



April 2015

# 2015 Annual Report:

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



April 14, 2015

Congressional Addressees

The gap between federal revenue and spending has created a long-term fiscal imbalance.<sup>1</sup> Absent fiscal policy changes, this imbalance leads to continuous growth in federal debt that is unsustainable. Addressing this imbalance will require long-term changes to both spending and revenue, which will likely require difficult fiscal policy decisions. Significant action to mitigate this imbalance must be taken soon to minimize the disruption to individuals and the economy.

In the near term, executive branch agencies and Congress can act to improve the efficiency and effectiveness of government programs and activities. Opportunities to take action exist in areas where federal programs or activities are fragmented, overlapping, or duplicative. To bring these opportunities to light, 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.<sup>2</sup> 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.

In our first four annual reports issued from 2011 through 2014, we presented 188 areas where opportunities existed for executive branch agencies or Congress to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance

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<sup>1</sup>GAO's analysis of the Federal Fiscal Outlook can be found at [http://www.gao.gov/fiscal\\_outlook/federal\\_fiscal\\_outlook/overview](http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview). See also, GAO, *Financial Audit: U.S. Government's Fiscal Years 2014 and 2013 Consolidated Financial Statements*, [GAO-15-341R](#) (Washington, D.C.: Feb. 25, 2015), and Congressional Budget Office, *The Budget and Economic Outlook: 2015 to 2025* (Washington, D.C.: Jan. 26, 2015).

<sup>2</sup>Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note. See appendix I for the list of congressional addressees for this work.

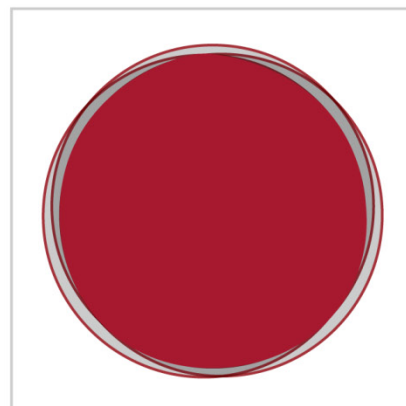
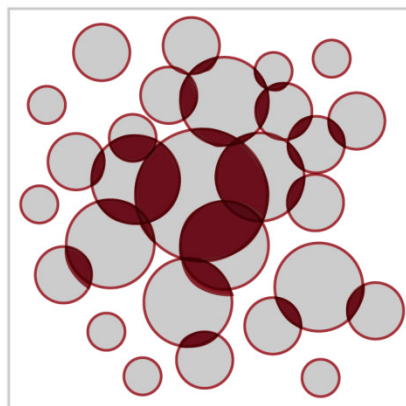
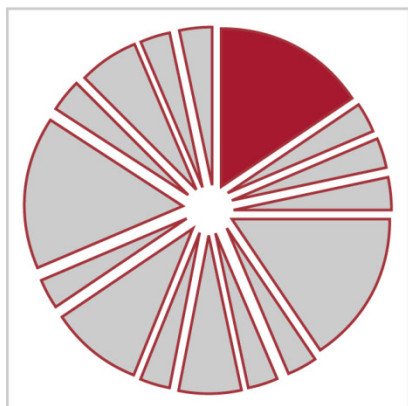
revenue.<sup>3</sup> Figure 1 outlines the definitions we use for fragmentation, overlap, and duplication for this work. In these first four reports, we identified approximately 440 actions that executive branch agencies and Congress could take to address the opportunities for greater efficiency and effectiveness that we identified.

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

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

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

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



Source: GAO. | GAO-15-404SP

<sup>3</sup>GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011), *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012), *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-13-279SP](#) (Washington, D.C.: Apr. 9, 2013), and *2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-14-343SP](#) (Washington, D.C.: Apr. 8, 2014).

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This report is our fifth in the series, and it identifies additional areas where a broad range of federal agencies may be able to achieve greater efficiency or effectiveness. For each area, we suggest actions that the executive branch or Congress could take to reduce, eliminate, or better manage fragmentation, overlap, or duplication, or achieve other financial benefits. In addition to identifying new areas, we have continued to monitor the progress executive branch agencies and Congress have made in addressing the areas we previously identified. In 2013, we launched [GAO's Action Tracker](#), a publicly accessible website that allows executive branch agencies, Congress, and the public to track the progress the government is making in addressing the issues we have identified. We plan to add areas and suggested actions identified in future reports to [GAO's Action Tracker](#) and periodically update the status of all identified areas and activities.

Section I of this report presents new areas in which we found evidence that fragmentation, overlap, or duplication exists among federal programs or activities. Although it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort, the instances of fragmentation, overlap, or duplication we describe in Section I occur in areas where multiple programs and activities may be creating inefficiencies. Section II describes new areas where the federal government may achieve cost savings or enhance revenue collections. This report is based upon work GAO previously conducted in accordance with generally accepted government auditing standards or GAO's quality assurance framework.<sup>4</sup> See appendix II for more information on our scope and methodology.

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<sup>4</sup>We conducted the work for Area 16: U.S. Enrichment Corporation Fund under GAO's quality assurance framework. We use this framework when we conduct routine nonaudits, such as technical assistance provided to Congress. GAO's quality assurance framework requires that we plan and perform the engagement to meet our stated objectives and to discuss any limitations in our work. We maintain that the information and data obtained, and the analysis conducted, provide a reasonable basis for our findings and conclusions.

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

In this report, we present 66 actions that the executive branch or Congress could take to improve efficiency and effectiveness across 24 areas that span a broad range of government missions and functions. We suggest 20 actions to address 12 new areas in which we found evidence of fragmentation, overlap, or duplication in government missions such as agriculture, defense, health, homeland security, information technology, international affairs, and science and the environment. In addition, we present 46 opportunities for executive branch agencies or Congress to take actions to reduce the cost of government operations or enhance revenue collections for the U.S. Treasury across 12 areas of government.

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## 20 Suggested Actions to Address New Evidence of Fragmentation, Overlap, or Duplication in 12 Areas

We consider programs or activities to be fragmented when more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need, which may result in inefficiencies in how the government delivers services, including the following example:

- *Consumer Product Safety Oversight:* Oversight of consumer product safety involves at least 20 federal agencies, including the Consumer Product Safety Commission (CPSC), resulting in fragmented oversight across agencies. Although agencies reported that the involvement of multiple agencies with various expertise can help ensure more comprehensive oversight by addressing a range of safety concerns, they also noted that fragmentation can result in unclear roles and potential regulatory gaps. In addition, we found that although the agencies we reviewed for a November 2014 report collaborated on a variety of issues, they also reported that they face challenges when they work collaboratively. These challenges include staying informed about the regulatory activities of other agencies, coordinating on jurisdictional issues, and considering options to share data rather than purchasing the same data under multiple contracts.

Although a number of agencies have an oversight role in consumer product safety, no single entity has the expertise or authority to address the full scope of product safety activities. Moreover, some oversight agencies are independent regulatory agencies and not subject to the Office of Management and Budget's (OMB) interagency planning process and review of draft rules within the executive branch. In past work, GAO has noted that interagency mechanisms or strategies to coordinate programs that address crosscutting issues may reduce potentially duplicative, overlapping, and fragmented efforts. To strengthen coordination and achieve greater efficiency in

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oversight across consumer product safety agencies more broadly, we suggested that Congress consider establishing a formal comprehensive oversight mechanism for consumer product safety agencies to address crosscutting issues as well as inefficiencies related to fragmentation and overlap such as communication and coordination challenges and jurisdictional questions between agencies. Mechanisms could include, for example, formalizing relationships and agreements among consumer product safety agencies or establishing a task force or interagency work group. CPSC, the Department of Homeland Security (DHS), the Department of Housing and Urban Development, and the Department of Commerce's National Institute of Standards and Technology agreed with GAO's matter for congressional consideration, while the remaining agencies neither agreed nor disagreed.

Fragmentation can also be a harbinger for overlap or duplication. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We found overlap among federal programs or initiatives in a variety of areas, including the following:

- *Nonemergency Medical Transportation*: Forty-two programs across six different federal departments provide nonemergency medical transportation (NEMT) to individuals who cannot provide their own transportation due to age, disability, or income constraints.<sup>5</sup> For example, NEMT programs at both Medicaid, within the Department of Health and Human Services (HHS), and the Department of Veterans Affairs (VA) have similar goals (to help their respective beneficiaries access medical services), serve potentially similar beneficiaries (those individuals who have disabilities, are low income, or are elderly), and engage in similar activities (providing NEMT transportation directly or indirectly).

We found a number of challenges to coordination for these programs. For example, Medicaid and VA largely do not participate in NEMT coordination activities in the states we visited, in part because both programs are designed to serve their own populations of eligible

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<sup>5</sup>The six federal departments are the Departments of Agriculture, Health and Human Services, Education, Housing and Urban Development, Transportation, and Veterans Affairs.

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beneficiaries. We also found that using certain coordination strategies—in particular, cost or ride sharing—could increase the risk of Medicaid funds being spent for individuals who do not qualify for Medicaid benefits. Without proper controls, cost or ride sharing with other non-Medicaid programs could allow for improper payments for individuals who do not qualify for Medicaid. Because Medicaid and VA are important to NEMT, as they provide services to potentially over 90 million individuals, greater interagency cooperation is needed to enhance services to transportation-disadvantaged individuals. An interagency coordinating council was developed to enhance federal, state, and local coordination activities, and it has taken some actions to address human service-transportation program coordination. However, the council has provided limited leadership and has not convened since 2008. For example, the council has not issued key guidance documents that could promote coordination, including an updated strategic plan.

To improve efficiency, we recommended that the Department of Transportation, which chairs the interagency coordinating council, should take steps to enhance coordination among the programs that provide NEMT. In response to this recommendation, DOT agreed that more work is needed to increase coordination activities with all HHS agencies, especially the Centers for Medicare & Medicaid Services (CMS). DOT also said the Federal Transit Administration is asking its technical assistance centers to assist in developing responses to NEMT challenges.

In other aspects of our work, we found evidence of duplication, which occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. We found duplication among federal programs or initiatives in a variety of areas, including the following:

- *DOD US Family Health Plan*: The US Family Health Plan (USFHP)—a statutorily required component of the Department of Defense’s (DOD) Military Health System—duplicates the same TRICARE Prime benefit that is offered to military beneficiaries by DOD managed care support contractors.<sup>6</sup> The USFHP was initially incorporated into the Military

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<sup>6</sup>TRICARE-eligible beneficiaries include active duty personnel and their dependents, medically eligible Reserve and National Guard personnel and their dependents, and retirees and their dependents and survivors.

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Health System in 1982 when Congress enacted legislation transferring ownership of certain U.S. Public Health Service hospitals to specific health care providers, referred to as designated providers under the program. During the implementation of the TRICARE program in the 1990s, Congress required the designated providers to offer the TRICARE Prime benefit to their enrollees in accordance with the National Defense Authorization Act (NDAA) for Fiscal Year 1997. Today, the USFHP remains a health care option required by statute to be available to eligible beneficiaries in certain locations, despite TRICARE's national presence through the managed care support contractors. However, the USFHP has largely remained unchanged, and its role has not since been reassessed within the Military Health System.

DOD contracts with managed care support contractors to administer TRICARE Prime—TRICARE's managed care option—in three regions in the United States (North, South, and West). Separately, TRICARE Prime is offered through the USFHP by designated providers in certain locations within the same three TRICARE regions that are served by a managed care support contractor. Thus, the USFHP offers military beneficiaries the same TRICARE Prime benefit that is offered by the managed care support contractors across much of the same geographic service areas and through many of the same providers. As a result, DOD has incurred added costs by paying the USFHP designated providers to simultaneously administer the same TRICARE Prime benefit to the same population of eligible beneficiaries in many of the same locations as the managed care support contractors. To eliminate this duplication within DOD's health system and potentially save millions of dollars, we suggested that Congress terminate the statutorily required USFHP.

- *EPA's and FDA's Laboratory Inspections*: The Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA) within HHS may be duplicating each other's work by inspecting the same laboratories. Although EPA and FDA entered into an interagency agreement to collaborate on laboratory inspections in 1984, the agreement was not renewed in 2004 and formal communication ended by 2007. We found in May 2014 that they do not regularly communicate about scheduled inspections or share



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results from completed inspections.<sup>7</sup> For example, one laboratory in Maryland was inspected by both EPA and FDA eight times from fiscal year 2005 to fiscal year 2012. A representative from this laboratory told us that some of the information in the laboratory's toxicology studies FDA officials examined during a 2011 inspection could have been shared with EPA officials. By not collaborating and communicating regularly, EPA and FDA may be missing opportunities to improve efficiency and effectiveness. For example, if EPA knew in advance that a laboratory was recently inspected by FDA, EPA inspectors could use FDA's inspection results to inform their decision regarding whether to conduct their own inspection. Moreover, information-sharing between agencies could help them leverage limited resources, because each agency can only inspect a certain number of laboratories each year.

To avoid potentially duplicative inspections and use limited resources more efficiently, we recommended that EPA and FDA take actions to regularly collaborate and share information on laboratory inspections through a formal written agreement such as a memorandum of understanding that outlines how the two agencies plan to regularly collaborate and share information on inspections. In response to our recommendation, EPA agreed to work with FDA to develop written procedures that outline how EPA and FDA plan to collaborate and share information on laboratory inspections. However, EPA stated that it did not agree that a formal memorandum of understanding between the two agencies was necessary. We agree and note that we did not prescribe the type of agreement the agencies should undertake and offered a memorandum of understanding as one example. FDA agreed with our recommendation but reiterated that there are legitimate reasons why some laboratory inspections may be conducted by both agencies at a single laboratory within a short period of time.

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<sup>7</sup>Both EPA and FDA conduct laboratory inspections to test laboratories' compliance with the agencies' Good Laboratory Practices (GLP), which are intended to ensure the quality and integrity of data. For example, FDA's GLP regulations ensure the quality and integrity of the data for nonclinical laboratory studies of investigational drugs, medical devices, food additives, and other products.

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## 46 New Actions to Reduce Costs or Enhance Revenues Identified in 12 Areas

We suggest 46 actions that the executive branch and Congress can take to reduce the cost of government operations and enhance revenue collections for the U.S. Treasury in 12 areas. Examples of these actions include rescinding unobligated funds, re-examining the appropriate size of the Strategic Petroleum Reserve, modifying the way Medicare pays certain cancer hospitals, and increasing tax revenue collections.

- *Rescinding unobligated funds:* Congress may wish to consider permanently rescinding the entire \$1.6 billion balance of the U.S. Enrichment Corporation (USEC) Fund, a revolving fund in the U.S. Treasury. As part of a 2001 GAO legal opinion, we determined that the USEC Fund was available for two purposes, which have been fulfilled: (1) environmental clean-up expenses associated with the disposition of depleted uranium at two specific facilities and (2) expenses of USEC privatization. Regarding the first authorized purpose, the construction of intended facilities associated with the disposition of depleted uranium has been completed. Regarding the second authorized purpose, USEC privatization was completed in 1998 when ownership of USEC was transferred to private investors. In an April 2014 report to Congress, the Department of Energy's (DOE) National Nuclear Security Administration stated that the USEC Fund was one of two sources of funding that it was exploring to finance research, development, and demonstration of national nuclear security-related enrichment technologies. However, this is not one of the authorized purposes of the USEC Fund. Transparency in budget materials is important for informing congressional decisions, and DOE's efforts to utilize USEC Fund monies instead of general fund appropriations diminish that transparency. The House of Representatives included language to permanently rescind the USEC Fund in H.R. 4923, Energy and Water Development and Related Agencies Appropriations Act, which passed the House on July 10, 2014. However, the rescission was not included in Public Law 113-235, Consolidated and Further Continuing Appropriations Act, 2015. As of March 2015, legislation containing a similar rescission had not been introduced in the 114th Congress.
- *Re-examining the appropriate size of the Strategic Petroleum Reserve:* DOE should assess the appropriate size of the Strategic Petroleum Reserve (SPR) to determine whether excess crude oil could be sold to fund other national priorities. The United States holds the SPR so that it can release oil to the market during supply disruptions to protect the U.S. economy from damage. After decades of generally falling U.S. crude oil production, technological advances have contributed to increasing U.S. production. Monthly crude oil

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production has increased by almost 68 percent from 2008 through April 2014, and increases in production in 2012 and 2013 were the largest annual increases since the beginning of U.S. commercial crude oil production in 1859, according to the Energy Information Administration (EIA).<sup>8</sup>

As of September 2014, the reserve had 106 days of imports, which DOE estimated was valued at about \$45 billion as of December 2014. As a member of the International Energy Agency, the United States is required to maintain public and private reserves of at least 90 days of net imports and to release these reserves and reduce demand during oil supply disruptions. We found in September 2014 that DOE had taken steps to assess aspects of the SPR but had not recently reexamined its size. Without such a reexamination, DOE cannot be assured that the SPR is holding an appropriate amount of crude oil. If, for example, DOE found that 90 days of imports was an appropriate size for the SPR, it could sell crude oil worth \$6.7 billion and use the proceeds to fund other national priorities. In addition, by reducing the SPR to 90 days, DOE may be able to reduce its operating costs by about \$25 million per year.<sup>9</sup> DOE concurred with our recommendation, stating that a broad, long-range review of the SPR is needed and that it has initiated a process for conducting a comprehensive reexamination of the appropriate size of the SPR.

- *Modifying the way Medicare pays certain cancer hospitals:* To better control Medicare spending and generate cost savings of almost \$500 million per year, Congress should consider changing Medicare's payment methods for certain cancer hospitals. Medicare pays the majority of hospitals using an approach known as the inpatient and outpatient prospective payment systems (PPS). Under a PPS, hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries. Beginning in 1983, in response to concern that certain cancer hospitals would experience payment reductions under such a system, Congress required the establishment of criteria under which 11 cancer hospitals

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<sup>8</sup>EIA is a statistical agency within the Department of Energy that collects, analyzes, and disseminates independent information on energy issues.

<sup>9</sup>The estimated operation savings was based on GAO's calculation of the amount of oil in excess of 90 days of net imports as of September 2014 and DOE's assessment of its annual operating cost for the SPR at \$0.25 per barrel.

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are currently exempted from the inpatient PPS and receive payment adjustments under the outpatient PPS. Since these cancer hospitals were first established in the early 1980s, cancer care and Medicare's payment system have changed significantly. Advances in techniques and drugs have increased treatment options and allowed for more localized delivery of care. Along with these developments, the primary setting for cancer care has shifted from the inpatient setting to the outpatient setting. In addition, Medicare's current payment system better recognizes the resource intensity of hospital care than the system put in place in 1983.

While most hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries, Medicare generally pays these 11 cancer hospitals based on their reported costs, providing little incentive for efficiency. We found that if beneficiaries who received care at the 11 cancer hospitals had received inpatient and outpatient services at nearby PPS teaching hospitals, Medicare might have realized substantial savings in 2012. Specifically, we estimated inpatient savings of about \$166 million; we calculated outpatient savings of about \$303 million if forgone payment adjustments were returned to the Medicare Trust Fund.<sup>10</sup> Until Medicare pays these cancer hospitals in a way that encourages greater efficiency, Medicare remains at risk for overspending.

