and benefits of accelerating the Form W-2 deadlines, which concluded that the federal government could potentially protect billions of dollars in net revenue by using W-2 information to detect identity theft refund fraud before issuing refunds. We requested additional information on certain costs and benefits not detailed in the report. The Senate Committee on Finance held a hearing on improper payments and the tax gap in October 2015, which further brought attention to this issue.

Additionally, Congress can use its budget, appropriations, and oversight processes to incentivize executive branch agencies to act on our recommendations and monitor their progress. For example, Congress can hold hearings, withhold funds, or take other actions to provide incentives for the agencies to act. This strategy can be useful when agencies disagree or have a limited response to our recommendations. For example, Congress took such steps after we reported in 2012 that DOD's approach to acquiring combat uniforms was fragmented, potentially resulting in increased risk on the battlefield and lost opportunities to save millions of dollars. A provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces.[58] Because of this legislation, the Army

[57]GAO, Fiscal Outlook: Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position, GAO-16-92T (Washington, D.C.: Oct. 1, 2015).

[58]Pub. L. No. 113-66, § 352, 127 Stat. 672, 742–743 (2013). Subject to certain exceptions, the provision also prohibits the military departments from adopting new pattern designs or uniform fabrics unless they will be adopted by all services or the uniform is already in use by another service. In addition, DOD must issue implementing guidance requiring the military departments to, among other things, ensure that new uniforms meet commanders of combatant command's geographic and operational requirements and continually work together to assess and develop new uniform technologies to improve warfighter survivability.

chose not to introduce a new family of camouflage uniforms into its inventory, avoiding about $4.2 billion in costs over 5 years. Congressional use of our work sends an unmistakable message to agencies that Congress considers these issues a priority.

In conclusion, as the fiscal pressures facing the government continue, so too does the need for executive branch agencies and Congress to improve the efficiency and effectiveness of government programs and activities. Our recommendations provide a significant opportunity to improve the government's fiscal position, better serve the public, and make government programs more efficient and effective. We will continue to work with Congress to monitor and draw attention to these important issues.

Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to answer questions that you may have at this time.

For further information on this testimony please contact Heather Krause, Acting Director, Strategic Issues, who may be reached at (202) 512-6806 or krauseh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs offices may be found on the last page of this statement.

Appendix I: GAO's 2015 High Risk Areas Rated Against Five Criteria for Removal

Table 4: High-Risk Areas Rated Against Five Criteria for Removal

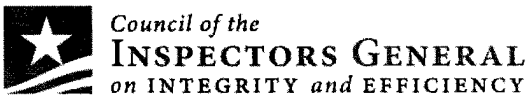
	Number of Criteria		
High-Risk Area	**Met**	**Partially Met**	**Not Met**
NASA Acquisition Management	3	2	0
Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland	2	3	0
Protecting Public Health through Enhanced Oversight of Medical Products	2	3	0
Strengthening Department of Homeland Security Management Functions	2	3	0
DOD Contract Management	1	4	0
DOD Supply Chain Management	1	4	0
DOD Weapon Systems Acquisition	1	4	0
Management of Federal Oil and Gas Resources	1	4	0
Medicare Program	1	4	0
Mitigating Gaps in Weather Satellite Data	1	4	0
Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information	1	4	0
DOD Support Infrastructure Management	0	5	0
Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	0	5	0
Improving and Modernizing Federal Disability Programs	0	5	0
Medicaid Program	0	5	0
Modernizing the U.S. Financial Regulatory System and Federal Role in Housing Finance	0	5	0
National Flood Insurance Program	0	5	0
Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	0	5	0
Enforcement of Tax Laws	1	3	1
Managing Federal Real Property	1	3	1
DOD Business Systems Modernization	0	4	1
Strategic Human Capital Management	0	4	1
Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals	1	2	2
DOD Financial Management	0	3	2
Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks	0	3	2
Improving Federal Oversight of Food Safety	0	3	2
DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management	1	1	3
DOD Approach to Business Transformation	0	2	3
Funding the Nation's Surface Transportation System	N/A	N/A	N/A
Improving the Management of IT Acquisitions and Operations	N/A	N/A	N/A

High-Risk Area	Number of Criteria		
	Met	Partially Met	Not Met
Managing Risks and Improving VA Health Care	N/A	N/A	N/A
Pension Benefit Guaranty Corporation Insurance Programs	N/A	N/A	N/A

Legend: N/A = not applicable.

Source: GAO | GAO-16-272T

Note: There are four high-risk areas that received a "not applicable" rating because (1) they are either new to our 2015 High-Risk List (Managing Risks and Improving VA Health Care and Improving the Management of IT Acquisitions and Operations) or (2) addressing the high-risk area primarily involves congressional action and the high-risk criteria and subsequent ratings were developed to reflect the status of agencies' actions and the additional steps they need to take (Funding the Nation's Surface Transportation System and Pension Benefit Guaranty Corporation Insurance Programs).



Statement of Michael E. Horowitz
Chair, Council of the Inspectors General on Integrity and Efficiency
Inspector General, U.S. Department of Justice

before the

U.S. Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Regulatory Affairs and Federal Management

concerning

"Implementing Solutions:
The Importance of Following Through on GAO and OIG Recommendations"

December 10, 2015

Mr. Chairman, Ranking Member Heitkamp, and Members of the Subcommittee:

Thank you for the opportunity to testify before you today regarding the importance of implementing recommendations made by Offices of the Inspector General (OIG) across the federal government. Since January, I have had the honor to serve as the Chair of the Council of the Inspectors General on Integrity and Efficiency (Council of Inspectors General), while at the same time continuing to serve as the Inspector General at the U.S. Department of Justice (DOJ-OIG). It is important to note that the Council of Inspectors General, despite being created by Congress in 2008 to serve as an umbrella organization for all 72 Federal Inspectors General, and despite being given significant functions and duties, has never received a direct appropriation and instead has had to rely on a variety of funding mechanisms since its creation. While these various funding mechanisms have enabled the Council of Inspectors General to create and support various training programs, the lack of a direct appropriation has significantly limited our ability to hire staff and to undertake any substantial coordinating efforts among the entire Inspector General community.

The federal Inspector General Community issues thousands of recommendations in OIG reports each year that help to make our government more effective and efficient, and reduce waste, fraud, and abuse in government programs. Once these recommendations are issued, OIGs also work with their respective agencies to ensure the recommendations are adequately addressed and that identified cost findings are remedied. The support of Congress is fundamental to our ability to work with agencies to address these OIG recommendations.

As Justice Department Inspector General, I have gained first-hand knowledge of the process through which my Office fulfills its responsibility to identify and satisfactorily resolve OIG recommendations. And, during my tenure as Chair of the Council of Inspectors General, I have come to appreciate that, with 72 OIGs of varying size and of varying oversight responsibilities, there is a wide variety of mechanisms used by OIGs to identify issues and resolve recommendations with their respective agencies.

In my testimony today, I will highlight achievements of the Council of Inspectors General; how Inspectors General issue and track recommendations; and how the Department of Justice Office of the Inspector General follows up on its recommendations and contributes to improving the efficiency and effectiveness of the Department's programs.

Recommendations by Inspectors General

Inspectors General have several tools at their disposal to fulfill their crucial oversight mission. Making recommendations in connection with our audits, inspections, evaluations, and reviews is a quintessential tool for achieving this goal. In addition, OIGs recover substantial funds as a result of their investigative work. Together, the recommendations and investigative recoveries of the IG Community result in significant improvements to the economy and efficiency of programs

across the government, with potential savings totaling approximately $46.5 billion in fiscal year (FY) 2014. With the IG Community's aggregate FY 2014 budget of approximately $2.6 billion, these potential savings represent about an $18 return on every dollar invested in the OIGs. That means that for every dollar spent on the oversight conducted by Inspectors General, there is a potential savings of $18 for American taxpayers. These potential savings include nearly $4.3 billion in questioned costs and over $9.5 billion in funds that could be put to better use by government agencies.

Before it can issue recommendations, an OIG first conducts an audit or review. In the course of the audit or review, the OIG will analyze information it collects regarding the program, policy, or procedure under review. That is why access to agency information is so important to our work. Only after we have reviewed the data, spoken to agency personnel, and determined that we have a sufficient understanding of the topic do we begin to develop our recommendations. Once developed, we typically provide the agency with an opportunity to submit comments regarding our draft reports and recommendations before we issue a final report. If there are agency comments, an OIG will then consider whether to incorporate this feedback into its final report. That decision is made solely by the OIG, consistent with our independence.

However, an OIG's oversight work is not complete once its report and recommendations are issued. An equally important responsibility of Inspectors General is to ensure that agencies are implementing OIG recommendations. By establishing and diligently following procedures to track an agency's progress, Inspectors General can hold the agency accountable for implementing these important recommendations. To remain vigilant in this effort, OIGs maintain information about unimplemented recommendations, analyze agency efforts to close recommendations, and request and respond to agency status updates. Each Inspector General has different procedures for facilitating this process, and every OIG is committed to working with agencies to resolve its recommendations in an appropriate and effective manner.

In addition, Inspectors General submit Semiannual Reports to Congress that provide a variety of important information pertaining to the audits, reviews, special reports, and investigations that have been conducted over a 6-month period. In their Semiannual Reports, OIGs describe significant problems, abuses, and deficiencies relating to the administration of programs and operations of their respective agencies; identify each significant recommendation described in previous semiannual reports on which corrective action has not been completed; summarize matters referred to prosecutive authorities and the prosecutions and convictions which have resulted; and provide statistical information, information concerning any significant management decision with which the Inspector General is in disagreement, and other information. OIGs' Semiannual Reports inform Congress and the public of the important oversight work conducted by Inspectors General and promote transparency by describing the findings from our reviews of federal programs.

Tracking and Resolving Recommendations

Let me briefly describe how this process works at the Department of Justice. To ensure that DOJ addresses the important recommendations from our reports, the DOJ-OIG has a robust resolution procedure that tracks whether these recommendations have been implemented. The DOJ-OIG has sole discretion to decide when to close one of its recommendations. We close a recommendation when we conduct an independent analysis of the documentation provided by the Department and determine that sufficient actions have been taken to satisfy the concern expressed in the recommendation.

During the final stages of each audit or review, the Department has an opportunity to comment on our draft report and the recommendations that we intend to make. At this time, the Department can either agree or not agree with our recommendations. If the Department agrees, it will work to demonstrate how it has addressed the concerns that gave rise to our recommendation. The OIG will review the actions taken by the Department and decide whether they are sufficient to close the recommendation. If the DOJ-OIG decides that additional documentation or further action is required before it can close the recommendation, the DOJ-OIG will inform the Department as to what it needs to do in order to close the recommendation. When a final report is issued with agreed-upon but unimplemented recommendations, the Department must provide a periodic status update to the DOJ-OIG describing what it has done to close any remaining recommendations. For example, if the Department agrees with a recommendation from an audit or program review, a status update to the DOJ-OIG is due 90 days after the final report is issued. If the Department does not provide an update within that 90-day period, then the DOJ-OIG follows up with the Department. This back-and-forth continues until the DOJ-OIG decides the Department has demonstrated progress sufficient to close the recommendation. The DOJ-OIG then notifies the Department that the recommendation is closed.

If the Department does not agree with a DOJ-OIG recommendation, we engage directly with the relevant Department components through an accelerated resolution process until we reach an agreement. If no agreement can be reached for an audit recommendation after 6 months, the DOJ-OIG will report this recommendation to Congress in its semiannual report and to the Offices of the Attorney General and the Deputy Attorney General. Specifically, disagreements over audit recommendations or proposed corrective actions should be resolved by the DOJ Inspector General and appropriate Department officials within 6 months of the issuance of a final audit report, pursuant to DOJ policy.

In addition, every 6 months, we provide to both the Department's leadership and Congress a report on unimplemented DOJ-OIG recommendations. Just last month, I provided the most recent unclassified report to this Committee, as well as the Senate Judiciary committee (we can also provide, upon request, a list of the unimplemented classified OIG recommendations). This report provides notification to the Department's leadership of recommendations that have not been implemented by the Department's components, and helps to hold the Department's

components accountable for implementing the recommendations. Additionally, the report lends transparency to the recommendation resolution process.

Upon receipt of our reports, the Deputy Attorney General and her staff have followed up on our recommendations with the Department's components. This has proven to be beneficial for ensuring that there is follow through on our recommendations. Additionally, the Department's leadership recently informed me that the Department is instituting a new system that will utilize auditors in the Justice Management Division (JMD) to track all unimplemented DOJ-OIG recommendations. We understand that the auditors will work with Department components to systematically review these recommendations and make the changes necessary to implement them. We intend to discuss with JMD how we can create a system that will allow both our Office and the Department's leadership to have accurate and up-to-date information on our unimplemented recommendations.

In a further effort to ensure our recommendations are implemented, we frequently conduct follow-up reviews to assess the actions undertaken by the Department to address recommendations in an earlier report. For example, the DOJ-OIG is currently reviewing the Department's and ATF's implementation of recommendations in the OIG's September 2012 report entitled, *A Review of Operation Fast and Furious and Related Matters*. The DOJ-OIG made six recommendations in that report designed to increase oversight of ATF operations, improve coordination among the Department's law enforcement components, and enhance the Department's wiretap application review and authorization process. The current review is evaluating the Department's progress in implementing the recommendations and their effectiveness.

Another example of an OIG follow-up report was our recent report on the Department's International Prisoner Transfer Program (August 2015) which followed up on the review we had previously conducted on this program in 2011. The recent review found that the number of foreign national inmates from treaty nations continues to increase substantially, the number of inmates approved for transfer has increased modestly, and the number of inmates ultimately transferred has decreased. This report can be found on our OIG website at: https://oig.justice.gov/reports/2015/e1507.pdf#page=1. Other examples include our completed follow-up reviews of the FBI's use of national security letters, the FBI's handling of the Brandon Mayfield case, the FBI's terrorist watchlist nomination practices, and the Department's internal controls over reporting of terrorism-related statistics.

Further, when we identify significant issues in the course of our audits and reviews that require remediation, we will issue interim reports and Management Advisory Memoranda. Interim reports are typically issued when the DOJ-OIG has made significant findings in the course of an audit, evaluation, or review, and these findings warrant public release in a prompt manner. In these instances, we will issue the interim report and continue our work to review other aspects of the Department's program. For example, the DOJ-OIG completed an interim report in July 2015 of the DEA's confidential source policies and oversight of higher-risk

confidential sources. We uncovered several significant issues related to the DEA's management of this program that we believe required the prompt attention of DOJ and DEA leadership. This report can be found on our OIG website at: https://oig.justice.gov/reports/2015/a1528.pdf#page=1. We continue our ongoing evaluation of this program.

We issue a Management Advisory Memorandum when we are in the process of completing a final report but identify an issue that requires management's immediate attention. In these instances, we discuss the Memoranda in a manner that is as open and transparent as possible. For example, the DOJ-OIG utilized this tool during its review of the BOP's procurement of x-ray equipment under contract, when we sent a memorandum to the Deputy Attorney General (DAG) to ensure that the Department was made aware of certain security concerns. In the Memorandum, we identified several concerns, including that the x-ray machines were limited in their ability to effectively scan many commonly received items, that some BOP staff had not been adequately informed of the equipments' limitations, and that some BOP staff had not been adequately trained in their use. In response to this Memorandum, BOP officials conducted an internal survey regarding the x-ray machines which substantiated the safety concerns we identified in the Memorandum. A discussion of this issue can be found in the report on our website at: https://oig.justice.gov/reports/2014/a1427.pdf.

Tools for IGs to Proactively Identify Problem Areas

By using these various tools, our goal is to identify problem areas or concerns and bring them to the attention of the Department promptly before major issues occur. The reporting methods at our disposal allow us the flexibility to swiftly present our recommendations to the Department. The result is the opportunity to be as proactive as possible when finding and conveying serious concerns during our reviews.

In addition to these targeted methods, the DOJ-OIG also issues reports that identify potential management issues at a more macro, or Department-wide, level. For example, last month the DOJ-OIG issued its annual report of the Top Management and Performance Challenges facing the Department of Justice. This report harnesses the collective knowledge our Office has obtained through its many reviews and accumulated expertise to take a proactive approach to identifying challenges for the Department over the next year.

Further, OIGs engage in proactive efforts to raise awareness, provide training, and highlight best practices. For instance, I lead an inter-agency working group focused on Grant Fraud enforcement issues. This working group includes a number of OIGs and several Justice Department components and works to improve enforcement efforts against grant fraud, identify challenges associated with administering grant programs, provide updates on recent developments in the area, and focus on lessons learned in grant fraud cases. The Grant Fraud working group has produced documents on ways to improve grant administration and internal controls for grant recipients. Separately, the DOJ-OIG has issued or contributed to

several guidance documents, including "Improving the Grant Management Process for DOJ Tribal Grant Programs" (which can be found on our website here: https://oig.justice.gov/recovery/docs/2010/2010_01.pdf); "Improving the Grant Management Process" (which can be found on our website here: https://oig.justice.gov/special/s0903/final.pdf); and a guide to grant oversight and best practices for combating grant fraud (which can be found on our website here: https://oig.justice.gov/special/s0902a/). These are examples where an Inspector General can proactively promote increased efficiency and improved mission performance.

The Inspector General community is committed to providing impactful recommendations to federal agencies and working to implement corrective actions that improve the efficiency and effectiveness of federal programs. This concludes my prepared statement, and I am pleased to answer any questions the Subcommittee may have.

Before the Homeland Security and Governmental Affairs Committee
Subcommittee on Regulatory Affairs and Federal Management
United States Senate

For Release on Delivery
Expected at
10:00 a.m. EDT
December 10, 2015

Possible Best Practices for Working with U.S. Government Accountability Office (GAO) and Office of Inspector General (OIG) Auditors

Statement of
Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Introduction

Good morning Chairman Lankford, Ranking Member Heitkamp, and distinguished Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss U.S. Department of Homeland Security (DHS) implementation of recommendations made by the U.S. Government Accountability Office (GAO) and Offices of Inspector General (OIGs). My testimony today will address (1) DHS GAO-OIG relationships, (2) how we collaboratively work with auditors, and (3) selected successes achieved—all with an emphasis on process.

As background, I currently serve as the DHS Director of the Departmental GAO-OIG Liaison Office, which reports to the Under Secretary for Management through the Office of the Chief Financial Officer. I am the executive management official responsible for maintaining mutually beneficial and productive relations with GAO, the DHS OIG, and any other audit organization with an interest in DHS programs, operations, and activities. I also serve as an advisor to senior DHS leadership—including the Secretary, Deputy Secretary and General Counsel—providing advice on audits conducted in broad and diverse areas. In addition, I ensure appropriate auditor access to DHS records and employees, and provide oversight of Component audit liaison activities throughout the Department.

DHS GAO-OIG Relationships

Today I am proud to say that the Department's relationships with the GAO, DHS OIG, and other OIGs with whom Department personnel interact have never been stronger or healthier. Within the Department, we believe that audits truly do help make us better, and thus we are committed to collaboratively working with the dedicated professionals that comprise the GAO and OIGs to ensure a homeland that is safe, secure, and resilient against terrorism and other hazards.

The positive relationships we enjoy with our auditors today are attributable to actions we took to improve a previously contentious relationship with GAO dating back to 2005. This situation had attracted Congressional attention just two years after the creation of DHS and was discussed during as many as eleven Congressional hearings from May 2005 through July 2008. Since this time, DHS Secretaries, as well as their respective Deputy Secretaries, General Counsels, and Under Secretaries for Management, have steadfastly followed through on and expanded efforts to improve not only the GAO relationship, but also the OIG relationship.

In short, DHS and its auditors have benefited from (1) a sustained DHS senior leadership commitment—at the highest levels—to having a relationship based on openness and transparency, (2) the significantly increased lines of communication put in place during the past six years among the DHS Headquarters, its Components, and our auditors, and (3) perhaps most importantly strengthening and improving the Departmental GAO-OIG Liaison Office and DHS-wide audit liaison community. Recently DHS Inspector General (IG) John Roth told me, "That your office even exists is a testament that DHS has a mature and constructive attitude toward what we do." I am confident that GAO would agree with IG Roth's assessment.

Today DHS interacts with its GAO and OIG auditors using the operating principles of engagement, responsiveness, and mutual respect. This has resulted in changing the culture across the Department from one in which audits were generally viewed as unimportant, to one in which leadership, program officials, and others at all organizational levels understand that audits are also important and deserve an appropriate level of attention among competing priorities and demands in protecting the homeland.

In addition, the identification of an executive Senior Component Accountable Official (SCAO) for GAO and OIG activities (as an additional duty, typically at the Chief of Staff or equivalent level) within Components across DHS has been tremendously beneficial. SCAOs serve as the individuals with the Component-wide influence who can resolve any internal Component consternation among offices or others that might represent an impediment to the open and transparent relationships we seek with our auditors.

A large part of the success of the DHS relationship with its auditors is attributable to the clear and formal delegation of authority from the Secretary to the Under Secretary for Management and, in turn, to the Chief Financial Officer for DHS-wide authority and responsibility for the oversight and direction of audit liaison and relations with GAO and OIG. This includes the authority to establish policies and procedures, and oversee the Department-wide implementation of such, as deemed appropriate. In addition, DHS senior leadership has allowed my office to reach out directly to anyone across the Department, at any time, to work on issues associated with any GAO or OIG audit. Through DHS leadership engagement in this area, vestiges of stove piped or parochial viewpoints that may have previously existed regarding interactions with GAO and OIG based solely on Component perspectives have been eliminated in most cases. Interactions with our auditors are now based on a DHS-wide perspective. This is particularly important because DHS missions are complex and highly diverse, and few audits today involve only one Component.

At DHS we say that "Liaison = Relationships + Communications." Relationships are not like light switches that can just be turned on and off. One has to maintain relationships or they atrophy with all parties' participants. As for communications, they have to be continuous and two-way. Our goal is to have strong, healthy relationships with GAO and OIG at all organizational levels of the Department. Maintaining and improving our audit relationships requires ongoing efforts to ensure that we continue to make progress. Examples of our relationships and communications building and sustainment activities include:

- Monthly meetings between the DHS IG and Secretary Jeh Johnson and separate monthly meetings between the DHS IG and Deputy Secretary Alejandro Mayorkas. In addition, the IG has "as needed" meetings with other senior leadership, such as the General Counsel, to discuss various issues of interest, as appropriate. The Secretary, Deputy Secretary, and Under Secretary for Management also periodically meet with the Comptroller General of the United States and GAO's Managing Director for Homeland Security and Justice.

- Quarterly senior leadership coordination meetings between the DHS Under Secretary for Management and the General Counsel with GAO's Managing Director for Homeland Security and Justice, George Scott, and his senior Directors and legal counsel, to discuss newly started audits and those nearing final report issuance, any issues concerning auditor access to information and people, the closure of recommendations, and other relevant topics.

- Other ad hoc senior leadership outreach activities. For example, a U.S. Border Patrol Chief spoke at a GAO Speakers' Series on border security issues earlier this year. Additionally, planned meetings between the Vice Commandant of the U.S. Coast Guard and his SCAO with IG Roth and GAO's George Scott, along with senior members from their staffs, to discuss on-going audits, open recommendations, and other issues.

- Monthly DHS-wide meetings—led by my office—with audit liaisons and others, including Office of General Counsel participation, to discuss current activities, expectations, roles and responsibilities, processes, performance measures and goals, and other topics of interest.

- Periodic "town hall" meetings with DHS leadership, audit liaisons, program officials, subject matter experts, GAO and OIG leadership and staff, and others to

put "names with faces," discuss expectations and processes, and share open "question and answer" sessions among ourselves.

How We Collaboratively Work with Auditors

During the past four years, DHS has averaged approximately 200 ongoing audits at any one time, or about 118 GAO and 82 DHS OIG audits. This does not include work related to:

- GAO's biennial "High Risk" list update activities,
- GAO's annual fragmentation, overlap, and duplication reporting,
- OIG's annual major management and performance challenges report,
- OIG disaster-related public assistance grant audits that focus on grantees and recipients at the state and local levels,
- OIG annual financial statements-related audits, and
- Various GAO and OIG congressional testimonies.