- *Increasing tax revenue collections:* Our 2015 annual report includes 21 actions that the federal government should take to potentially enhance tax revenue in the billions of dollars. Reducing the tax gap—the difference between taxes owed and taxes paid on time—by 1 percent through improved collections could increase tax revenues by almost \$4 billion annually. Given that individual income tax misreporting accounts for the largest portion of the estimated annual \$385 billion net tax gap, even small changes in IRS's enforcement programs could result in hundreds of millions of dollars of increased revenue.

Specifically, we recommended that IRS develop and implement a strategy to better estimate the extent and nature of misreporting by partnerships and S corporations and the effectiveness of partnership

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<sup>10</sup>We estimated this inpatient savings amount within a range of plus or minus \$4 million at a 95 percent confidence level. This savings estimate covers 9 of the 11 cancer hospitals due to missing 2012 data for 2 hospitals.

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examinations in detecting this misreporting.<sup>11</sup> In May 2014, we reported that IRS does not know the full extent of partnership and S corporation income misreporting. We estimated a rough order of magnitude of partnership and S corporation income misreported by individuals to be \$91 billion per year in lost tax revenue for tax years 2006 through 2009. Further, IRS has limited information on the effectiveness of its examinations in detecting income misreporting by partnerships. For example, IRS estimated that 3 percent to 22 percent of identified misreporting by partnerships was double counted due to income flowing from one partnership to another or to other related parties. Without reliable information on the extent of partnership misreporting, or the results of its partnership examinations, IRS cannot make fully informed decisions about whether its allocation of enforcement resources across business types is justified. IRS stated that it had not fully evaluated our recommendations but said it would consider all of our recommendations and identify appropriate IRS actions while keeping resource limitations in mind.

In addition to the new areas presented in this year's annual report, we identified new actions from recently issued work that address six issues presented in our 2011-2013 annual reports. These areas include federal oversight of food safety, DOD joint basing operations and efficiency, DOD-VA electronic health records, geospatial investments, tax expenditures, and new markets tax credit. In particular, in our 2011 annual report, we reported that federal tax revenue losses for the New Markets Tax Credit (NMTC) were over \$700 million for 2010, according to the Department of the Treasury (Treasury), and recommended that Congress consider converting the NMTC to a grant program to increase the equity that could be placed in low-income businesses and significantly reduce the \$3.8 billion, 5-year revenue cost of the program. In 2014, we reviewed the financial structures of NMTC projects and recommended that Treasury issue further guidance on how other government programs can be combined with NMTCs; ensure adequate controls to limit the risks of unnecessary duplication and above-market rates of return; and ensure that more complete and accurate data are collected on fees and costs, the equity remaining in the business after 7 years, and loan

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<sup>11</sup>Partnerships and S corporations are flow-through entities, which are entities that generally do not pay taxes themselves on income, but instead, pass income or losses to their partners and shareholders, who must include that income or loss on their income tax returns.

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performance.<sup>12</sup> We will track the status of these and the other new actions through GAO's *Action Tracker*. See appendix III for a list of the new actions added to these six areas.

Finally, in addition to issues identified in our annual reports, in our February 2015 high-risk series update, we identified options to help reduce the risk of tax refund fraud due to identity theft.<sup>13</sup> Identity theft occurs when an identity thief files a fraudulent tax return using a legitimate taxpayer's identifying information and claims a refund. IRS estimates it paid out \$5.8 billion (the exact number is uncertain) in fraudulent refunds in filing season 2013 due to identity theft. While there are no simple solutions to combating identity refund fraud, we identified various options that could help, some of which would require legislative action. Because some of these options represent a significant change to the tax system that could likely burden taxpayers and impose significant costs to IRS for systems changes, it is important for IRS to assess the relative costs and benefits of the options. This assessment will help ensure an informed discussion among IRS and relevant stakeholders—including Congress—on the best option (or set of options) for preventing identity theft refund fraud.

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## Executive Branch Agencies and Congress Continue to Address Actions That Span the Federal Government

In addition to the new actions identified for this report, we have continued to monitor the progress that executive branch agencies or Congress have made in addressing the issues we identified in our last four reports. In our 2011-2014 annual reports, we identified approximately 440 actions that the executive branch and Congress could take to reduce, eliminate, or better manage fragmentation, overlap, or duplication or achieve other potential financial benefits.

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<sup>12</sup>GAO, *New Markets Tax Credit: Better Controls and Data Are Needed to Ensure Effectiveness*, [GAO-14-500](#) (Washington, D.C.: July 10, 2014).

<sup>13</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015).

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## Overall Progress on 2011-2014 Actions

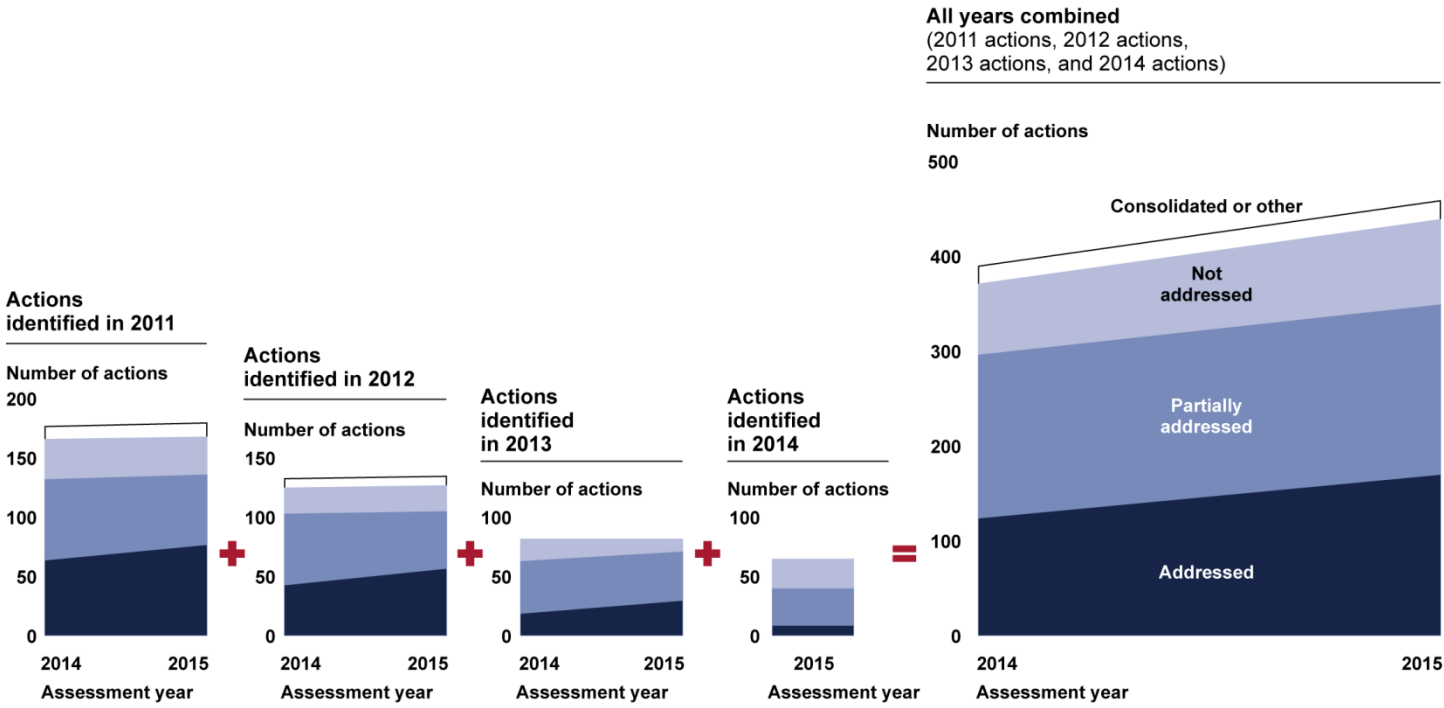
Executive branch agencies and Congress have made progress in addressing a number of the actions we previously identified (fig. 2).<sup>14</sup> In total, as of March 6, 2015, the date we completed our audit work, we found that 169 (37 percent) were addressed, 179 (39 percent) were partially addressed, and 90 (20 percent) were not addressed.<sup>15</sup> An additional 46 actions have been assessed as addressed over the past year. These addressed actions include 13 actions identified in 2011, 14 actions identified in 2012, 11 actions identified in 2013, and 8 identified in 2014. See appendix IV for a list of all areas and the status of related actions.

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<sup>14</sup>In assessing actions suggested for Congress, we applied the following criteria: “addressed” means relevant legislation has been enacted and addresses all aspects of the action needed; “partially addressed” means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and “not addressed” means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. In assessing actions suggested for the executive branch, we applied the following criteria: “addressed” means implementation of the action needed has been completed; “partially addressed” means the action needed is in development, or started but not yet completed; and “not addressed” means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

<sup>15</sup>Twenty actions were categorized as “consolidated or other” and were not assessed due to additional audit work or other information we considered.

**Figure 2: Progress in Addressing 2011, 2012, 2013, and 2014 Actions as of the 2014 and 2015 Annual Reports**



Source: GAO analysis. | GAO-15-404SP

Note: Actions assessed as “consolidated or other” are not assessed due to additional work or other information we considered. Additionally, 2014 actions were not assessed in 2014 since that was the year that the actions were identified.



We estimated that executive branch and congressional efforts to address suggested actions resulted in roughly \$20 billion in financial benefits from fiscal years 2011 through 2014, with another approximately \$80 billion in additional benefits projected to be accrued through 2023.<sup>16</sup>

Table 1 outlines a selection of our addressed actions that have resulted in or are expected to result in cost savings or enhanced revenue.

**Table 1: Selected Addressed Actions with Associated Cost Savings and Enhanced Revenues, 2011-2014**

Annual report	Addressed actions
2011	<b>Domestic Ethanol Production</b> (Area 13): Congress allowed the Volumetric Ethanol Excise Tax Credit to expire at the end of 2011, which eliminated duplicative federal efforts directed at increasing domestic ethanol production and reduced revenue losses by <b>\$4.5 billion</b> in fiscal year 2012 and <b>\$6.1 billion</b> in fiscal year 2013.
2011	<b>Farm Program Payments</b> (Area 35): The Agricultural Act of 2014 eliminated direct payments to farmers and should save approximately <b>\$4.9 billion annually</b> from fiscal year 2015 through fiscal year 2023, according to the Congressional Budget Office.
2011	<b>Baggage Screening Systems</b> (Area 78): The Transportation Security Administration (TSA) estimated that the agency saved a cumulative <b>\$104.5 million</b> in personnel costs from fiscal years 2011 through 2013 from its efforts to replace or modify older checked baggage screening systems with more efficient in-line systems, as we suggested.
2012	<b>Air Force Food Service</b> (Area 33): In 2011, the Air Force issued a memorandum to the Major Commands directing a review of existing food service contracts. As a result, according to Air Force officials, the Air Force reviewed and renegotiated the food service contracts at eight installations for a total savings of over <b>\$2.5 million per year</b> . In addition, according to Air Force officials, all food service contracts were validated again during fiscal year 2012 for additional savings of over <b>\$2.2 million per year</b> . Air Force officials said that the Air Force will review contracts annually for areas where costs can be reduced.
2012	<b>Overseas Defense Posture</b> (Area 37): The United States Forces Korea conducted a series of consultations with the military services to evaluate the costs and benefits associated with tour normalization, as we suggested, and decided not to move forward with the full tour normalization initiative because it was not affordable. DOD's decision to not move forward with this initiative resulted in a cost avoidance of <b>\$3.1 billion</b> from fiscal years 2012 through 2016.

<sup>16</sup>In calculating these estimates, we relied on estimates from the Congressional Budget Office and the Joint Committee on Taxation, where possible. We also developed estimates based on agencies' data and used agencies' developed estimates. The totals reflect a summary of these estimates, which relied on different data sources and methodologies and considered different time periods. They represent a rough estimate of financial benefits and have been rounded down to the nearest \$5 billion.

Annual report	Addressed actions
2012	<p><b>Passenger Aviation Security Fees</b> (Area 48): The Bipartisan Budget Act of 2013 modifies the passenger security fee from its current per enplanement structure (\$2.50 per enplanement with a maximum one-way-trip fee of \$5.00) to a structure that increases the passenger security fee to a flat \$5.60 per one-way-trip, effective July 1, 2014.<sup>a</sup> Pursuant to the act, collections under this modified fee structure will contribute to deficit reduction as well as to offsetting TSA's aviation security costs.<sup>b</sup> Specifically, the act identifies <b>\$12.6 billion</b> in fee collections that, over a 10-year period beginning in fiscal year 2014 and continuing through fiscal year 2023, should contribute to deficit reduction.<sup>c</sup> Fees collected beyond those identified for deficit reduction are available, consistent with existing law, to offset TSA's aviation security costs. According to the House of Representatives and Senate Committees on the Budget, and notwithstanding amounts dedicated for deficit reduction, collections under the modified fee structure will offset about 43 percent of aviation security costs, compared to the approximate 30 percent currently offset under the existing fee structure.<sup>d</sup></p>
2013	<p><b>Combat Uniforms</b> (Area 2): Consistent with our recommendation, the Army chose not to introduce a new family of camouflage uniforms into its inventory, resulting in a cost avoidance of about \$4.2 billion over 5 years.</p>

Source: GAO. | GAO-15-404SP

<sup>a</sup>See Pub. L. No. 113-67, § 601(b), 127 Stat. 1165, 1187 (2013), amending 49 U.S.C. § 44940(c).

<sup>b</sup>In addition, the first \$250 million in fees collected each fiscal year are, consistent with existing law, to be deposited in the Aviation Security Capital Fund for use in supporting aviation security-related airport capital improvement projects or for other purposes specified in statute. See 49 U.S.C. §§ 44923(h), 44940(i).

<sup>c</sup>See 49 U.S.C. § 44940(i) (identifying, among other things, the specific amount to be credited as offsetting receipts and deposited in the general fund of the U.S. Treasury each fiscal year, 2014 through 2023).

<sup>d</sup>The Bipartisan Budget Act further revoked TSA's authority to collect the Aviation Security Infrastructure Security Fee, which TSA had been collecting from air carriers pursuant 49 U.S.C. § 44940(a)(2). See Pub. L. No. 113-67, § 601(a), 127 Stat. at 1187.

The following examples illustrate progress made by executive branch agencies and Congress in addressing our identified actions over the last 5 years.

- Domestic Ethanol Production:* In our 2011 annual report, we stated that the ethanol tax credit would cost about \$5 billion in forgone revenues in 2011 and that Congress could reduce annual revenue losses by addressing duplicative federal efforts directed at increasing domestic ethanol production. To reduce these revenue losses, we suggested that Congress consider whether revisions to the ethanol tax credit were needed and suggested options to consider, including allowing the credit for the volumetric ethanol excise tax (for fuel blenders that purchase and blend ethanol with gasoline) to expire at the end of 2011. Congress allowed the tax credit to expire at the end of 2011.
- Farm Program Payments:* We reported in our 2011 annual report that Congress could save up to \$5 billion annually by reducing or eliminating direct payments to farmers. These are fixed annual payments based on a farm's history of crop production. Farmers

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received them regardless of whether they grew crops and even in years of record income. Direct payments were expected to be transitional when first authorized in 1996, but subsequent farm bills continued these payments.<sup>17</sup> Congress passed the Agricultural Act of 2014, which eliminated direct payments to farmers and should save approximately \$4.9 billion annually from fiscal year 2015 through fiscal year 2023, according to the Congressional Budget Office.

- *Combat Uniforms*: In our 2013 annual report, we found that DOD’s fragmented approach could lead to increased risk on the battlefield for military personnel and increased development and acquisition costs. In response, DOD developed and issued guidance on joint criteria to help ensure that future service-specific uniforms will provide equivalent levels of performance and protection. In addition, a provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces.<sup>18</sup> Most recently, the Army chose not to introduce a new family of camouflage uniforms into its inventory, in part, because of this legislation, resulting in a cost avoidance of about \$4.2 billion over 5 years.
- *Overseas Defense Posture*: In our 2012 annual report, we suggested the Secretary of Defense should direct appropriate organizations within DOD to complete a business case analysis, including an

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<sup>17</sup>According to the conference report accompanying the 1996 Farm Bill, production flexibility contract payments—the precursors to direct payments, which were similar in design—were established to help farmers make a transition to basing their planting decisions on market signals rather than on government programs. Accordingly, production flexibility contract payments were scheduled to decrease over time and expire in 2002. Federal Agricultural Improvement and Reform Act of 1996, Pub. L. No. 104-127, 110 Stat. 888. However, farm bills passed in 2002 and 2008 continued these payments as “direct payments.”

<sup>18</sup>Subject to certain exceptions, the provision also prohibits the military departments from adopting new pattern designs or uniform fabrics unless they will be adopted by all services or the uniform is already in use by another service. See Pub. L. No. 113-66, § 352(a), (b) (2013). In addition, DOD must issue implementing guidance requiring the military departments to, among other things, ensure that new uniforms meet commanders of combatant command’s geographic and operational requirements and continually work together to assess and develop new uniform technologies to improve warfighter survivability. See Pub. L. No. 113-66, § 352(f).

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evaluation of alternative courses of action, for the strategic objectives that have to this point driven the decision to implement tour normalization in South Korea—that is, a DOD initiative to transform its defense posture in South Korea. DOD subsequently evaluated the costs and benefits and decided not to move forward with the full tour normalization initiative because it was not affordable. DOD’s decision to not move forward with this initiative resulted in a cost avoidance of \$3.1 billion from fiscal years 2012 through 2016. In addition, DOD fully addressed our recommended actions to develop comprehensive cost information and re-examine alternatives to planned initiatives. For example, the data that DOD reports to Congress now reflect all cost categories for new or ongoing funded posture initiatives in support of enduring operations that, according to DOD officials, have been approved by the Secretary of Defense. To further facilitate congressional oversight of plans to realign U.S. defense posture in the Pacific, DOD made corrective actions for mitigating financial risks and better defining future requirements, as we recommended. As a result of these actions, DOD decision makers will have additional fiscal context in which to review posture plans and requirements, and congressional committees should have a better understanding of the potential funding requirements associated with DOD budget requests.

- *Employment and Training:* Congress and executive branch agencies have also taken actions to help address the proliferation of certain employment programs and improve the delivery of benefits. Specifically, in June 2012, we reported on 45 programs administered by nine federal agencies that supported employment for people with disabilities and found these programs were fragmented and often provided similar services to similar populations.<sup>19</sup> The Workforce Innovation and Opportunity Act, enacted in July 2014, eliminated three programs that supported employment for people with disabilities, including the Veterans’ Workforce Investment Program, administered by the Department of Labor, and the Migrant and Seasonal Farmworker Program and Projects with Industry,

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<sup>19</sup>GAO’s February 2012 annual report on opportunities to reduce duplication, overlap, and fragmentation across the federal government included 50 programs that supported employment for people with disabilities in fiscal year 2010. GAO later updated its analyses to exclude, for example, programs that had been phased out or ended as of April 2012. In June 2012, GAO reported on 45 programs that supported employment for people with disabilities.

administered by the Department of Education.<sup>20</sup> In addition, OMB worked with executive agencies to propose consolidating or eliminating two other programs, although Congress did not take action and both programs continued to receive funding. The Workforce Innovation and Opportunity Act also helped to promote efficiencies for some of the 47 employment and training programs that support a broader population (including people with and without disabilities), which we reported on in 2011. In particular, this law requires states to develop a unified state plan that covers all designated core programs in order to receive certain funding. As a result, states' implementation of the requirement may enable them to increase administrative efficiencies in employment and training programs—a key objective of our prior recommendations.

**Leadership Attention Needed to Continue Progress on Remaining Actions**

Although Congress and executive branch agencies have made progress toward addressing the actions we have identified, further steps are needed to fully address the remaining actions, as shown in table 2. More specifically, 57 percent of the actions addressed to executive branch agencies and 66 percent of the actions addressed to Congress identified in our 2011-2014 reports remain partially or not addressed.<sup>21</sup>

**Table 2: Status of 2011-2014 Actions Directed to Congress and the Executive Branch, as of March 6, 2015**

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

Source: GAO. | GAO-15-404SP

Note: Actions assessed as “consolidated or other” are not assessed due to additional work or other information we considered. See appendix II for more information on how we assess the status of actions.

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

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

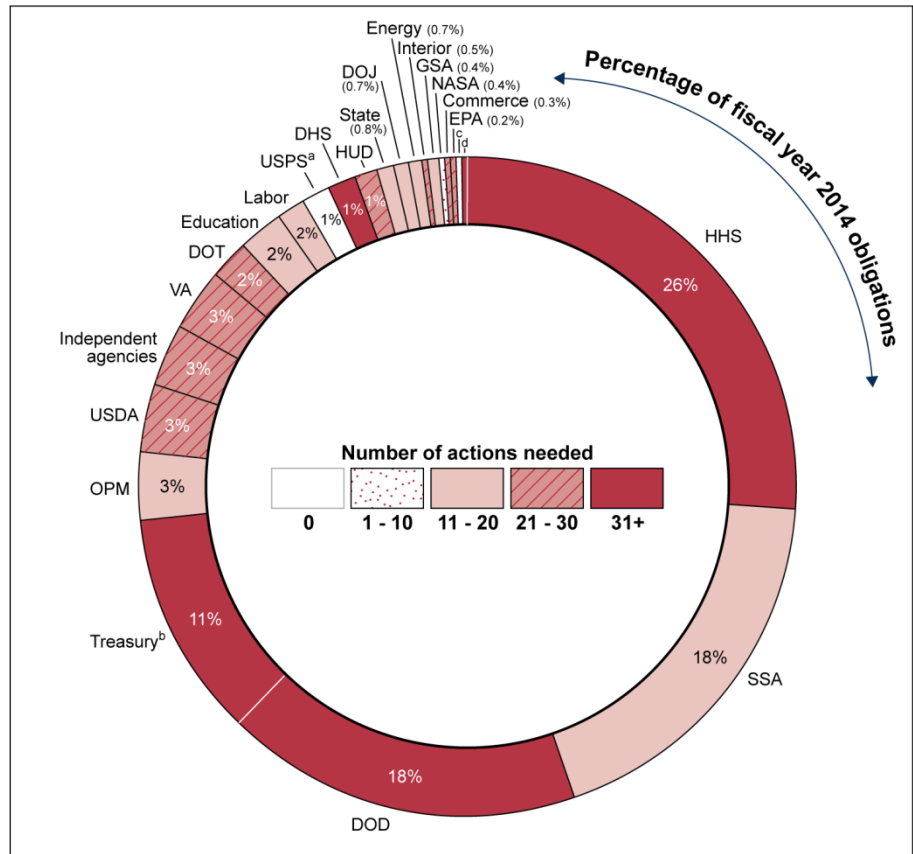
<sup>20</sup>Funding for Projects with Industry was eliminated in fiscal year 2011. As a result, we excluded it from our list of 45 programs in our June 2012 report.

<sup>21</sup>Twenty actions, or 4 percent, have been consolidated into other areas and are no longer been assessed due to additional work or other information that we considered.

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As our work has shown, committed leadership is needed to overcome the many barriers to working across agency boundaries, such as agencies' concerns about protecting jurisdiction over missions and control over resources or incompatible procedures, processes, data, and computer systems. Without increased or renewed leadership focus, opportunities will be missed to improve the efficiency and effectiveness of programs and save taxpayers' dollars. As figure 3 shows, we have directed actions to all 15 cabinet-level executive departments and at least 17 other federal entities. A substantial number of our actions are directed to the three departments that make up 55 percent of federal obligations in fiscal year 2014—DOD, Treasury, and HHS. Specifically, we have directed 126 actions to DOD, 89 actions to Treasury, and 60 actions to HHS.

**Figure 3: Fiscal Year 2014 Obligations and Number of Actions by Agency**



Source: GAO. | GAO-15-404SP

Notes: Individual actions are counted multiple times, when they are directed to more than one federal department or agency. Percentages are rounded to the nearest whole percent for items greater than 1 percent.

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

<sup>b</sup>Treasury's percentage of fiscal year 2014 obligations includes interest on the national debt.

<sup>c</sup>The judicial branch represented 0.2 percent of federal obligations in fiscal year 2014.

<sup>d</sup>Actions have also been directed to agencies and other federal entities that each represented less than 0.2 percent of federal obligations in fiscal year 2014.

The following are examples of areas where additional leadership attention could potentially promote progress.

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## Reducing Contract Spending through Strategic Sourcing

In our 2013 annual report, we reported that federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. In particular, DOD, DHS, DOE, and VA accounted for 80 percent of the \$537 billion in federal procurement spending in fiscal year 2011, but reported managing about 5 percent, or \$25.8 billion, through strategic sourcing efforts. In contrast, leading commercial firms leverage buying power by strategically managing 90 percent of their spending—achieving savings of 10 percent or more of total procurements costs. While strategic sourcing may not be suitable for all procurement spending, we reported that a reduction of 1 percent from procurement spending at these agencies would equate to over \$4 billion in savings annually. However, a lack of clear guidance on metrics for measuring success has hindered the management of ongoing strategic sourcing efforts across the federal government. Since our 2013 report, OMB has made progress by issuing guidance on calculating savings for government-wide strategic sourcing contracts, and in December 2014 it issued a memorandum on category management that, among other things, identifies federal spending categories suitable for strategic sourcing. These categories cover some of the government’s largest spending categories, including information technology and professional services. According to OMB, these categories accounted for \$277 billion in fiscal year 2013 federal procurements. This level of spending suggests that by using smarter buying practices the government could realize billions of dollars in savings. In addition, the administration has identified expanded use of high-quality, high-value strategic sourcing solutions as one of its cross-agency priority goals, which are a limited set of outcome-oriented, federal priority goals. However, until OMB sets government-wide goals and establishes metrics, the government may miss opportunities for billions in cost savings through strategic sourcing.

## More Effectively Targeting Defense Resources

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

- *Combatant Command Headquarters Costs:* Our body of work has raised questions about whether DOD’s efforts to reduce headquarters overhead will result in meaningful savings. In 2013, the Secretary of Defense directed a 20 percent cut in management headquarters spending throughout DOD, to include the combatant commands and service component commands. In June 2014 we found that mission



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and headquarters-support costs for the five geographic combatant commands and their service component commands we reviewed more than doubled from fiscal years 2007 through 2012, to about \$1.7 billion. We recommended that DOD more systematically evaluate the sizing and resourcing of its combatant commands. If the department applied the 20 percent reduction in management headquarters spending to the entire \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, we reported that DOD could achieve up to an estimated \$340 million in annual savings.

- *Tactical Wheeled Vehicles*: DOD spends billions of dollars each year to procure tactical wheeled vehicles, which are used to transport people, weapons, and cargo. Since 2008, GAO has identified tactical wheeled vehicle procurement as being at risk for duplication, and in 2009 GAO recommended that DOD develop a unified acquisition strategy. As of February 2015, DOD no longer plans to issue a comprehensive Tactical Wheeled Vehicle Roadmap, originally expected for release in the spring of 2013. The purpose of the roadmap was to document agreements and plans between DOD and the military services and to address our recommendation to reduce the risk of duplication. According to an official at the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, sharp reductions in fleet modernization funds prompted DOD to no longer use the roadmap approach. Instead, the department will evaluate each investment opportunity in terms of future force structure, fleet composition, best value, affordability, joint capabilities, and survivability through the joint capabilities integration development system and acquisition management system framework. Prior to this decision, DOD had taken numerous steps to address cost effectiveness and potential duplication within the tactical wheeled vehicle portfolio, as we recommended, but it stopped short of developing a comprehensive tactical wheeled vehicle strategy. Without a comprehensive roadmap that describes strategies and goals for the entire tactical wheeled vehicle portfolio, it will likely be difficult for DOD to ensure risk reduction and avoid duplication in future acquisitions of tactical wheeled vehicles, which could drive up acquisition and support costs. We maintain that a comprehensive strategy would help DOD manage the risk of duplication and cost growth.
- *Electronic Warfare*: We reported in 2011 that all four military services in DOD had been separately developing and acquiring new airborne electronic attack systems and that spending on new and updated

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## More Efficiently Managing Information Technology Investments

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systems was projected to total more than \$17.6 billion during fiscal years 2007–2016. While the department has taken steps to better inform its investments in airborne electronic attack capabilities, it has yet to assess its plans for developing and acquiring two new expendable jamming decoys to determine if these initiatives should be merged.<sup>22</sup>

More broadly, we identified multiple weaknesses in the way DOD acquires weapon systems and the actions that are needed to address these issues, which we recently highlighted in our high-risk series update.<sup>23</sup> For example, further progress must be made in tackling the incentives that drive the acquisition process and its behaviors, applying best practices, attracting and empowering acquisition personnel, reinforcing desirable principles at the beginning of programs, and improving the budget process to allow better alignment of programs and their risks and needs. Addressing these issues could help DOD improve the returns on its \$1.4 trillion investment in major weapon systems and find ways to deliver capabilities for less than it has in the past.

The federal government planned to spend at least \$79 billion on information technology (IT) in fiscal year 2015. The magnitude of these expenditures highlights the importance of avoiding duplicative investments to better ensure the most efficient use of resources. Opportunities remain to reduce or better manage duplication and the cost of government operations in critical IT areas, many of which require agencies to work together to improve systems, including the following examples.

- *Information Technology Investment Portfolio Management:* To better manage existing IT systems, in March 2012 OMB launched the PortfolioStat initiative. PortfolioStat requires agencies to conduct an annual, agency-wide review of their IT portfolios to reduce commodity IT spending and demonstrate how their IT investments align with their missions and business functions, among other things. In 2014, we found that while the 26 federal agencies required to participate in PortfolioStat had made progress in implementing OMB's initiative, weaknesses existed in agencies' implementation of the initiative, such

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<sup>22</sup>DOD employs expendable jamming decoys to degrade enemy air defense systems with the purpose of allowing U.S. aircraft to operate within threat environments.

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

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as limitations in the Chief Information Officer's authority. In the President's Fiscal Year 2016 Budget submission, the administration proposes to use PortfolioStat to drive efficiencies in agencies' IT programs. As noted in our recent high-risk series update, we have made more than 60 recommendations to improve OMB and agencies' implementation of PortfolioStat and provide greater assurance that agencies will realize the nearly \$6 billion in savings they estimated they would achieve through fiscal year 2015.<sup>24</sup>

- *Federal Data Centers*: In September 2014, we found that consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of about \$5.3 billion by fiscal year 2017. Although OMB has taken steps to identify data center consolidation opportunities across agencies, weaknesses exist in the execution and oversight of the consolidation efforts. Specifically, we reported many agencies are not fully reporting their planned savings to OMB as required; GAO estimates that the savings have been underreported to OMB by approximately \$2.2 billion. It will continue to be important for agencies to complete their inventories and implement their plans for consolidation to better ensure continued progress toward OMB's planned consolidation, optimization, and cost-savings goals.
- *Information Technology Operations and Maintenance*: Twenty-seven federal agencies plan to spend about \$58 billion—almost three-quarters of the overall \$79 billion budgeted for federal IT in fiscal year 2015—on the operations and maintenance of legacy investments. Given the magnitude of these investments, it is important that agencies effectively manage them to better ensure the investments (1) continue to meet agency needs, (2) deliver value, and (3) do not unnecessarily duplicate or overlap with other investments. Accordingly, OMB developed guidance that calls for agencies to analyze (via operational analysis) whether such investments are continuing to meet business and customer needs and are contributing to meeting the agency's strategic goals. In our 2013 annual report, we reported that agencies did not conduct such an analysis on 52 of the 75 major existing information technology investments we reviewed.<sup>25</sup>

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<sup>24</sup>[GAO-15-290](#).

<sup>25</sup>Our review included major information technology investments at DOD, HHS, DHS, Treasury, and VA.

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As a result, there was increased potential for these information technology investments in operations and maintenance—totaling \$37 billion in fiscal year 2011—to result in waste and duplication. To avoid wasteful or duplicative investments in operations and maintenance, we recommended that agencies analyze all information technology investments annually and report the results of their analyses to OMB. Agencies have made progress in performing some operational analyses; however, until the agencies fully implement their policies and ensure complete and thorough operational analyses are being performed on their multibillion-dollar operational investments, there is increased risk that these agencies will not know whether these investments fully meet their intended objectives, therefore increasing the potential for waste and duplication.

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

In a 2015 report, we reported that federal agencies had made progress in implementing policies and procedures.<sup>26</sup> However, critical items remained incomplete, including coordinating activities with state governments, which also use a variety of geospatial datasets—including address data and aerial imagery—to support their missions. We found that a new initiative to create a national address database could potentially result in significant savings for federal, state, and local governments. To foster progress in developing such a national database, we suggested that Congress consider assessing existing statutory limitations on address data. We also recommended that the interagency coordinating body for geospatial information (1) establish subcommittees and working groups to assist in furthering a national address database; and (2) identify discrete steps to further a national imagery program benefitting governments at all levels. Finally, we

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<sup>26</sup>GAO, *Progress Needed on Identifying Expenditures, Building and Utilizing a Data Infrastructure, and Reducing Duplicative Efforts*, [GAO-15-193](#) (Washington, D.C.: Feb. 12, 2015).

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recommended that the Director of OMB require agencies to report on their efforts to implement policies and procedures before making new investments in geospatial data. OMB generally agreed with this recommendation. In addition, in March 2015, the Geospatial Data Act of 2015 was introduced and includes provisions to improve oversight and help reduce duplication in the management of geospatial data, consistent with our recommended actions.<sup>27</sup> Fully addressing the actions in our two reports could help reduce duplicative investments and the risk of missing opportunities to jointly acquire data, potentially saving millions of dollars.<sup>28</sup>

- *DOD and Department of Veterans Affairs (VA) Electronic Health Records System*: DOD and VA have abandoned their plans to develop a single electronic system for health records that both departments would share. Although the departments' 2008 study showed that over 97 percent of inpatient functional requirements were common to both DOD and VA, they have decided to pursue separate electronic health record system modernization efforts. In a February 2014 report, we found that the departments had based this decision on the assertion that pursuing separate systems would be less expensive and faster than the single, shared-system approach.<sup>29</sup> However, the departments had not supported this assertion with cost and schedule estimates that compared the separate efforts with estimates for the single-system approach. As a result, we recommended that VA and DOD develop and compare the estimated cost and schedule of their current and previous approaches to creating an interoperable electronic health record and, if applicable, provide a rationale for pursuing a more costly or time-consuming approach. We also recommended that the departments develop plans for interoperability and ensure the Interagency Program Office—established by law to act as a single point of accountability for the departments' development of interoperable health records—has control over needed resources and clearer lines of authority.<sup>30</sup> The

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<sup>27</sup>S. 740, 114<sup>th</sup> Cong. (2015).

<sup>28</sup>We have added the recommendations from [GAO-15-193](#) to [GAO's Action Tracker](#).

<sup>29</sup>GAO, *Electronic Health Records: VA and DOD Need to Support Cost and Schedule Claims, Develop Interoperability Plans, and Improve Collaboration*, [GAO-14-302](#) (Washington, D.C.: Feb. 27, 2014).

<sup>30</sup>We have added the recommendations from [GAO-14-302](#) to [GAO's Action Tracker](#).

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departments generally agreed with our recommendations. Through continued duplication of efforts, the departments may be incurring unnecessary system development and operation costs and missing opportunities to support higher-quality health care for servicemembers and veterans.

The federal information technology acquisition reforms enacted in December 2014 reinforce a number of the actions that we have recommended to address IT management issues. For example, the law containing these reforms codifies federal data center consolidation, emphasizing annual reporting on cost savings and detailed metric reporting and OMB's PortfolioStat process, focusing on reducing duplication, consolidation, and cost savings. If effectively implemented, this legislation should improve the transparency and management of IT acquisitions and operations across the government.

## Improving Fiscal Oversight of Medicare and Medicaid

Over the years, we have identified a number of actions that have the potential for sizable cost savings through improved fiscal oversight in the Medicare and Medicaid programs. For example, CMS could save billions of dollars by improving the accuracy of its payments to Medicare Advantage programs, such as through methodology adjustments to account for diagnostic coding differences between Medicare Advantage and traditional Medicare.<sup>31</sup> In addition, we found that federal spending on Medicaid demonstrations could be reduced by billions of dollars if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations.<sup>32</sup> In particular, our work between 2002 and 2014 has shown that HHS approved several demonstrations without ensuring that they would be budget neutral to the federal government.

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<sup>31</sup> Medicare Advantage is the private plan alternative to the original Medicare program. Medicare Advantage plans are paid a fixed, per member, per month payment to provide all services covered under original Medicare. This payment does not vary on the basis of the services beneficiaries receive.

<sup>32</sup> Under Section 1115 of the Social Security Act, the Secretary of Health and Human Services can approve waivers of certain Medicaid requirements, and provide states with new spending authorities, for purposes of implementing Medicaid demonstration projects. The demonstrations under the law are for purposes of testing new ways to operate state programs and deliver services, and agency policy requires that the programs not increase federal spending.

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To address this issue, we suggested that Congress could require the Secretary of Health and Human Services to improve the Medicaid demonstration review process, through steps such as improving the review criteria, better ensuring that valid methods are used to demonstrate budget neutrality, and documenting and making clear the basis for the approved limits. We concluded in August 2014, that HHS's approval of \$778 million dollars of hypothetical costs (i.e., expenditures the state could have made but did not) in the Arkansas demonstration spending limit and the department's waiver of its cost-effectiveness requirement is further evidence of our long-standing concerns that HHS is approving demonstrations that may not be budget-neutral.<sup>33</sup> HHS's approval of the Arkansas demonstration suggests that the Secretary may continue to approve section 1115 Medicaid demonstrations that raise federal costs, inconsistent with the department's policy of budget neutrality. We maintain that enhancing the process HHS uses to demonstrate budget neutrality of its demonstrations could save billions in federal expenditures.