In addition, DHS averages involvement with approximately 12 ongoing audits at any one time conducted by non DHS OIGs, such as the U.S. Postal Service and Departments of Justice, State, Treasury, and Transportation OIGs. These audits typically are not looking at DHS programs, operations, or activities; but rather represent opportunities for the Department and its Components to share information and help inform audits of other agencies, when appropriate. An example of this would be the Postal Service OIG audit initiated earlier this year looking at the Postal Service's handling of inbound international mail at the John F. Kennedy International Service Center in New York. The OIG's objective was to determine if the Postal Service was complying with established inbound international mail policies and procedures, with which the DHS U.S. Customs and Border Protection also has involvement.

The vision of the DHS Departmental GAO-OIG Liaison Office is to be "A trusted and reliable PARTNER, both internally and externally, to the Department." We see ourselves as facilitating good successful outcomes for everyone in the DHS-wide audit liaison community, which includes our GAO and OIG auditors. Although we represent "management" we do not pick sides when it comes to working audit issues, but instead work equally with all parties involved. Our overriding goals are to ensure:

- all parties that need to be involved in a particular audit are involved;
- the audits are worked in concert with our operating principles of engagement, responsiveness, and mutual respect;

- audit issues are worked at the lowest organizational level possible and only elevated to more senior leadership when absolutely necessary; and
- "no surprises" for anyone at the end of the process.

How do we collaboratively work with auditors? First, we have set clear expectations for departmental interactions with auditors. Specifically, DHS has a formal directive that applies to everyone throughout the Department (with the exception of the OIG) regarding its relations with GAO. This directive acknowledges the important role GAO has in our constitutional system of government and serves as the foundation of the Department's commitment to fully cooperating, consistent with well-established Executive Branch privileges and responsibilities, with GAO in its reviews. Expectations for cooperating with OIG were reaffirmed in a memorandum that Secretary Johnson sent to all DHS employees in May 2014, updating similar guidance that Former Secretary Chertoff issued in 2008.

DHS has also instituted a number of formal processes to ensure it works collaboratively with auditors and, in turn, effectively resolves and implements audit findings and recommendations. Examples include:

- DHS has documented formal performance measures and goals in this area. These include ones related to monitoring the timeliness of the submission of program office corrective action plans for GAO and OIG reports with recommendations, quarterly follow-up actions to ensure that agreed upon actions are being taken, and that recommendations are ultimately being closed, ideally within 24 months.

- The Deputy Secretary also chairs bi-monthly oversight meetings with Component SCAOs and other senior leaders, such as the General Counsel and Under Secretary for Management, to discuss the status of the more significant audits being accomplished across the Department and to monitor progress achieving performance measures and other goals. The status of the ten oldest open GAO and OIG recommendations, respectively, is also reviewed during each meeting.

In addition, DHS has a standardized process for communicating and documenting management feedback (i.e., "technical comments") to GAO and OIG on statements of facts (GAO) or notices of findings and recommendations (OIG), draft reports, and other similar work products. These comments are not intended to substantively alter any of GAO or OIG's findings, conclusions, or recommendations, but rather to strengthen audit products by improving accuracy, helping to ensure and validate workable solutions, minimizing the number of disagreements, etc., as appropriate.

More specifically, the process requires cross-indexing comments to the page and line of auditor work products and specifically identifying the program official or subject matter expert submitting the comment, along with contact information so the auditor can follow-up directly with that person for any clarifications or additional information that might be needed. The process helps foster mutually beneficial and productive relationships with GAO and OIG, while maintaining and respecting auditor independence. Since implementing the process, DHS and its auditors now spend less time discussing the accuracy of final reports issued and more time discussing recommendation implementation and closure.

DHS has also increased standardization of management responses provided for draft GAO and OIG audit reports. Gone are the days when DHS and its Components may have never responded to a report or did so informally by telephone or email. Today, a signed letter or memorandum is provided to the auditors for all reports having recommendations to the Department. And, in almost all cases, these letters specifically state agreement or disagreement (i.e., concur or non-concur) with each recommendation, as we have nearly eliminated any "partially concur" responses—we now fall to one side of the fence or the other in agreeing or disagreeing with recommendations or outlining proposed alternative corrective actions. DHS responses also specifically state:

- which office is responsible for actions already taken, on-going, or planned to address recommendations, and
- if actions are not already completed, the estimated completion date.

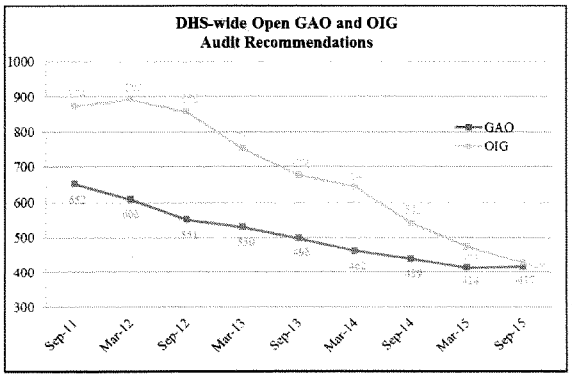
Estimated completion dates can generally be up to 12 months out from the anticipated date of the final report, and if program officials anticipate needing more time we include interim milestones in the response to the extent identifiable. When dates are not yet known, we will say "To Be Determined;" however, our expectation is that program officials will be able to identify specific date(s) by the time more fully developed corrective action plans are submitted to the auditors (i.e., the 60- and 90-day letters for GAO and OIG reports, respectively).

Selected Successes Achieved

Audit follow-up and resolution is an integral part of good management and taking corrective action on resolved findings and recommendations is essential to improving the effectiveness and efficiency of agency programs, operations, and activities. DHS appreciates the GAO and OIG's understanding that this is a shared responsibility of agency management officials and auditors.

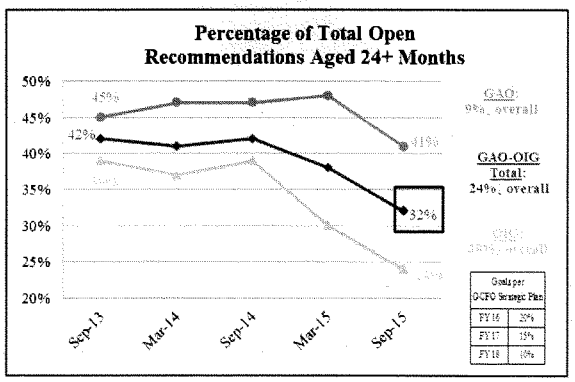
Examples of a few of our successes in this regard are shown below. DHS recognizes that these successes would not have been possible without audit leadership's willingness to work together with our program officials, subject matter experts, and others, as appropriate.

- Closed more GAO and OIG audit recommendations than auditors issued for the fifth year in a row (632 closed versus 498 issued during FY 2015).[1] FY 2015 ended with 14% fewer recommendations open than at the end of FY 2014.

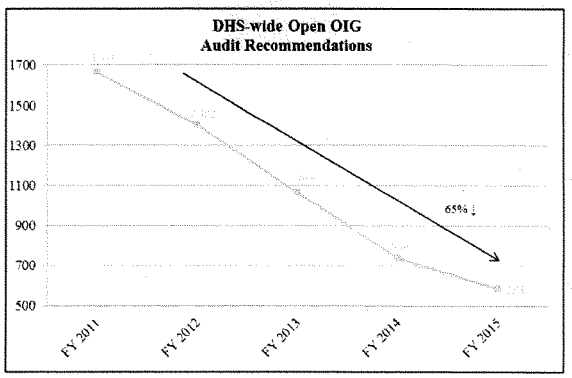


[1] Does not include financial statement and disaster-related public assistance grant audits.

- Reduced the percentage of total open GAO and OIG audit recommendations aged more than 24 months closer to our 20% goal, from 42% at the end of FY 2014 to 32% at the end of FY 2015.[2]

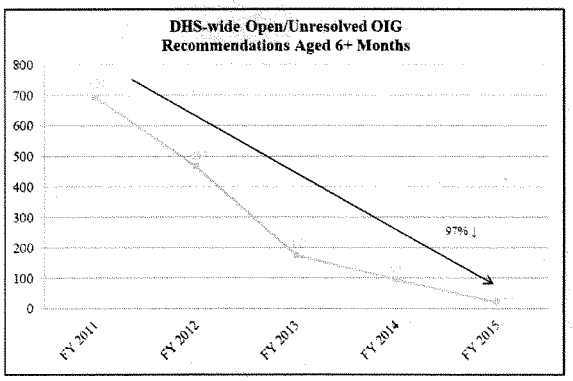


- Steadily reduced the number of open DHS OIG recommendations by 65 percent from a high of 1,663 in FY 2011 to 583 in FY 2015.

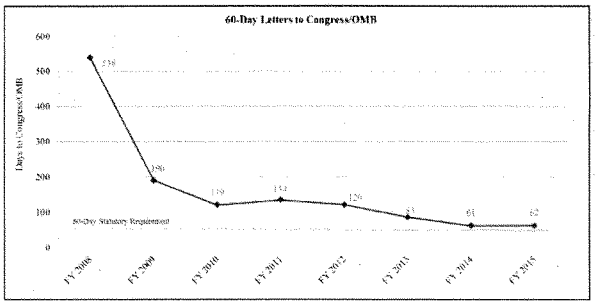


[2] Ibid

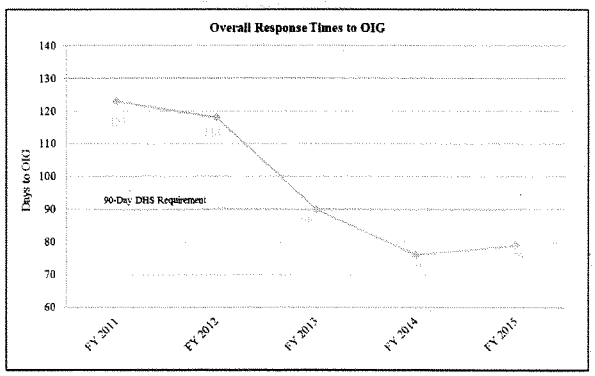
- Reduced the number of unresolved, open recommendations (i.e., those with disagreements) that are more than six months old by 97% from a high of 691 in FY 2011 to 21 in FY 2015, which included the closure of all open unresolved financial statement audit-related recommendations.



- Reduced the DHS-wide average number of days for signing out statutorily-required GAO "60-day" letters to Congress and the U.S. Office of Management and Budget, falling 48 percent (from 120 to 62) from FY 2012 to FY 2015. During FY 2008, DHS took an average of 18 ½ months (538 days) to sign out these letters. This has now been reduced by 88 percent.



- Met or exceeded the standard for signing out DHS-mandated "90-day" letters for OIG reports for the *third* year in a row, ending FY 2015 with a DHS-wide average of 79 days (12 percent below the standard and 36 percent below the FY 2011 average).



Conclusion

It is a fundamental responsibility of us all to ensure that the millions of dollars spent annually for GAO and OIG audits provide a "return on investment" for taxpayers, namely improved effectiveness and efficiency of our programs, operations, and activities.

DHS is in a very different place than it was just a few years ago with its GAO and OIG relationships. This includes not only the openness and transparency with which we work with our auditors and a significantly lower number of open recommendations, but also our institutional attitude towards oversight. We are committed to continuing improvements.

Thank you Mr. Chairman for the opportunity and privilege to appear before you today. I would be pleased to address any questions that you or other Members of the Subcommittee may have.

Response from: Jim H. Crumpacker to Chairman James Lankford
Re.: Question on Disaster Relief at the December 10, 2015 RAFM Hearing

What is the current status of DHS/FEMA's efforts to implement recommendations and action items made by GAO related to Disaster Relief Fund administrative costs?

GAO made three recommendations in its December 2014 report, "Federal Emergency Management Agency: Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters" (GAO-15-65). As of December 17, 2015, the three recommendations remain open and FEMA is working to implement and close them as expediently as possible. GAO also included three action items related to this issue area in its [April] "2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits." Two of the three action items duplicate recommendations as noted below.

FEMA has already implemented the unique action item which GAO considers "Addressed." Specifically, see GAO's "Action Tracker" website[1] for confirmation. GAO asked that FEMA "implement goals for administrative cost percentages and monitor performance to achieve those goals." FEMA addressed this by creating a performance goal for reducing disaster administrative costs in its 2014-2018 Strategic Plan. FEMA aims to reduce the average annual percentage of administrative costs for field operations, as compared to total program costs, by 5 percentage points by the end of fiscal year (FY) 2018. FEMA will monitor this goal by managing every major disaster via a spend plan, viewing administrative costs in near real time using an electronic dashboard, and using a database for reviewing the status of all performance measures, including this one.

Open Recommendations/Action Items: To increase the efficiency and effectiveness of processes related to administrative costs for major disasters, the FEMA Administrator should:

- **Recommendation #1/Action Item #2:** Develop an integrated plan to better control and reduce FEMA's administrative costs for major disasters. The plan should include steps the Agency will take to reduce administrative costs, milestones for accomplishing the reduction, and clear roles and responsibilities, including the assignment of senior officials/offices responsible for monitoring and measuring performance.

[1] http://gao.gov/duplication/action_tracker/Disaster_Relief_Fund_Administrative_Costs/action1

Update: FEMA is aggressively pursuing administrative cost reductions, while also ensuring the rapid stabilization of disasters, and the provision of life-saving and life-sustaining support to disaster survivors. In FY 2014, FEMA set a performance goal in its Strategic Plan to reduce the average annual percentage of administrative costs for field operations, as compared to total program costs, by 5 percentage points by the end of FY 2018. During the first quarter of FY 2015, FEMA conducted analysis of its historic administrative costs, and also leveraged GAO's findings, to understand the Agency's baseline administrative cost percentages for disasters of different sizes. From that baseline, FEMA adopted administrative cost targets for FY 2018 by disaster size. FEMA is now finalizing its "Plan to Reduce Disaster Administrative Costs" which describes FEMA's approach to managing costs on specific disaster operations, and the ongoing work to develop processes, policies, and guidance to improve disaster management. It also describes how FEMA defines and measures administrative costs, and will hold the Agency accountable to its Strategic Plan Goal and the work in the plan. The draft plan is in the final stages of review and FEMA expects to send the final plan to GAO and request closure of this recommendation/action item by December 31, 2015.

- **Recommendation #2/Action Item #3:** Assess the costs versus the benefits of tracking FEMA's administrative cost data for major disasters by Public Assistance, Individual Assistance, Hazard Mitigation, and Mission Assignment, and if feasible, track this information.

  Update: FEMA is currently assessing the costs versus the benefits of tracking administrative costs by program. This project requires connecting multiple disparate data sources. FEMA has identified some, but not yet all of the data which needs to be integrated in order to be able to track administrative costs by program area. The first data which needs to be connected to FEMA's financial data will come from the Deployment Tracking System (DTS). FEMA has a contract in place to connect data from DTS to the Enterprise Data Warehouse, which will allow that information to be imported into the Automated Common Operating Picture (COP). In addition, FEMA is in the process of connecting spend plan projections to the Enterprise Data Warehouse and subsequently the Automated COP. Finally, FEMA is in the process of identifying the remaining data that needs to be connected and the costs associated with connecting that data. FEMA expects to complete the cost benefit analysis and request closure of this recommendation/action item by December 31, 2015.

- **Recommendation #3:** Clarify the Agency's guidance and minimum documentation requirements for direct administrative costs claims by grantees and subgrantees of the Public Assistance program.

Update: At a meeting with GAO on December 3, 2015, FEMA presented the newly published Public Assistance Program and Policy Guide (PAPPG), specifically the sections that clarify FEMA's guidance and minimum documentation requirements for direct administrative costs (DAC). The PAPPG is effective for all disasters declared on or after January 1, 2016. FEMA will submit documentation to GAO and request closure of this recommendation by December 31, 2015.

GAO Response to Requested Material for the Transcript
December 10, 2015, hearing entitled
"Implementing Solutions: The Importance of Following through on
GAO and OIG Recommendations"

Question from Chairman Lankford (transcript page 65-66): **As an alternative to regulating preparers, could the IRS offer faster refund processing for those returns prepared by a certified preparer? And, would IRS need statutory authority for this approach?**

IRS may not need statutory authority to offer faster refund processing for returns prepared by a certified preparer, but it may seek explicit authority given the significance of such a change and recent legal challenges. IRS should be able to provide a more definitive answer on whether it would require authority. Nonetheless, there are several important factors for Congress to consider before suggesting this change, as follows:

- It is unknown whether IRS can process refunds more quickly than it already does. According to IRS data, in 2015, about 90 percent of refunds were issued within 17 days of the return filing. IRS is required to refund overpayments of tax to taxpayers within 45 calendar days after the due date of the return, which for individuals is generally April 15, or it must pay interest.[1]

- Efforts to speed up refunds may be inconsistent with IRS's efforts to combat identity theft refund fraud. IRS estimated that it paid $5.8 billion in fraudulent identity theft refunds during the 2013 filing season. IRS must balance the speed of providing legitimate taxpayer refunds with preventing fraud, including identity theft and employment fraud. We and other external entities have highlighted the potential billions of dollars of savings to be gained with additional efforts to verify taxpayers' information and identity before issuing refunds.

- Processing returns faster for taxpayers who use certified preparers could raise equity concerns, as not all taxpayers use paid preparers. As we reported in April 2014, an estimated 56 percent of individual tax returns filed for tax year 2011 were completed by a paid preparer. Use of paid preparers generally increased with taxpayers' adjusted gross income (AGI) and return complexity. Thus, about two-fifths of all individual taxpayers, including those with lower incomes and less complex tax returns, did not employ tax preparers.

[1] 26 U.S.C. § 6611(e). In FY 2014, IRS paid interest on less than 1 percent of returns where a refund was due, totaling about $5.7 million.

Question from Senator Portman (transcript page 68): **"Can you explain why GAO stopped keeping track of rules being submitted to Congress and whether you think it would be worthwhile to endeavor to resume that?"**

We currently keep track of the major rules issued by federal agencies to make sure that these rules are submitted to both the Congress and GAO. We do this because, under the Congressional Review Act (CRA), GAO must provide the Congress with a report on each major rule concerning the promulgating federal agency's compliance with the procedural steps required by various acts and executive orders governing the regulatory process. We transmit these major rule reports to congressional committees of jurisdiction within fifteen calendar days after receiving the rule. Since 1996 when CRA was enacted, we have submitted about 75 reports each year to these committees. Under the CRA, we have no reporting role with respect to nonmajor rules.

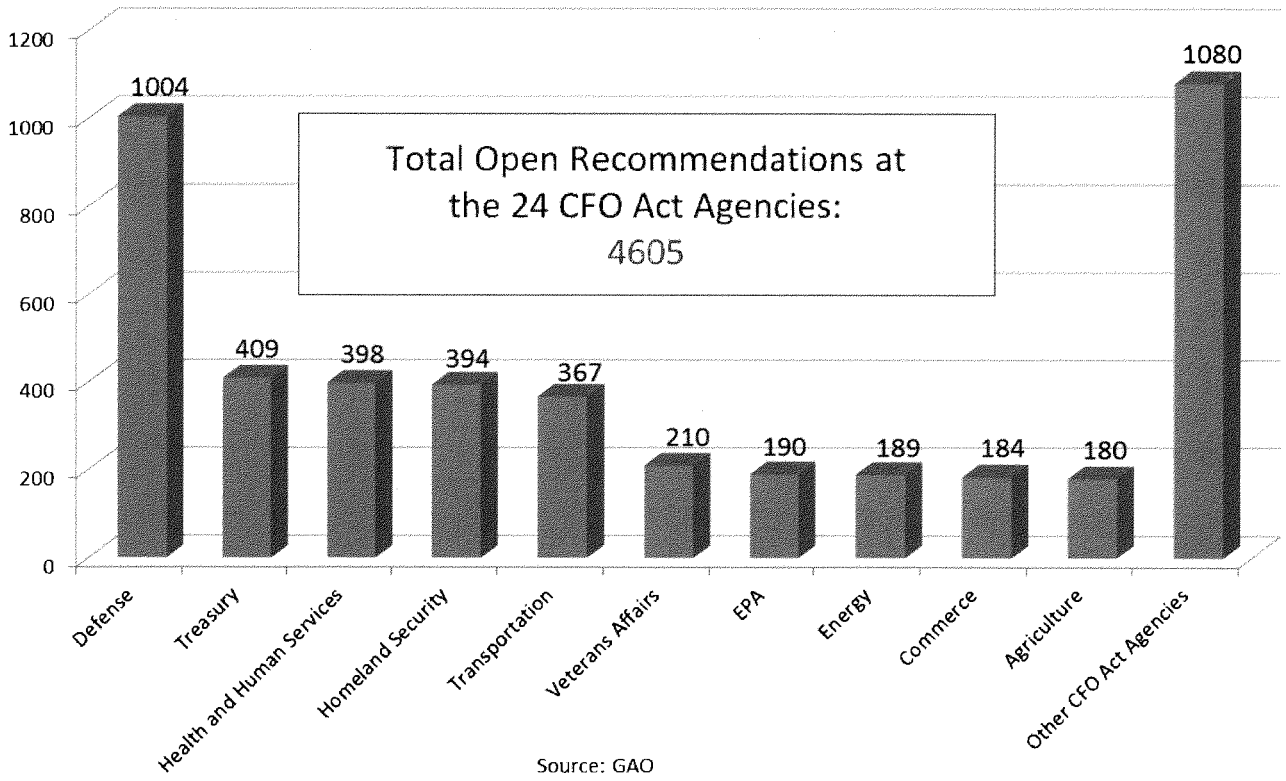
When CRA was enacted in 1996, we set up a "rules received" database that is available to the public, although we were not required to do so. In addition, we spent considerable resources to ensure that all of the rules published in the *Federal Register* and meeting the CRA's definition of a rule, both major and nonmajor, were submitted to Congress and GAO. As part of this effort, we periodically submitted a list to OMB of "rules not received." The number of rules on this list declined over time and, for the reasons explained below, we discontinued our efforts to track all nonmajor rules in 2011.

As it was set up, GAO's database is still a list of all "rules received" by our agency. And, as noted above, we have continued to track major rules which include those that have the largest economic impact. We do not believe it would be a wise use of our resources, however, to resume tracking nonmajor rules for several reasons. GAO audits of government regulations have shown that nonmajor rules are often routine and administrative in nature. They include, for example, rules pertaining to firework displays and drawbridge openings. Because we do not have a reporting role with regard to nonmajor rules for purposes of the CRA, we believe that the costs of monitoring whether such rules are submitted to GAO outweigh the benefits. It was very expensive to track the large number of nonmajor rules issued each year: while agencies publish an average of about 75 major rules, they also publish about 3000 nonmajor rules each year. Tracking nonmajor rules would require an expenditure of at least two staff years and is not a wise use of our limited resources.

Question from Ranking Member Heitkamp (transcript page 74): **Have you seen any agencies that have...a good reward system for federal employees to basically participate in cost savings?**

In June 2011, the Office of Management and Budget released a memo on the administration's "Campaign to Cut Waste" which outlined specific initiatives such as the President's 2011 Securing Americans' Value and Efficiency (SAVE) Award. Through this program, agency chief financial officers are to review and rank submissions for improvements within their agencies made by federal employees for this award. We have not reviewed this program or any other agency efforts to develop cost-savings reward systems.

Number of Open GAO Recommendations



Source: GAO

Bridging the gap between academic ideas and real-world problems

TESTIMONY

IMPLEMENTING SOLUTIONS: THE IMPORTANCE OF FOLLOWING THROUGH ON GAO AND OIG RECOMMENDATIONS

HENRY R. WRAY, JD

Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Regulatory Affairs and Federal Management

December 10, 2015

Chairman Lankford, Ranking Member Heitkamp, and members of the subcommittee, I appreciate the opportunity to submit a statement for the record of this important hearing.

My name is Henry Wray. Most recently, I have been a visiting fellow with the Mercatus Center's Government Accountability Project. Prior to that, I served as a staff attorney with your Committee as well as several House committees. I also worked for 30 years at the Government Accountability Office (GAO), primarily as an attorney and also for several years as a managing director.

OVERVIEW

Throughout my career, I have observed first-hand the vital role that GAO and inspectors general (IGs) play in enhancing federal government performance, supporting congressional oversight, and serving as "watchdogs" on behalf of American taxpayers. As illustrated below, GAO and IG recommendations save billions of tax dollars and achieve countless nonfinancial benefits each year. There are, however, some significant issues in follow-through on audit recommendations that I will highlight.

1. The data on how agencies implement recommendations lack transparency.
2. Timely action on audit recommendations is frequently lacking.
3. Agency accountability for addressing recommendations is too lax.