In our February 2015 high-risk series update, we reported that while CMS had taken positive steps to improve Medicare and Medicaid oversight in recent years, in several areas, CMS had still to address some issues and recommendations, and improper payment rates have remained unacceptably high.<sup>34</sup> We have reported that to achieve and demonstrate reductions in the amount of Medicare improper payments, CMS should fully exercise its authority related to strengthening its provider and supplier enrollment provisions and address our open recommendations related to prepayment and postpayment claims review activities. Similarly, in the area of Medicaid, we have made recommendations targeted at (1) improving the completeness and reliability of key data needed for ensuring effective oversight, (2) implementing effective program integrity processes for managed care, (3) ensuring clear reporting of overpayment recoveries, and (4) refocusing efforts on program integrity approaches that are cost-effective. Table 3 summarizes selected recommendations we have made to reduce improper payments in these important areas. These recommendations, if effectively implemented, could improve

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<sup>33</sup>GAO, *Medicaid Demonstrations: HHS's Approval Process for Arkansas's Medicaid Expansion Waiver Raises Cost Concerns*, [GAO-14-689R](#) (Washington, D.C.: Aug. 8, 2014).

<sup>34</sup>[GAO-15-290](#).

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program management, help reduce improper payments in these programs, and achieve cost savings.

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**Table 3: Selected GAO Recommendations To Help Reduce Medicare and Medicaid Improper Payments and Improve Program Integrity**

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**Selected GAO recommendations on Medicare**

**Improving use of automated edits.<sup>a</sup>** In November 2012, we reported that use of prepayment edits saved Medicare at least \$1.76 billion in fiscal year 2010, but savings could have been greater if prepayment edits had been more widely used.<sup>b</sup>

**Monitoring postpayment claims reviews.** To improve the efficiency and effectiveness of Medicare program integrity efforts, we recommended in July 2014 that CMS reduce differences between contractor postpayment review requirements, when possible, and monitor the database used to track recovery audit activities to ensure that all data were submitted, accurate, and complete.<sup>c</sup>

**Removing Social Security numbers from Medicare cards.** The health insurance claims number on Medicare beneficiaries' cards includes as one component the Social Security number of the beneficiary (or other eligible person, such as a spouse). This introduces risks that the beneficiaries' personal information could be obtained and used to commit identity theft.<sup>d</sup> To better position the agency to efficiently and cost-effectively identify, design, develop, and implement a solution to address this issue, we recommended that CMS direct the initiation of an IT project for identifying, developing, and implementing changes that would have to be made to CMS's affected systems.

**Implementing actions authorized by the Patient Protection and Affordable Care Act (PPACA).** We reported in our February 2015 update to our high-risk series that CMS should fully exercise its PPACA authority related to strengthening its provider and supplier enrollment provisions.<sup>e</sup> The following summarizes additional open recommendations and procedures authorized by PPACA that CMS should implement to make progress toward fulfilling the four outstanding criteria to remove Medicare improper payments from our high-risk list. CMS should

- require a surety bond for certain types of at-risk providers and suppliers;
  - publish a proposed rule for increased disclosures of prior actions taken against providers and suppliers enrolling or revalidating enrollment in Medicare, such as whether the provider or supplier has been subject to a payment suspension from a federal health care program;
  - establish core elements of compliance programs for providers and suppliers;
  - improve automated edits that identify services billed in medically unlikely amounts;
  - develop performance measures for the Zone Program Integrity Contractors who explicitly link their work to the agency's Medicare FFS program integrity performance measures and improper payment reduction goals; and
  - require Medicare administrative contractors to share information about the underlying policies and savings related to their most effective edits.
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## Selected GAO recommendations on Medicaid

**Improving third-party liability efforts.** Congress generally established Medicaid as the health care payer of last resort, meaning that if enrollees have another source of health care coverage—such as private insurance—that source should pay, to the extent of its liability, before Medicaid does. This is referred to as third-party liability. However, there are known challenges to ensuring that Medicaid is the payer of last resort. While CMS has issued guidance to states, we recommended additional actions that could help to improve cost-saving efforts in this area, such as monitoring and sharing information on third-party liability efforts and challenges across all states and providing guidance to states on oversight of third-party liability efforts related to Medicaid managed care plans.<sup>f</sup>

**Increasing oversight of managed care.** Most Medicaid beneficiaries are in managed care, and managed care expenditures have been growing at a faster rate than fee-for-service expenditures. In May 2014, we reported that most state and federal program integrity officials we interviewed told us that they did not closely examine managed care payments, focusing on fee-for-service claims instead.<sup>g</sup> To help improve the efficiency and effectiveness of program integrity efforts, we recommended that CMS require states to conduct audits of payments to and by managed care organizations, update managed care guidance on program integrity practices, and provide states with additional support in overseeing managed care program integrity.

**Strengthening program integrity.** Although CMS has taken positive steps to oversee program integrity efforts in Medicaid, other actions remain, such as improving reporting of key data, strengthening its efforts to calculate return on investment for its program integrity efforts, and using knowledge gained from its comprehensive reviews of states to better focus audit resources and improve recovery of improper payments.

Source: GAO. | GAO-15-404SP

<sup>a</sup>To help ensure that payments are made properly, CMS uses controls called edits that are programmed into claims processing systems to compare claims data with Medicare requirements in order to approve or deny claims or flag them for further review.

<sup>b</sup>See GAO, *Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment*, [GAO-13-102](#) (Washington, D.C.: Nov. 13, 2012).

<sup>c</sup>GAO, *Medicare Program Integrity: Increased Oversight and Guidance Could Improve Effectiveness and Efficiency of Postpayment Claims Reviews*, [GAO-14-474](#) (Washington, D.C.: July 18, 2014). We suggest actions related to monitoring postpayment claims reviews in this report; see area 7: Medicare Postpayment Claims Reviews.

<sup>d</sup>See GAO, *Medicare Information Technology: Centers for Medicare and Medicaid Services Needs to Pursue a Solution for Removing Social Security Numbers from Cards*, [GAO-13-761](#) (Washington, D.C.: Sept. 10, 2013).

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

<sup>f</sup>See GAO, *Medicaid: Additional Federal Action Needed to Further Improve Third-Party Liability Efforts*, [GAO-15-208](#) (Washington, D.C.: Jan. 28, 2015).

<sup>g</sup>See GAO, *Medicaid Program Integrity: Increased Oversight Needed to Ensure Integrity of Growing Managed Care Expenditures*, [GAO-14-341](#) (Washington, D.C.: May 19, 2014).

## Increasing Tax Revenue Collections

Over the last 4 years, our work identified multiple opportunities for the government to increase revenue collections. For example, in 2014, we identified three actions that Congress could authorize that could increase tax revenue collections from delinquent taxpayers by hundreds of millions of dollars over a 5-year period: limiting issuance of passports to applicants, levying payments to Medicaid providers, and identifying

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security clearance applicants.<sup>35</sup> For example, Congress could consider requiring the Secretary of State to prevent individuals who owe federal taxes from receiving passports. We found that in fiscal year 2008, passports were issued to about 16 million individuals; about 1 percent of these collectively owed more than \$5.8 billion in unpaid federal taxes as of September 30, 2008. According to a 2012 Congressional Budget Office estimate, the federal government could save about \$500 million over a 5-year period by revoking or denying passports to those with certain federal tax delinquencies.

In addition, in our 2011 annual report, we highlighted the area of improper payments as having the potential for significant cost savings and reported on the federal government's challenges in determining the full extent to which improper payments occur and in ensuring appropriate actions are being taken to reduce them. In addition to Medicare and Medicaid, the Earned Income Tax Credit (EITC) has one of the highest estimates of improper payments government-wide.<sup>36</sup> In particular, in fiscal year 2014, IRS reported program payments of \$65.2 billion for the EITC. According to IRS, an estimated 27.2 percent, or \$17.7 billion, of these program payments were improper.<sup>37</sup> The estimated EITC improper payment rate has remained relatively unchanged since fiscal year 2003 (the first year IRS was required to report estimates of these payments to Congress), but

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<sup>35</sup>Federal law does not expressly prohibit an individual with unpaid federal taxes from being granted a security clearance; however, delinquent tax debt does pose a potential vulnerability that must be considered in making a broader determination of whether an applicant should be granted a security clearance.

<sup>36</sup>Congress established the EITC in 1975 to (1) offset the impact of Social Security taxes on low-income families and (2) encourage low-income families to seek employment rather than public assistance. EITC eligibility depends on an individual's earned income. Credit amounts depend on the number of qualifying children who meet age, relationship, and residency tests. The credit gradually increases with income (the phase-in range), plateaus at a maximum amount (the plateau range), and then gradually decreases until it reaches zero (the phaseout range). For EITC, program payments include tax expenditures (a tax credit that offsets income taxes) and outlays (a refund if the credit exceeds the amount of taxes owed).

<sup>37</sup>EITC overpayments are the difference between the EITC amount claimed by the taxpayer on his or her return and the amount the taxpayer should have claimed. EITC underpayments are defined as the amount of EITC disallowed by IRS in processing that should have been allowed.

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the amount of improper EITC payments has increased from an estimated \$10.5 billion in fiscal year 2003 to nearly \$18 billion in fiscal year 2014.<sup>38</sup>

We have highlighted the persistent problems with improper EITC payments for years, and it is a factor underlying our continued designation of IRS Enforcement of Tax Laws as a high-risk area.<sup>39</sup> As we have reported, although the EITC program has been modified a number of times since its enactment in 1975 to reduce complexity and help improve the program's administration, complexity remains a key factor contributing to improper payments in the program. Among other things, IRS uses audits to help identify EITC improper payments, and in June 2014, we reported that about 45 percent of correspondence audits (audits done by mail) that closed in fiscal year 2013 focused on EITC issues. However, the effectiveness of these audits may be limited because of regular backlogs in responding to taxpayers since 2011 and unclear correspondence that generates additional work for IRS, such as phone calls to IRS examiners. These issues impose unnecessary burdens on taxpayers and costs for IRS. IRS acknowledged these concerns and the limitations faced in significantly reducing EITC improper payments using the traditional audit process. Consequently, IRS has initiated several programs to address EITC improper payments, such as increasing outreach and education to taxpayers and return preparers.

In addition to these efforts, additional IRS and legislative actions are likely necessary to make any meaningful reduction in improper payments. We have recommended a number of executive branch actions or matters for congressional consideration that if effectively implemented, could help to reduce EITC improper payments (table 4).

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<sup>38</sup>These numbers have not been adjusted for inflation.

<sup>39</sup>[GAO-15-290](#).

**Table 4: Selected GAO Matters and Recommendations That Could Help Reduce Earned Income Tax Credit Improper Payments**

Recommendation area	Rationale
Regulating paid tax preparers	<p>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 percent to 50 percent of the returns overclaimed the credit.<sup>a</sup> Similarly, in our undercover visits to randomly selected tax preparers, a sample that cannot be generalized, we found errors in EITC claims, resulting in significant overstatement of refunds.<sup>b</sup> Based in part on our recommendation, in 2010, IRS initiated steps to regulate certain preparers through testing and education requirements; however, the courts ruled that IRS lacked such regulatory authority.<sup>c</sup> In 2014, we suggested that Congress consider granting IRS the authority to regulate paid tax preparers, if it agrees that significant paid preparer errors exist.</p>
Accelerating W-2 filing deadlines	<p>IRS estimates that it paid \$5.8 billion in fraudulent identity theft refunds during the 2013 filing season.<sup>d</sup> While we do not know the extent to which improper EITC payments are the result of identity theft, IRS has reported that improper payments are a mix of unintentional mistakes and fraud. IRS issues most refunds months before receiving and matching information returns, such as the W-2 “Wage and Tax Statement,” to tax returns. In August 2014, we recommended that IRS estimate the cost and benefits of options to implement pre-refund matching using W-2 data.<sup>e</sup> Given that any change could impose burdens on employers and taxpayers as well as create additional costs to IRS for systems and process changes, Congress and other stakeholders need information on this impact to fully assess any potential changes.</p>
Broadening math error authority	<p>IRS has statutory authority—called math error authority—to correct certain errors, such as calculation mistakes or omitted or inconsistent entries, during tax return processing of EITC claims. According to the Treasury Inspector General for Tax Administration, IRS has math error authority to address some erroneous claims, but additional authority to systematically disallow certain erroneous EITC claims with unsupported wages could reduce improper payments.<sup>f</sup> Treasury has proposed expanding IRS 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 math error authority—which at various times we have suggested that Congress consider—could help IRS correct additional errors and avoid burdensome audits and taxpayer penalties.</p>

Source: GAO. | GAO-15-404SP

<sup>a</sup>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).

<sup>b</sup>GAO, *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors*, [GAO-14-467T](#) (Washington, D.C.: Apr. 8, 2014), and *Paid Tax Return Preparers: In a Limited Study, Chain Preparers Made Significant Errors*, [GAO-06-563T](#) (Washington, D.C.: Apr. 4, 2006).

<sup>c</sup>*Loving v. IRS*, 917 F. Supp. 2d 67 (D.D.C. 2013), *aff'd* 742 F.3d 1013 (D.C. Cir. 2014).

<sup>d</sup>GAO, *Identity and Tax Fraud: Enhanced Authentication Could Combat Refund Fraud, but IRS Lacks an Estimate of Costs, Benefits and Risks*, [GAO-15-119](#) (Washington, D.C.: Jan. 20, 2015).

<sup>e</sup>GAO, *Identity Theft: Additional Actions Could Help IRS Combat the Large, Evolving Threat of Refund Fraud*, [GAO-14-633](#) (Washington, D.C.: Aug. 20, 2014).

<sup>f</sup>Treasury Inspector General for Tax Administration, *Existing Compliance Processes Will Not Reduce the Billions of Dollars in Improper Earned Income Tax Credit and Additional Child Tax Credit Payments*.

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## Implementing Benefit Offsets

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

- *Social Security Offsets:* In our 2011 annual report, we reported that the Social Security Administration (SSA) needs data from state and local governments on retirees who receive pensions from employment not covered under Social Security to better enforce offsets and ensure benefit fairness. In particular, SSA needs this information to fairly and accurately apply the Government Pension Offset, which generally applies to spouse and survivor benefits, and the Windfall Elimination Provision, which applies to retired worker benefits. The Social Security's Government Pension Offset and Windfall Elimination Provision takes 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 (OPM), it is not available to SSA for many state and local pension benefits. The President's Fiscal Year 2016 Budget submission re-proposed legislation that would require state and local governments to provide information on their noncovered pension payments to SSA so that the agency can apply the Government Pension Offset and Windfall Elimination Provision. The proposal includes funds for administrative expenses, with a portion available to states to develop a mechanism to provide this information. Also, we continue to suggest that Congress consider giving IRS the authority to collect the information that the SSA needs to administer these offsets. Providing information on the receipt of state and local noncovered pension benefits to SSA could help the agency more accurately and fairly administer the Government Pension Offset and Windfall Elimination Provision and could result in an estimated \$2.4 billion–6.5 billion in savings over 10 years if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received.
- *Disability and Unemployment Benefits:* In our 2014 annual report, we found that 117,000 individuals received concurrent cash benefit payments, in fiscal year 2010, from the Disability Insurance and Unemployment Insurance programs totaling more than \$850 million because current law does not preclude the receipt of overlapping benefits. Individuals may be eligible for benefit payments from both Disability Insurance and Unemployment Insurance due to differences in the eligibility requirements; however, in such cases, the federal

government is replacing a portion of lost earnings not once, but twice. The President's Fiscal Year 2016 Budget submission proposes to eliminate these overlapping benefits, and during the 113th Congress, bills had been introduced in both the U.S. House of Representatives and the Senate containing language to reduce Disability Insurance payments to individuals for the months they collect Unemployment Insurance benefits. According to the Congressional Budget Office (CBO), this action could save \$1.2 billion over 10 years in the Social Security Disability Insurance program. Congress should consider passing legislation to offset Disability Insurance benefit payments for any Unemployment Insurance benefit payments received in the same period.

Table 5 highlights some of our suggested actions within these and other areas that have significant potential cost-savings or revenue-enhancement opportunities, according to estimates from GAO, executive branch agencies, the Congressional Budget Office, or the Joint Committee on Taxation.

**Table 5: Selected Areas with Associated Cost-Savings and Revenue-Enhancement Opportunities Identified in Our 2011-2014 Annual Reports**

Annual report	Areas identified
<b>Defense and Contracting</b>	
2011	<b>Tactical Wheeled Vehicles</b> (Area 6): A department-wide acquisition strategy could reduce the Department of Defense's (DOD) risk of costly duplication in purchasing Tactical Wheeled Vehicles. Reducing the number of joint light tactical vehicles DOD procures could result in <i>billions of dollars</i> in cost savings.
2011	<b>Weapon Systems Acquisition Programs</b> (Area 38): Employing best management practices could help DOD achieve significant cost savings on the \$1.4 trillion (fiscal year 2015 dollars) it expects to invest in the development and procurement of its portfolio of 78 major defense acquisition programs
2014	<b>Combatant Command Headquarters Costs</b> (Area 12): If the department applied the 20 percent reduction in management headquarters spending to the \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, DOD could potentially achieve up to an estimated <b>\$340 million in annual savings</b> .
2013	<b>Agencies' Use of Strategic Sourcing</b> (Area 23): Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest-spending procurement categories—savings of 1 percent from selected agencies' procurement spending alone would equate to over <b>\$4 billion</b> .
2013	<b>Joint Basing</b> (Area 20): A plan to achieve the efficiencies and cost savings envisioned from joint bases, coupled with a reevaluation of associated goals and guidance, could lead to greater consolidation of installation services at joint bases and better position DOD to achieve its identified goals.
2012	<b>Military Health Care Costs</b> (Area 36): To help achieve significant projected cost savings and other performance goals, DOD needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives.

Annual report	Areas identified
2011	<b>Military Personnel Costs</b> (Area 37): A total compensation approach would be needed to manage military personnel costs—which grew 31 percent from fiscal year 2001 to fiscal year 2014.
<b>Information Technology</b>	
2014	<b>Information Technology Investment Portfolio Management</b> (Area 24): The Office of Management and Budget and multiple agencies could help the federal government realize <b>billions of dollars</b> in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology (IT) investments.
2011	<b>Federal Data Centers</b> (Area 15): Consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of <b>about \$5.3 billion</b> by fiscal year 2017.
2013	<b>Information Technology Operations and Maintenance</b> (Area 30): Strengthening oversight of key federal agencies' major IT investments in operations and maintenance would provide an opportunity for <b>savings on billions</b> in IT investments.
2011	<b>Enterprise Architecture</b> (Area 14): Well-defined and implemented enterprise architectures in federal agencies can lead to consolidation and reuse of shared services and elimination of antiquated and redundant mission operations, which can result in significant cost savings. For example, the Department of the Interior demonstrated that it had used enterprise architecture to modernize agency IT operations and avoid costs through enterprise software license agreements and hardware procurement consolidation, resulting in financial savings of <b>at least \$80 million</b> . In addition, the Department of Health and Human Services (HHS) will achieve savings and cost avoidance of <b>over \$150 million</b> during fiscal years 2011–2015 by leveraging its enterprise architecture to improve its telecommunications infrastructure.
<b>Energy and Agriculture</b>	
2011	<b>Oil and Gas Resources</b> (Area 45): Improved management of federal oil and gas resources could result in approximately <b>\$2 billion in additional revenue over 10 years</b> .
2014	<b>Advanced Technology Vehicles Manufacturing Loan Program</b> (Area 13): Unless the Department of Energy can demonstrate demand for new Advanced Technology Vehicles Manufacturing loans and viable applications, Congress may wish to consider rescinding all or part of the remaining <b>\$4.2 billion</b> in credit subsidy appropriations.
2013	<b>Crop Insurance</b> (Area 19): To achieve <b>up to nearly \$2 billion per year in cost savings</b> in the crop insurance program, Congress could consider limiting the subsidy for premiums that are provided on behalf of individual farmers, reducing the subsidy, or some combination of limiting and reducing these subsidies.
<b>Health Care</b>	
2014	<b>Medicaid Demonstration Waivers</b> (Area 21): Federal spending on Medicaid demonstrations could be reduced if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. We estimated the federal share of savings could have been <b>up to \$21 billion over 5 years</b> for two states' recent demonstrations that we reviewed.
2012	<b>Medicare and Medicaid Fraud Detection Systems</b> (Area 46): The Centers for Medicare & Medicaid Services would need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the <b>\$21 billion</b> in financial benefits that the agency projected as a result of implementing these systems.
<b>Taxes and Fees</b>	
2014	<b>Collection of Unpaid Federal Taxes</b> (Area 15): The federal government could increase tax revenue collections by <b>\$500 million over a 5-year time period</b> , according to a 2012 Congressional Budget Office estimate, by identifying and taking actions to limit issuance of passports to applicants with unpaid federal taxes.
2013	<b>Tobacco Taxes</b> (Area 31): Federal revenue losses ranged from as much as <b>\$615 million to \$1.1 billion between April 2009 and 2011</b> because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.