For more information or to meet with the scholars, contact
Robin Walker, 202-550-9246, rwalker@mercatus.gmu.edu
Mercatus Center at George Mason University, 3434 Washington Blvd., 4th Floor, Arlington, Virginia 22201

The ideas presented in this document do not represent official positions of the Mercatus Center or George Mason University.

As a result, Congress and the public are not realizing the maximum potential return on the crucial work of GAO and the IGs. I will offer several policy recommendations for legislative changes to enhance the visibility of audit recommendations and encourage agencies to act on them with a greater sense of urgency.

VALUE OF AUDIT RECOMMENDATIONS

Each year GAO and the 72 agency IGs issue thousands of recommendations designed to improve the economy, efficiency, and effectiveness of the federal government. For example, GAO's recommendations resulted in financial benefits of $74.7 billion for fiscal year 2015. IG recommendations for fiscal year 2014 carried potential taxpayer savings of about $46.5 billion. Both GAO and the IGs also issue many recommendations carrying substantial nonfinancial benefits in terms of enhanced government performance and better service to the public.

The work of GAO and the IGs provides overall perspective on the most serious problems facing the federal government and how to address them. For example, starting in 1990, GAO has issued a biennial "high-risk list" of operations across government that are most vulnerable to fraud, waste, abuse, mismanagement, or other major shortcomings. The current high-risk list contains 32 problem areas.[1] Similarly, a law authored by this committee[2] requires IGs to compile annual reports of the most serious management and performance challenges facing their agencies—in effect, agency-specific high-risk lists. These products, which reflect key GAO and IG recommendations, provide essential roadmaps for executive branch officials, congressional overseers, and others seeking to improve government performance.

ADDRESSING AUDIT RECOMMENDATIONS

While federal agencies are not, of course, required to agree with audit recommendations, they must (1) respond to each recommendation on a timely basis and (2) implement promptly and effectively those they do accept. These basic agency responsibilities are the same whether the recommendation comes from GAO or an IG. However, the protocols for addressing IG and GAO recommendations differ somewhat in their specifics.

As envisioned by the Inspector General Act of 1978, as amended (IG Act),[3] addressing IG recommendations is a two-step process. First, the agency concerned "resolves" the recommendation by a "management decision" that accepts or rejects it, and if the agency agrees with the recommendation, develops a corrective action plan. Second, final action occurs and the recommendation is "closed" once the corrective actions called for in the management decision have been fully implemented to the IG's satisfaction.

The following statutory time frames apply to the initial resolution and final implementation of IG recommendations:

- Agency heads must reach a management decision on all findings and recommendations in an IG report within six months after the report's issuance.
- Agency heads must complete final action on each management decision with regard to an IG recommendation within 12 months after report issuance.

1. GAO, High-Risk Series: An Update, GAO-15-290 (February 2015).
2. Reports Consolidation Act of 2000, Pub. L. No. 106-531, § 3(a), 114 Stat. 2537-2538 (2000), 31 U.S.C. 3516(d).
3. Pub. L. No. 95-452, 92 Stat. 1101 (1978), as amended, 5 U.S.C. App. 3.

- If an agency fails to complete action within 12 months, the IG must identify the matter in its semiannual report to Congress pursuant to the IG Act and continue listing it until final action is completed.[4]

The IG Act requires IG semiannual reports to contain a number of information items about audit recommendations. Among other things, the semiannual reports must summarize each audit report over six months old that lacks a management decision resolving its recommendations. This summary is to include an explanation of the reasons for failure to reach a management decision and a timetable for completing it.[5] The semiannual reports must also identify "significant" recommendations described in prior semiannual reports on which corrective action has not been completed, *i.e.*, open recommendations over six months old.[6]

Agency responses to GAO recommendations are subject to only one statutory requirement. When GAO makes a recommendation to an agency head, the agency must submit a written statement to the congressional appropriations and oversight committees "on action taken on the recommendation" within 60 days.[7] These statements are commonly referred to as 60-day letters. There is no statutory time frame for completing action on GAO recommendations. However, GAO maintains an online database that tracks open recommendations usually for a period of four years.[8]

DATA TRANSPARENCY PROBLEMS

In an effort to assess the timeliness of agency responses to IG recommendations, I reviewed the websites and most recent semiannual reports for IG offices at a number of major agencies.[9] I found it surprisingly difficult to obtain comprehensive data on open recommendations from these sources. None of the IG websites has an online database of open recommendations; thus, the semiannual reports provide the main source of information. Unfortunately, trying to work with the semiannual reports is quite challenging. The semiannual reports are generally lengthy and cumbersome. They also present information on recommendations in different and often confusing ways. Sometimes key information is either missing or so obscure that I could not locate it. (In fairness, part of the problem is that the information requirements for semiannual reports laid out in the IG Act are themselves complicated and confusing.)

LACK OF TIMELY ACTION ON AUDIT RECOMMENDATIONS

Despite these limitations, the data that can be culled from the semiannual reports clearly indicate that timeliness in addressing IG recommendations is a significant problem at both the resolution and implementation stages.

4. Notably, these requirements are not contained in the IG Act itself but were added by section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, 110 Stat. 394, 5 U.S.C. App. note. The text of section 6009 appears in the U.S. Code Appendix in a note following section 5 of the IG Act.
5. Section 5(a)(10) of the IG Act.
6. Section 5(a)(3) of the IG Act.
7. 31 U.S.C. 720. The statement is due to the oversight committees 60 days after the report is issued and to the appropriations committees with the first appropriation request submitted more than 60 days after report issuance.
8. See GAO, "Reports and Testimonies: Recommendations Database."
9. The agencies were the Departments of Defense, Education, Health and Human Services, Homeland Security, Housing and Urban Development, Interior, Justice, Labor, Transportation, and Veterans Affairs, as well as the Office of Personnel Management and the Social Security Administration.

Unresolved recommendations over six months old. There is a considerable variation among agencies in the number of recommendations left unresolved for over six months. Some agency IGs reported few or none at their agencies. As the following examples in table 1 illustrate, however, the picture is far different at other agencies.

Table 1. Unresolved Recommendations over Six Months Old

Agency	Unresolved Recommendations	Dollar Value
Department of Education	84 recommendations	$47,304,232
Department of Health and Human Services	50 reports (number of recommendations not specified)	$177,682,000
Department of Labor	26 recommendations	$26,672,398
Department of Transportation	36 recommendations	$493,070,000

Unimplemented recommendations over 12 months old. Here again, it is difficult to obtain clear data from the semiannual reports. However, the reports and other sources do provide some insights. The most recent semiannual report for the Veterans Affairs IG, for example, lists 102 open recommendations over one year old having potential cost savings of $1.76 billion. The Transportation Department IG reports 663 open recommendations carrying potential savings of over $2.4 billion. A quick review indicates that many of these are well over one year old. Likewise, the IG for the Homeland Security Department reports 583 open recommendations, many of which are well over one year old. A March 2015 compendium of open recommendations by the IG for Health and Human Services summarizes about 80 that are over one year in age. They include 28 from 2013, 22 from 2012, and 22 from 2011 or earlier. Two go back to the 1990s. The compendium highlights what the IG considers to be the office's "top 25" open recommendations. Six of these date from 2011 or earlier; one is from 2001.

It is possible that some agencies may not be aware of the statutory one-year time frame for implementation of IG recommendations. The Department of Homeland Security witness at the December 10 hearing stated that the Department has a goal to implement recommendations within two years—twice the statutory deadline.

GAO open recommendations. The pace of addressing GAO recommendations also is problematic. According to Comptroller General Gene Dodaro's testimony, there are currently about 4,800 open GAO recommendations to federal agencies.[10] For example, GAO's database lists almost 400 such recommendations at the Department of Homeland Security and approximately 375 at the Department of Health and Human Services. Most notably, the database shows over 1,000 open recommendations at the Department of Defense and its components. This goes a long way toward explaining why Defense owns seven of the 32 of problem areas on GAO's high-risk list, far more than any other agency. Six of these problem areas have languished on the high-risk list since the 1990s.

Mr. Dodaro's prepared statement describes key open recommendations, frequently dating back several years, that carry billions of dollars of potential cost savings.[11] One example he cites is a January 2012

10. GAO, "Government Efficiency and Effectiveness: Implementing GAO Recommendations Can Achieve Financial Benefits and Strengthen Government Performance," GAO-16-272T, December 10, 2015.
11. See GAO, "Government Efficiency and Effectiveness," 16–28.

recommendation that the Centers for Medicare and Medicaid Services (CMS) improve the accuracy of coding adjustments in a way that could reduce excess payments by $3.2 to $5.1 billion over three years. He states:

> CMS said it would take our findings into consideration, but as of April 2015 the agency has not established definitive plans or timeframes for improving the accuracy of its adjustment. Until CMS updates its practices, excess payments due to differences in coding practices are likely to increase.[12]

GAO issues an average of 1,800 recommendations yearly; thus it appears that most of its 4,800 open recommendations are over one year old. Since GAO generally stops tracking open recommendations after four years, there is no telling how many even older recommendations remain unimplemented. Finally, GAO does not currently track agency 60-day letters in response to its recommendations so the extent of compliance with this requirement cannot be determined.

POLICY RECOMMENDATIONS FOR IMPROVING AUDIT FOLLOW-UP

The statutory six-month deadline for reaching management decisions resolving IG recommendations should be shortened. As noted, management decisions entail deciding whether the agency agrees with an IG recommendation, and if it does, developing a corrective action plan. It is hard to understand why this process should take up to six months, at least in the vast majority of cases. The six-month window seems particularly excessive when one considers that agency officials usually have a good idea of what the IG recommendations will be well before a final report is issued through their earlier review of the draft report and other interactions with the auditors during the audit process. The six-month deadline probably could be cut in half, moving it much closer to the 60-day deadline applicable to GAO recommendations.

Deadlines for implementing IG recommendations should be based on targets set for each recommendation. Unlike the management decision step, the second step of implementing recommendations does not lend itself to a one-size-fits-all deadline. Some recommendations may be capable of full implementation well short of the current one-year deadline. Conversely, many others deal with complex problems that may legitimately take considerably longer to implement. Moreover, implementation of some recommendations may hinge on actions at least partially beyond the agency's control, such as the enactment of legislation. Given these considerations, one approach would be to replace the current one-year implementation deadline with a requirement that corrective action plans developed in management decisions set specific target completion dates for each recommendation. These individually tailored target dates could then be used as deadlines for reporting on implementation. The target dates might be made subject to modification (lengthening or shortening) as implementation proceeds based on changed circumstances and with the concurrence of the IG.

Need for online, searchable IG open recommendations databases. Requiring tighter statutory deadlines for action on IG recommendations, while appropriate, is not a complete solution. Agencies often fail to meet the current more generous deadlines and, in any event, there is no practical sanction for noncompliance. Adding greater transparency and visibility with respect to IG recommendations and their implementation could further enhance agency accountability. One way of doing this is to require each IG website to establish a comprehensive database of open recommendations along the lines of the GAO model.

12. Ibid., 19.

As discussed above, it is now very difficult to obtain clear, consistent, and comprehensive information on open recommendations from IG web sites and semiannual reports. Searchable, online databases would make this information readily accessible. Facilitating the tracking of agency action (or inaction) on recommendations is only one benefit. Such databases would also provide enhanced and much more user-friendly access to the important work done by the IGs. This, in turn, should promote greater attention to and use of IG reports and recommendations by Congress, academics, the media, and other interested parties.

Ideally, information from individual IG recommendations databases could be incorporated at some point into a government-wide database of IG recommendations under the auspices of the Council of the Inspectors General on Integrity and Efficiency.

Database content. The databases should incorporate a search feature capable of retrieving information on each open recommendation to meet the varied interests of all potential users. The following are some search fields that might be included:

- the subject matter, agency component, text and estimated taxpayer savings for each recommendation along with a link to the full report;
- the text of the agency's management decision; and
- the status of each recommendation in relation to applicable timeliness and other requirements.

In addition, there should be a means of highlighting particularly important recommendations such as, for example, those that:

- significantly impact the agency's most serious management and performance challenges as identified by the IG;
- significantly impact GAO high-risk list items applicable to the agency; or
- carry estimated cost savings over a specified threshold.

Changes to 60-day letters on GAO recommendations. Comptroller General Dodaro stated at the December 10 hearing that he intends to review the current statutory 60-day letter process governing agency responses to GAO recommendations. He expressed interest in expanding the recipients to include authorizing committees and also looking at the timeliness and quality of the letters.

I would suggest that GAO be made a mandatory recipient of the 60-day letters as well. GAO could then track the letters for compliance with the 60-day deadline and include this information in its recommendations database. The 60-day letter provision could be further expanded to require that agency response contain a specific corrective action plan for each recommendation including target completion dates. GAO could then review each letter and submit to the congressional recipients any comments it deemed appropriate concerning the adequacy of the agency corrective action plan and reasonableness of the target completion dates. GAO could also use the target completion dates (subject to modification as appropriate) to track implementation progress on its recommendations database. These statutory enhancements should improve the timeliness and quality of 60-day letters. In essence, they would require agencies to accord GAO recommendations the same level of attention and accountability as IG recommendations.

CONCLUSION

The outstanding work of the GAO and agency IGs has never been more important than it is today given the massive financial and performance challenges facing the federal government. I commend the subcommittee for its efforts to ensure that this work gets the attention and action it deserves so that it can achieve maximum impact. I would be happy to provide any further assistance that might be useful to these efforts.

Congressional Research Service
Informing the legislative debate since 1914

MEMORANDUM December 2, 2015

To: Senate Committee on Homeland Security and Governmental Affairs

From: Wendy Ginsberg, Analyst in American National Government, 7-3933
Barbara L. Schwemle, Analyst in American National Government, 7-8655

Subject: **The Audit and Audit Follow-up Processes of the Government Accountability Office and the Federal Inspectors General**

This memorandum responds to your request for a comparison of the audit and audit follow-up protocol of both the Government Accountability Office (GAO) and the 72 federal inspectors general (IGs). You specifically requested a graphic representation of these two processes. This memorandum provides a written description of the audit and audit follow-up processes. As you specifically requested, the body of the memorandum includes text boxes on the GAO Audit Process and the IG Audit Process and the Appendix includes a diagram that provides a comparison of the two processes.[1] This information is to be used as background for a hearing of the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Regulatory Affairs and Federal Management that will examine and compare the audit and audit follow-up processes of GAO and federal offices of inspectors general (OIG). The hearing is scheduled for December 10th. You asked us in advance of the hearing to identify several issues that may arise as the witnesses provide their testimony. A section on Possible Issues For Congressional Consideration is included as the last part of the memorandum.[2]

The memorandum provides selected information that follows up our discussions with you in meetings conducted on October 15, 2015, and November 5, 2015.[3] The information related to GAO and the Office of Management and Budget (OMB) is drawn from statute and publicly available policy documents that were revealed in a literature search on GAO audit protocols, audit follow up, and related matters. It is intended to highlight GAO's audit procedures to assist you in your forthcoming discussions with GAO officials. The information related to OIGs is drawn from statute, executive branch policy documents, and conversations with officials from the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Information in this memorandum is of general interest to Congress. As such, all or part of this information may be provided by CRS in memoranda or reports for general distribution to Congress. Your confidentiality as a requester will be preserved in any case.

[1] CRS prepared the diagram using information selected from the text boxes in accordance with the direction that you provided when we met with you on November 5, 2015.

[2] We would be happy to follow up with you once the hearing occurs to address any research needs that you may have.

[3] In addition to the authors, CRS Specialist Moshe Schwartz participated in the meetings and provided helpful comments on this memorandum.

We trust this information is responsive to your request. If you have additional questions, please contact Wendy for questions related to IGs and Barbara for questions related to GAO.

Overview

An audit can be thought of as an independent inspection of a department or agency's accounts, operations, or programs.[4] Audits are among the written products that serve as tools for GAO and OIGs to alert Congress, federal agencies, and the public to inconsistencies, irregularities, or potential waste, fraud, and abuse within federal agencies or programs.

Both GAO and the 72 federal inspectors general are required to follow the Generally Accepted Government Auditing Standards (GAGAS)[5] when conducting an audit.[6] The GAGAS is a 241-page document that provides guidelines and requirements for conducting audits. The standards include ethical principles, standards for use, standards for financial audits, standards for attestation engagements, and standards for performance audits. It is intended to provide "a framework for conducting high quality audits with competence, integrity, objectivity, and independence."[7]

Agencies are responsible for monitoring open audit recommendations and maintaining accurate records on their status. As discussed below, OMB Circular A-123 prescribes requirements for agency internal management control systems. Among the requirements are that a top-level audit follow up official be appointed and that follow up on audit recommendations be given a high priority.

The audit follow-up process is not explicitly defined in GAO's GAGAS nor OMB's audit follow-up circular (A-50). Generally, audit follow-up procedures can be thought of as the policies and procedures used "when considering [the] reports issued" by an auditing entity, and may include the creation of corrective action plans, resolution of disagreements between the agency and auditor, and resolution of audit recommendations.[8]GAO and federal OIGs have different standards and requirements related to audit follow-up procedures. These are the procedures and standards required to track the audited agency's compliance with GAO's or an IG's recommendations.

Types of Audits

Inspectors general may conduct a variety of different types of audits. The GAGAS refers to three particular types of audits.

---

[4] The U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards* defines audits as "financial audits, attestation engagements, and performance audits conducted in accordance with [the *Generally Accepted Government Auditing Standards].*" See U.S. Government Accountability Office, *Generally Accepted Government Auditing Standards*, 2011, GAO-12-331G, p. 6, at http://www.gao.gov/yellowbook/overview.

[5] U.S. Government Accountability Office, *Generally Accepted Government Auditing Standards*, 2011, GAO-12-331G, at http://www.gao.gov/yellowbook/overview. The GAGAS is commonly referred to as the "yellow book" because the printed version has a yellow cover.

[6] IGs who are appointed by the President with the advice and consent of the Senate (establishment IGs) are required to comply with GAO's standards pursuant to 5 U.S.C. Appendix §4(b)(1)(A). IGs appointed by an agency head (designated federal entity IGs), are required to comply with GAO's standards pursuant to 5 U.S.C. Appendix §8G(g)(1), which makes 5 U.S.C. Appendix §4(b)(1)(A) applicable to IGs in designated federal entities.

[7] U.S. Government Accountability Office, "The Yellow Book," at http://www.gao.gov/yellowbook/overview.

[8] See David A. Stockman, *Circular No. A-50 Revised*, Office of Management and Budget, Audit Follow Up, Washington, DC, September 29, 1982, at https://www.whitehouse.gov/omb/circulars_a050/

- Financial audits – These audits "provide an independent assessment of whether an entity's reported financial information (e.g., financial condition, results, and use of resources) are presented fairly in accordance with recognized criteria."[9]
- Attestation engagements – These audits may have objectives that examine "prospective financial or performance information," "an entity's internal control over financial reporting," or "the accuracy and reliability of reported performance measures."[10]
- Performance audits – These audits "provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria" and can be used "to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiative corrective action, and contribute to public accountability."[11]

The GAGAS also notes that there may be additional types of audits. This memorandum addresses the processes that apply generally to all audit types. The Congressional Research Service (CRS) used publicly available resources and worked with officials from GAO and CIGIE to generate the abridged versions of federal audit processes provided below.

General Standards

When conducting an audit, the GAGAS requires four "general standards."

- **Independence** allows for "options, findings, conclusions, judgments, and recommendations" to be "impartial and viewed as impartial by reasonable and informed third parties."[12]
- **Professional judgment** "includes exercising reasonable care and professional skepticism," including "acting diligently in accordance with professional standards and ethical principles."[13]
- **Competence** "is derived from a blending of education and experience" and "enables an auditor to make sound professional judgments."[14]; and
- **Quality Control Assurance** includes "reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements."[15]

These standards create a foundation for a thorough and effective audit. Once these standards are demonstrated, the audit entity may begin conducting the audit.

As noted above, both GAO and federal OIGs are required to adhere to the GAGAS. In addition to these standards, other audit standards may apply to GAO and each individual federal OIG. For example, CIGIE publishes manuals and guides that provide audit best practices and other quality control information to federal OIGs.[16] These guides may assist IGs in meeting the GAGAS or may include additional

[9] Ibid, p. 15.
[10] Ibid., p. 190.
[11] Ibid., p. 17.
[12] Ibid. pp. 27-28.
[13] Ibid, p. 53.
[14] Ibid, p. 56.
[15] Ibid., p. 61.
[16] See The Council of the Inspectors General on Integrity and Efficiency, "Audit," at https://www.ignet.gov/content/audit.

requirements or standards. Additionally, individual IGs may require particular standards or practices when conducting audits.[17] This memorandum refers to audit requirements and standards from the GAGAS and certain selected other resources, but the information provided does not constitute the entirety of audit standards and requirements placed on GAO or the individual OIGs.

Conducting an Audit: GAO

Section 702(a) of Title 31 of the *United States Code* provides that "the Government Accountability Office is an instrumentality of the United States Government independent of the executive departments." GAO's head is the Comptroller General of the United States.[18]

Selected GAO Statutory Authority[19]

By law, GAO is authorized, in part, to investigate the use of public money and evaluate programs and activities of the federal government.

Specifically, section 712 of Title 31 of the *United States Code* directs the Comptroller General to:

> (1) investigate all matters related to the receipt, disbursement, and use of public money;
>
> (2) estimate the cost to the United States Government of complying with each restriction on expenditures of a specific appropriation in a general appropriation law and report each estimate to Congress with recommendations the Comptroller General considers desirable;
>
> (3) analyze expenditures of each executive agency the Comptroller General believes will help Congress decide whether public money has been used and expended economically and efficiently;
>
> (4) make an investigation and report ordered by either House of Congress or a committee of Congress having jurisdiction over revenue, appropriations, or expenditures; and
>
> (5) give a committee of Congress having jurisdiction over revenue, appropriations, or expenditures the help and information the committee requests.

Section 717(b) of Title 31 of the *United States Code* authorizes the Comptroller General to evaluate the results of a federal program or activity (1) on his initiative, (2) when directed to do so by the House of Representatives or the Senate, or (3) when requested to do so by a congressional committee with jurisdiction over the program or activity.

The law mandates that the Comptroller General is to "develop and recommend to Congress" ways to evaluate a federal program or activity.[20] Upon the request of a congressional committee, the Comptroller General is to assist the committee to:

---

[17] The Department of Defense, for example, maintains an audit manual that incorporates GAGAS standards and includes a focus on ensuring DOD's component agencies communicate to eliminate duplication of efforts. See U.S. Department of Defense, "DOD Audit Manual: 7600.07," at http://www.dtic.mil/whs/directives/corres/pdf/760007m.pdf. In another example, the Department of Housing and Urban Development (HUD) IG maintains "Consolidated Audit Guides" to assist OIG auditors in particular types of audits—for example, "audits of profit-motivated entities" subject to certain HUD regulations. See U.S. Department of Housing and Urban Development, "General Audit Guidance," at https://www.hudoig.gov/sites/default/files/documents/audit-guides/Audit%20Guide%20Chapter%201%20-%205.29.13.pdf.

[18] 31 U.S.C. §702(b).

[19] The Government Accountability Office includes information on the agency at its website, at http://www.gao.gov/about/gao_at_a_glance_2014_english.pdf. A book published in 2013 discusses GAO's role. See Daniel L. Feldman and David R. Eichenthal, *The Art of the Watchdog Fighting Fraud, Waste, Abuse, and Corruption in Government* (Albany: State University of New York Press, 2013, Chapter 6, Government Accountability Office. Mr. Feldman is Associate Professor of Public Management at John Jay College of Criminal Justice, City University of New York and Mr. Eichenthal is a Senior Research Fellow at the New York University School of Law, Center for Research in Crime and Justice.

(A) develop a statement of legislative goals and ways to assess and report program performance related to the goals, including recommended ways to assess performance, information to be reported, responsibility for reporting, frequency of reports, and feasibility of pilot testing; and

(B) assess program evaluations prepared by and for an agency.[21]

Section 720(b) of Title 31 of the *United States Code* requires an agency head to "submit a written statement" to Congress on action taken on recommendations made to the agency head in a GAO report. The statement must be submitted to the Senate Committee on Governmental Affairs and the House Committee on Government Operations no later than 60 days after the release of the report, and to the House and Senate Committees on Appropriations "in the first request for appropriations submitted more than 60 days after the date of the report."[22]

GAO's Agency Protocols

The protocols that govern GAO's work with executive branch agencies are discussed in the document titled, "GAO's Agency Protocols."[23] The document identifies each step in conducting an evaluation of an agency. These steps can be grouped into four categories

1. Planning,
2. Field Work,
3. Reporting and Monitoring, and
4. Implementation.

For purposes of audit follow up, GAO provides testimony to Congress that discusses work conducted and open recommendations. In addition, capstone reports summarize GAO's prior audit work and highlight key concerns, such as the annual High-Risk report.

The text box, below, summarizes the steps under each category.

(...continued)

[20] 31 U.S.C. §717(c).

[21] 31 U.S.C. §717(d). "Agency" means a department, agency, or instrumentality of the United States Government (except a mixed-ownership Government corporation) or the District of Columbia government (31 U.S.C. §717(a)).

[22] The codification of the provisions is available at http://www.gpo.gov/fdsys/pkg/USCODE-2009-title31/html/USCODE-2009-title31-subtitleI-chap7-subchapII.htm. Legislative attorneys in the American Law Division of CRS are available to assist you with specific questions or legal interpretations related to GAO's statutory authority.

[23] U.S. Government Accountability Office, *GAO's Agency Protocols*, GAO-05-35G (Washington: GAO, October 21, 2004), available at http://www.gao.gov/new.items/d0535g.pdf.

GAO Audit Process

Planning

Notification of GAO Work

- if cross-cutting, notification letter to applicable central agency (e.g., OPM or OMB)
- telephone or e-mail notice to individual agency, with follow up letter, if requested
- includes subject, objectives or key questions, start date, points of contact

Entrance Conference

- meeting between GAO and agency officials at start of engagement
- includes discussion of data and information needs, research questions, estimated timeline
- possible additional conferences if field locations involved

Field Work

Data Collection and Analysis

- interviews of department or agency officials
- document examination and possible additional document requests
- data and information clarification

Closeout Meeting at Field Locations

- at end of field location work, a meeting may be conducted with field officials
- implications of information gathered may be discussed; further data gathering may occur
- no discussion of GAO preliminary conclusions or recommendations

Exit Conference With Agency

- in person or by telephone with appropriate officials after data collection and analysis
- confirms accuracy, currency, and completeness of facts and information
- observations, preliminary conclusions, potential recommendations may be discussed

Reporting

Draft Report

- draft of the report for agency review and comment

Agency Comments

- time available decided on a facts/circumstances basis, generally 7 to 30 calendar days
- GAO prefers written comments provided electronically
- single position on agreement/disagreement with findings, conclusions, recommendations

Disposition of Agency Comments

- GAO considers comments and revises draft report as appropriate
- agency disagreement with findings, conclusions, recommendations included in report
- comments are reproduced in the report Appendix

Disposition of Work

- typically, provided in a published product, but may occur orally

- products typically posted on GAO website within 24 hours of release
- at request of Congress, report release may be restricted for up to 30 calendar days

Monitoring and Implementation

GAO Database of Open Recommendations

- searchable by agency, committee, and key words
- available at http://www.gao.gov/recommendations

Agency Report to Congress

- for report containing recommendations, agency head submits written statement on actions taken to SHSGAC and HOGR within 60 days
- same to House and Senate Committees on Appropriations with first request for appropriations

GAO Follow up With Agency

- agency provides statement of action to GAO
- GAO follows up with agency officials to verify actions taken and results achieved

Removal of Closed Recommendations

- removed from database on an ongoing basis
- removed if proposed actions are taken or suggestion no longer relevant

Entire GAO Audit Process

- follows GAGAS ("Yellow Book") standards

Note: U.S. Government Accountability Office, *GAO's Agency Protocols*, GAO-05-35G, (Washington: GAO, October 21, 2004), available at http://www.gao.gov/new.items/d0535g.pdf. See the Office of Special Investigations section of the document for the modified protocols for investigations.

GAO Guidance on Getting Action on Audit Recommendations

In July 1991, GAO published guidance, titled *How to Get Action on Audit Recommendations*. The document included information related to "Monitoring and Follow up Systems" and noted that "the follow up system should be properly designed." GAO identified five essential features and stated that such a system should:

> Be firmly rooted in policy. The audit organization's commitment to getting action on recommendations should be clear.
>
> Define individual responsibilities. There should be no doubt about who has continuing follow up responsibility and what that responsibility is.
>
> Include basic ground rules for follow up, leaving plenty of room for staff initiative. The system should describe minimum required actions [and] documentation requirements. But it should recognize that effective follow up needs to be tailored to particular recommendations and the results they seek.
>
> Ensure that all recommendations are followed up.

> Identify what each recommendation is expected to accomplish, including an estimate of potential monetary benefits.[24]

The document includes appendices related to audit follow up, including Appendix One, that provides "A Checklist for Recommendations Monitoring and Follow up" and Appendix Two that contains a "Case Study: GAO's Monitoring and Follow up System."[25]

A February 2015, report prepared by Deloitte Public Sector Research analyzed 26 years of GAO reports and found that "during the period between 1983 and 2008, 81 percent of GAO's recommendations were successfully completed by federal agencies." The "highest success rate" occurred for recommendations related to information security (91%) and education, information technology, and equal opportunity (87% each).[26]

Conducting an Audit: Inspectors General

More than 70 federal OIGs operate in the federal government, most of which are authorized by the Inspector General Act of 1978 (IG Act), as amended.[27] The act establishes the offices as "independent and objective units," each headed by an IG.[28]

Selected Inspector General Statutory Authority

Pursuant to Section 2 of the IG Act, the three principal purposes of inspectors general who are governed by the IG Act are

- conducting and supervising audits and investigations related to agency programs and operations;
- providing leadership and coordination as well as recommending policies for activities designed to promote the economy, efficiency, and effectiveness of the affiliated agencies' programs and operations; providing for the prevention and detection of fraud and abuse in such programs and operations; and
- keeping the agency head and Congress "fully and currently informed about problems and deficiencies relating to" such programs and the necessity for and "progress of corrective action."[29]

Audit Requirements and Responsibilities

As noted above, both GAO and IGs are required to adhere to the GAGAS when conducting an audit. The language used by OIGs for certain audit components, however, may be different than GAO's preferred

[24] U.S. General Accounting Office, *How to Get Action on Audit Recommendations*, GAO/OP-9.2.1 (Washington: GAO, July 1991), available at http://www.gao.gov/special.pubs/p0921.pdf.

[25] Ibid., pp. 32-35 and pp. 36-52.

[26] Daniel Byler, Steve Berman, Vishwa Kolla & William D. Eggers, *Accountability Quantified What 26 Years of GAO Reports Can Teach Us About Government Management* (Washington: Deloitte University Press, [February 2015]), p. 4 and p. 7, available at http://d27n205l7rookf.cloudfront.net/wp-content/uploads/2015/02/DUP_907_AccountabilityQuantified.pdf. The February 17, 2015, press release that accompanied the report is available at http://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/deloitte-public-sector-release-gao-implementation-report.html.

[27] 5 U.S.C. Appendix (IG Act).

[28] Ibid., §2.

[29] DFE IGs and IGs not covered by the IG Act generally have similar or identical purposes, although some IG missions may vary pursuant to their statutory requirements and authorities.

parlance. In this section, CRS provides an abridged version of the federal IG audit and audit follow-up processes. The information provided is the product of conversations between CRS analysts and CIGIE officials, and generally represents the process for all types of federal audits. The information relies on GAGAS[30] standards and OMB Circular A-50,[31] and incorporates additional components from CIGIE officials' experiences and knowledge of the process.[32]

In some cases, the substance of an audit may be beyond the scope of a single IG, or may share jurisdiction of several IGs. In such cases, prior to beginning the audit, IGs may work with CIGIE to delegate roles and responsibilities among the appropriate IGs during the audit and audit follow-up processes. Pursuant to the IG Act, CIGIE's mission, in part, is to "address integrity, economy, and effectiveness issues that transcend individual Government agencies."[33] In other cases, like with the IG for the Intelligence Community(IC), the IG is statutorily authorized and required to conduct audits that transcend a single agency's jurisdiction. Pursuant to 50 U.S.C. 403-3h, the IC IG is required to conduct audits "relating to the programs and activities within the responsibility and authority of the Director of National Intelligence," which spans more than a single agency's jurisdiction. According to the IC IG website, the IC IG is required to conduct audits that "cut across IC agency missions."[34]

As with GAO, the steps of an OIG audit can be grouped into four categories –

1. Planning,
2. Field Work,
3. Reporting and Monitoring, and
4. Implementation.

The text box, below, summarizes the steps under each category.

Inspector General Audit Process

Planning

Auditor Communication

- OIG staff notify the entity to be audited of the upcoming engagement
- typically is a formal engagement letter
- the letter officially marks the opening of the audit

Examination of Previous Engagements

- OIG staff examine previous audits and engagements conducted by the OIG, GAO, or the entity itself
- learn more about previous findings recommendations and whether the entity has

[30] U.S. Government Accountability Office, "The Yellow Book," at http://www.gao.gov/yellowbook/overview.

[31] David A. Stockman, *Circular No. A-50 Revised*, Office of Management and Budget, Audit Follow Up, Washington, DC, September 29, 1982, at https://www.whitehouse.gov/omb/circulars_a050/.

[32] The information provided in this section of the memorandum includes greater detail than the graphic in the **Appendix**. The information provided, here, therefore, is not identical to the graphic in the **Appendix**.

[33] 5 U.S.C. Appendix (IG Act), §11.

[34] See Office of the Director of National Intelligence, "Who We Are," at http://www.dni.gov/index.php/about/organization/office-of-the-intelligence-community-inspector-general-who-we-are.

addressed them

Entrance Conference

- OIG staff discuss the audit objectives
- establish the appropriate points of contact with audited entity
- OIG staff create a preliminary time line for the audit's completion (time line may have to be adjusted as issues arise)

Finalization of audit objectives, scope, and methodology.

Field Work

Research and Data Collection

- OIG staff conduct necessary field work, interviews, or other actions to accumulate evidence and facts for the audit

Notice of Findings

- Using the evidence and data collected, OIG staff generate "Notice of Finding" documents
- one "Notice" is generated per finding
- these documents are often shared with the audited entity to check for accuracy

Exit Conference

- OIG staff meet with the audited entity's points of contact to discuss the research and information collected
- meeting generally occurs before any recommendations are made
- the discussion may address certain recommendations being considered by the OIG

Reporting

Draft Audit Report

- OIG staff create a draft audit report
- draft report is sometimes provided to the audited entity to get their feedback on the facts included in the product

Issue Report to Audited Entity

- final report is provided to the audited entity
- report includes the audited entity's response to the recommendations and any OIG follow-up comments related to the audited entity's response
- final report will include the OIG point of contact for the audited agency to communicate its "corrective action plan" to address the recommendations
- IGs send copies of the final report to the applicable congressional committees of jurisdiction.

Follow-up

Audit Resolution Process

- OIG staff work with the audited entity to implement the corrective action plan
- OIGs track recommendations as they are or are not addressed by the audited entity
- OIG staff close recommendations as they are addressed.[35]
  - each OIG tracks recommendations and the actions of the audited entity with a separate, unique tracking system.
- a list of both the audits completed and the recommendations for which "no management decision has been made" are required to be included in the IG's semiannual reports to Congress.[36]
  - the audited entity is provided 180 days to make a management decision on any recommendation and propose corrective actions

Notes: Inspector General Act of 1978, as amended (5 U.S.C. Appendix (IG Act); David A. Stockman, *Circular No. A-50 Revised*, Office of Management and Budget, Audit Follow Up, Washington, DC, September 29, 1982, at https://www.whitehouse.gov/omb/circulars_a050/; and repeated conversations with officials from CIGIE. The information in this text box is not identical to the information included in the graphic in the **Appendix** because this text box includes greater detail.

The GAGAS does not provide instruction and guidance on how the auditing entity is to track the audited agency's implementation of recommendations.

OIGs do not maintain a centralized repository or database in which all outstanding IG recommendations governmentwide are input, stored, and made accessible to Members and staff. OIGs' oversight and tracking of the implementation of IG recommendations is governed generally by two authorities: the IG Act of 1978, as amended,[37] and Office of Management and Budget Circular A-50.[38] Tracking of audit recommendation implementation is performed by each individual OIG and reported to Congress semiannually.

Key Statutes and Policies that Control OIG Audit-Related Activities

The key authorities that control OIG audit activities are

1. The IG Act; and
2. OMB Circular A-50.

The Inspector General Act, as Amended

Pursuant to the IG Act of 1978, each federal IG is required to report a variety of information two times per year to Congress.[39] These semiannual reports are provided to the affiliated congressional committees

[35] Additional information on how an IG closes a recommendation is provided later in this memorandum.

[36] 5 U.S.C. Appendix (IG Act), §5(a)(14)(A). Additionally, CIGIE's *Annual Progress Report to Congress* provides governmentwide data on the estimated cost savings of certain IG recommendations as well as the estimated cost savings of the recommendations the audited agencies implemented.

[37] 5 U.S.C. Appendix (IG Act).

[38] David A. Stockman, *Circular No. A-50 Revised*, Office of Management and Budget, Audit Follow Up, Washington, DC, September 29, 1982, at https://www.whitehouse.gov/omb/circulars_a050/.

[39] 5 U.S.C. Appendix (IG Act), §5.

of jurisdiction of a particular IG. Among the information provided to Congress is "identification of each significant recommendation" on which the audited agency has not taken action.[40] Additionally, the IG Act requires the semi-annual report to include a listing of all IG products written in the past six months that includes the dollar value of the auditor's questioned costs and funds recommended to be put to better use.[41]

While all federal IGs are required to meet the IG Act's semiannual reporting requirements, the utility of these reports to congressional overseers may vary with each office. In some cases, for example, the IG's semiannual report contains a section or appendix that describes the audited agency's unaddressed audit recommendations as well as the audited agency's explanation as to why it has yet to address the listed recommendations.[42] In other cases, an IG will include in their annual report a section that provides a description each unaddressed recommendation, but not include any agency explanation as to why the recommendation has not been addressed.[43] In other cases, an IG will meet the statutory reporting requirements by listing the title of the audit reports with outstanding audit recommendations as well as the numbers of the recommendations still outstanding.[44] The format and context in which outstanding recommendations are provided may affect whether congressional overseers are aware of and understand which IG recommendations remain unaddressed by the audited agencies—and why they may remain unaddressed.

In addition to the semiannual reports, IGs are also required to report "serious or flagrant problems" found within their affiliated agencies to Congress within seven working days.[45] This type of immediate notice to Congress is commonly referred to as a "seven-day letter." Congress and congressional staff may also contact IGs at any time to ask for status updates on the IG's operations and oversight. IGs may also serve as witnesses at congressional hearings.[46]

OMB Circular A-50

In September 1982, President Ronald Reagan's Office of Management and Budget (OMB) Director released a circular that addressed IG, agency, and GAO responsibilities related to the follow-up oversight of federal audits.[47] Among the stated goals of the circular was

- to specify the role of the designated audit follow up officials, and the role of Inspectors General with regard to audit follow up; and

[40] Ibid, §5(3).

[41] Ibid., §5(6).

[42] See, for example, U.S. Department of Defense Inspector General, *Semiannual Report to the Congress: October 1, 2014 to March 31, 2015*, Washington, DC, March 2015, p. 105, at http://www.dodig.mil/pubs/sar/SAR_Mar_2015_Book.pdf. Although DOD provides this listing of pending recommendation implementation, it may be difficult for congressional overseers to find. The list is placed in Appendix G of a 134-page report.

[43] See, for example, U.S. Department of State Office of the Inspector General, *Semiannual Report to the Congress: October 1, 2014 to March 31, 2015*, Washington, DC, March 2015, pp. 37-50, at https://oig.state.gov/system/files/spring_sar_2015.pdf.

[44] See, for example, U.S. Department of Agriculture Office of the Inspector General, *Office of Inspector General Semiannual Report to Congress: First Half, October 1, 2014 to March 31, 2015*, Washington, DC, March 2015, pp. 37-48, at http://www.usda.gov/oig/webdocs/sarc2015_1st_half.pdf.

[45] 5 U.S.C. §Appendix, 5(d).

[46] See, for example, U.S. Congress, House Committee on Veterans' Affairs, *U.S. Department of Veterans Affairs Office of Inspector General's Open Recommendations: Are We Fixing the Problems?*, 111th Cong., 2nd sess., June 9, 2010, H.Hrg. 111-83 (Washington: GPO, 2010).

[47] David A. Stockman, *Circular No. A-50 Revised*, Office of Management and Budget, Audit Follow Up, Washington, DC, September 29, 1982, at https://www.whitehouse.gov/omb/circulars_a050/.

- to strengthen the procedures for resolution of audit findings and corrective action on recommendations contained in audit reports issued by IGs, other audit organizations, and the GAO.[48]

Pursuant to the circular, IGs were responsible for

- making independent audits and investigations of their agencies' programs, operations, activities, and functions;
- overseeing the work of non-Federal auditors performed in connection with Federal programs; and
- reviewing responses to audit reports and reporting significant disagreements to the audited agency's audit follow-up official.[49]

The memorandum did not articulate how IGs were to review the audited agency's recommendation implementation. Circular A-50 vested an official within the audited federal agency with the authority to determine when an audit recommendation has been resolved.

While OMB Circular A-50 instructs OIGs, generally, to review agency audit responses, the circular does not articulate how OIGs are specifically to track and follow-up on the implementation of audit recommendations. Federal OIGs, therefore, may have different methods of overseeing their affiliated agencies' creation and execution of corrective action plans, provided those policies are consistent with Circular A-50 and the GAGAS. Some OIGs have automated tracking systems that assist their oversight of agency audit recommendations. Some OIGs may have internal policies and practices related to their communications with the audited entity throughout the process of closing out recommendations. For example, CIGIE officials stated that some OIGs require monthly meetings and ongoing communications with the audited entity until a recommendation is closed. For more challenging recommendations, an OIG may establish a structured working group with members from both the OIG and the audited entity to help ensure implementation of the recommendation.[50]

Office of Management and Budget Circular A-123

As noted above, the audit and audit follow-up processes are addressed in a variety of resources including statutes, governmentwide policies, agency-specific policies, and informal practices. The multitude of resources that govern audit and audit follow-up leads to a variety of methods used to execute audit follow-up. In addition to the resources listed above, both audited entities and entities that are audited are required to comply with OMB Circular A-123.

OMB Circular A-123, "Management's Responsibility for Internal Control," provides specific requirements for assessing and reporting on controls in the federal government.[51] The circular identifies

[48] Ibid.

[49] Ibid.

[50] Information provided to the author by NSA OIG officials via email on November 16, 2015.

[51] U.S. Executive Office of the President, Office of Management and Budget, To the Heads of Executive Departments and Establishments, Circular No. A-123 Revised, Management's Responsibility for Internal Control (Washington: OMB, December 21, 2004), at https://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a123/a123_rev.pdf. According to GAO: the "Federal Managers' Financial Integrity Act (FMFIA) [Section 3512 (c) and (d) of Title 31 of the *United States Code*] requires that federal agency executives periodically review and annually report on the agency's internal control systems. FMFIA requires the Comptroller General to prescribe internal controls standards ... for both program and financial management." U.S. Comptroller General of the United States, *Standards for Internal Control in the Federal Government* (known as the Green Book), GAO-14-704G (Washington: GAO, September 2014), available at http://www.gao.gov/assets/670/665712.pdf, "sets the standards for an effective internal control system for federal agencies." (http://www.gao.gov/greenbook/overview).

"IG and GAO reports, including audits, inspections, reviews, investigations, outcome of hotline complaints, or other products" as sources of information available to an agency head to assess internal control.[52] It states that, "Management has primary responsibility for assessing and monitoring controls, and should use other sources as a supplement to -- not a replacement for -- its own judgment."[53]

Circular A-123 directs that management must "maintain more detailed corrective action plans internally" that are available for review by OMB. Among the requirements included in the circular are that an agency's management process to resolve and correct identified material weaknesses in internal control must:

- Provide for appointment of an overall corrective action accountability official from senior agency management who should report to the agency's Senior Management Council, if applicable.
- Require prompt resolution and corrective actions.[54]
- Maintain accurate records of the status of the identified material weaknesses through the entire process of resolution and corrective action.
- Assure that the corrective action plans are consistent with laws, regulations, and Administration policy.
- Assure that performance appraisals of appropriate officials reflect effectiveness in resolving or implementing corrective action for identified material weaknesses.[55]

According to the circular, "The extent to which corrective actions are tracked by the agency should be commensurate with the severity of the deficiency."[56] A reportable condition can be determined to have been corrected only "when sufficient corrective actions have been taken and the desired results achieved."[57] The determination is to be in writing and, along with supporting documentation, must be available to appropriate officials for review.

Possible Issues for Congressional Consideration

As noted above, this information provides background and context for a December 10th subcommittee hearing that will compare the GAO and federal OIG audit processes. In advance of the hearing, CRS can not presume what the testimony of the witnesses will be.[58] The following are several policy options or issues that may be presented at the hearing that Congress may wish to further consider, after the hearing, to the extent that they have not been considered or are not already being implemented by GAO, CIGIE,

[52] U.S. Executive Office of the President, Office of Management and Budget, To the Heads of Executive Departments and Establishments, Circular No. A-123 Revised, Management's Responsibility for Internal Control (Washington: OMB, December 21, 2004), p. 13, at https://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a123/a123_rev.pdf.

[53] Ibid.

[54] Corrective action plans are to be developed for all material weaknesses and progress in meeting the plans are to be periodically assessed and reported to agency management.

[55] Ibid., pp. 15-16.

[56] Ibid., p. 15.

[57] Ibid., p. 16.

[58] Witnesses scheduled to testify include Eugene (Gene) L. Dodaro, Comptroller General of the United States; Michael E. Horowitz, Inspector General, Department of Justice, and Chair, Council of the Inspectors General on Integrity and Efficiency (CIGIE); and James H. Crumpacker, Director, Departmental GAO-IG Liaison Office, Department of Homeland Security.

and the Department of Homeland Security (DHS). The policy issues arise from the content provided above or from our previous conversations.

Congress could encourage or require GAO to:

- Restructure the content of the open recommendations database to prioritize the recommendations by the extent/magnitude of corrective action needed. Separately, any enhancements could be added that would make the database information more detailed with regard to the close-out of recommendations, including the reason why a recommendation may be closed without corrective action taken by an agency.
- Prepare a new audit follow-up document to include guidance and best practices. Included within the document, or published separately, could be revised procedures for agencies to address significant audit recommendations that may be difficult to implement. The document(s) could, perhaps, be prepared in cooperation with the new GAO Center for Audit Excellence.
- Create an alert for the audit recommendations of highest priority/significant cost savings or efficiencies that remain open after a designated time period. Consider establishing a process to notify Congress about agencies that are lagging in addressing recommendations that result from GAO audit findings.
- Report to Congress, as part of GAO's annual appropriations submission, on any changes needed in its statutory authority that would relate to strengthened audit follow-up in the agencies.
- Although not the focus of this hearing, include with the annual budget justification, any actions GAO has taken to address recommendations made by the GAO Inspector General and any changes needed in the statutory authority for the GAO IG.

Congress could encourage or require CIGIE to:

- Conduct, in partnership with GAO or alone, a formal, annual, training seminar for staff of IG offices and selected agency staff involved in audit follow-up. Staff of the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Government Reform staff could participate to provide a perspective on expectations associated with audit follow-up that the committees, with broad government management jurisdiction, have.
- Meet with (or report to) S HSGAC and HOGR staff on an annual basis to discuss any concerns with agency follow-up of IG or GAO audit recommendations.
- Examine and report on methods IGs currently use and the costs they currently incur to track the implementation of their recommendations. Release a best practices document to assist IGs in adopting the most effective methods of recommendation implementation oversight. Congress may choose to require CIGIE to include best methods of engagement with congressional overseers as a component of that document.
- Work with OIGs and consult with GAO and other applicable agencies that administer shared online databases to determine whether establishing a centralized database of open IG recommendations would be cost effective and helpful in overseeing agencies' implementation of recommendations.
- Consult with OIGs to determine whether OMB Circular A-50 remains relevant and appropriately guides the federal IG audit follow-up process.
- Survey the IGs to determine IGs have encountered difficulties related to federal agencies' authority to make the final determination as to when an IG's recommendation is resolved.

Report to Congress on the frequency with which agencies determine an IG recommendation has been resolved and whether statutory amendments might be necessary to vest authority to resolve an IG recommendation in the IG who made the recommendation.