Annual report	Areas identified
2011	<b>Simple Tax Return Errors</b> (Area 56): Congress could grant the Internal Revenue Service (IRS) broader authority, with appropriate safeguards against misuse of that authority, to correct math errors during tax return processing. In March 2015, the Joint Committee on Taxation estimated that this change could result in <b>\$166 million in savings</b> over 10 years, similar to last year's scoring.
2013	<b>Agricultural Quarantine Inspection Fees</b> (Area 18): The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as <b>\$325 million in savings</b> (based on fiscal year 2011 data, as reported) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.
2012	<b>Immigration Inspection Fee</b> (Area 49): The user fee for immigration inspection of air and sea passengers should be reviewed and adjusted to fully recover the cost of the air and sea passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than relying on general fund appropriations; in 2012 this could have resulted in reduced reliance on general fund appropriations used for inspection services by about \$175 million.
<b>Homeland Security</b>	
2012	<b>Domestic Disaster Assistance</b> (Area 51): The Federal Emergency Management Agency (FEMA) could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. For fiscal years 2004 through 2011, had FEMA adjusted the indicator for increases in inflation or personal income since 1986, fewer jurisdictions would have met the primary criterion FEMA uses to determine whether to recommend that the President declare a major disaster, which could have reduced federal cost by <b>as much as \$3.59 billion</b> .
2013	<b>Checked Baggage Screening</b> (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration (TSA) applies to agreements that finance modification projects related to the installation of checked baggage screening systems at airport facilities, TSA could, if a reduced cost share were deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than currently anticipated. According to TSA, as of March 2015, their data show that lowering the cost share from 90 percent to 75 percent could result in <b>roughly \$140 million in cost efficiencies</b> during the fiscal year 2015 to 2030 timeframe. <sup>a</sup>
<b>Income Security</b>	
2011	<b>Social Security Offsets</b> (Area 80): Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, estimated to result in <b>\$2.4-\$6.5 billion savings over 10 years</b> if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received.
2014	<b>Disability and Unemployment Benefits</b> (Area 8): Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save <b>\$1.2 billion over 10 years</b> in the Social Security Disability Insurance program according to the Congressional Budget Office.
2014	<b>Veterans' and Survivors' Benefits</b> (Area 23): The Department of Veterans Affairs' direct spending could be reduced—by an average of <b>about \$4 million annually</b> , according to the Congressional Budget Office—if new statutory provisions were enacted, namely, a look-back review and penalty period for claimants who transfer assets for less than fair market value before applying for pension benefits that are available to low-income wartime veterans who are at least 65 years old or have disabilities unrelated to their military service.

Source: GAO. | GAO-15-404SP

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



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

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

Addressing fragmentation, overlap, and duplication within the federal government is challenging. Even with sustained leadership, these are difficult issues to address because they may require agencies and Congress to re-examine (within and across various mission areas) the fundamental structure, operation, funding, and performance of a number of long-standing federal programs or activities with entrenched constituencies. As we have previously reported, these challenges are compounded by a lack of reliable budget and performance information. If fully and effectively implemented, the GPRAMA Modernization Act of 2010 (GPRAMA) and the Digital Accountability and Transparency Act of 2014 (DATA Act) hold promise for helping to improve performance and budget information and helping to address challenges in identifying and addressing areas of fragmentation, overlap, and duplication.<sup>40</sup>

- GPRAMA establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of GPRAMA could help clarify desired outcomes, address program performance spanning multiple organizations, and facilitate future actions to reduce, eliminate, or better manage fragmentation, overlap, and duplication.<sup>41</sup>

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<sup>40</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011) (GPRAMA); Pub. L. No. 113-101, 128 Stat. 1146 (2014) (DATA Act).

<sup>41</sup>For GAO's most recent work on GPRAMA, see GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, [GAO-15-83](#) (Washington D.C.: Oct. 31, 2014); *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington D.C.: Oct. 24, 2014); and *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, [GAO-14-747](#) (Washington D.C.: Sept. 26, 2014). In addition, information on GAO's work on GPRAMA can be found at [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary).

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- The DATA Act requires actions that would help make spending data comparable across programs, allowing executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments. As we have previously reported, better data and a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts.<sup>42</sup>

To help analysts and decision makers better assess the extent of fragmentation, overlap and duplication, GAO has developed an evaluation and management guide ([GAO-15-49SP](#)), which is being released concurrently with this report.<sup>43</sup> The guide includes two parts. Part one is for analysts, including federal, state, and local auditors; congressional staff; researchers; and consultants. Part two is for policymakers, including congressional decision makers and executive branch leaders.

Part one provides four steps for analysts to identify and evaluate instances of fragmentation, overlap or duplication:

1. Identify fragmentation, overlap or duplication among a selected set of programs and understand how the programs are related.
2. Identify the potential positive and negative effects of any fragmentation, overlap, or duplication found.
3. Validate the effects and assess and compare the fragmented, overlapping or duplicative programs to determine their relative performance and cost-effectiveness.
4. Identify options to reduce or better manage the negative effects of fragmentation, overlap, or duplication.

Each step includes examples that illustrate how to implement suggested actions or consider different types of information. The guide also includes a number of Tip Sheets and Tools to help guide analysts' reviews of fragmentation, overlap, and duplication. The guide is constructed so that analysts may follow it from beginning to end, or apply only certain steps to

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<sup>42</sup>See GAO, *Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight*, [GAO-15-241T](#) (Washington, D.C.: Dec. 3, 2014).

<sup>43</sup>See GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015).

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their reviews. For example, analysts relying on existing GAO work that identifies fragmentation, overlap, and duplication among a number of programs may use the latter steps of the guide to evaluate and compare those programs and identify options for reducing or better managing the fragmentation, overlap, or duplication identified. The guide is meant to provide a framework for considering these issues and offers an approach for conducting a fragmentation, overlap, and duplication review and selecting options to reduce or better manage negative effects.

Part two provides guidance to help policymakers reduce or better manage fragmentation, overlap, and duplication. It includes two sections, one for congressional decision makers and one for executive branch leaders.

1. The first section of part two provides steps for congressional decision makers to consider that could include proposing legislation establishing deadlines for agencies to provide performance and other programmatic information with consequences for noncompliance, as well as, obtaining informal cost estimates of proposed legislation from the Congressional Budget Office. Congressional decision makers could also use existing processes, such as authorization or reauthorization, budget, appropriations or oversight, to establish such deadlines and consequences or to specifically appropriate funds to help establish a program's performance or cost-effectiveness, particularly when limited information is available about a program's performance.
2. The second section of part two addresses steps that executive branch leaders could take, including actions for mitigating the negative effects of fragmentation, overlap, or duplication through management approaches. These management approaches could include engaging in performance management activities, initiating and participating in collaborative efforts both within and among agencies, indentifying and implementing through guidance or rule-making efficiencies and other streamlining measures, and identifying and communicating to congressional decision makers opportunities for increasing efficiency that require congressional action to implement.

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

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can be used independently or together to assist policymakers in evaluating and addressing fragmentation, overlap, and duplication beyond the programmatic level.

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

A handwritten signature in black ink that reads "Gene L. Dodaro". The signature is written in a cursive style with a large, prominent "D" and a long horizontal stroke extending to the right.

Gene L. Dodaro  
Comptroller General of the United States

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# Abbreviations

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AFRICOM	U.S. Africa Command
AFSCN	Air Force Satellite Control Network
AIDS	acquired immunodeficiency syndrome
AMC	Army Materiel Command
ATVM	Advanced Technology Vehicles Manufacturing
AWPS	Army Workload and Performance System
CAA	Combating Autism Act of 2006
CAP	Compliance Assurance Process
CDC	Centers for Disease Control and Prevention
CIO	chief information officer
CMS	Centers for Medicare & Medicaid Services
CBO	Congressional Budget Office
CPC	Countries of Particular Concern
CPO	Cash Product Office
DHA	Defense Health Agency
DHS	Department of Homeland Security
DI	Disability Insurance
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DPMO	Defense Prisoner of War/Missing Personnel Office
DSH	disproportionate-share-hospital
EISA	Energy Independence and Security Act
EPA	Environmental Protection Agency
FAR	Federal Acquisition Regulation
FDA	Food and Drug Administration
FECA	Federal Employees' Compensation Act
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration
GLP	Good Laboratory Practices
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
GSA	General Services Administration
HHS	Department of Health and Human Services
HIV	human immunodeficiency virus
HRSA	Health Resources and Services Administration
HUD	Department of Housing and Urban Development
IACC	Interagency Autism Coordinating Committee
IRS	Internal Revenue Service
IT	information technology
JPAC	Joint Prisoner of War/Missing in Action Accounting Command
JPME	Joint Professional Military Education
LMP	Logistics Modernization Program
MA	Medicare Advantage
MAI	Minority AIDS Initiative
NDNH	National Directory of New Hires
NIH	National Institutes of Health

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NSF	National Science Foundation
OARC	Office of Autism Research Coordination
ODNI	Office of the Director of National Intelligence
OHAIDP	Office of HIV/AIDS and Infectious Disease Policy
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PACOM	U.S. Pacific Command
POW/MIA	Prisoner of War/Missing in Action
QW	quarterly wage
REO	real estate-owned
RHS	Rural Housing Service
SSA	Social Security Administration
SMAIF	Secretary's MAI Fund
TSA	Transportation Security Administration
UI	Unemployment Insurance
USAID	U.S. Agency for International Development
USCIRF	United States Commission for International Religious Freedom
USDA	Department of Agriculture
VA	Department of Veterans Affairs

# Report at a Glance

Section I of this report presents 12 areas in which we found evidence of fragmentation, overlap, or duplication among federal government programs.

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

Mission	Areas Identified	Page
Agriculture	1. <b>EPA's and FDA's Laboratory Inspections:</b> To avoid potential duplication of certain types of laboratory inspections and better leverage limited resources, the Environmental Protection Agency and the Food and Drug Administration should develop a formal process to collaborate and share information on planned inspections.	50
Defense	2. <b>Ground Radar and Guided Munitions Programs:</b> The Department of Defense should take steps to minimize the risk of future duplication within its ground radar and guided munitions weapons systems.	55
	3. <b>Weapon System Milestone Decision Process:</b> To improve efficiency, the Secretary of Defense should streamline the Department of Defense's milestone decision process used for major weapon system acquisition programs by eliminating reviews that can be duplicative and are not highly valued by acquisition officials.	60
General government	4. <b>Consumer Product Safety Oversight:</b> More formal and comprehensive coordination among federal agencies is needed to help increase efficiency and effectiveness related to consumer product safety oversight and address challenges related to fragmentation and overlap.	64
	5. <b>Nonemergency Medical Transportation:</b> To mitigate the effects of overlap, the Department of Transportation should take steps to enhance federal, state and local coordination among 42 programs that provide nonemergency medical transportation to individuals who cannot provide their own transportation due to age, disability, or income constraints.	70
Health	6. <b>DOD US Family Health Plan:</b> To potentially save millions of dollars and eliminate duplication within the Department of Defense's health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other DOD health care contractors.	76
	7. <b>Medicare Postpayment Claims Reviews:</b> To prevent inappropriate duplicative postpayment claims reviews by contractors, the Centers for Medicare & Medicaid Services should monitor the Recovery Audit Data Warehouse—the database developed in part to prevent duplicative reviews—and develop more complete guidance on contractors' responsibilities.	82
	8. <b>Serious Mental Illness Programs:</b> To help ensure that the eight federal agencies administering over 100 programs supporting individuals with serious mental illness are able to develop an overarching perspective in order to understand the breadth of programs and resources used—including any potential gaps or overlap—greater coordination of federal efforts is needed from the Department of Health and Human Services, and within it, the Substance Abuse and Mental Health Services Administration, which is required to promote coordination of programs relating to mental illness throughout the federal government.	87
Homeland security / law enforcement	9. <b>Vulnerability Assessments of Critical Infrastructure:</b> The Department of Homeland Security could mitigate potential duplication or gaps by consistently capturing and maintaining data from overlapping vulnerability assessments of critical infrastructure and improving data sharing and coordination among the offices and components involved with these assessments.	91
Information technology	10. <b>DHS Processing of FOIA Requests:</b> To address duplication in the processing of Freedom of Information Act requests, the Department of Homeland Security should determine the viability of re-establishing an agreement between two of its component agencies that process immigration files.	97
International affairs	11. <b>Federal and States' Export Promotion:</b> Because federal and state export promotion efforts overlap, the Department of Commerce should take steps to enhance collaboration among them to promote economic development while ensuring the most efficient use of limited federal resources.	102

<b>Science and environment</b>	12. <b>Oceanic and Atmospheric Observing Systems Portfolio:</b> The National Oceanic and Atmospheric Administration should analyze its portfolio of observing systems to determine the extent to which unnecessary duplication may exist.	110
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Section II of this report summarizes 12 additional opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury.

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

Mission	Areas Identified	Page
<b>Defense</b>	13. <b>Defense Facilities Consolidation and Disposal:</b> To help identify opportunities for saving costs by consolidating or disposing of unutilized or underutilized facilities, the Department of Defense should ensure that data on the utilization of DOD facilities—which were collectively valued at around \$850 billion in fiscal year 2013—are complete and accurate.	114
	14. <b>DOD Headquarters Reductions and Workforce Requirements:</b> The Department of Defense could potentially achieve hundreds of millions of dollars in cost savings and help to ensure that headquarters organizations are properly sized to meet their assigned missions by reevaluating its ongoing headquarters-reductions efforts and conducting periodic reassessments of workforce requirements.	120
<b>Energy</b>	15. <b>Strategic Petroleum Reserve:</b> The Department of Energy could potentially realize savings by reexamining the appropriate size of the Strategic Petroleum Reserve—which was valued at about \$45 billion as of December 2014—and depending on the outcome of the analysis, selling crude oil from the reserve and using the proceeds to fund other national priorities.	129
	16. <b>U.S. Enrichment Corporation Fund:</b> Congress may wish to consider permanent rescission of the entire \$1.6 billion balance of the U.S. Enrichment Corporation Fund—a revolving fund in the U.S. Treasury—because its purposes have been fulfilled.	134
<b>General government</b>	17. <b>Tax Policies and Enforcement, 2015:</b> By more effectively using data to manage various enforcement programs, the Internal Revenue Service could bolster tax compliance and potentially collect hundreds of millions of dollars in additional revenue.	138
<b>Health</b>	18. <b>DOD TRICARE Improper Payments:</b> To achieve potential cost savings associated with billions of dollars of improper payments, the Department of Defense should implement a more comprehensive improper payment measurement methodology and develop more robust corrective action plans for the military health care program known as TRICARE.	150
	19. <b>Medicare Payments to Certain Cancer Hospitals:</b> To achieve almost \$500 million per year in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals.	156
	20. <b>State Medicaid Sources of Funds:</b> To potentially save hundreds of millions of dollars, the Centers for Medicare & Medicaid Services should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states' financing arrangements that can increase costs for the federal government.	161
<b>Income security</b>	21. <b>Children's Disability Reviews:</b> To prevent an estimated \$3.1 billion dollars in potential overpayments over 5 years, the Social Security Administration needs to conduct timely disability reviews to better ensure that only eligible children receive cash benefits from the Supplemental Security Income program.	168
	22. <b>Supplemental Nutrition Assistance Program Fraud and Abuse:</b> States should be able to more effectively fight fraud among beneficiaries of the Supplemental Nutrition Assistance Program—which provided more than \$76 billion in benefits in fiscal year 2013—by using data to better focus investigative efforts on high-risk households.	173



<b>Mission</b>	<b>Areas Identified</b>	<b>Page</b>
<b>Information technology</b>	23. <b>Federal Software Licenses:</b> In order to achieve hundreds of millions of dollars in government-wide savings, federal agencies should apply better management of software licenses and the Office of Management and Budget should issue a directive to assist agencies in doing so.	<a href="#">180</a>
<b>Social services</b>	24. <b>Disaster Relief Fund Administrative Costs:</b> Cost savings of millions of dollars could be realized if Federal Emergency Management Agency officials enhance their oversight of the agency's administrative costs obligated from the Disaster Relief Fund for major disasters.	<a href="#">187</a>

**Table 3: Appendixes**

<b>Appendixes</b>	<b>Page</b>
Appendix I: List of Congressional Addressees	<a href="#">193</a>
Appendix II: Objectives, Scope, and Methodology	<a href="#">194</a>
Appendix III: New Actions of Fragmentation, Overlap, and Duplication Added to Existing Areas	<a href="#">199</a>
Appendix IV: List of Areas Identified in 2011-2015 Annual Reports, by Mission	<a href="#">202</a>
Appendix V: Lists of Programs Identified	<a href="#">222</a>

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

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This section presents 12 areas in which we found evidence of fragmentation, overlap, or duplication among federal government programs.

# 1. EPA's and FDA's Laboratory Inspections

To avoid potential duplication of certain types of laboratory inspections and better leverage limited resources, the Environmental Protection Agency and the Food and Drug Administration should develop a formal process to collaborate and share information on planned inspections.

## Why This Area Is Important

Pesticides that are used to destroy or control weeds and pests contribute to agricultural productivity by preventing crop damage and to improving public health by controlling disease-carrying pests. However, the use of pesticides may also have adverse effects on human health and the environment. The Federal Insecticide, Fungicide, and Rodenticide Act generally requires registration of pesticides, and under implementing regulations, the Environmental Protection Agency (EPA) reviews applications for pesticides. EPA also inspects the laboratories where these pesticides are first tested for safety. Laboratories must conduct studies in accordance with regulations called Good Laboratory Practices (GLP), which are intended to ensure the quality and integrity of data.

The Department of Health and Human Services's Food and Drug Administration (FDA) also uses its own GLP regulations, promulgated under the Federal Food, Drug, and Cosmetic Act, to ensure the quality and integrity of the data for nonclinical laboratory studies of investigational drugs, medical devices, food additives, and other products through laboratory inspections and reviews of studies to ensure GLP compliance. GLP regulations were developed and promulgated in the late 1970s and early 1980s, in response to fraudulent laboratory activities and poor laboratory practices that occurred during that time.