Congress could direct/encourage DHS to:

- Report any changes in the content or arrangement of its audit follow-up tracking document to enhance its utility to DHS officials and Congress.
- Report any changes needed in the statutory (a) authority, (b) responsibilities, and (c) reporting requirements of the Inspector General for the Department of Homeland Security, particularly with regard to audit follow-up procedures.
- Report any changes needed in the (a) appropriation and (b) responsibilities for the Department of Homeland Security's GAO-IG liaison office.
- Consider possible revisions in the coordination policies between the Department of Homeland Security GAO-IG liaison office and the department's "C" level positions, such as the Chief Financial Officer and the Chief Information Officer, to ensure that the recommendations made as a result of GAO and IG audits receive due consideration and action.
- Emphasize that the DHS Office of the Chief Human Capital Officer's strategic review of the department's human capital staffing needs should include consideration of the experience and competencies of on-board employees who have principal responsibilities related to audit follow-up and approaches for recruiting employees to fill any shortfalls.
- Work with OIGs and congressional overseers to determine the most effective way to communicate disagreements with an IG recommendation's utility or accuracy.

Appendix.

Figure A-1. Comparison of Selected Components of the Audit and Audit Follow-up Processes

Government Accountability Office and Federal Offices of Inspectors General

AUDIT PROCESS
GOVERNMENT ACCOUNTABILITY OFFICE
PLANNING
Notification of GAO Work
• if cross-cutting, letter to central agency (e.g., OMB)
• telephone/e-mail to individual agency: follow-up letter, if requested
• subject, objectives/key questions, start date, points of contact
Entrance Conference
• GAO and agency officials meet to start engagement
• data and information needs, research questions, estimated timeline
• possible additional conferences if field locations involved
FIELD WORK
Data Collection and Analysis
• interviews with agency officials
• document examination/possible additional document requests
• data and information clarification
Closeout Meeting at Field Locations
• with field officials, at end of field work
• implications of information gathered/any further data gathering
• preliminary conclusions/recommendations not provided
Exit Conference With Agency
• in person/by telephone after data collection/analysis
• confirms accuracy/currency/completeness of information
• observations, preliminary conclusions, potential recommendations
REPORTING
Draft Report
• report draft for agency review/comment
Agency Comments
• generally within 7 to 30 calendar days
• electronic written comments preferred
• agreement/disagreement with findings, conclusions, recommendations
Disposition of Agency Comments
• comments considered and any GAO revisions to draft report
• report includes agency disagreement with findings, conclusions, recommendations
• comments reproduced in report Appendix
Disposition of Work
• typically, published; may occur orally
• product typically posted on GAO website within 24 hours
• Congress may restrict release for up to 30 calendar days
MONITORING AND IMPLEMENTATION
GAO Database of Open Recommendations
• searchable by agency, committee, and key words
• available at http://www.gao.gov/recommendations
Agency Report to Congress
• in writing, actions on recommendations, to SHSGAC and HOGR within 60 days
• same to H and S Appropriations Committees at first appropriations request
GAO Follow-up With Agency
• agency statement of action to GAO
• to verify actions taken/results achieved
Removal of Closed Recommendations
• from database on an ongoing basis
• if proposed actions are taken or suggestion no longer relevant
Entire GAO Audit Process
• follows GAGAS ("Yellow Book") standards
INSPECTORS GENERAL
PLANNING
Notification of IG Work
• if cross-cutting, follow statutory requirements and work with CIGIE to establish IG roles and responsibilities
• audited entity's key official provided engagement memo
• includes subject, preliminary objectives, scope, start date, OIG points of contact
Entrance Conference
• IG and key auditee officials meet to discuss engagement
• initial data and information requested
• audit points of contact established
Examination of Prior Audits/Gathering of Background Information
Finalization of audit objectives, scope, and methodology
FIELD WORK
Data Collection and Analysis
• interviews, document reviews, data analysis
Exit Conference with Auditee's Key Officials
• discuss results of audit work, including findings, conclusions, and recommendations
REPORTING
Draft Report Provided to Action Officials of the Auditee
• includes findings, conclusions, and recommendations
Auditee Comments
• Auditee provided a 30-day comment period
• auditee concurs, non-concurs with findings, conclusions, and recommendations
Disposition of Auditee Comments
• OIG considers auditee comments and may revise report, as appropriate
Final Report
• includes auditee comments and the IG response
• posted to the IG website within three days of public availability
AUDIT FOLLOW-UP
Conducted pursuant to OMB Circular A-50
• auditee provided 180 days to make a management decision and propose corrective actions
• OIGs track recommendation correction individually on IG-specific tracking systems
• OIG has policies and procedures for communicating with the auditee until corrective action completed
• recommendations are closed when corrective action is completed
Pursuant to the IG Act
• OIGs provide Congress semiannual reports that include information on unresolved recommendations

December 18, 2015

The Honorable James Lankford
Chairman, Subcommittee on Regulatory Affairs and Federal Management
Senate Committee on Homeland Security and Government Affairs
340 Dirksen Senate Office Building
Washington, DC, 20510

The Honorable Heidi Heitkamp
Ranking Member, Subcommittee on Regulatory Affairs and Federal Management
Senate Committee on Homeland Security and Government Affairs
340 Dirksen Senate Office Building
Washington, DC, 20510

Dear Chairman Lankford and Ranking Member Heitkamp:

Today, Deloitte is submitting our report, 'Accountability quantified: What 26 years of GAO reports tell us about government management' into the record for the hearing *Implementing Solutions: The Importance of Following Through on GAO and OIG Recommendations.*

In the process of discussing the report with clients and experts with interest in the topic, Deloitte has expanded its recommendations for consideration by the Congress, GAO, and the IG community. For your convenience, we have consolidated these additional recommendations with those in the report below.

- **Keep score.** Agencies can consider mimicking GAO by investing in "keeping score"—that is, tracking where their recommendations are succeeding or failing. They should track both the importance of a recommendation as well as the timeliness of implementation in order to drive results in the most significant places. Following GAO's example, agencies should assign a point of contact to each recommendation. This small but helpful practice greatly aids those seeking supplemental details for particularly relevant recommendations.
- **Convert reports to a text analytics-friendly electronic format.** Agencies should plan on a one-time investment in converting reports into an electronic format that is friendly to text analytics. This will allow for analyses that go beyond filtering reports along the lines of preset categorizations and enable an agency to respond to specific leadership interest in how oversight has been changing over time. An electronic archive of reports will also allow for some historical analysis of oversight even if the documents have not been coded into predefined categories.
- **Establish a coding structure for reports.** To facilitate text analytics, agencies should establish a coding structure for reports that has a stable core but retains the ability to adapt to changes in management interest and the influence of current events.
- **Uncover hidden trends.** Agencies can use text analytics to look for trends that predefined categories may fail to reflect or reveal.
- **Develop a standard taxonomy for oversight reporting terms.** Agencies wishing to create a single view of all oversight initiatives will need to create cross walks between GAO's

categorizations and any other sources of oversight they wish to combine. This will allow data to be easily "translated" between different categorization systems to allow for a consolidated view. We recommend that GAO work with other agencies to develop a central standard "base" taxonomy that other agencies can use as a starting point for their own custom taxonomies.

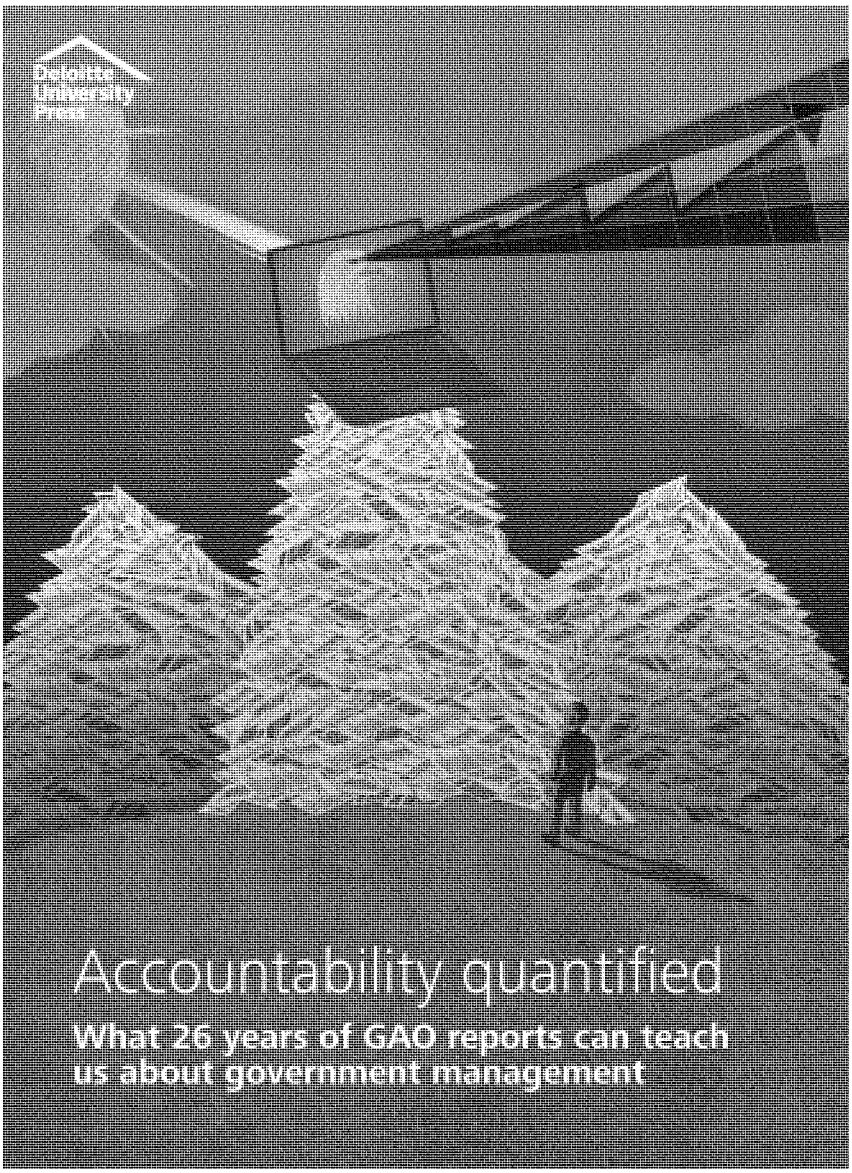
  - GAO already has an automated method for categorizing reports into various topics. Simply sharing this with IGs (or making it open source) could greatly facilitate common categorization of reports into different topics.

- **Develop real-time accountability scorecards—and make them public.** To drive speed of implementation and enhance accountability, agencies can make real-time dashboards that score recommendation completion rates and speed of implementation accessible to the appropriate audiences. If the information in the dashboards is not too sensitive, agencies should share these dashboards with the public and Congress so that successes and difficulties can be honestly discussed.
  - Deloitte has already done this on the data used for this study at http://dupress.com/articles/text-analytics-and-gao-reports/#dashboard with only indirect access to GAO's data. Given GAO and IGs have direct access to their data, this is an achievable goal for groups with well-categorized data.
- **Adding a criticality score to recommendations** would differentiate between recommendations which are crucial (prevent loss of life, etc.) and those which are helpful (process improvements, etc.)
  - This recommendation is particularly supported by the findings of Deloitte's study which show that recommendations affecting multiple agencies are harder to resolve. This is an indication (but not proof) that there may be a lower completion rates among recommendations GAO might rank as 'tough'. A criticality score could be a single measure or be split into two parts with one part measuring 'risk to agency mission' and the other measuring 'risk of financial waste'.
- **Publishing time to completion for each recommendation** could enable agencies to be scored on how quickly they implement GAO's recommendations. Given GAO's high completion rate, improving speed of implementation may be a more realistic goal than increasing completion rates.
- **GAO could implement an application programming interface** (API) to more easily make its reports accessible.
  - The API provided by the Sunlight foundation is good but it is clear there is information stored in GAO's system it cannot access.
  - Adoption of an API would increase the likelihood other researchers would produce reports such as the one Deloitte conducted.
- **Combine GAO and IG data to create 'transition playbooks'.** GAO possesses tremendous data on the challenges a given agency faces. Combining relatively simple statistics on GAO reports with IG reports could prove very helpful to new agency heads and start their relationship with GAO on a good footing.
  - Information could include the number of recommendations in key topic areas, areas with low completion rates, and areas where there have been a high number of recommendations or reports repeatedly for years. Additionally, comparisons to agencies which have resolved similar challenges could be helpful.

Sincerely,

Daniel Byler- Lead Data Scientist, Deloitte Services LP

Bill Eggers- Director of Public Sector Research, Deloitte Services LP


Pepperdine
University
Press
Accountability quantified
What 26 years of GAO reports can teach
us about government management

About the authors

Daniel Byler, a data scientist with Deloitte Services LP, manages a portfolio of quantitative projects across Deloitte's research agenda. Prior to joining Deloitte's US Strategy, Brand, and Innovation group, he supported clients in large federal agencies and helped create Deloitte's Center for Risk Modeling and Simulation.

Steve Berman is a member of Deloitte Consulting LLP's Advanced Analytics and Modeling group. He has more than 24 years of experience, including over 16 in consulting, in many industries, including insurance, retail, consumer and industrial products, life sciences, automotive, and telecommunications. Berman typically assists companies by using analytics to gain insights into the business and by designing models that improve corporate efficiency or pricing.

Vishwa Kolla is a manager in Deloitte's Advanced Analytics and Modeling practice. Kolla's industry experience includes work in retail, technology, media, telecommunications, and insurance. He focuses on using modeling and analytical techniques to understand the customer life cycle in its entirety—acquisition, behavior, revenue and profitability drivers, and retention. Kolla has an MBA from Carnegie Mellon University and an MS in computer science.

William D. Eggers is a director with Deloitte Services LP, where he leads Deloitte's public sector research. He is the author of eight books, including his latest (with Paul Macmillan), *The Solution Revolution: How Business, Government, and Social Enterprises are Teaming Up to Solve Society's Toughest Problems* (Harvard Business Review Press, 2013). Follow him on Twitter at @wdeggers or contact him by email at weggers@deloitte.com.

Acknowledgements

The technical expertise of **Jon Vanden Bosch** and **Corey Long** was absolutely crucial to the successful completion of this project. Additionally, this project could not have been completed without the support of Deloitte's Advanced Analytics and Modeling Center under **Mike Petrillo**, **James Nason**, and **Justin West**. We also thank **Gabriel Sudduth** for his input on the report.

Illustration by **Santiago Uceda**

Deloitte's Advanced Analytics and Modeling (AAM) practice is a market-leading consulting and advanced analytics practice that conducts business analytics advisory work and develops end-to-end custom analytic solutions. AAM maintains a state-of-the-art high-performance data center in Hartford, Connecticut, which is a custom-built facility designed from the ground up for the sole purpose of supporting large-scale data mining activities and research and the development of new techniques and solutions. We employ a team of more than 100 dedicated PhDs, data scientists, and industry subject matter experts to drive business strategy, performance, and decision making for our clients.

Contents

Introduction | 2

Question 1: Are GAO recommendations an effective way to drive targeted change within agencies? | 4

Question 2: What problem areas are less likely to see successful implementation of recommendations? | 6

Question 3: Where do agencies most often succeed in implementing GAO recommendations? | 7

Question 4: Do agencies improve their success in implementing recommendations if they receive repeated recommendations in the same area? | 9

Question 5: Have major events or wider government trends substantially altered GAO's core focus over time? | 11

Question 6: Did the Government Performance and Results Act (GPRA) result in recommendations that were difficult to implement? | 13

Question 7: Have outside events like the Obama administration's management goals or terrorism had a targeted impact on GAO's focus? | 14

Practical steps: Treating oversight recommendations as data | 17

Appendix: Methodology | 19

Endnotes | 21

Introduction

HOW can a government leader transform tens of thousands of pages of oversight reports from the US Government Accountability Office (GAO), their agency's own Inspector General, and any number of other sources into a clear action plan for his or her agency? What problems have defied past intervention? Are there parts of the organization that are succeeding where others are failing?

These are crucial questions for every government leader to answer, but doing so can seem impossible, given the sheer volume of oversight material. Fortunately, text analytics creates the opportunity to understand what core themes emerge from voluminous reports. This study aims to assist government leaders both by drawing management insights from 1.3 million pages of GAO reports and by using GAO as an example of how agencies can better structure their internal oversight activities to quantify accountability and drive results.

We analyzed the 40,000-plus recommendations made by GAO to federal agencies from 1983 through 2014. Each of these recommendations is made on the basis of detailed, evidence-based GAO reports meant to spur specific actions within agencies. These recommendations span almost every issue in government, from information security to environmental resources. Using text analytics, we asked seven key questions to assess GAO's effectiveness as a change agent in government and to understand what areas GAO tends to focus on. Our findings are summarized in the sidebar titled "Summary of questions and answers" (see the appendix for a detailed account of our methodology).

GAO's recommendations are important, not only because of their content, but also because GAO's categorization and reporting structures offer many lessons for government leaders seeking to set up systems to quantify accountability. In "whack a mole oversight," agencies confront whichever problem seems to be most salient at the moment without a precise view into what issues have consistently plagued multiple departments or which problems have been the most resistant to remediation. Compounding this difficulty is that the information used to fix the identified problem too often consists of anecdotes driven by the personal experiences of the people tasked with solving the problem.

The antidote to this is to quantify the effectiveness of accountability by adopting a structured process to treat oversight reports as text-based data. Agencies can accomplish this transition by digitizing and categorizing their recommendations, auditing whether recommendations were followed, text-mining their recommendations for insights, and sharing results of implementations in real time. Successfully accomplishing this transition lifts the "shroud of darkness" that surrounds quantifying the efficacy of oversight mechanisms and helps agency heads drill down into problem areas. As such, our findings have implications for GAO, Congress, the executive branch, and government agencies everywhere.

What is GAO?

The Government Accountability Office (GAO) is an independent, nonpartisan agency that works for Congress. Often called the "congressional watchdog," GAO investigates how the federal government spends taxpayer dollars. GAO's goal is to help improve the performance and ensure the accountability of federal agencies. Each year, it regularly publishes reports, testimony, and legal recommendations which identify problems within the US government.

What is text analytics?

Text analytics is the process of extracting meaningful insights from large compilations of documents using a computer. Before text analytics, massive amounts of text could only be partially understood by individual people painstakingly reading small portions of the available information. Now, text analytics allows for insights to be drawn from everything from millions of streaming tweets to mountains of complex documents. Text analytics is not a cure-all. When reading a small number of documents, it can be less precise than a human reader and usually cannot understand how complex concepts relate to one another as well as a human could. However, text analytics is the only way to process extremely large bodies of text and, when combined with human expertise, can deliver dramatic results. Text analytics is responsible for major breakthroughs ranging from IBM's Watson to helping the US government fight terrorism.

SUMMARY OF KEY QUESTIONS AND ANSWERS

Question 1. Are GAO recommendations an effective way to drive targeted change within agencies?	Yes. GAO recommendations have an 81 percent success rate.
Question 2. What problem areas are less likely to see successful implementation of recommendations?	Mentions of the "data," "high-ranking officials," and the presence of cross-agency issues were all associated with lower success rates than other comparable recommendations.
Question 3. Where do agencies most often succeed in implementing GAO recommendations?	Recommendations pertaining to information security, information technology, education, and equal opportunity tended to have the highest success rates.
Question 4. Do agencies improve their success in implementing recommendations if they receive repeated recommendations in the same area?	No. Repeated examination in a particular area does not improve implementation rates.
Question 5. Have major events or outside groups substantially altered GAO's core focus over time?	No. Five to seven core topics have consistently dominated GAO's recommendations over time.
Question 6. Did the Government Performance and Results Act (GPRA) result in recommendations that were difficult to implement?	No. In fact, GPRA-related recommendations have a 2 percent higher success rate than all other non-GPRA related recommendations.
Question 7: Have outside events like the Obama administration's management goals or terrorism had a targeted impact on GAO's focus?	There was a limited impact. The greatest influence was seen in an increased focus on transparency. Outside events such as the attacks of September 11, 2001 have driven changes in GAO content.

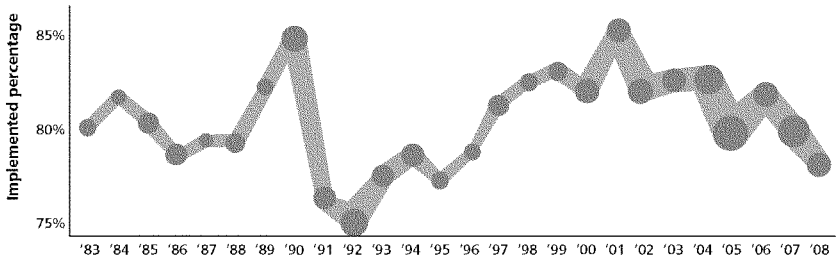
Question 1: Are GAO recommendations an effective way to drive targeted change within agencies?

YES. Overall, during the period between 1983 and 2008, 81 percent of GAO's recommendations were successfully completed by federal agencies.[1] This figure is based on GAO's own audit of the outcomes of its recommendations to agencies, which is described in detail in the sidebar "How GAO scores implementation of its recommendations."

The high success rate of implementing GAO recommendations has been consistent over time. The "worst" year was in 1992, when federal agencies recorded a 76 percent completion rate, just 5 percent off their overall average of 81 percent. The best year was 2001, when federal agencies recorded an 86 percent completion rate (figure 1).

Unfortunately, it can sometimes take agencies more than four years to implement a GAO recommendation. GAO could address this issue by setting target completion dates for implementing each recommendation and then making real-time data available to the public showing how long it is taking each agency to implement GAO recommendations. This could motivate agencies to more quickly address GAO recommendations and realize the benefits they deliver to the public. In addition to setting specific deadlines, GAO could further motivate agencies by classifying both noncompliance and extreme tardiness as failures. If this is not done, it is easy to lose a sense of urgency, and recommendations can languish. Also, GAO could consider giving recommendations a "criticality" score that allows its analysts to sort out whether an agency is struggling with major items or just "nice-to-have" items. The lack of such a score for assessing the importance of an individual recommendation is

Figure 1. Completion rates for GAO recommendations over time



Note: Size of ticker indicates the total number of recommendations GAO made in each year.

Graphic: Deloitte University Press | DUPress.com

a weakness in GAO's methodology, and the agency would likely benefit from adopting one.

Bottom line: Agencies consistently implement GAO recommendations. Given GAO's finite resources, it cannot uncover and solve every problem—but it is successful at driving its recommendations to fruition within agencies. Having said that, the low variability in the implementation rate could indicate that GAO may, for better or for worse, sometimes be issuing recommendations that it believes agencies are likely to implement.

How GAO scores implementation of its recommendations

When GAO conducts an audit, it issues reports which often make specific recommendations to an agency based on evidence found during the audit. Completion of these recommendations is tracked by the GAO staff that made it. Before GAO considers a recommendation complete, a GAO staffer must obtain documentation from the agency demonstrating change, such as conducting interviews with key agency stakeholders, or otherwise attain proof that the recommendation was implemented. When an agency completes a recommendation, the GAO staff marks it as complete. If it lapses for more than four years or the agency refuses to comply, it is marked as not completed in the system. This high degree of due diligence gives us confidence that these recommendations are genuinely being acted on.

What GAO's record-keeping process teaches us about how to quantify oversight effectiveness

GAO has been able to quantify agency compliance by diligently following up year after year with agencies to see if recommendations have come to fruition. GAO's consistent and persistent approach underpinned our ability to conduct the multi-decade analysis above. Agencies which hope to quantify the success of their own internal oversight initiatives will need to commit to a similar level of effort.

Tracking the success of recommendations is not only crucial for gaining an overall view of the oversight's efficacy but also improves the insights text analytics can produce. For example, if an agency clearly defines success for their recommendations, they would not only know how the contents of their recommendations had changed over time but would understand how the contents of their successful recommendations had changed.

Recommendations should set specific deadlines and clearly both non-compliance and extreme tardiness as failure. Without this, it is easy to lose a sense of urgency, and recommendations can languish. Also, consider giving recommendations a "criticality" score that allows analysts to sort out whether the agency is struggling with major items or just "nice to haves."

Question 2: What problem areas are less likely to see successful implementation of recommendations?