According to EPA and FDA officials, the GLP standards of the two agencies are largely similar. Moreover, a senior EPA official and representatives from three laboratories that were inspected by both EPA and FDA stated that the inspections performed by the two agencies were comparable. In some cases, EPA and FDA also receive studies from the same laboratories.

EPA inspected about 4 to 6 percent of the eligible 1,400 laboratories each year from fiscal year 2009 to fiscal year 2013. EPA inspected an average of 67 laboratories for GLP compliance from fiscal year 2009 to fiscal year 2012.<sup>1</sup> EPA officials said that a limited number of inspectors and tight budgets have hindered their ability to perform more inspections. From fiscal year 2009 to fiscal year 2013, EPA reduced the budget for its GLP Compliance Monitoring Program—which conducts inspections for GLP compliance—from about \$1.4 million to about \$700,000 annually, and the number of full-time equivalent staff was reduced by 50 percent from eight

<sup>1</sup>In comparing EPA and FDA data, GAO used the 2009 through 2012 time frame, since 2012 is the latest year for which both agencies have data.

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to four inspectors.<sup>2</sup> EPA officials said that the reduction in the number of full-time equivalent staff was due to retirements, an inability to hire new inspectors because of budgetary constraints, and most importantly, according to these officials, the inability to find inspector candidates with the requisite skills. From fiscal year 2009 to fiscal year 2012 (the most recent year for which data are available), FDA inspected an average of 61 laboratories per year for GLP compliance.<sup>3</sup>

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## What GAO Found

GAO found in May 2014 that EPA and FDA do not regularly collaborate on GLP laboratory inspections and may be duplicating each other's work by inspecting the same laboratories. In addition, GAO found that EPA and FDA do not regularly communicate about future inspections or share results from completed inspections. In 1984, EPA and FDA entered into an interagency agreement to collaborate on GLP inspections. Under the agreement, FDA's responsibilities included conducting a certain number of on-site inspections of laboratories identified by EPA. FDA performed some inspections of laboratories identified by EPA until 2007, although the agreement was not renewed after 2004. EPA officials said they also formally met with FDA officials on a quarterly and annual basis to discuss upcoming inspections but that communication ended by 2007, when, according to EPA officials, FDA began selecting laboratories for inspection on an annual basis instead of on a quarterly basis as EPA does. Since these meetings ended, EPA officials said that they do not always know if a laboratory has been inspected by FDA until they arrive on site.

As a result, GAO found that EPA and FDA may be duplicating each other's work in some of their GLP inspections. For fiscal years 2005 to 2012, EPA and FDA conducted a total of 170 GLP inspections of the same 37 laboratories. In 38 of the 170 inspections, the agencies inspected the same laboratory during the same fiscal year.

GAO found that there is some degree of overlap in the laboratories that are eligible for inspection by the two agencies. Some laboratories covered by GLP regulations conduct tests yielding data that will be submitted only to EPA, but other laboratories conduct tests for review by both EPA and FDA and are therefore eligible for inspection by both agencies. FDA officials told GAO that they did not have data to identify the total number of laboratories that submit data to both agencies and would therefore be subject to GLP inspections by both agencies. EPA officials and

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<sup>2</sup>GAO used the EPA budget numbers from 2009 through 2013 to get a 5-year budget figure, since EPA had budget data through 2013. Because FDA does not budget by inspection type, but by overall program activity, GAO was not able to determine annual cost of FDA's GLP inspections.

<sup>3</sup>GAO was unable to determine the percentage of eligible laboratories that FDA inspected because FDA could not provide GAO with the total number of laboratories eligible for inspection.

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stakeholders GAO interviewed, however, said that laboratories that conduct toxicology testing are the most likely to perform tests that are submitted to both EPA and FDA. For example, one representative from a laboratory in Maryland that had been inspected by both EPA and FDA eight times from fiscal year 2005 to fiscal year 2012 told GAO that some of the information in the laboratory's toxicology studies FDA officials examined during a 2011 GLP inspection could have been shared with EPA officials. FDA officials said that they would welcome a list of inspections planned and conducted by EPA and that it would be helpful if EPA shared information on potential problems that it may have found during its inspections. EPA officials also said collaborating and communicating on inspections would be helpful.

By not collaborating and communicating regularly, EPA and FDA may be missing opportunities to improve efficiency and effectiveness. For example, if EPA knew in advance that a laboratory was recently inspected by FDA, EPA inspectors could use FDA's inspection results to inform their decision regarding whether to conduct their own inspection. In some circumstances, it may be necessary for both agencies to inspect the same laboratory. However, sharing information could help both agencies leverage and extend resources, since each agency can only inspect a certain number of laboratories each year. This coordination also could increase the number of laboratories that are inspected for GLP compliance. The federal government uses a range of mechanisms to implement interagency collaboration, such as interagency groups and interagency agreements and memorandums of understanding.<sup>4</sup> GAO has identified key practices that can strengthen agencies' commitment to working collaboratively, including articulating their agreements in formal documents.<sup>5</sup> Written agreements are most effective when they are regularly updated and monitored. Officials from both agencies said that collaborating and communicating on inspections would be helpful. Absent a formal written agreement, it is not clear that the agencies would regularly collaborate on future planned inspections and share results from completed inspections.

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## Actions Needed and Potential Financial or Other Benefits

In May 2014, GAO recommended that the EPA Administrator and the FDA Commissioner

- develop a formal written agreement, such as a memorandum of understanding, which outlines how the two agencies plan to regularly collaborate and share information on GLP inspections and avoid

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<sup>4</sup>GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012).

<sup>5</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-05](#) (Washington, D.C.: Oct. 21, 2005).

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duplication of inspections so that EPA can more efficiently use its limited resources.

GAO was not able to ascertain the financial benefits of taking this action because the two agencies did not use comparable methods to establish the cost estimate of a GLP inspection. In addition, the number of inspections EPA and FDA would be able to leverage in any given year is unknown, adding further uncertainty to the quantification of financial benefits. However, by sharing information on planned inspections, both agencies may be able to expand their inspection coverage.

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## Agency Comments and GAO's Evaluation

In commenting on the May 2014 report on which this analysis is based, EPA agreed to work with FDA to develop written procedures that outline how EPA and FDA will collaborate and share information on GLP inspections. EPA also stated that it did not agree that a formal memorandum of understanding between the two agencies was necessary. However, GAO's recommendation did not prescribe the type of agreement the agencies should undertake and offered a memorandum of understanding as one example. The Department of Health and Human Services also agreed with GAO's recommendation, but reiterated that there are legitimate reasons why some GLP inspections may be conducted by both EPA and FDA at a single laboratory within a short period of time.

GAO provided a draft of this report section to EPA and FDA in February 2015. An EPA official told us that EPA and FDA representatives had held initial meetings to discuss coordination on strategies to implement a formal written agreement for sharing information on GLP inspections.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO products section. To determine the extent to which EPA and FDA collaborated on inspections, GAO analyzed EPA and FDA GLP laboratory inspection data. GAO also conducted a web-based survey of 53 laboratories and other entities. GAO received responses from 20 laboratories and analyzed these responses to determine, among other things, if the laboratories had conducted GLP tests or studies for submission to both EPA and FDA since 2008.<sup>6</sup> GAO reviewed agency documents, such as a 1984 interagency agreement between EPA and FDA to cooperate on GLP inspections, and GAO

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<sup>6</sup>GAO initially selected a random sample of 80 laboratories and other entities that sent study data to EPA from fiscal year 2010 to fiscal year 2012 using EPA's Office of Pesticide Program Information Network database. Because the database did not include e-mail addresses, GAO searched for e-mail addresses and found them for 53 of the 80 in our sample. GAO administered the survey to these 53 and received responses from 26. Of these 26, 6 reported that they were not a laboratory and did not conduct GLP testing. Therefore, these 6 were considered out-of-scope, leaving 20 for analysis. The results of our analysis are not generalizable to all laboratories that are covered by the GLP Program.

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interviewed EPA and FDA officials and laboratory representatives about the potential for the two agencies to collaborate.

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## Related GAO Products

*Pesticide Safety: Improvements Needed in EPA's Good Laboratory Practices Inspection Program.* [GAO-14-289](#). Washington, D.C.: May 15, 2014.

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## Contact Information

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## 2. Ground Radar and Guided Munitions Programs

The Department of Defense should take steps to minimize the risk of future duplication within its ground radar and guided munitions weapons systems.

### Why This Area Is Important

The Department of Defense (DOD) and the military services spend over \$150 billion each year on the development and procurement of weapons and other defense systems to fulfill their roles and missions. Among many other systems, DOD and the military services invest in ground radars and air-to-ground precision guided munitions. Ground radars are ground-based sensor systems used by the Army, Air Force, and Marine Corps to detect and track a variety of targets. These radars perform missions such as air surveillance, air defense, and counterfire target acquisition, among others. Air-to-ground precision guided munitions are weapons launched from Army, Navy, Air Force, and Marine Corps aircraft that are intended to accurately engage and destroy enemy targets on the ground.

The House Armed Services Committee has previously raised questions about potential overlap in the ground radar area. For example, in 2012, House report 112-479 for the National Defense Authorization Act for Fiscal Year 2013 noted overlap with the Army and Marine Corps ground radar programs' missions. The report encouraged the Army and Marine Corps to collaborate and identify overlapping requirements and determine if they could procure a single system rather than having each service procuring and maintaining separate systems. In the Senate report 113-44 accompanying the National Defense Authorization Act for Fiscal Year 2014, the Senate Armed Services Committee raised questions about potential duplication within DOD's ground radar and air-to-ground precision guided munitions programs, which led to GAO's December 2014 report.

DOD's requirements and acquisition policies contain provisions to help avoid redundancy and consider existing alternatives before starting new acquisition programs. DOD guidance states that when validating key requirements documents, the chair of the group responsible for that capability area is also certifying that the proposed requirements and capabilities are not unnecessarily redundant to existing capabilities in the joint force. In some cases, redundancy may be advisable for operational reasons. The validation authority for a requirements document depends on factors such as the potential dollar value of a program, and determines the level of oversight a requirement document receives. The validation authority for major defense acquisition programs—known as acquisition category I programs—is the Joint Requirements Oversight Council (JROC). The JROC is chaired by the Vice Chairman of the Joint Chiefs of Staff and includes one senior leader from each of the military services, among others. Documents that require JROC review receive a "JROC Interest" designation.



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## What GAO Found

GAO's December 2014 report examined the extent to which potential overlap or duplication exists in ground radar programs and in air-to-ground precision guided munitions programs. In both areas, GAO found that opportunities exist to reduce the risk of future duplication.

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### Ground Radar Programs

GAO found overlap and potential duplication among several ground radar programs.<sup>1</sup> In particular, based on analysis of program requirements documents, GAO found that the Marine Corps' Ground/Air Task Oriented Radar (G/ATOR) Block I and Air Force's Three-Dimensional Expeditionary Long-Range Radar (3DELRR) acquisition programs have some key overlapping requirements and provide similar capabilities in their air surveillance and air defense roles. However, the JROC ultimately determined that any redundancy between requirements was necessary. In addition, based on analysis of program requirements documents, GAO found that the Army's AN/TPQ-53 Counterfire Radar and the Marine Corps' G/ATOR Block II have some overlapping requirements. Both radar systems detect, track, classify, and locate the origin of enemy projectiles, including mortar, artillery, and rocket systems and are to replace existing Army and Marine Corps Firefinder radars that perform counterfire target acquisition missions. While many of the requirements overlap, the AN/TPQ-53 does not meet the G/ATOR Block II detection range requirements for multiple target types. In addition to some unique requirements, urgent operational needs and different acquisition approaches led the Army and Marine Corps to establish separate acquisition programs for counterfire target acquisition radars.

However, GAO found that the JROC did not review whether the capabilities of the Army's AN/TPQ-53 and the Marine Corps' G/ATOR Block II were unnecessarily redundant or duplicative as part of the requirements validation process. The JROC did not validate the Army's AN/TPQ-53 performance requirements because it was initially an urgent wartime need and did not meet the dollar threshold to automatically trigger a review. However, the AN/TPQ-53 later transitioned to the more traditional acquisition process, at which point the JROC could have reviewed the program. Instead, the Joint Staff delegated the validation authority for the AN/TPQ-53 requirements to the Army, which validated them in 2010. The JROC had previously validated the G/ATOR Block II requirements documents in 2005, prior to the Army starting the AN/TPQ-53 program. Because the Joint Staff delegated the validation authority for

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<sup>1</sup>GAO's review focused on ground radars that perform three types of missions: (1) air surveillance, in which radars search, detect, and track cruise missiles, fixed and rotary wing aircraft, and unmanned aircraft systems; (2) air defense, in which radars provide data that enables other weapon systems, such as air and missile defense or aircraft, to take offensive or defense actions against enemy cruise missiles, fixed and rotary wing aircraft, and unmanned aircraft systems; and (3) counterfire target acquisition, in which radars detect and track enemy rockets, artillery, and mortars to determine enemy firing positions and impact areas for incoming fire.

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the AN/TPQ-53 to the Army, the JROC may have missed an opportunity to review whether the capabilities of the AN/TPQ-53 and G/ATOR Block II were unnecessarily redundant or duplicative, or to encourage additional areas of cooperation between the Army and the Marine Corps.

There may be other opportunities for increased service cooperation to meet future ground radar needs, but in order for key decision makers, such as the JROC, to take advantage of them, it is important for them to have insight into ground radar programs, including programs that do not meet the dollar thresholds that trigger a “JROC Interest” designation and automatic review. A “JROC Interest” designation provides the JROC the opportunity to review ground radar performance requirements and capabilities for potential duplication and CAPE with the opportunity to develop broad AOA guidance. This type of visibility would put DOD in a better position to take the actions necessary to make the most efficient use of its resources.

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## Air-to-Ground Precision Guided Munitions Programs

GAO’s analysis of DOD’s active air-to-ground precision guided munitions found evidence of overlapping target sets among the munitions, but unique factors—such as what type of aircraft a munition can be launched from, the munition’s seeker capability in varying weather conditions, and the cost of the munition for the desired effect—clearly distinguish them from one another. In addition, where some overlap was found, DOD officials explained the overlap was necessary to provide flexibility for military operations.

Based on analysis of a number of factors, GAO did not find evidence that DOD’s capabilities in air-to-ground precision guided munitions programs were duplicative. Additionally, none of the DOD or military service requirements and acquisition organizations GAO spoke to identified unnecessary redundancy or duplication within air-to-ground precision guided munitions. In general, DOD officials described the air-to-ground precision guided munitions area as efficient in terms of the investments DOD has made. GAO found that cooperation among the military services contributed to the current lack of duplication.

Although DOD’s active air-to-ground precision guided munitions programs are not duplicative, potential for duplication exists in the future. GAO found one example of potential future duplication in the Army’s and the Navy’s procurement of air-to-ground rocket guidance kits, which could result in DOD not fully leveraging its buying power. Both the Army and the Navy plan to buy the Advanced Precision Kill Weapon System through fiscal year 2015 to meet their guided rocket needs, but starting in fiscal year 2016, they may pursue separate, potentially duplicative, efforts. There are costs and benefits associated with both the Army and Navy’s acquisition approaches; however, if the Army and Navy fulfill their guided rocket needs separately instead of cooperatively, it could result in the inefficient use of weapon system investment dollars and a loss of buying power.

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## Actions Needed and Potential Financial or Other Benefits

In December 2014, GAO recommended that DOD take the following two actions:

- To provide the JROC the opportunity to review all ground radar programs for potential duplication and CAPE with the opportunity to develop broad analysis of alternative guidance, the Vice Chairman of the Joint Chiefs of Staff should direct the Joint Staff to assign all new ground radar capability requirement documents with a Joint Staff designation of “JROC Interest.”
- To address potential overlap or duplication in the acquisition of rocket guidance kits, the Under Secretary of Defense for Acquisition, Technology, and Logistics should require the Army and Navy to assess whether a single solution and cooperative, preferably competitive, contracting strategy offers the most cost effective way to meet both services’ needs.

DOD could potentially realize increased efficiencies through these improvements. However, the actual cost savings associated with these actions is unknown, because they are related to potential future acquisition programs whose costs have not yet been determined. As a result, GAO cannot quantify potential financial benefits associated with the recommended actions. In general, taking these actions could help result in a more efficient use of weapon system investment dollars and an increase in buying power.

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## Agency Comments and GAO’s Evaluation

In commenting on the December 2014 report on which this analysis is based, DOD partially concurred with GAO’s first recommendation and concurred with the second recommendation. DOD noted that assigning all new ground radar capability requirement documents with a Joint Staff designation of “JROC Interest” would ignore the tiered Joint Staff designation system process. DOD also noted that this would lessen the impact and importance of the Functional Capabilities Boards and their role to ensure minimization of duplication across the portfolio. GAO maintains that without this designation for all new ground radar programs, DOD may miss additional opportunities to encourage collaboration across the military services. Although DOD concurred with GAO’s second recommendation, DOD stated that it has a process to consider redundancies across the services’ programs, but it was unclear what actions it planned to take to assess if the services could use a single contracting strategy to meet its guided rocket needs. GAO maintains that DOD should assess this option as part of its consideration of potential redundancies

GAO provided a draft of this report section to the Department of Defense for review and comment. The department did not provide comments on this report section.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO product section. To determine the extent of potential overlap or duplication across ground radar and air-to-ground precision guided munitions programs, GAO reviewed acquisition programs currently in development or production, or “active” programs. GAO reviewed and analyzed documentation on system requirements, capabilities, and other distinguishing factors to determine if potential overlap or duplication exists. GAO interviewed DOD officials regarding any instances where we identified potential overlap or duplication. GAO also reviewed DOD analysis and interviewed DOD officials to identify instances in which DOD found potential overlap or duplication during acquisition and requirements reviews and what actions DOD took in response.

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## Related GAO Products

*Ground Radar and Guided Munitions: Increased Oversight and Cooperation Can Help Avoid Duplication among the Services’ Programs.* [GAO-15-103](#). Washington D.C.: December 19, 2014.

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## Contact Information

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## 3. Weapon System Milestone Decision Process

To improve efficiency, the Secretary of Defense should streamline the Department of Defense's milestone decision process used for major weapon system acquisition programs by eliminating reviews that can be duplicative and are not highly valued by acquisition officials.

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### Why This Area Is Important

The Department of Defense (DOD) has repeatedly delivered the most capable weapon systems in the world, but the process used to manage the acquisition of these systems has been characterized by organizations both internal and external to DOD as one that is inefficient, cumbersome, and bureaucratic. As of December 2014, DOD's portfolio of major defense acquisition programs included 78 programs with a total estimated acquisition cost of roughly \$1.4 trillion.<sup>1</sup>

In DOD's acquisition process, weapon system programs typically proceed through three major milestones—A, B, and C—where program offices provide information to the milestone decision authority in order to make a decision on whether the program is ready to transition to the next acquisition phase.<sup>2</sup> The milestones normally represent transition points in the overall acquisition process where there is a marked increase in the resources required for the program. Statutes and DOD policy require the documentation of specific information—known as information requirements—on major defense acquisition programs at each acquisition milestone.