AGENCIES that are given a GAO report/recommendation with any of the following attributes are less likely to succeed in implementing the recommendation than they would be for other comparable recommendations:

- Data are part of the problem
- Multiple agencies are required to coordinate on an issue touching multiple topics
- High-ranking officials or Congress (especially the Appropriations Committees) are mentioned
- Health care or transportation are part of the problem

Overall, these findings reinforce well-known trends in the government. Problems that cut across multiple agencies, impact numerous parts of an agency's duties, or deal with high-profile issues can be difficult to address, even with the help of a detailed GAO report outlining the core issues that need to be addressed. Such problems are often grounded in many of the known root issues that cut across the federal government. While GAO may be helpful in diagnosing them, outside bodies (such as Congress, the Office of Management and Budget, and the White House) may have to engage if deep-seated issues with problematic characteristics are to be resolved.

Bottom line: Whenever a recommendation cuts across multiple topic areas or multiple agencies, agency leaders should devote additional financial and political resources to it if they reasonably expect the recommendation to be implemented. To improve the chances of implementation, GAO could prioritize laying out more-specific roadmaps for issues relating to data, multiple agencies, or the involvement of higher-ranking officials. Policymakers should also not be surprised if such issues persist in the absence of larger structural reforms.

What GAO's record keeping process teaches us about how to quantify oversight effectiveness

GAO has gone to significant lengths to provide its reports and recommendations in a format that is easy for text analytics programs to read. This structure made it possible to extract the presence of "data issues," "Congress," and "high-ranking officials" in the analysis above. Agencies that want to be able to track measures of particular important issues need to invest in creating a well-structured electronic database of their records. This investment will be a one-time cost that underpins all future text analytics efforts.

Question 3: Where do agencies most often succeed in implementing GAO recommendations?

AGENCIES have the highest success rate in implementing GAO recommendations in four key areas: information security, education, information technology, and equal opportunity.

Information security comes in first, with a near-perfect completion rate of 94 percent.[2] Given the frequent and high-profile information security and information technology failures in the US federal government, it is important to characterize the recommendations in this category. Rather than calling for large system implementation changes, GAO's recommendations related to information security are often tactical. For example, the Securities and Exchange Commission was encouraged to "adequately back up critical data files on key workstations used for storing large accounting data files and ensure that

Figure 2. Top four most "successful" areas for implementing GAO recommendations

Topic	Completion rate
Information security	94 percent
Education	87 percent
Information technology	87 percent
Equal opportunity	87 percent

What the recommendation success rate teaches us about how to quantify oversight effectiveness

Managers of federal agencies need to be alert when success rates get too high or too low. Low completion rates may indicate an inability or an unwillingness to comply with oversight. Conversely, if completion rates are too high, it could be that the problem under examination has been solved and no longer needs investigating, or that the demands being made do not address the elephant in the room. A stable and high completion rate in the presence of known ongoing problems is a red flag that recommendations may not be addressing the real issues.

Figure 3. Suggested actions based on issue criticality and recommendation completion rate

	Low success rate in implementing recommendations	High success rate in implementing recommendations
Yes	Invest energy in understanding and fixing the root causes of repeated failures.	Push the envelope to make sure no stone is left unturned in a crucial area.
No	Conserve oversight time by asking the chiefs of a low-risk area and adjust emphasis appropriately.	Study success to understand what can be used to improve completion rates in problematic areas.

mission-critical application contingency plans contain key information." This does not mean that GAO never issues large-scale directives, but it does point to the fact that its recommendations are generally within the reach of the agencies it evaluates. Considering the government's overall track record in information security, this is an area where GAO might be able to be more aggressive in the scope of its future recommendations.

Equal opportunity and education were also areas of success. With respect to equal opportunity, this success is likely partially due to the fact that public fallout coming from a failure to comply with a discrimination/equal opportunity issue can be significant. Education's high success rate may be primarily because many education recommendations made requests for simpler actions such as updating information or dealing with grantees where an agency had natural leverage.

Bottom line: GAO's high success rate in the information technology space indicates it may have room to increase the number and strength of the specific recommendations it gives around IT security issues. The federal government as a whole should take pride that, when identified, equal opportunity issues appear to often be addressed in a timely manner.

Question 4: Do agencies improve their success in implementing recommendations if they receive repeated recommendations in the same area?

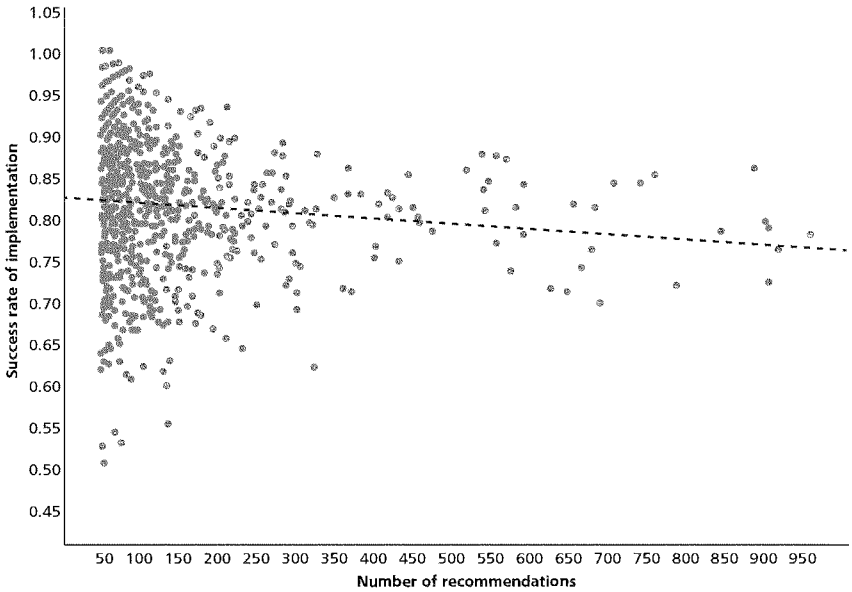
NO. Over time, GAO has categorized its recommendations into areas ranging from very broad (national defense) to the extremely specific ("Oil importation within the Department of Energy"). Ideally, if GAO were to give agencies repeated recommendations in small and specific areas like IT acquisition, we would see agencies' rate of successfully implementing these recommendations rise as they address the root cause of the problem. In actuality, that is not the case. There is no meaningful relationship between how many recommendations an agency receives in a specific area and how often they succeed in that area. In other words, an agency seems no more likely to implement a recommendation in the "information systems" category whether it receives 100 or 500 recommendations in that category.

The chart below shows the relationship, or rather the lack thereof, between the number of recommendations given to a particular agency in a specific area and the agency's success rate in implementing those recommendations. To avoid including areas within agencies that can be swayed by just a few recommendations, only agencies with at least 50 recommendations in a targeted area are included. Similarly, agencies that received more than 1,000 recommendations in a given area (like DoD's thousands of recommendations relating to military forces) are excluded because the recommendations are too broad to be easily interpreted. The finding of "no relationship" was consistent almost regardless of where we placed these cutoffs.

We further investigated whether GAO increasing the number of its recommendations issued to an agency led that agency to improve its success rate over a longer period of time. Specifically, we compared the number and success rate of recommendations from the 1990s to the 2000s. If an area (like IT acquisition in the Department of Energy) received increased recommendations in the 2000s compared to the 1990s, one would assume that the success rate in that area would also increase. This was not the case. Instead, there was no statistically significant relationship between an agency receiving an increased number of recommendations in a specific area and an improved completion rate.

The notion that some problem areas, no matter how many GAO recommendations target them, persist in being a challenge is supported by GAO's high-risk list. GAO's high-risk list tracks core areas that pose material issues to the US government. Of the 30 areas currently on GAO's high-risk list, 16 have been on the list for more than a decade despite receiving consistent attention. Out of a total of 55 high-risk areas ever identified, only 23 (less than half) have been resolved.[3] These 23

Figure 4. Repeated recommendations to an agency in the same area do not improve an agency's success rate



Source: Deloitte Research data analysis.

Graphic: Deloitte University Press | DUPress.com

resolutions represent real successes, but the remaining issues point to the difficulty GAO has in compelling agencies to resolve deeply entrenched issues.

Bottom line: Over time, we would expect that agencies would learn from past experience and show higher completion rates in areas where they consistently receive recommendations to improve. However, this does not appear to be the case, at least in the quarter century's worth of data that we examined. Given agencies' generally high success rate in resolving individual GAO recommendations, Congress should view GAO as an effective scalpel but not a panacea for the federal government's longstanding problems. GAO may sometimes succeed in helping agencies make meaningful changes, but problems often exist that are beyond GAO's reach. Addressing the root causes of these problems (with the recent issues in veterans' health care at the Veterans' Administration as a prime example) may often require Congressional intervention, as well as a sustained focus on changing the culture within an organization.

What targeting specific areas for change teaches us about how to quantify oversight effectiveness

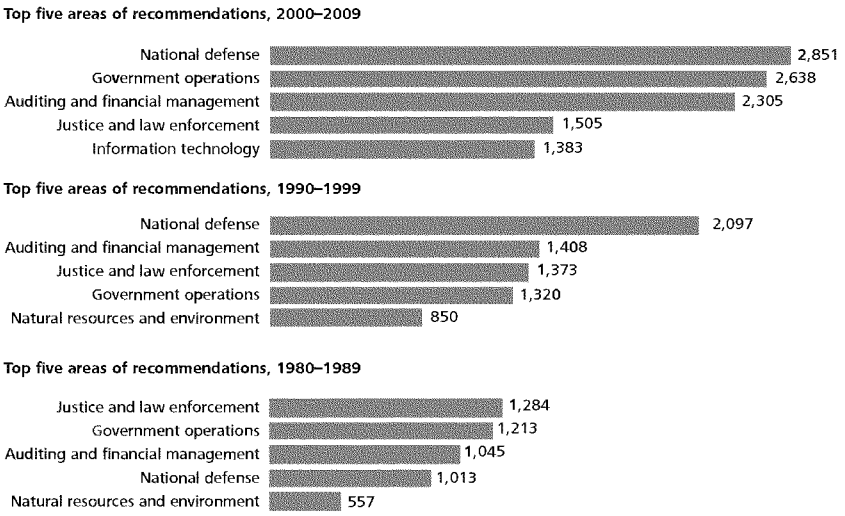
A well-formed system of categorizing reports (also known as taxonomy) not only provides decision makers quick insight into where recommendations are succeeding but also how many recommendations are being made in key areas. Maintaining a consistent taxonomy over time allows leaders to quantify both the focus and long-term impact of their recommendations.

Question 5: Have major events or wider government trends substantially altered GAO's core focus over time?

THE simple answer is—not really. All of the top four most common categories for recommendations from the 1980s, 1990s, and 2000s were exactly the same: audit, government operations, law enforcement, and national defense. Coming in fifth in the 1980s and 1990s was the environment. In the 2000s, the creation of the Department of Homeland Security, an increased focus on international affairs, and the rise of information technology supplanted natural resources and the environment. However, the environment ranked eighth in the 2000s, indicating that its consistent staying power remained somewhat intact. Overall, this stability is particularly notable because these top five categories make up over 51 percent of all GAO recommendations.

As a whole, our results point to how consistently these areas have been top of mind for GAO from 1983 through 2009. This does not

Figure 5. Top five areas of recommendations in the 1980s, 1990s, and 2000s



Graphic: Deloitte University Press | DUPress.com

mean that GAO never adapts to current events (see our discussion below on question 7), but it does suggest that the general focus of the organization has remained fairly consistent over time.

Bottom line: The top four issue areas investigated by GAO stayed constant throughout three decades. These top-line trends transcended party control and presidential management agendas.

What the GAO's consistency of focus teaches us about how to quantify oversight effectiveness

Oversight managers need to balance steadfastness with "blowing in the wind." A successful oversight program should have some consistency, as we see in the consistent emphasis of GAO research. If there are not some shifts, it is likely a sign that oversight has become unresponsive to the changing landscape of problems presented to the agency or government as a whole.

Beyond measuring shifts in the number of issued recommendations and made in a given category, oversight managers can use text analytics to detect whether the composition of recommendations in a category is changing. If the terms being discussed within a category change drastically, management should consider altering their taxonomy. This will prevent their staff from force-fitting recommendations into categories which have fundamentally changed in meaning.

Question 6: Did the Government Performance and Results Act (GPRA) result in recommendations that were difficult to implement?

NO. GPRA was passed in 1993 with the intent to improve government performance management. More recently, the GPRA Modernization Act of 2010 established a new framework and new processes aimed at encouraging a more crosscutting and integrated approach to focusing on results and government performance management. In order to comply with GPRA, agencies must create strategic plans and set performance goals, among other things, and increase their overall focus on improving agency management. Because its intent is to create effective governance structures, GPRA stands out as a natural area where, given the breadth of recommendations pertaining to it, completion rates among the 2,020 recommendations related to the act might be lower than average. But this was not the case. The success rate of GPRA-related recommendations was 83 percent—two percentage points higher than the overall average.

Part of the reason for this success rate may be that GPRA-related recommendations were not meaningfully more likely to stem from broad multi-agency problems than other recommendations. Each GPRA recommendation, on average, touched 3.1 agency components versus the overall average of 2.8.[4]

Bottom line: GPRA-related recommendations have historically been no more difficult to implement than other recommendations.

What the success rate of implementing GPRA recommendations teaches us about how to quantify oversight effectiveness

Oversight leaders can use their database of recommendations to test whether assumptions about the difficulty of certain initiatives are actually true. This will help dispel myths about "impossible tasks" and identify where true difficulty resides.

Text analytics can also help add context to why these unexpected successes or failures are occurring. For example, an agency head could investigate whether problems surrounding "method" are described differently in recommendations that succeed than in recommendations that fail.

Question 7: Have outside events like the Obama administration's management goals or terrorism had a targeted impact on GAO's focus?

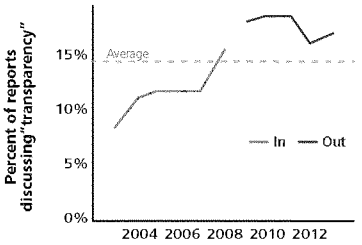
IN the area of transparency, yes. On other topics, no. President Obama's FY2010 budget outlined the administration's management priorities in six key areas:[5]

1. Replacing the Program Assessment Rating Tool (PART)
2. Managing the American Recovery and Reinvestment Act of 2009
3. Transforming the federal workforce
4. Managing across sectors[6]
5. Reforming federal contracting
6. Transparency, technology, and participatory democracy

For each of these areas, we analyzed whether the administration's initiatives altered the focus of GAO reports. Even though GAO formally works for Congress, not the administration, we would expect that the interests of the president would influence the interest of some members of Congress. In five out of the six areas, we saw no meaningful increase in the percentage of reports that mentioned terms associated with the administration's focus. (Stimulus-related terms did increase during the Obama administration, but these mentions were deemed insignificant because of the small number of reports related to economic stimulus in the preceding years; moreover, it would have been impossible for GAO to investigate a program that did not exist during previous administrations.) Other priorities, such as federal contracting and the federal workforce, have been a perennial focus of GAO regardless of a particular administration's focus. It is thus difficult to elevate these priorities above their historic position of interest. Transparency was the lone area that saw a marked increase in GAO recommendations during the Obama administration (figure 6).

Beyond the administration's formally stated goals, we investigated whether the prevalence

Figure 6. Growth of transparency-related GAO reports during the Obama administration



Graphic: Deloitte University Press | DUPress.com

Figure 7. Top nine declining terms from the Bush administration to the Obama administration (through 2013)

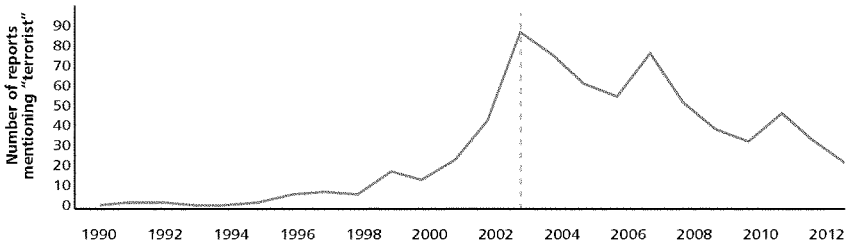
Obama-administration decliners	Percent decline from Bush to Obama administration
Auditor	77%
Corporation	63%
Generally accepted	59%
Accounting	38%
Productivity	37%
Attack	36%
Computer	34%
Fire	34%
Terrorist	32%

of any key terms in GAO's summaries had declined during the Obama administration. A material decline would indicate that an area had received less emphasis during the Obama administration than during the Bush administration.

In general, a great deal stayed the same from the Bush administration to the Obama administration, with more than 60 percent of all commonly occurring terms fluctuating in frequency by less than 20 percent. This indicates that most common keywords did not change in frequency. The top nine terms that did decline in frequency ("decliners") are shown in figure 7.

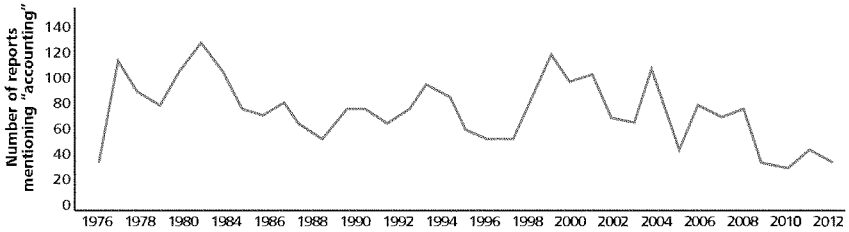
The decline in many of these terms indicates a reduced emphasis on terrorism and accounting. The decline of "terrorism" as a key term in GAO recommendations has been gradual since the term's peak in 2003. The fact that the use of the term "terrorist" peaked in 2003 is logical, because it would have taken GAO time

Figure 8. "Terrorist" has been declining as a keyword in GAO reports since 2003



Graphic: Deloitte University Press | DUPress.com

Figure 9. "Accounting" has been declining as a keyword through much of the 2000s



Graphic: Deloitte University Press | DUPress.com

to write terrorism-focused recommendations for agencies after the attacks of September 11, 2001.

The decline in the discussion of accounting predates the Bush administration and appears to be part of a general trend at GAO toward examining government management issues and enforcing "accountability" instead of just enforcing accounting standards. Additionally, because the government has received over time more and more clean audit opinions, the underlying need for GAO accounting reports may have diminished.

Bottom line: It is possible for the focus of the executive branch, as well as outside events, to alter what GAO investigates. However, we should not expect dramatic changes in the overall composition of GAO reports. Instead, highly specific and differentiated components of the administration's priorities (such as increasing transparency) or major current events appear more likely to change what GAO investigates.

What this teaches us about how to quantify oversight effectiveness

Broad categorizations of reports are crucial to understanding general areas of emphasis and success in oversight actions. For example, understanding if recommendations related to "information technology" are falling at a high rate and have been steadily increasing in number would indicate this area is ripe for root cause analysis. Text analytics can support this analysis by uncovering trends that lie outside of predetermined categories. Continuing our example, it could be that all recommendations mentioning "human resources" are falling at a higher rate across the entire organization but that the IT department has bucked the trend of it. This means that, while it may be the most pronounced case, the root cause of the problem lies in actually managing the entire organization but just to a lesser extent. Without text analytics, it might not have become clear that the issue was cross-cutting and the scope of the intervention could have been too narrow.

Practical steps: Treating oversight recommendations as data

As demonstrated by the above analysis, text analytics is a powerful tool for extracting insights from the massive amounts of copy contained in GAO oversight reports. To capitalize on analytics to gain a more nuanced understanding of oversight effectiveness, GAO and other federal agencies should begin to look at GAO and Inspector General reports as data that can be programmatically analyzed and made more transparent. (The same idea applies for state and local governments.) While GAO has taken many steps in this direction, other agencies can follow suit at their own internal oversight organizations by considering the following steps:

- **Keep score.** Agencies should look to mimic GAO by investing in "keeping score"—that is, tracking where their recommendations are succeeding or failing. They should track both the importance of a recommendation as well as the timeliness of implementation in order to drive results in the most significant places. Following GAO's example, agencies should assign a point of contact to each recommendation. This small but helpful practice greatly aids those seeking supplemental details for particularly relevant recommendations.

- **Convert reports to a text analytics-friendly electronic format.** Agencies should plan on a one-time investment in converting reports into an electronic format that is friendly to text analytics. This will allow for analyses that go beyond filtering reports along the lines of preset categorizations and enable an agency to respond to specific leadership interest in how oversight has been changing over time. An electronic archive of reports will also allow for some historical analysis of oversight even if the documents have not been coded into predefined categories.

- **Establish a coding structure for reports.** To facilitate text analytics, agencies should establish a coding structure for reports that has a stable core but retains the ability to adapt to changes in management interest and the influence of current events.

- **Uncover hidden trends.** Agencies can use text analytics to look for trends that predefined categories may fail to reflect or reveal.

- **Develop a standard taxonomy for oversight reporting terms.** Agencies wishing to create a single view of all oversight initiatives will need to create cross walks between GAO's categorizations and any other sources of oversight they wish to combine. This will allow data to be easily "translated" between different categorization systems to allow for a consolidated view. We recommend that GAO work with other agencies to develop a central standard "base" taxonomy that other agencies can use as a starting point for their own custom taxonomies.

- **Develop real-time accountability scorecards—and make them public.** To drive speed of implementation and enhance accountability, agencies can make real-time dashboards that score recommendation completion rates and speed of

implementation accessible to the appropriate audiences. If the information in the dashboards is not too sensitive, agencies should share these dashboards with the public and Congress so that successes and difficulties can be honestly discussed.

To illustrate a straightforward example of a public-facing accountability dashboard, we've created an interactive dashboard that displays agencies' success rate in completing GAO recommendations over time. The dashboard allows users to select almost any combination of agencies,[7] topics,[8] and/or time periods of interest. Additionally, the actual text of some GAO recommendations is displayed at the bottom of the dashboard. (Please note that these data were pulled in 2014 and are static, so there will be some discrepancies between the information on GAO's website and that contained in this dashboard). The dashboard can be found in the online version of this article at http://dupress.com/articles/text-analytics-and-gao-reports.

In total, the interactive dashboard contains thousands of unique charts. It can be embedded as an object in blogs, so please feel free to use it as a starting point for your virtual conversations. Let us know what you think with the hashtag #AccountabilityQuantified or by tweeting @du_press.

If you are a journalist or academic researcher who has an interest in performing analyses of GAO reports, drop us a line at publicsectorresearch@deloitte.com and we can work with you on questions that you are interested in. These data, and the analytical work that we've done to make it usable, are open assets that we want to continue to build on with other researchers.

Appendix: Methodology

TO begin the analytical process, "success" had to be clearly defined. Fortunately, GAO codes each recommendation it makes as "Open," "Closed—not implemented," and "Closed—implemented." For our review, we defined a "successful" recommendation as one that is coded "Closed—implemented," and a failed recommendation as one whose status is "Closed—not implemented" or "Open" (provided that the report was more than five years old). Recommendations whose status was unclear (8 percent of the sample) or less than five years old were not included in our averages. Also, if the same recommendation was given to two different agencies, we counted it as two separate recommendations. This population represented less than 7 percent of our sample. It should be noted that some GAO reports made no recommendations and so were not included in deriving our recommendation-focused findings, while other reports made multiple recommendations. In the latter case, all of the report's recommendations were included in our analysis. However, prior to the 2000s, much of the text was not easily machine-readable. Therefore, summaries of reports, which were provided by GAO in text format, were used instead. This caused a substantial reduction in the 1.3 million pages of full text that could have been analyzed, as optical character recognition was not perfectly reliable.

The full text of GAO's reports does not suffer from the four-year-plus time lag that recommendations do. Consequently, all available full reports, regardless of their age, were included in the report-focused portions of our analysis.

To help summarize the text into a form that could be used in a mathematical model, the text of each report title, recommendation, and report body in the sample was extracted and analyzed. This process allowed a number of variables to be created based on concepts contained in the text. These text variables indicate the presence or absence of a specific keyword or phrase in each report title, report body, or recommendation.[9] Terms and phrases that appeared too infrequently or too frequently to meaningfully analyze were dropped from the analysis.

In addition to the text variables drawn from the text of the reports, the study also considered a number of other factors related to each report, as well as certain conditions existing at the time of the report, as potential explanatory variables. Examples of these other variables include the specific agencies related to a report, variables indicating political control of legislative or executive branches at report issuance, and characteristics of the report itself, such as its age and length. In total, these efforts yielded 213 variables that were included in our analysis.

While examining the recommendation data as individual recommendations has its merits, examining them solely on this basis ignores a critical component of their context: The same agencies receive multiple recommendations over time, providing a consistent way to segment the data every year. This makes the annual recommendation rates dependent on one another from a time series standpoint. To treat them as such, we collapsed the data into a time series and then tested each variable for statistical significance using a panel time

series model.[10] This technique resulted in the elimination of a small number of observations, but still left us a large number of observations spanning from 1983 to 2008.[11]

After beginning the process with 213 independent variables, we were left with 54 significant variables.[12] For the sake of readability, we will not list all of the significant variables here. Instead, we have grouped them into general findings in the write-up above. These variables successfully explained 55 percent of the year-over-year change in agencies' rates of complying with GAO recommendations. As such, the findings discussed here do not explain all possible reasons that a recommendation may or may not have been taken, but they do provide enough statistical power to tell us a great deal.

We invite researchers interested in more details on our work to reach out to publicsectorresearch@deloitte.com.

Endnotes

1. As described in the appendix, this research defined "successful" recommendations as those that GAO scored as "Closed—implemented," and a "failed" recommendation as those that GAO scored "Closed—not implemented" or "Open" (provided that the recommendation was more than five years old).
2. The careful reader will note that "data" was a key driver of difficulties in question 2, but that IT issues often showed success. This is possible because not all "data"-related issues stem from IT difficulties; they may stem from process issues or other sources.
3. Government Accountability Office, "High risk list," 2013, http://www.gao.gov/highrisk/overview#t=2.
4. As mentioned before, this study truncates the analysis of recommendation implementations at 2008 due to the significant time it takes agencies to respond to recommendations. Because of this, any changes in these patterns pertaining to PART since the start of the Obama administration could not be identified.
5. US Office of Management and Budget, "Building a high-performing government," in Budget of the US government: Fiscal year 2010, 2009, http://www.gpo.gov/fdsys/pkg/BUDGET-2010-PER/pdf/BUDGET-2010-PER.pdf.
6. This was excluded from the analysis because it did not contain sufficient detail to generate a concrete list of related keywords.
7. Agencies with fewer than 200 recommendations were excluded, as a small number of recommendations can produce success rates that are artificially high or low due to a small but overly influential set of recommendations.
8. Only topics at the top of GAO's taxonomy were selected. Parties interested in sub-categories should reach out to the authors directly.
9. For this study, the text mining software Megaputer was used to parse text, identify keywords, and create indicators.
10. The data were averaged by agency and by year. As such, each variable became the "percent" of recommendations that fell into a given agency's batch of recommendations per each year. A Hausman test was performed to differentiate between fixed and random effects modeling, and fixed effects were chosen at better than the .01 p- value level. An F test was performed to test for the appropriateness of variable reduction, and the data passed at the .1, .05, and .01 significance levels. Examination of residual plots from the final models confirmed an absence of outliers and confirmed model integrity. A two-way fixed effects model was estimated to account for significant variation at both the agency and year level.
11. A logistic regression was fit to the original un-aggregated data, but failed the Hosmer-Lemeshow test for lack of fit and so could not be accepted.
12. Significance was at the $p < .05$ level for each individual independent variable.

Contacts

Daniel Byler
Data scientist, Deloitte Services LP
+1 571 814 7166
dbyler@deloitte.com

John Houston
Principal, Deloitte Consulting LLP
National practice leader
Advanced Analytics and Predictive Modeling
+1 617 437 3993
jhouston@deloitte.com

John Lucker
Principal, Deloitte Consulting LLP
Market leader
Global Advanced Analytics and Modeling
+1 860 725 3022
jlucker@deloitte.com

Follow @DU_Press

Sign up for Deloitte University Press updates at DUPress.com.

About Deloitte University Press

Deloitte University Press publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte University Press is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2015 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited

GAO Response to Questions for the Record
From Senator James Lankford
Following the Subcommittee's December 10, 2015, hearing entitled
"Implementing Solutions: The Importance of Following through on
GAO and OIG Recommendations"

On GAO open recommendations for CFO Act agencies

1. **Since 2003, GAO estimates that their recommendations have resulted in savings of over half-a-trillion dollars to the American taxpayer, and $74.7 billion last year alone. These impressive results have been achieved while agencies only implement approximately 80 percent of the recommendations made by GAO. What is the approximate savings to the American people if agencies implemented all GAO open recommendations?**

While we have not estimated the potential savings associated with all open recommendations, tens of billions of dollars of additional savings could be achieved if agencies and Congress acted on our duplication and cost savings recommendations. For example, federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. We previously reported that the Departments of Defense, Homeland Security, Veteran Affairs, and Energy accounted for 80 percent of the $537 billion in federal procurement spending in fiscal year 2011, but these departments reported managing about 5 percent, or $25.8 billion, through strategic sourcing efforts. In contrast, leading commercial firms leverage buying power by strategically managing 90 percent of their spending—achieving annual savings of 10 percent or more. While strategic sourcing may not be suitable for all procurement spending, we reported that a reduction of 1 percent from procurement spending at the largest agencies at that time would equate to over $4 billion in savings annually.

The Office of Management and Budget (OMB) has made progress on improving strategic sourcing efforts by identifying categories of goods and services suitable for strategic sourcing and has begun to target specific opportunities for cost savings. According to OMB staff, metrics, such as savings goals and the percentage of spending directed to strategic sourcing contracts, have been established for the information technology category and will subsequently be developed for other high-spend categories, such as professional and managerial support. While these are positive steps, it is important that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings.

Congressional direction and executive-branch agencies' implementation of our recommended actions also provide opportunities to reduce the almost $125 billion in government-wide improper payments, narrow the $385 billion net annual tax gap, more effectively invest the $79 billion in information technology investments, and reduce cost growth in the $1.5 trillion invested in major defense acquisition programs. Given the scope of these issues, even modest gains in efficiency and effectiveness would result in significant savings. The following table highlights some of our open recommendations in these and other areas. We would be pleased to work with you and your staff to address these and other issues identified in our work.

Table: Selected Open GAO Priority Recommendations in Key Areas

Defense Acquisition
F-35 Joint Strike Fighter Program: The Department of Defense (DOD) should conduct a comprehensive affordability analysis of the F-35 program's procurement plan that reflects various assumptions about future technical progress and funding availability. For more information, see GAO-15-364.
CVN 78 Ford-class aircraft carrier: DOD should explore capability tradeoffs, allot sufficient time for testing, and ensure that follow-on ships have realistic cost estimates. For more information, see GAO-13-396.
Missile Defense Agency (MDA): MDA should stabilize acquisition baselines to enable meaningful comparisons over time and make its cost estimates more comprehensive by including operation and support costs. For more information, see GAO-13-432.
Information Technology
Information Technology Investment Portfolio Management: The Office of Management and Budget and multiple agencies could help the federal government realize billions of dollars in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology (IT) investments. For more information, see GAO's Action Tracker.
Federal Data Centers: Consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of about $5.3 billion by fiscal year 2017. For more information, see GAO's Action Tracker.
Information Technology Operations and Maintenance: Strengthening oversight of key federal agencies' major IT investments in operations and maintenance would provide an opportunity for savings on billions in IT investments. For more information, see GAO's Action Tracker.
Health Care
Medicaid Demonstration Waivers: Federal spending on Medicaid demonstrations could be reduced if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. We estimated the potential savings of about $33 billion in five states if HHS had approved spending limits consistent with what documentation supported. For more information, see GAO's Action Tracker.
Medicare and Medicaid Fraud Detection Systems: The Centers for Medicare & Medicaid Services would need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the $21 billion in financial benefits that the agency projected as a result of implementing these systems. For more information, see GAO's Action Tracker.
Medicare Program Payment Policy: The Centers' for Medicare & Medicaid Services (CMS) should take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices between Medicare Advantage (MA) and Medicare Fee-For-Service. For example, CMS could better account for additional beneficiary characteristics, such as sex and residential location, and use more current and refined data in determining MA payments. This recommendation is based on shortcomings in CMS's adjustment resulted in excess payments to MA plans totaling an estimated $3.2 billion to $5.1 billion over a 3-year period from 2010 through 2012. For more information, see GAO-13-206 and GAO-12-51.
Medicare Payments to Certain Cancer Hospitals: To achieve almost $500 million per year in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals. For more information, see GAO's Action Tracker.
Medicaid Improper Payments: CMS should increase its oversight of Medicaid managed care program integrity, including providing audit support and guidance to states and holding them accountable for closer scrutiny of managed care payments. For more information, see GAO-14-341.
Tax
Simple Tax Return Errors: Congress could grant the Internal Revenue Service (IRS) broader authority, with appropriate safeguards against misuse of that authority, to correct errors during tax return processing. In March 2015, the Joint Committee on Taxation estimated that this change could result in $133 million in savings over 10 years. For more information, see GAO's Action Tracker.
Tax Compliance and Enforcement: By more effectively using data to manage various enforcement programs, the Internal Revenue Service could bolster tax compliance and potentially collect hundreds of millions of dollars in additional revenue. For example, IRS should implement a strategy to better estimate (1) the extent and nature of partnership misreporting, and (2) the effectiveness of partnership examinations in detecting this misreporting. For more information, see GAO's Action Tracker.
Online Taxpayer Services: The Internal Revenue Service could potentially realize hundreds of millions of dollars in cost savings and increased revenues by enhancing its online services, which would improve service to taxpayers and encourage greater tax law compliance. For more information, see GAO's Action Tracker.
Homeland Security
Disaster Relief Fund Administrative Costs: DHS should develop a plan to better control and reduce the

Federal Emergency Management Agency's (FEMA) administrative costs for major disasters. For more information, see GAO's Action Tracker.
Domestic Disaster Assistance: The Federal Emergency Management Agency (FEMA) could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. For fiscal years 2004 through 2011, had FEMA adjusted the indicator for increases in inflation or personal income since 1986, fewer jurisdictions would have met the primary criterion FEMA uses to determine whether to recommend that the President declare a major disaster, which could have reduced federal cost by as much as $3.59 billion. For more information, see GAO's Action Tracker.
Income Security
Social Security Offsets: Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, estimated to result in $2.4-$6.5 billion savings over 10 years if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received. For more information, see GAO's Action Tracker.
Disability and Unemployment Benefits: Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save $1.2 billion over 10 years in the Social Security Disability Insurance program according to the Congressional Budget Office. For more information, see GAO's Action Tracker.

Source: GAO.

2. When an agency disagrees or fails to fully implement a recommendation, what, if any, recourse does GAO have to ensure that those potential savings are not wasted?

We continually engage with executive branch agencies to ensure follow through and to realize the benefits from our recommendations. For example, if an agency disagrees with a recommendation in commenting on a draft GAO report—and we disagree with the agency's position—we explain in our reports the disagreement and state our position and why we believe the recommendation is beneficial. Regardless of an agency's initial position on a recommendation, at least once a year we reach out to agencies to determine the extent to which they have implemented our recommendation. Throughout this process, GAO leaders work with executive branch agency officials to bring attention to our recommendations.

We also annually update the status of recommendations and when conducting related work on a particular topic. These updates are posted to www.gao.gov to bring continued attention to agencies' efforts to address our recommendations. In addition, beginning in 2015, we sent letters to the heads of key departments and agencies identifying critical unimplemented recommendations and urging the agency head to provide attention to these issues. We plan to send an updated list of priority recommendations to each agency this spring. Continued attention to recommendations is important because failure to implement our prior recommendations is often a major factor that leads to issues escalating to the point where they become high-risk.

If agencies continue to disagree or have a limited response to our recommendations, we work with Congress to urge action through the congressional oversight, authorization, appropriations, and budget processes. Congress can hold hearings, withhold funds, or take other actions to provide incentives for the agencies to act. For example, Congress took such steps after we reported in 2012 that DOD's approach to acquiring combat uniforms was fragmented, potentially resulting in increased risk on the battlefield and lost opportunities to save millions of dollars. A provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces. Because of this legislation, the Army chose not to introduce a new family of camouflage uniforms into its inventory, avoiding about $4.2 billion in costs over 5 years. Congressional use of our work sends an unmistakable message to agencies that Congress considers these issues a priority.

On GAO letters to agencies regarding priority open recommendations

3. Earlier this year you began sending letters to the heads of major agencies updating them on their implementation rate and their top open recommendations, how have agencies responded to those letters and which agencies have taken affirmative steps to address the listed recommendations?

To date, we have sent 24 letters to heads of key executive branch departments and agencies, and provided copies to relevant House and Senate appropriation, authorization, and oversight committees, identifying unimplemented recommendations that warrant priority attention; several agencies have responded positively to our letters.[1] For example, following our letter to the Secretary of Health and Human Services (HHS), we met with officials from the Centers for Medicare & Medicaid (CMS) in October 2015 to discuss the agency's efforts to address our recommendations. Officials noted that they are now tracking open recommendations using a dashboard that includes quarterly targets for closing recommendations. To facilitate CMS's efforts to close our recommendations, we agreed to hold regular meetings to discuss the status of our recommendations and what remains to be done to close them. Similarly, in response to our letter to the Administrator of the General Services Administration (GSA), the Administrator committed to continuing to work with us to address the priority recommendations in advance of our next high-risk update in February 2017. We meet quarterly with GSA senior executives to discuss progress on implementing recommendations that would help GSA take steps to remove federal real property management from our High-Risk List and address other key management concerns. In addition, in January 2016, IRS officials told us that they cross walked the priority recommendations to their internal tracking system and will be using the priority recommendations as the basis for status meetings with responsible managers. Overall, they stated that the letter is helpful in prioritizing efforts and resources.

Several agencies also provided written responses, some of which, like the National Aeronautics and Space Administration (NASA), detailed actions the agency plans to take to address the recommendations as well as timeframes for implementation. In addition, some agencies have since taken steps to fully address the cited recommendations. For example, the Department of Education addressed one of the priority recommendations by issuing a memorandum regarding the establishment of appropriate financial penalties for postsecondary schools that violate the ban on "incentive compensation," paying financial incentives to recruiters based on their success in enrolling students or securing their financial aid. Additional information from other agencies is expected. For example, Department of Homeland Security (DHS) officials told us that they were preparing a detailed response, which they plan to provide in the coming weeks.

---

[1]Between June 2015 and January 2016, we sent letters to 22 Chief Financial Officers (CFO) Act agencies, the Office of Management and Budget (OMB), and the Internal Revenue Service (IRS). We did not send a letter to the National Science Foundation because we had no key open recommendations involving that agency. We have not yet sent a letter to the Department of Veterans Affairs (VA), as we are currently reviewing their recent plans to address issues identified in GAO's high risk work.

We plan to send an updated list of priority recommendations to each agency and the relevant congressional committees this spring. We will also reach out to agency leadership to discuss next steps on our recommendations. We would be pleased to brief you or your staff on these ongoing efforts at any time.

On the role of OMB in overseeing implementation of recommendations

4. What is OMB's current role in overseeing agency implementation of GAO recommendations?

The Office of Management and Budget (OMB) provides guidance to agencies to address our recommendations but does not have an explicit role in overseeing implementation of recommendations addressed to individual agencies. OMB guidance states that agency management is responsible for addressing our recommendations and for establishing and maintaining a process to track the status of our findings and recommendations.[2] In addition, in recent years, OMB has directed agencies to consider our fragmentation, overlap, and duplication recommendations in developing agency budget submissions.[3]

Given OMB's government-wide purview and oversight of agency performance, we work with OMB officials to address unimplemented recommendations pertaining to our High Risk list; fragmentation, overlap, and duplication work; and other key crosscutting areas. For example,

- **High Risk list:** As part of our high-risk initiative, we meet with OMB's Deputy Director for Management and with top agency officials to discuss progress in addressing individual high-risk areas. Such efforts are critical to tracking progress, pinpointing improvement opportunities, and resolving high-risk issues.

- **Duplication and cost savings recommendations:** To make further progress on outstanding duplication and cost savings recommendations, we regularly engage with OMB and have provided the agency a list of key issues where OMB attention could be instrumental in furthering progress on recommendations that involve multiple agencies or government-wide improvements.

- **Management of information technology (IT) acquisitions and operations**: Over the past 6 years, we have made more than 800 recommendations in this area; about 32 percent have been fully implemented as of October 2015. OMB is taking a more active role in overseeing the implementation of these recommendations, and we have provided information on the status of these recommendations to help facilitate their oversight. It will be critical for executive branch agencies to implement our remaining recommendations—particularly in the areas of (1) incremental development, (2) reviews of troubled projects, (3) transparency, (4) operations and maintenance, (5) data center consolidation, and (6) portfolio management since many of these areas are related to specific requirements called for in the provisions of law commonly referred to as the Federal Information Technology

[2]*OMB Circular A-50* provides the policies and procedures for use by executive agencies when considering reports issued by GAO and Inspectors General, other audit organizations, and nonfederal auditors where follow-up is necessary; and *OMB Circular A-123* addresses internal management control systems. Among the requirements included are that the agency (1) appoint a top-level audit follow-up official, (2) maintain accurate records on the status of recommendations, and (3) assign a high priority to following up on audit recommendations. OMB, *Audit Follow-up*, Circular A-50 (September 29, 1982) and *Management's Responsibilities for Internal Controls*, Circular A-123 (December 21, 2004).

[3]OMB, *Fiscal Year 2017 Budget Guidance*, M-15-11 (May 1, 2015), *Fiscal Year 2016 Budget Guidance*, M-14-07 (May 5, 2014), *Fiscal Year 2015 Budget Guidance*, M-13-14 (May 29, 2013).

Acquisition Reform Act (FITARA) to improve the transparency and management of federal IT acquisitions and operations.

- **Improving federal financial management**: OMB has been working with agencies to develop and implement corrective action plans to address certain reported financial management issues. It will be important for OMB to build on this progress and actively oversee the federal government's efforts to address significant federal financial management weaknesses.

In addition, OMB is responsible for implementing a number of recommendations that guide agency improvements across the federal government and have the potential for billions of dollars in savings, if implemented. In December 2015, we sent a letter to OMB—along with House and Senate appropriation, authorization, and oversight committees—identifying unimplemented recommendations that warrant priority attention given the critical role OMB plays in providing oversight of governmentwide performance, procurement, transparency, information technology management, and internal control issues. For example, agencies we reviewed in fiscal year 2011 leveraged only a fraction of their buying power through strategic sourcing and achieved limited savings. To improve strategic sourcing efforts across the government, we recommended that OMB issue updated government-wide guidance, establish metrics to measure progress toward goals, and identify spending categories most suitable for strategic sourcing. Since then, OMB has made progress by identifying categories of goods and service suitable for strategic sourcing and has begun to target specific opportunities for cost savings. According to OMB staff, metrics have been established for the information technology category and will subsequently be developed for other high-spend categories, such as professional and managerial support. It is important that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings.

5. **Earlier this year, Deloitte Consulting released a report that found that GAO recommendations that require multiple agencies to coordinate are some of the least likely to be implemented. Should the Office of Management and Budget take a more active role in overseeing the implementation of recommendations that require action by multiple agencies?**

We believe the Office of Management and Budget (OMB) should take a more active role in overseeing the implementation of recommendations involving multiple agencies and for government wide high risk areas where OMB plays a leadership role. For example, on September 30, 2015, we provided OMB with a list of recommendations from our fragmentation, overlap, and duplication work where OMB attention could be instrumental in furthering progress on issues involving multiple agencies or government-wide improvements. OMB officials told us that they were planning to use this information in working with agencies during the budget formulation process. While these discussions are important, given that issues of fragmentation, overlap, and duplication often involve multiple agencies, the discussions need to be elevated to include more senior officials who have the responsibility and authority for resolving the crosscutting issues identified.

In addition, OMB is responsible for over 150 open recommendations that, if fully implemented, could yield significant improvements in executive branch agency operations. In our recent letter to OMB, we identified 10 recommendations in the following areas as being the highest priorities for implementation given the critical role OMB plays in providing oversight of governmentwide performance, procurement, transparency, information technology management, and internal control issues.

Improving government performance. Implementing three of our recommendations in this area would help broaden the scope of programs that OMB typically considers in assessing federal agency performance, as required under the GPRA Modernization Act of 2010 (GPRAMA). We have recommended since 2005 that OMB develop and implement a framework for conducting performance reviews of tax expenditures, which represent forgone revenue estimated at $1 trillion in recent years. In 2015, we also recommended that OMB designate tax expenditures as a type of program and include relevant information about each tax expenditure in future iterations of the federal program inventory to be developed. In addition, we recommended, in conjunction with its retrospective regulatory reviews, that OMB develop guidance for agencies on contributions made by regulations toward the achievement of agency priority goals.

Reducing acquisition costs. Implementing two of our recommendations related to federal acquisitions would help agencies achieve significant savings. First, agencies we reviewed in fiscal year 2011 leveraged only a fraction of their buying power through strategic sourcing and achieved limited savings. Since then, OMB has made progress by identifying categories of goods and services suitable for strategic sourcing and has begun to target specific opportunities for cost savings. According to OMB staff, metrics, such as savings goals and the percentage of spending directed to strategic sourcing contracts, have been established for the information technology category and will subsequently be developed for other high-spend categories, such as professional and managerial support. The actions OMB has taken to date for the information technology category generally align with our strategic sourcing recommendations. It is important, however, that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings. Second, federal agencies have increasingly been using reverse auctions as a tool to reduce the price they pay for certain types of items. We found that the agencies we reviewed had not maximized competition and savings from reverse auctions held in 2012. Clarifying guidance for reverse auctions and increasing competition among providers would help agencies

make more effective use of a tool that has the potential to significantly reduce the cost of procurement.

Increasing spending transparency. The Digital Accountability and Transparency Act of 2014 (DATA Act) directs OMB and the Department of the Treasury to establish government-wide data standards and requires agencies to report and post financial spending data using these standards. Our DATA Act recommendations center on linking financial spending data to a federal program inventory, accelerating the development of the program inventory, ensuring ongoing and effective dialogue with stakeholders, and establishing a clear governance structure for the Act. Such a governance structure should cover the entire lifecycle of standards development and would set out clear policies and processes for developing and maintaining data standards to ensure the integrity of those standards over time. In addition, good data governance must include policies and procedures to foster ongoing and effective dialogue with stakeholders, including timely and substantive responses to feedback received. Full and effective implementation of these recommendations will contribute to more reliable and consistent federal data to measure the cost and magnitude of federal investments as well as facilitate efforts to share data across agencies in order to improve decision making and oversight. In addition, productive outreach to key stakeholders and federal fund recipients will help ensure that data are accurate and complete while minimizing reporting burden. Sustained attention to these efforts is vitally important as key provisions of the DATA Act are implemented in the coming months.

The Federal Funding Accountability and Transparency Act was enacted in 2006 to increase the transparency over the more than $1 trillion spent by the federal government on awards annually. Among other things, the act requires OMB to establish a website that contains data on federal awards (e.g., contracts and grants) and guidance on agency reporting requirements for the website, USASpending.gov. We found that, although agencies generally reported required contract information, they did not properly report information on $619 billion in assistance awards (e.g., grants or loans) in fiscal year 2012. To address this issue, we have highlighted to this recommendation to OMB to ensure that agencies accurately report award information for use on USASpending.gov. OMB, Treasury, and the agencies have begun implementation of the DATA Act, which is intended, in part, to address concerns about the quality of data on USASpending.gov. The complexity and scope of the DATA Act reinforces the importance of this recommendation, as the usefulness of the reported information will only be as good as the quality of the underlying data.

Establishing controls for disaster relief. Finally, we recommended in 2014 that OMB develop standard guidance for federal agencies to use in designing internal control plans for disaster relief funding. More robust guidance could help agencies to establish controls before disasters occur to help minimize risks associated with disaster relief funding and the need to deliver such funding quickly.

In addition, in our recent letter to OMB on priority recommendations, we called attention to five government wide high risk areas and other management is where OMB plays a leadership role. These areas include (1) managing federal real property; (2) improving management of information technology acquisitions and operations; (3) ensuring the security of federal information systems and cyber critical infrastructure and protecting the security of personally identifiable information; (4) strengthening strategic human capital management; and (5) improving federal financial management. Addressing these issues will require OMB to continue working with multiple agencies to develop and implement appropriate strategies and solutions.