DOD's acquisition process is managed and supported by officials at different hierarchical levels. Weapon system program managers typically report to program executive officers in each military service, who are charged with overseeing the execution of a portfolio of related systems such as fighter aircraft or ships. Program executive officers, in turn, typically report to a military service acquisition executive, who reports to the defense acquisition executive. As part of the milestone decision process, programs are reviewed at each level before reaching the milestone decision authority, who is responsible for making decisions at major program milestones.

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<sup>1</sup>Major defense acquisition programs are those identified by DOD with a dollar value for all increments estimated to require eventual total expenditures for research, development, test, and evaluation of more than \$480 million or for procurement of more than \$2.79 billion in fiscal year 2014 constant dollars.

<sup>2</sup>Milestone A is the decision for an acquisition program to enter into the technology maturation and risk reduction phase; Milestone B is the decision to enter the engineering and manufacturing development phase; and Milestone C is the decision to enter the production and deployment phase.

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## What GAO Found

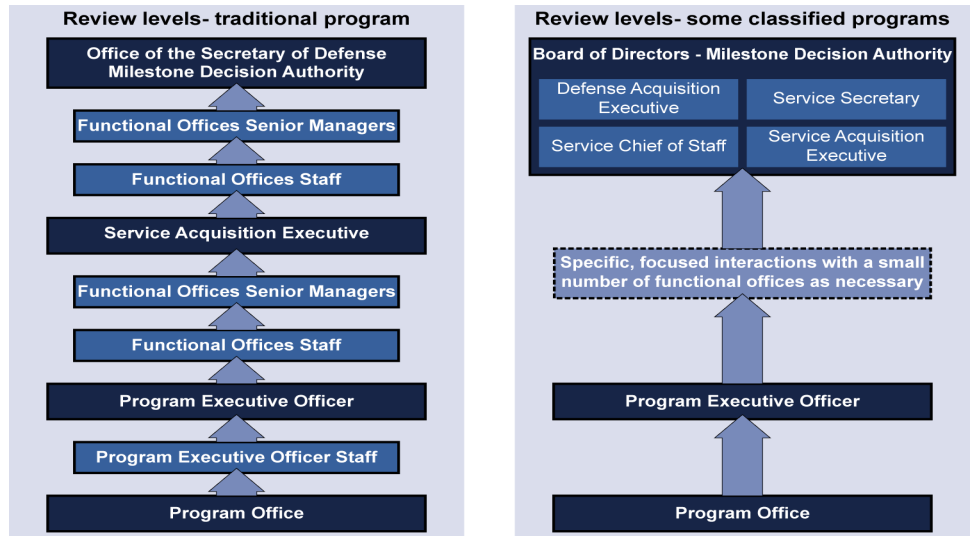
For a February 2015 report, GAO surveyed 24 weapon acquisition programs and found that, on average, they spent over 2 years completing up to 49 information requirements for their most recent milestone decision. This includes the time for the program office to develop the documentation and for various stakeholders to review and approve the documentation. A primary reason it takes over 2 years to complete the information required for a milestone decision is the large number of stakeholders that review the documents at the many organizational levels above the program office. At the same time, most program managers considered these reviews to add high value to only 10 percent of the documents.

DOD's review process can be duplicative in nature, with many organizational levels and offices. The information and documentation required at milestones can be reviewed by as many as eight different organizational levels before a decision is reached on whether a program is ready for the next acquisition phase. In general, the information is reviewed at each level to gain approval before the program provides the information to the next level. This is done serially, which takes more time. Eventually, the milestone decision authority and other senior executives review the information and determine whether the program is ready to proceed to the next acquisition phase.

Many different functional organizations within each level review the information before the document is approved. The number of organizations conducting reviews varies depending on the information included in each document. A few documents that include a wide breadth of information can be reviewed by many offices at each level. For example, Air Force acquisition strategies, which on average took over 12 months to complete for the programs GAO surveyed, can be reviewed by 56 offices, some more than once, before being approved.

In contrast, some DOD classified programs and five commercial firms GAO visited use streamlined methods to provide input needed for milestone decisions with fewer documents and reviews. Several past DOD programs, like the F-16 and F-117 aircraft programs, were managed successfully with a more streamlined approach, and DOD is currently using a more streamlined milestone decision process for some classified programs. Commercial companies GAO examined—Boeing, Caterpillar, Cummins, Honda, and Motorola Solutions—also use processes that minimize the levels of review resulting in a quicker, more efficient milestone decision process. The figure below compares the review levels of DOD's traditional programs to the streamlined review process used for some classified programs.

## Comparison of Review Levels for DOD Traditional and Classified Programs



Source: GAO presentation of DOD data. | GAO-15-192

The need to document information about essential aspects of a program and for an appropriate level of review and approval is legitimate. According to federal internal control standards, agencies should develop effective and efficient processes to ensure that actions are taken to address requirements, such as in this case, completing the information required to aid in milestone decisions.<sup>3</sup> However, over time, the process has become bloated, time-consuming, and cumbersome to complete. If the information requirements and associated reviews are not providing value and are not clearly linked with the key issues facing weapon system acquisitions today, inefficiencies will likely remain. Establishing an efficient process for documentation and oversight is a key internal control to avoid wasteful spending.

## Actions Needed and Potential Financial or Other Benefits

To help improve DOD's milestone decision process, GAO recommended in February 2015 that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics in collaboration with the military service acquisition executives, program executive officers, and program managers to take the following action:

- identify and potentially eliminate reviews associated with information requirements that do not add value, with a specific focus on reducing levels of review.

Taking this action will help DOD reduce the duplication embedded in its milestone decision process and improve the efficiency of its major weapon system acquisition programs, which should help the department

<sup>3</sup>GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

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avoid wasteful spending. GAO could not estimate the potential financial benefits of this action because data are not available to measure the costs of the current or streamlined review processes.

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## Agency Comments and GAO's Evaluation

In commenting on the February 2015 report on which this analysis is based, DOD agreed with our recommendations and reported that efforts are under way, although not yet fully implemented, to address the recommendations.

GAO provided a draft of this report section to the Department of Defense for review and comment. The department did not provide comments on this report section.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO product section. To perform this work, GAO examined the levels of review and information requirements that are part of DOD's milestone decision process. GAO surveyed 24 program managers and 40 other DOD officials on the value and the time to complete milestone documentation. For 15 programs, GAO gathered data on the time to complete the entire milestone decision process. GAO discussed with DOD officials the factors that lead to inefficiencies. GAO also examined practices used by some classified DOD programs and five commercial firms generally recognized as leaders in product development.

Table 1 in appendix V shows the estimated acquisition costs associated with major weapons systems.

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## Related GAO Products

*Acquisition Reform: DOD Should Streamline Its Decision-Making Process for Weapon Systems to Reduce Inefficiencies.* [GAO-15-192](#). Washington, D.C.: February 24, 2015.

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## Contact Information

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## 4. Consumer Product Safety Oversight

More formal and comprehensive coordination among federal agencies is needed to help increase efficiency and effectiveness related to consumer product safety oversight and address challenges related to fragmentation and overlap.

### Why This Area Is Important

The oversight of consumer product safety involves a number of federal agencies. New laws and agencies have been established over time, resulting in a patchwork system with many agencies having regulatory and enforcement authorities for different consumer products or different parts of the same product. Further, as globalization and technological advances expand the range of products available in U.S. markets, the challenge of regulating the thousands of product types has become increasingly complex.

As GAO reported in November 2014, eight agencies have direct regulatory oversight responsibilities for consumer product safety: the Consumer Product Safety Commission (CPSC), Department of Housing and Urban Development (HUD), Environmental Protection Agency, Food and Drug Administration, National Highway Traffic Safety Administration, Nuclear Regulatory Commission, Pipeline and Hazardous Materials Safety Administration, and the U.S. Coast Guard (within the Department of Homeland Security). CPSC is charged with protecting the public from unreasonable risk of injury or death associated with the use of thousands of types of consumer products. For example, CPSC regulates children's products (e.g., toys and cribs); certain off-road recreational vehicles (e.g., all-terrain vehicles), and other household products (e.g., power tools and home appliances). Other agencies have jurisdiction over certain categories of products, such as automobiles, boats, drugs, cosmetics, medical devices, and pesticides. These eight agencies conduct a range of regulatory activities to oversee these products, including risk assessment, rulemaking, and enforcement.

GAO also reported in November 2014 that at least 12 other agencies play a support role in consumer product safety in various areas, such as public health and law enforcement. One of these agencies is the Department of Commerce's National Institute of Standards and Technology (NIST).<sup>1</sup> According to NIST, the agency is a nonregulatory federal research laboratory, and its mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and

<sup>1</sup>The other agencies are the Federal Communications Commission; Federal Emergency Management Agency; National Institutes of Health; Health Resources and Services Administration; Centers for Disease Control and Prevention; Federal Aviation Administration; National Transportation Safety Board; Occupational Safety and Health Administration; U.S. Customs and Border Protection; Bureau of Alcohol, Tobacco, Firearms and Explosives; and Federal Trade Commission.

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technology in ways that enhance economic security and improve our quality of life. In addition, under the America COMPETES Act of 2007, NIST currently oversees the markings of toy and imitation firearms to distinguish them from real firearms.

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## What GAO Found

GAO reported in November 2014 that oversight of consumer product safety is fragmented across agencies, and jurisdiction overlaps or is unclear for certain products. Agencies reported that the involvement of multiple agencies with various expertise can help ensure more comprehensive oversight by addressing a range of safety concerns. However, agencies also noted that fragmentation and overlap can result in some inefficiencies, including the challenges of sharing information across agencies, inefficient use of resources, and unclear roles resulting in potential regulatory gaps.

Specifically, GAO found that NIST's oversight of toy and imitation firearm markings to distinguish them from real firearms may not be efficient, as it does not align with the agency's primary mission and expertise in the area of scientific measurement and standards. NIST staff noted that because most toy and imitation firearms are imported, the implementing regulations are enforced almost entirely by the Department of Homeland Security's Customs and Border Protection (CBP), which, unlike NIST, has a presence at ports of entry. As such, NIST staff stated that the regulation and oversight of toy and imitation firearm markings may be administered better by another federal agency, such as CPSC, which also oversees toys and other consumer products and has a presence at ports of entry. However, this would require a statutory change. Neither NIST nor CPSC has conducted formal cost estimates for carrying out this oversight responsibility, but NIST estimates that it spent \$10,104 in fiscal year 2014 on this function. However, continued regulation of the marking of toy and imitation firearms by NIST rather than CPSC does not leverage each agency's expertise and therefore may not be the most efficient use of scarce federal resources.

In another example, oversight of products that can be used on recreational boats is fragmented between the Coast Guard and CPSC, and the jurisdiction for some products can be unclear and can result in potential regulatory gaps. Coast Guard staff told GAO that because of limited staff resources, the Coast Guard, through regulation, has chosen to limit the scope of its product recall activities to four categories of after-market boating equipment (i.e., equipment not installed by the original equipment manufacturer). Unlike the Coast Guard, CPSC does not have legal jurisdiction over recreational boats and associated equipment, but CPSC officials stated that they have authority over some products that can be used either on or off of a boat—such as boating gloves, a camping stove, or a refrigerator. The Coast Guard and CPSC both acknowledged a potential regulatory gap for certain boating equipment based on the Coast Guard's limited scope of oversight of after-market equipment and CPSC's lack of authority to regulate equipment associated with recreational boats. Coast Guard staff said that coordination with CPSC

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works well but has been infrequent—one or two times a year at most—and at times the Coast Guard has gone for years without coordinating with CPSC.

GAO's work on collaboration suggests that collaborating agencies should clarify roles and responsibilities and, if appropriate, document their agreement on how they will be collaborating.<sup>2</sup> Because no formal coordination mechanism exists between the Coast Guard and CPSC, there is a potential risk that hazards related to products for which jurisdiction is unclear may not be regulated. In addition, because of the potential gap in jurisdiction, it may at times be unclear which agency has regulatory responsibility for some products that may present safety risks, which underscores the need for strong communication between the two agencies.

GAO found that although the agencies it reviewed for its November 2014 report collaborate on a variety of issues, agencies also reported that they face challenges when they work collaboratively. These challenges include staying informed about the regulatory activities of other agencies, coordinating on jurisdictional issues, and considering options to share data rather than purchasing the same data under multiple contracts. In addition, while agencies reported collaborating using a variety of mechanisms to address specific topics—such as nanotechnology or environmental health and safety risks to children—no coordinating mechanism exists to address federal consumer product safety efforts comprehensively. The inefficiencies GAO found suggest the need for greater collaboration across all agencies with a role in product safety oversight. Such collaboration, in turn, could help reduce some negative effects of fragmentation and overlap. There may also be instances where more formal arrangements would be beneficial.

In past work, GAO has noted that interagency mechanisms or strategies to coordinate programs that address crosscutting issues may reduce potentially duplicative, overlapping, and fragmented efforts. In October 2005, GAO identified practices that can help enhance and sustain collaboration among federal agencies, and in September 2012, GAO identified key considerations for implementing collaborative mechanisms.<sup>3</sup> More specifically, GAO concluded that while collaborative mechanisms differ in complexity and scope, they all benefit from certain key features, such as having clear roles and responsibilities and involving all relevant participants. Additionally, GAO's prior work found that agencies that articulate their agreements in formal documents can strengthen their

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<sup>2</sup>GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012).

<sup>3</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005) and [GAO-12-1022](#).

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commitment to working collaboratively and that written agreements are most effective when they are regularly updated and monitored.<sup>4</sup> GAO noted that not all collaborative arrangements need to be documented through written guidance and agreements, particularly those that are informal. However, GAO has found that at times it can be helpful to document key agreements related to the collaboration.

Although a number of agencies have an oversight role in consumer product safety, no single entity has the expertise or authority to address the full scope of product safety activities. Moreover, some oversight agencies are independent and not subject to the Office of Management and Budget's interagency planning process and review of draft rules within the executive branch. Formal collaboration—both between two agencies to address a specific issue and across multiple agencies to provide comprehensive oversight—can be useful in strengthening agency commitments in working together. Without a collaborative mechanism to facilitate communication across the relevant agencies and to help enable them to collectively address crosscutting issues, the agencies may be missing opportunities to better leverage resources and address challenges, including those related to fragmentation and overlap.

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## Actions Needed and Potential Financial or Other Benefits

To help strengthen consumer product safety oversight coordination and increase efficiency and effectiveness, in November 2014 GAO suggested that Congress take the following two actions:

- Consider transferring the oversight of the markings of toy and imitation firearms in section 5001 of title 15 of the U.S. Code from the National Institute of Standards and Technology (within the Department of Commerce) to the Consumer Product Safety Commission.
- Consider establishing a formal comprehensive oversight mechanism for consumer product safety agencies to address crosscutting issues as well as inefficiencies related to fragmentation and overlap such as communication and coordination challenges and jurisdictional questions between agencies. Different types of formal mechanisms could include, for example, creating a memorandum of understanding to formalize relationships and agreements or establishing a task force or interagency work group. As a starting point, Congress may wish to obtain agency input on options for establishing more formal coordination.

In November 2014, GAO also recommended that to clarify roles and facilitate greater communication and strengthen oversight of associated equipment related to recreational boats, the U.S. Coast Guard and Consumer Product Safety Commission should take the following action:

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<sup>4</sup>[GAO-12-1022](#).

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- Establish a formal approach to coordination (such as a memorandum of understanding) to facilitate information sharing and better leveraging of resources.

Estimating potential cost savings is difficult because of the lack of consistent budget data we received from agencies on their consumer product safety oversight activities. For example, not all agencies were able to separate out their costs for conducting specific oversight activities. However, implementing these matters and recommendation could still strengthen coordination among oversight agencies and, for example, ensure that they address cross-cutting issues in a comprehensive manner.

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## Agency Comments and GAO's Evaluation

GAO provided a draft of its November 2014 report on which this analysis is based to 20 agencies (8 direct oversight agencies and 12 agencies with indirect oversight) for their review and comment. CPSC, the Department of Homeland Security, HUD, and NIST agreed with GAO's matters to Congress and recommendation, while the remaining agencies neither agreed nor disagreed. CPSC suggested that GAO clarify that its matter to Congress refers to requirements under section 5001 of title 15 of the U.S. Code and stated that it would be willing to accept responsibility for oversight of the markings of toy and imitation firearms provided that the transfer of authority from NIST includes a corresponding increase in appropriations. CPSC also stated that it would be comfortable with the establishment of a formal collaboration mechanism to address oversight in areas of shared or fragmented jurisdiction provided that such an approach does not compromise the agency's independence. Both CPSC and the Department of Homeland Security (U.S. Coast Guard) indicated that they support and plan to pursue the recommendation to establish a formal approach to coordination. In commenting on a draft of this report section, the Coast Guard noted that in its discussions with CPSC, it became apparent that, due to the infrequency of issues that arise because of a gap in oversight on associated equipment, a formal Memorandum of Understanding was not necessary. The Coast Guard added that the two agencies agreed that a formal policy document between the responsible offices within each agency would be a more appropriate format. The Coast Guard stated that the formal policy document is being drafted and will be completed by April 30, 2015.

Additionally, in commenting on a draft of this report section, HUD stated that it would welcome the opportunity to participate in the implementation of a formal comprehensive oversight mechanism for consumer product safety. GAO also received technical comments from a number of agencies, which were incorporated as appropriate.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO products section. To identify agencies that conduct consumer product safety oversight and to delineate their roles and responsibilities, GAO reviewed various sources, such as laws and regulations, *Federal Register* notices for proposed and final rulemaking

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from August 2008 through October 2013, and agency websites. GAO then disseminated a questionnaire to the agencies it identified to confirm their roles and responsibilities related to consumer product safety oversight, identify any other relevant agencies with which they coordinate, and identify examples of potential fragmentation, overlap, and duplication in oversight. GAO also interviewed federal agencies, consumer groups, and industry groups to gather information on the extent of fragmentation, overlap, and duplication; their benefits and challenges; and options to address them. GAO analyzed agency and other documentation as available.

Table 2 in appendix V lists the eight agencies with direct oversight responsibilities for consumer product safety, including descriptions of the agencies' roles and examples of products they regulate. We do not include budgetary information because we were not able to obtain consistent budget data from each of the eight agencies. For example, not all agencies were able to break out the budgets for their oversight activities related to consumer product safety, with some agencies providing their entire agency budgets and others providing limited estimates. GAO found that some of the agencies listed might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*Consumer Product Safety Oversight: Opportunities Exist to Strengthen Coordination and Increase Efficiencies and Effectiveness.* [GAO-15-52](#). Washington D.C.: November 19, 2014.

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## Contact Information

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## 5. Nonemergency Medical Transportation

To mitigate the effects of overlap, the Department of Transportation should take steps to enhance federal, state, and local coordination among 42 programs that provide nonemergency medical transportation to individuals who cannot provide their own transportation due to age, disability, or income constraints.