GAO Response to Questions for the Record
From Senator Heidi Heitkamp
"Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations"
December 10, 2015
United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

1. **A February 2015, report prepared by Deloitte Public Sector Research analyzed 26 years of GAO reports and found that "during the period between 1983 and 2008, 81 percent of GAO's recommendations were successfully completed by federal agencies." According to the report: "Agencies have the highest success rate in implementing GAO recommendations in four key areas: information security, education, information technology, and equal opportunity. Information security comes in first, with a near-perfect completion rate of 94 percent...Rather than calling for large system implementation changes, GAO's recommendations related to information security are often tactical."**

    a. **How would you characterize the nature of the recommendations that GAO includes in its audit reports?**

Our recommendations cover the full spectrum of solutions—ranging from tactical agency improvements to broad policy considerations—depending on the nature and scope of our work.

    b. **In what ways do you agree or disagree with Deloitte's statement that GAO recommendations related to information security are often tactical?**

While we have made hundreds of recommendations aimed at addressing specific information security control weaknesses, our work has also identified strategic cybersecurity improvements needed at the agency level and government-wide. Our information technology (IT) security work identifies a wide spectrum of recommendations depending on the nature and scope of the work. The scope of many of our IT security audits is limited to a single agency. Our criteria for this work leads to targeted or tactical solutions that resolve individual control weaknesses requiring immediate attention. For example, for information security reports issued during the 6-year period of fiscal year 2010 through 2015, about 76 percent of our recommendations were for specific control weaknesses. However, these reports also made agency-wide recommendations to address shortcomings in security processes. While generally fewer, these recommendations can have long-lasting impact by addressing the underlying causes of control weaknesses.

We also routinely identify recommendations that have government-wide or national implications resulting from IT security audits involving a broader scope and multiple agencies. To illustrate, we have made far-reaching recommendations related to planning and coordinating cybersecurity human capital initiatives, responding to cyber incidents and data breaches, using social media, improving cybersecurity research and development, addressing global cybersecurity and governance challenges, implementing cloud computing at federal agencies, implementing government security configuration baselines, overseeing security controls of IT contractors and small agencies, sharing cyber information with critical infrastructure owners and operators, securing wireless connections, implementing capabilities of personal identity

verification cards, addressing cyber risk to building and access control systems at federal facilities, enhancing the national cybersecurity protection system, cybersecurity threats to banks, planning for maritime port cybersecurity, securing air traffic control systems, and protecting systems supporting our nation's critical infrastructure.

Our work has also resulted in a number of broad strategic areas for focus. For example:

- We provided advice on recent legislation, including the Federal Information Security Modernization Act and other cybersecurity legislation.
- Working with inspectors general, we developed an audit methodology for providing comprehensive, holistic assessments of IT systems.
- We designated the security of our federal cyber assets as a high-risk area across the government in 1997 and in 2003, expanded this high-risk area to include the protection of critical cyber infrastructure. We further expanded this area in 2015 to include the protection of personally identifiable information.
- We have also called for a national strategy for cybersecurity.

2. **With GAO's recommendations completion rate being near 80%, it is difficult to distinguish whether the unresolved issues (outside of the high risk list) are of comparatively greater or lesser concern than those that have already been resolved. Going forward, is it possible to expand on your work to present 'prioritized items' to formally rank all recommendations on their relative importance to both agency mission and financial impact?**

In addition to the regular high risk updates, we have two key efforts that prioritize our recommendations on their relative importance to both agency mission and financial impact, including:

- **Annual Duplication and Cost Savings Reports:** Open recommendations with the greatest potential for financial benefits are highlighted in our annual reports on opportunities to reduce fragmentation, overlap, and duplication and achieve other financial benefits. To maintain attention on these issues, we periodically update and post the status of recommendations highlighted in this body of work on GAO's Action Tracker, a publicly accessible online search tool that allows executive branch agencies, Congress, and the public to track the progress the government is making in addressing the issues we have identified. As of November 2015, 36 percent of the over 500 actions from our five annual reports have been addressed. Executive branch and congressional efforts to address these recommendations have resulted in over $20 billion in financial benefits with about $80 billion to accrue in future years from the continued implementation of these recommendations.

- **Agency Priority Letters:** Beginning in 2015, we sent letters to the heads of 24 key departments and agencies identifying and calling attention to unimplemented recommendations that we believe warrant priority attention by the Secretary or agency heads at key departments and agencies.[4] Fully implementing these priority recommendations should yield significant improvements in agency operations, program management, or costs.

We plan to continue these efforts to bring attention to our highest priority recommendations and are also exploring options for identifying recommendations with significant financial or mission-critical impact on our on-line public database at www.gao.gov. We have also begun a review of the letters that agencies are required to send to congressional committees and GAO within 60 days of a GAO report. These letters are to contain agency views and planned responses to GAO recommendations. We plan to review the use of these letters by congressional committees and GAO, and the quality and timeliness of the letters, among other things. We will consult with and keep informed this and other committees, including any changes that should be made in agency or GAO procedures, and possibly in statute, to assure usefulness of these agency communications in monitoring how and whether agencies are implementing GAO's recommendations.

[4]Between June 2015 and January 2016, we sent letters to 22 Chief Financial Officers (CFO) Act agencies, the Office of Management and Budget (OMB), and the Internal Revenue Service (IRS). We did not send a letter to the National Science Foundation because we had no key open recommendations involving that agency. We have not yet sent a letter to the Department of Veterans Affairs (VA), as we are currently reviewing their recent plans to address issues identified in GAO's high risk work.

3. In the current budget environment, agencies are forced to make a lot of tough decisions on a number of items, including recommendation implementation. What decision making trends are you seeing in the way agencies try to address GAO's recommendations, but find their response limited based on budgets?

In general, agencies do not cite budget or resource constraints as limiting their ability to respond to our recommendations. The exceptions to this have been the Internal Revenue Service (IRS) and the Social Security Administration. In making recommendations, we recognize that agencies have competing priorities and limited resources. However, our recommendations are aimed at helping them improve program efficiency and effectiveness and make better use their limited resources. In addition, some of our recommendations do require an upfront investment. In those instances, we believe the long-term benefits outweigh the costs.

For example, in 2014, we recommended that IRS take multiple actions to improve efficiency of large partnership audits, including defining large partnerships, tracking audit results using revised audit codes, and implementing project planning principles for the audit procedure projects. [5] In responding to the recommendations in the report, IRS agreed with our recommendations but said two of them—related to revising IRS's activity codes to enable tracking large partnership audits and then analyzing audit results—would not occur until fiscal year 2017 because of resource limitations. However, while we recognize the resources constraints facing the agency, timely implementation of our recommendations is important for IRS to better allocate their limited resources and improve audit effectiveness.

[5]GAO, *Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency*, GAO-14-732 (Washington, D.C.: September 18, 2014).

Post-Hearing Questions for the Record
Submitted to Hon. Michael Horowitz, Inspector General, U.S. Department of Justice
From Senator James Lankford

"Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations"
December 10, 2015

United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

On agency agreement with IG recommendations

1. In response to a question by Senator Tester, you mentioned that the Department of Justice implements approximately 84 percent of Inspector General recommendations. What is the approximate savings to the American people if the DOJ implemented all of your recommendations?

   Response: From Fiscal Year (FY) 2013 to FY 2015, the Department of Justice Office of the Inspector General (DOJ-OIG) issued and tracked approximately 2,500 recommendations. Of these recommendations, approximately 84 percent were either closed within three years of issuing the recommendation or had been issued within this timeframe. These recommendations encompassed more than $120 million in questioned costs. These figures are based upon Department expenditures where there was an alleged violation of law, regulation, contract, grant, cooperative agreement, or other agreement governing the expenditure of funds; a DOJ-OIG finding that such costs were not supported by adequate documentation; or a DOJ-OIG finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. In addition, these recommendations included more than $9 million in funds that could be put to better use; it was determined by the DOJ-OIG that these funds could be used more efficiently if spent for some other purpose by the Department.

   Approximately 400 recommendations (16 percent) were not implemented within three years of their issuance. These recommendations included more than $60 million in questioned costs and over $500,000 in funds that could be put to better use by the Department. In addition to these identified funds, our recommendations include measures that might yield other projected cost-savings, such as the consolidation of duplicative programs, increasing the efficiency of certain processes, and preventing payments to high risk recipients. For example, in our review of the Department's International Prisoner Transfer program in 2011, we recommended that the Bureau of Prisons (BOP) ensure that all staff involved in treaty transfer determinations are properly trained. This recommendation was discussed in our follow-up status review of the program in 2015. In the status review, we determined that, while certain aspects of the program remain outside the Department's control, improvements to the program's processes could result in significant savings. Using FY 2013 BOP annual cost data, we determined that if only 1 percent of the inmates (204) applied and were transferred to

serve their sentences in their home countries, the BOP could potentially save $4.5 million per year in incarceration costs. Further, if 3 percent or 5 percent of inmates applied and were transferred, the BOP could potentially save $13.3 million or $22.2 million per year, respectively.

In addition to these potential monetary savings, some of our most significant reviews cannot be translated into quantifiable dollar savings but rather address fundamental issues, such as those affecting national security, civil liberties, safety and security at federal prisons, effectiveness of Department programs, and the conduct of Department employees. Examples include our reviews of the Federal Bureau of Investigation's (FBI) use of its authorities under the PATRIOT Act and the FISA Amendments Act, the FBI's use of pen register and trap and trace devices under the Foreign Intelligence Surveillance Act, the FBI's implementation of its Next Generation Cyber Initiative, the Drug Enforcement Administration's (DEA) use of confidential sources, nepotism by Department personnel, and the handling of sexual harassment and misconduct allegations by the Department's law enforcement components. While the recommendations from these reviews are not associated with quantifiable cost savings, when implemented they will lead to substantial improvements in program operations.

On the role of OMB in overseeing implementation of recommendations

2. What is OMB's current role in overseeing how the Department of Justice implements Inspector General Recommendations? Should OMB take a more active role in overseeing how Inspector General recommendations are implemented?

   Response: To my knowledge, the Office of Management and Budget (OMB) does not currently have a direct role in overseeing how the Department implements the DOJ-OIG's recommendations. OMB has issued guidance, through Circular A-50, that requires agencies to address OIG recommendations and take corrective actions, but OMB does not oversee the process of how agencies actually implement OIG recommendations.

   For its part, the IG community already has in place tracking systems and resolution processes to oversee and facilitate the timely implementation of OIG recommendations. For example, OIGs maintain information about unimplemented recommendations, analyze agency efforts to close recommendations, and request and respond to agency status updates. Each Inspector General has different procedures for facilitating this process, and every OIG is committed to working with agencies to resolve its recommendations in an appropriate, effective, and timely manner.

   In addition, the DOJ-OIG has begun publicly posting a list of recommendations that have not been closed, which can be found on our OIG website at: https://oig.justice.gov/reports/open-rec.htm. Making this list publicly available increases accountability and transparency by allowing taxpayers to monitor the progress the Department is making in implementing OIG recommendations.

With respect to whether OMB should take a more active role, we would welcome further involvement by OMB in overseeing agency implementation of OIG recommendations. In addition, we would be pleased to work with the Subcommittee and its staff and discuss any proposals for reform.

Post-Hearing Questions for the Record
Submitted to Hon. Michael Horowitz, Inspector General, U.S. Department of Justice
From Senator Heidi Heitkamp

"Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations"
December 10, 2015

United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

1. The IG community's oversight and tracking of the implementation of IG recommendations is governed generally by two authorities: the IG Act of 1978, as amended, and Office of Management and Budget (OMB) Circular A-50. Circular A-50 vested an official within the audited federal agency with the authority to determine when an audit recommendation has been resolved. OMB Circular A-50 hasn't been updated since 1982. Are there sections of Circular A-50 that should be updated or amended?

   Response: In my experience as Chair of the Council of the Inspectors General on Integrity and Efficiency (Council of IGs), I have observed the different relationships and mechanisms that exist between the OIGs and their agencies. The Council of IGs has begun discussions on whether there is a need to update or amend OMB Circular A-50, and it would be pleased to discuss and work with the Subcommittee and other stakeholders to review and evaluate any proposed modifications to the resolution process for OIG recommendations.

   a. Do members of the IG community encounter agencies that disagree or ignore recommendations and then state that a recommendation has been resolved without adequately addressing it?

      Response: As noted previously, OIGs generally have tracking systems and resolution processes to oversee and facilitate the timely implementation of OIG recommendations. OIGs maintain information about unimplemented recommendations, analyze agency efforts to close recommendations, and request and respond to agency status updates. Agencies generally agree with the recommendations from the Inspectors General. On occasion, when an agency does not agree with an OIG recommendation, it is incumbent upon the agency and the OIG to attempt to work through any issues and ensure proper implementation. Where there is a significant disagreement over a management decision, the Inspector General should report this information in his/her Semiannual Report pursuant to Section 5(a)(12) of the Inspector General Act, as amended.

      During the course of the DOJ-OIG reviews, we regularly discuss our recommendations with Department personnel in order to make sure that they are

practical and feasible. Therefore, the Department is aware of the recommendations before the report is issued and usually agrees with them. If, at the conclusion of a DOJ-OIG review, the Department does not agree with a recommendation, we will continue the discussions with the relevant Department components through a resolution process until an agreement can be reached. Through this process, we reach agreement with the Department on actions that will remedy the deficiencies we identified in our audits. For all recommendations, we assess, and must concur with, the Department's implementation of corrective actions before we close any recommendation.

2. While the IG community and GAO follow GAO's Generally Accepted Government Auditing Standards (GAGAS), what differences do you encounter in their auditing processes?

   Response: As you note in the question, the IG community adheres to the Generally Accepted Government Auditing Standards (GAGAS) when conducting audits. To ensure that each OIG's established policies, procedures, and auditing standards are consistent and in compliance with GAGAS, the Council of IGs administers a program of peer reviews through its Audit Committee. Therefore, an OIG is peer-reviewed at least once every 3 years in order to ensure compliance with GAGAS and other auditing standards. Indeed, each OIG posts the results of its most recent peer review on its website.

   The Council of IGs ensures that the peer review standards are uniform across the IG community and provides the peer review results in reports to Congress. Moreover, the Council of IGs has developed the Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General, which can be found on the Council's website at: https://www.ignet.gov/content/manuals-guides. Further, on an annual basis the Council of IGs provides a list of the results of the IG peer reviews conducted during the previous year to the House of Representatives Committee on Oversight and Government Reform and the Senate Committee on Homeland Security and Governmental Affairs.

   a. Are there differences among the 72 IGs as well?

      Response: The Inspectors General in the IG community oversee agencies with different missions and program areas within the Federal Government. Therefore, the needs of auditing oversight at each agency vary greatly.

      While the OIGs conduct audits in compliance with GAGAS and other applicable standards, each OIG may have different approaches to auditing processes. Prior to initiating an audit, OIGs typically engage in a planning process to identify areas of concern and determine which programs or topics to address through their audit work. Each OIG develops its own criteria tailored to the individual risk assessments of the agency programs. This information, combined with an OIG's expertise and experience, help shape the scope of an audit before it is

initiated. These different approaches provide OIGs the necessary flexibility to formulate the most effective way to conduct oversight over the agency programs.

b. Are these differences beneficial or problematic?

Response: For the reasons stated above, there are important reasons for each OIG to tailor their auditing approaches and processes to the risks at each agency that they oversee.

3. CIGIE publishes manuals and guides that provide audit best practices and other quality control information to the IG community. These guides may assist IGs in meeting the GAGAS or may include additional requirements or standards. Does CIGIE ensure that its members adhere to these best practices and quality control standards?

Response: As discussed above in response to Question 2, peer reviews are conducted periodically to determine whether OIGs are adhering to GAGAS. Also, the Council of IGs developed a guide used by all OIGs when conducting peer reviews. In this way, the Council of IGs standardizes the peer review process which, in turn, helps ensure OIGs consistently comply with GAGAS. In addition, the Council of IGs posts on its website manuals, guides, and quality standards to promote high standards in the IG community on topics such as auditing, digital forensics, investigations, and inspection and evaluation. These materials can found on the Council's website at: https://www.ignet.gov/content/quality-standards.

a. Do you have a way to track where these best practices work best or are not effective so you can form a feedback loop that further expands on these best practices and recommendations?

Response: A principal function of the Council of IGs is to facilitate information sharing and the development of efficient and effective approaches to strong oversight and accountability. The Council of IGs is structured to facilitate communication among its members, and there are seven committees that encourage discussion among OIGs across the disciplines, including Audit, Inspections and Evaluation, and Investigations committees. These committees share ideas and provide feedback on ways to improve OIG oversight capabilities and address issues facing the OIGs in the various discipline areas. In addition, these committees develop and provide guidance and materials for the larger IG community and work to ensure consistency among OIG practices.

b. Are there ways CIGIE could help Congress better understand which IGs are using best practices and which are not?

Response: The Council of IGs would be pleased to provide further information to this Subcommittee and its staff on ways the Council of IGs addresses relevant issues facing the IG community, its oversight practices, and peer-review processes. In addition, the Council of IGs would be happy to discuss ways in

which it can increase engagement with Congressional committees and staff about ways to improve the IG community and Council efforts.

4. This year the GAO began sending letters to key agencies highlighting unimplemented recommendations that are high priority. Does the practice of flagging high priority recommendations for agencies take place within the IG community?

   Response: During the course of an OIG's audits, evaluations and reviews, the OIG develops recommendations for improving the agency's operations and programs. These recommendations are generally submitted as part of the issued report. To ensure that the agency addresses these recommendations, OIGs have a resolution process that tracks and assesses the agency's progress in implementing corrective actions to address our recommendations. As part of the resolution procedure, OIGs regularly communicate with the agency to determine the status of the corrective actions.

   In addition, each OIG identifies its significant recommendations in the Semiannual Reports that it provides to Congress and further identifies significant recommendations on which corrective action has not been completed, in accordance with Section 5(a)(2) and (3) of the Inspector General Act, as amended. These reports inform Congress and the American public of the important oversight work conducted by Inspectors General and promote transparency by describing the findings from reviews of federal programs.

   Moreover, OIGs annually identify the top management and performance challenges facing their respective agencies. This document is required as part of the Agency Financial Report or Performance Accountability Report submitted to Congress, and it identifies the top challenges based on the OIG's oversight work, research, judgment, and experience. This document assists the agency in prioritizing its efforts to improve program performance and enhance operations.

   Further, OIGs issue a list of recommendations that have not been closed, in response to a Congressional request. This report notifies agency leadership of the recommendations that have not been fully implemented and holds the agency accountable for implementing OIG recommendations. The DOJ-OIG recently launched an initiative to post a copy of this list of unimplemented recommendations on its website in order to increase the transparency of the recommendation resolution process and to increase the Department's accountability to the public for implementing OIG recommendations in a timely manner. This list can be found on our DOJ-OIG website at: https://oig.justice.gov/reports/open-rec.htm.

Question#:	1
Topic:	GAO and OIG recommendations
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable James Lankford
Committee:	HOMELAND SECURITY (SENATE)

Question: As noted in your testimony, DHS has set a goal to reduce the percentage of total open GAO and OIG recommendations, aged two-years or older, from the current 32 percent to 10 percent by fiscal year 2018. Would an increased role of OMB improve the implementation rate of open GAO and OIG recommendations?

Response: An increased role for OMB would probably not help because leadership, program officials, and others at all organizational levels across DHS already understand that audits deserve an appropriate level of attention among competing priorities and demands in protecting the homeland. That this attention is being provided is evidenced by the percent of total open GAO and OIG recommendations aged 24+ months having fallen from 42 percent at the end of Fiscal Year (FY) 2014 to 32 percent at the end of FY 2015.

Question#:	2
Topic:	Recommendations
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable James Lankford
Committee:	HOMELAND SECURITY (SENATE)

Question: When GAO issues a recommendation that requires DHS to coordinate with other agencies fully implement that recommendation, what role does OMB take to assist compliance and implementation? Would an increased role for OMB result in a higher implantation rate for these types of recommendations?

Response: These types of recommendations represent a low percentage of of open GAO recommendations. For example, as of January 15, 2016, the Department only had 12 recommendations like this that had been open for 24+ months, representing just 2.8 percent of open GAO recommendations.

Question#:	3
Topic:	Audit recommendations 1
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

Question: What guidance on best practices and audit follow-up do DHS and your office provide to department officials who are responsible for addressing audit recommendations made by GAO and the DHS Inspector General?

Response: We continually stress our basic belief that working with GAO and OIG auditors in a meaningful and productive way primarily involves having strong "relationships and communications," founded on a sustained commitment to openness and transparency from all levels of the organization. Two examples of our relationships and communications building and sustainment activities include:

- Monthly DHS-wide meetings—led by my office—with audit liaisons and others, including Office of the General Counsel participation, to discuss current activities, expectations, roles and responsibilities, processes, performance measures and goals, and other topics of interest.

- Periodic town hall meetings with DHS leadership, audit liaisons, program officials, subject matter experts, GAO and OIG leadership and staff, and others to put "names with faces," discuss expectations and processes, and to provide opportunities for process improvement.

Question#:	4
Topic:	Audit recommendations 2
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

Question: How does DHS track its follow-up work in resolving audit recommendations from GAO or an IG?

What, if any, enhancement to the tracking procedures are planned?

What role does your office have with regard to these tracking mechanisms?

Response: Records for ongoing and completed GAO and OIG audits are contained in a DHS Headquarters-managed database to which Component officials also have access. The information in this database is updated on an on-going basis by both Headquarters and Component staff, as appropriate.

In addition, DHS has documented formal audit follow-up and resolution performance measures and goals. These include measures and goals related to monitoring the timeliness of program office corrective actions plans for GAO and OIG reports with recommendations (i.e., 60- and 90-day letters, respectively), and quarterly follow-up actions to ensure that agreed upon actions are being taken and that recommendations are ultimately being closed, ideally within 24 months.

Bimonthly, my office prepares a DHS-wide summary audit follow-up and resolution health assessment scorecard broken out by Component, which is then shared with Departmental and Component leadership and others to serve as a basis for discussions about next steps needed to further strengthen our program performance. We also have an extensive set of dashboards and other charts which provide more detailed "drill down" information than the summary scorecard.

For example, one of these supplemental dashboards provides a bimonthly point-in-time snapshot of the number of GAO and OIG recommendations open across the Department, broken into six different "age buckets" from 0-6 months to 48+ months. We also have charts by Component showing recommendation closure trends overtime. Another one of our measures requires that at least 95 percent of all open recommendations have follow-up activity documented in our database at least every 90 days, for which we also have dashboards.

a. What, if any, enhancement to the tracking procedures are planned?

Question#:	4
Topic:	Audit recommendations 2
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

During 2016, we plan to work with Components across the Department to revalidate our database data dictionary to facilitate increased standardization and consistency of audit tracking across the Department.

In addition, although we currently have a high level of confidence in the accuracy and reliability of our data, during 2016 we plan to review both our Quality Assurance (process oriented and focuses on defect prevention) and Quality Control (product oriented and focuses on defect identification) processes and procedures with the goal of strengthening both.

b. What role does your office have with regard to these tracking mechanisms?

My office has the DHS-wide lead in maintaining relationships with GAO and OIG, and advising senior DHS leadership and others concerning audit follow-up and resolution, and other related activities. This includes ensuring compliance with governing documents and any other related criteria (such as OMB Circular A-50 and the Inspector General Act) by establishing policies and procedures and overseeing Department-wide implementation of such, as deemed appropriate; developing performance measures and goals, ensuring appropriate auditor access to DHS records and employees, and providing oversight of Component audit liaison activities, among other activities.

Question#:	5
Topic:	Agency coordination
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

Question: In instances where agency coordination that goes beyond DHS is needed, how, if at all, have you altered your process of collaborating with other agencies to address GAO's concerns and was it effective?

Response: We are not aware of any concerns about how DHS coordinates with others outside of the Department. The vision of my office is to be "A trusted and reliable partner, both internally and externally, to the Department." Our overriding goals when working audit issues with others are to ensure:

- All parties that need to be involved are involved (whether inside or outside the Department),
- The issues are worked in concert with our operating principles of *engagement*, *responsiveness*, and *mutual respect*,
- The issues are worked at the lowest organizational level possible and only elevated to more senior leadership when absolutely necessary, and
- "No surprises" for anyone at the end of the process.

During the past five years, we have successfully coordinated numerous audit issues with many other departments, including the following:

- U.S. Department of Health and Human Services
- U.S. Department of Justice
- U.S. Department of Transportation
- U.S. Department of the Treasury
- Social Security Administration
- U.S. Department of State
- U.S. Postal Service

We would be glad to discuss with GAO staff any specific concerns that might exist and work with them to determine how best to address the concerns, as appropriate.

○