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### Why This Area Is Important

Access to transportation services is essential for millions of Americans to fully participate in society and to access human services, including education, job training, and medical care. In particular, transportation to medical care, including nonemergency medical transportation (NEMT), is becoming more important as an increasing number of people develop conditions that require access to medical services, the percentage of the population that is older continues to grow, and more servicemembers return from wars needing medical care.<sup>1</sup> The transportation-disadvantaged population generally includes those individuals who cannot provide their own transportation due to age, disability, or income constraints. Although the size of this population can vary over time, this population is large. According to the U.S. Census Bureau (Census Bureau), people with disabilities often rely on forms of government assistance to remain active in the community, including transportation to medical appointments and services. The Census Bureau reported there were almost 57 million people with disabilities in 2010 with about 38 million of these people having a severe disability. In addition, the Census Bureau estimated that in 2010 there were about 40 million people age 65 and over and about 46 million people in poverty. The Census Bureau has also estimated that, in 2012, 3.6 million of the 21 million veterans had a service-connected disability. Some or all of these individuals may have need of NEMT to access medical services.

In June 2012, GAO reported that a number of federal programs are authorized to use federal funds for “transportation-disadvantaged” individuals in accessing human service programs, including NEMT. Federal agencies, including the Departments of Agriculture (USDA), Education (Education), Health and Human Services (HHS), Housing and Urban Development (HUD), Transportation (DOT), and Veterans Affairs (VA), have programs that provide funding to state and local agencies that can be used for NEMT to help individuals access medical services. In December 2014, GAO reported that in some cases data were not available or NEMT was incidental to a program’s mission. However, one of the six departments (HHS) was able to provide estimates indicating that its spending totaled at least \$1.3 billion in fiscal year 2012—most of

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<sup>1</sup> NEMT is defined in this report section as those federal programs that provide nonemergency, nonmilitary, surface transportation services of any kind to beneficiaries or clients for the purpose of receiving medical care. This includes transportation in a private vehicle or public transportation, such as a bus, to medical appointments or services.

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this attributable to Medicaid.<sup>2</sup> In June 2012, GAO recommended that the federal Interagency Transportation Coordinating Council on Access and Mobility (Coordinating Council)—the body tasked with developing policies and procedures for coordinating federal transportation and human-service programs and chaired by the Secretary of DOT—take actions to enhance federal, state, and local coordination activities. The Coordinating Council has taken some actions to address human service-transportation program coordination. In 2012, GAO found that there had been a lack of activity at the leadership level of the Coordinating Council and the absence of key guidance documents for furthering agency coordination efforts. To better promote and enhance federal, state, and local coordination activities, we recommended the Coordinating Council complete and publish a strategic plan and report on the progress of recommendations made in the Coordinating Council's 2005 Report to the President. The Coordinating Council has taken actions to address our recommendations. For example, the Coordinating Council developed a strategic plan that covered 2011 through 2013, and in 2013 it published a progress report providing an update on accomplishments and progress that had been made on the recommendations made in the 2005 report. Among other things, the strategic plan identified the Coordinating Council's priorities and objectives over the covered period, identified the council's strategic goal, and outlined various strategies for achieving the goal. The goal was to continue to improve mobility, employment opportunities, and access to community services for persons who are transportation disadvantaged. The priorities included demonstrating federal leadership on transportation coordination and expanding the coordinated human service-transportation infrastructure. Strategies for demonstrating federal leadership in coordination included developing and approving cost-sharing guidance that facilitated the sharing of vehicles and rides. Strategies for expanding the coordination of human service-transportation infrastructure included strengthening the coordinated planning process, in part by improving stakeholder participation. The progress report provided updates on five recommendations that were made in the council's 2005 report to the President.<sup>3</sup> In general, progress had been made in a number of areas, including establishing a coordinated human service-transportation planning process and developing a policy statement about vehicle sharing.

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<sup>2</sup>The amount reported as spent by Medicaid includes spending by those states that have selected to report NEMT as an optional service, but does not include spending by states that chose to report NEMT as an administrative expense. Data on the number of states that report NEMT as an optional service, an administrative expense, or both were not available since CMS does not break out this information. It should be noted that CMS began tracking NEMT expenses for states that cover this cost as an administrative expense in the fourth quarter of fiscal year 2013.

<sup>3</sup>Coordinating Council on Access and Mobility, *Report to the President, Human Service Transportation Coordination, Executive Order 13330* (2005).



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## What GAO Found

In December 2014, GAO found that fragmentation, overlap, and the potential for duplication exist across NEMT programs. Forty-two programs across six federal departments—HHS, Education, HUD, DOT, VA, and USDA—can provide funding for NEMT service, although NEMT is not their primary mission. Twenty-one of these programs, including Medicaid, are administered or overseen by HHS. The Department of Education (Education) administers seven programs; HUD administers six programs (three of which are statutory components of the Community Development Block Grant program); DOT administers four programs; VA administers three programs; and USDA administers one program. Overlap exists because programs that provide NEMT have similar goals and target potentially similar beneficiaries. Both Medicaid and VA have similar goals of helping their respective beneficiaries access medical services (some individuals could be eligible for both Medicaid and VA), serve potentially similar beneficiaries—those individuals with disabilities, who are low income or who are elderly—and engage in similar activities, such as providing NEMT transportation directly or indirectly. In addition, the potential for duplication in NEMT programs exists because two or more programs provide the same services to the same beneficiaries.

GAO's December 2014 report also found that coordination of NEMT programs at the federal level is limited. The Coordinating Council has taken some actions to improve coordination, such as developing a strategic plan. The strategic plan identified the council's goals, priorities, and objectives for 2011 through 2013. However, the council has provided limited leadership—for example, it has not met since 2008. In addition, the council has not issued key guidance documents that could promote coordination, including an updated strategic plan, and finalized a cost-sharing policy that would allow agencies to identify and allocate costs among programs. In March 2011, GAO found that agencies providing similar transportation services to similar client groups may lead to duplication and overlap when coordination does not occur.<sup>4</sup>

The strategic plan that the Coordinating Council issued covers 2011 through 2013 but expired in 2013, and has not yet been updated. According to a Coordinating Council official, a decision has not been made as to whether a new plan will be prepared to continue to implement many of the priorities identified in the 2011 through 2013 strategic plan. GAO has previously found that a number of key practices enhance and sustain collaboration, including strategic plans.<sup>5</sup> In addition, the goals and priorities outlined in the previous strategic plan did not specifically address NEMT. Instead, the goals focused on such things as improved mobility and employment opportunities, and the priorities focused on such

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<sup>4</sup>GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011).

<sup>5</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

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things as demonstrating federal leadership on transportation coordination and expanding the coordinated human service-transportation infrastructure. In the context of NEMT, by not updating or issuing a new strategic plan the Coordinating Council may be missing an opportunity to identify and align goals and strategies for increased NEMT coordination with the benefits of coordination, such as increased program efficiency or reduced costs.

In addition, Coordinating Council officials said the Heath, Wellness, and Transportation working group is trying to analyze the cost of trips and cost sharing, which according to a Coordinating Council official, remain a barrier to coordination. The absence of a key document, such as a policy on cost sharing, impacts the ability of agencies to identify and allocate costs among programs and services. Coordinating Council officials told GAO that a draft cost-sharing policy had been formulated; however, this policy has not been finalized. According to these officials, there are no plans at the current time to finalize this policy, and the Coordinating Council plans to leave the draft cost-sharing plan as it is until it determines where the Coordinating Council's efforts will be focused over the next couple of years. Without developing federal cost allocation principles for transportation providers, federal agencies may be unable to address cost-sharing issues across agencies. A cost-sharing policy could also help facilitate ride and vehicle sharing.

GAO found that states and localities use a variety of ways to facilitate coordination of transportation and human service programs, including programs that provide NEMT. These include, for example, state and regional coordinating bodies, cost and ride sharing, and one-call/one-click centers.<sup>6</sup> However, GAO found that two programs—Medicaid and VA NEMT programs—largely do not participate in NEMT coordination activities in the states GAO visited. GAO found a number of challenges to coordination for these programs. For example, both programs are designed to serve their own populations of eligible beneficiaries. In addition, officials at the Centers for Medicare & Medicaid Services, which administers Medicaid, told GAO that using certain coordination strategies—in particular, cost or ride sharing—could increase the risk of Medicaid funds being spent for individuals who do not qualify for Medicaid benefits. The officials explained that, without proper controls, cost or ride sharing with other non-Medicaid programs could allow for improper payments for individuals who do not qualify for Medicaid. Medicaid and VA are important to NEMT, as they provide services to potentially over 90 million individuals. Given the significance of these programs to the provision of NEMT service, coordination that does not include these programs makes it more difficult for the Coordinating Council to achieve its goal of promoting interagency cooperation to enhance the access of

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<sup>6</sup>Ride sharing refers to the sharing of vehicles and rides. One-call/one-click centers are central information sources that individuals can call into or access from their computers to obtain information on transportation options in a locality.

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transportation-disadvantaged persons to both more and cost-effective transportation services.

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## Actions Needed and Potential Financial or Other Benefits

To promote and enhance federal, state, and local NEMT coordination activities, GAO recommended in December 2014 that the Secretary of Transportation, as chair of the Coordinating Council, convene a meeting of the member agencies of the Coordinating Council and take the following three actions:

- Complete and publish a new or updated strategic plan that, among other things, clearly outlines a strategy for addressing NEMT and how it can be coordinated across federal agencies that fund NEMT service.
- Finalize and issue a cost-sharing policy and clearly identify how it can be applied to programs under the purview of member agencies of the Coordinating Council that provide funding for NEMT.
- Using the ongoing work of the Health, Wellness, and Transportation working group and other appropriate resources (1) identify the challenges associated with coordinating Medicaid and VA NEMT programs with other federal programs that fund NEMT, (2) develop recommendations for how these challenges can be addressed while still maintaining program integrity and fraud prevention, and (3) report these recommendations to appropriate committees of Congress. To the extent feasible, the Coordinating Council should implement those recommendations that are within its legal authority.

Financial benefits associated with these actions cannot be quantified because federal departments do not separately track spending for NEMT services. However, implementation of these actions could improve coordination at the federal level to help ensure that those who provide NEMT services can achieve the benefits of coordination, such as reduced trip costs and more efficient use of vehicles.

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## Agency Comments and GAO's Evaluation

GAO provided a draft of its December 2014 report to DOT, USDA, Education, HHS, HUD, and VA. DOT stated that it concurred in part with recommendations to develop a new strategic plan and to finalize a cost-sharing policy. It concurred with the NEMT recommendation to identify and report to Congress challenges with NEMT coordination, and said it agreed that more work is needed to increase coordination activities with all HHS agencies, especially Centers for Medicare & Medicaid Services. DOT also said the Federal Transit Administration (FTA) is asking its technical assistance centers to assist in developing responses to NEMT challenges. Regarding development of a strategic plan, DOT said efforts were under way at FTA to develop a new 2-year Coordinating Council implementation strategy. As part of developing this strategy, FTA would determine what governing framework is most effective and what, if any, updates were needed to the strategic plan. Regarding the cost-sharing policy, DOT said expanding upon past efforts and building on the 2011

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Transportation Research Board's cost-sharing study,<sup>7</sup> FTA plans to further refine a cost-sharing model with the Coordinating Council. However, DOT said final acceptance of the policy by non-DOT council members would depend on their receptiveness to adopting a cost-sharing strategy. USDA and Education had no comments on the report. HHS, HUD, and VA made technical comments, which were incorporated as appropriate.

GAO provided a draft of this report section to DOT, USDA, Education, HHS, HUD, and VA. None of the agencies had comments.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO product section. GAO searched the Catalog of Federal Domestic Assistance for 2013 to identify NEMT programs that offer transportation services. Program information was verified with department officials, who provided spending data, when available. GAO interviewed program officials from USDA, Education, HHS, HUD, DOT, and VA. GAO spoke with the Coordinating Council and reviewed relevant Coordinating Council reports. GAO visited selected states and interviewed state and local officials, and interviewed representatives from relevant industry and advocacy groups. States were chosen based on a variety of considerations, including geographic diversity and existence of a coordinating body.

Table 3 in appendix V lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*Transportation-Disadvantaged Populations: Nonemergency Medical Transportation Not Well Coordinated, and Additional Federal Leadership Needed.* [GAO-15-110](#). Washington D.C.: December 10, 2014.

*Transportation-Disadvantaged Populations: Federal Coordination Efforts Could Be Further Strengthened.* [GAO-12-647](#). Washington D.C.: June 20, 2012.

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## Contact Information

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<sup>7</sup>Transit Cooperative Research Program, Transportation Research Board, *Sharing the Costs of Human Services Transportation, Volume 1: The Transportation Services Cost Sharing Toolkit, TCRP Report 144* (2011), and Transit Cooperative Research Program, Transportation Research Board, *Sharing the Costs of Human Services Transportation, Volume 2: Research Report, TCRP Report 144* (2011).

## 6. DOD US Family Health Plan

To potentially save millions of dollars and eliminate duplication within the Department of Defense's health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other Department of Defense health care contractors.

### Why This Area Is Important

The Department of Defense's (DOD) annual health care costs are projected to reach \$70 billion by 2028.<sup>1</sup> As health care consumes an increasingly large portion of the overall DOD budget, it is important for DOD to operate its health care system efficiently, while also ensuring high-quality care. In fiscal year 2013, DOD offered health care coverage to about 9.6 million eligible beneficiaries through TRICARE, its regionally structured health care program, at a cost of almost \$50 billion.<sup>2</sup> For each of the three TRICARE regions in the United States (North, South, and West), DOD contracts with private sector companies—referred to as managed care support contractors—to administer TRICARE's benefit options, including TRICARE Prime, its managed care option.

Separately, in certain locations, TRICARE Prime is also offered to approximately 134,000 enrollees through the US Family Health Plan (USFHP), a statutorily required component of DOD's Military Health System, at a cost of more than \$1 billion in fiscal year 2013.<sup>3</sup> The USFHP was initially incorporated into the Military Health System in 1982 when enacted legislation transferred ownership of certain U.S. Public Health Service hospitals to specific health care providers, referred to as designated providers under the program.<sup>4</sup> During the implementation of the TRICARE program in the 1990s, Congress required the designated providers to offer the TRICARE Prime benefit to their enrollees in accordance with the National Defense Authorization Act (NDAA) for Fiscal Year 1997.<sup>5</sup> However, the USFHP has largely remained

<sup>1</sup>Congressional Budget Office, *Long-Term Implications of the 2014 Future Years Defense Program*, Pub. No. 4616 (November 2013).

<sup>2</sup>TRICARE-eligible beneficiaries include active duty personnel and their dependents, medically eligible Reserve and National Guard personnel and their dependents, and retirees and their dependents and survivors.

<sup>3</sup>The statutory basis for the USFHP is the National Defense Authorization Act (NDAA) for Fiscal Year 1997 Pub. L. No. 104-201, §§ 721-727, 110 Stat. 2422, 2592-2597 (1996) codified, as amended, at 10 U.S.C. § 1073 Note. All beneficiaries who are eligible for DOD health care and who are under the age of 65, except active duty servicemembers, are eligible for USFHP enrollment. However, each year the number of USFHP enrollees may not exceed 110 percent of the previous year's enrollee population.

<sup>4</sup>The Military Construction Authorization Act, 1982, deemed these facilities to be facilities of the uniformed services, then known as Uniformed Services Treatment Facilities. See Pub. L. No. 97-99, § 911, 95 Stat. 1359, 1386 (1981).

<sup>5</sup>NDAA for Fiscal Year 1997, Pub. L. No. 104-201, § 723(a).

unchanged since the NDAA for Fiscal Year 1997, and its role has not since been reassessed within the Military Health System.

Today, the USFHP is an association of six designated providers located throughout the country. Each of the designated providers—and their respective service areas—is located within one of the three TRICARE regions that are served by a managed care support contractor. The figure below illustrates the location of the USFHP designated providers relative to the locations of the three TRICARE regions.

**Location of Six US Family Health Plan (USFHP) Designated Providers within the Three TRICARE Regions**



Source: GAO analysis of data from the Department of Defense; Map Resources (map). | GAO-15-404SP

Note: TRICARE is organized in three regions across the United States—North, South, and West. Within these regions, the Department of Defense contracts with managed care support contractors to develop provider networks and to administer TRICARE's benefit options. Alaska and Hawaii are located in TRICARE's West region.

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## What GAO Found

In July 2014, GAO reported that the USFHP's role within DOD's Military Health System is duplicative because it offers military beneficiaries the same TRICARE Prime benefit that is offered by the managed care support contractors across much of the same geographic service areas and through many of the same providers.<sup>6</sup> Specifically,

- The USFHP designated providers and the TRICARE managed care support contractors are both required by law to offer the same TRICARE Prime benefit.<sup>7</sup>
- Four of the six USFHP designated providers have more than 80 percent of their service area's zip codes included in areas where the managed care support contractors also offer TRICARE Prime.<sup>8</sup>
- Several of the USFHP designated providers had a 40 percent to 50 percent overlap with the TRICARE managed care support contractors' provider networks, while the remaining designated providers had a network overlap ranging from 20 percent to 37 percent.

Furthermore, the USFHP operates as a distinct statutory program that is not integrated with the rest of the Military Health System. This limits DOD's ability to increase efficiency through its goal of maximizing the use of its direct care system of military hospitals and clinics. USFHP enrollees are generally precluded from receiving care at military treatment facilities due to the program's payment structure, a fixed-price capitation payment that is intended to cover all of the health care costs of enrollees.<sup>9</sup> In contrast, TRICARE's managed care support contractors are required to optimize the use of the direct care system for their Prime enrollees as part of an integrated Military Health System. For example, the TRICARE managed care support contractors first assign Prime enrollees to a Primary Care Manager located at a military treatment facility until the facility's enrollment capacity has been reached, at which point enrollees

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<sup>6</sup>Although the USFHP's role is duplicative because it offers the same TRICARE Prime benefit that is offered by the managed care support contractors, beneficiaries must choose to enroll with the USFHP designated providers or with the managed care support contractors—they are not allowed to enroll with both; therefore, there are no current concerns that DOD is incurring duplicate costs for individual beneficiaries.

<sup>7</sup>Specifically, section 723(a) of the NDAA for Fiscal Year 1997 requires designated providers to offer enrollees the health benefit option prescribed by section 731 of the NDAA for Fiscal Year 1994. This section refers to the TRICARE Prime benefit option applicable to the managed care support contractors, which is to be as uniform as possible throughout the United States. Both provisions are codified, as amended, at 10 U.S.C. § 1073 note.

<sup>8</sup>The remaining two designated providers had 41 percent and 57 percent of their service area zip codes included in areas where the managed care support contractors offer TRICARE Prime. These two designated providers are located in areas that have few or no military treatment facilities or Base Realignment and Closure sites, sites where managed care support contractors are required to establish Prime geographic service areas.

<sup>9</sup>Under capitation payments, health care plans are prospectively paid a fixed monthly rate per enrollee to provide or arrange for most health care services.

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are assigned to a Primary Care Manager from the contractors' civilian provider networks. Given the extent of the designated providers' overlap with the managed care support contractors' Prime Service Areas, which are generally around military treatment facilities, thousands of USFHP enrollees are precluded from using the direct care system.

The duplication and related overlap between the USFHP and the managed care support contractors' offering of the TRICARE Prime option has been long-standing in part because the program's role has not been reassessed since TRICARE was implemented in the 1990s. DOD officials told GAO that there is not a function that the USFHP designated providers serve that the managed care support contractors could not perform. However, because the USFHP is statutorily required, DOD does not have the authority to eliminate it. Additionally, officials with all three managed care support contractors—who currently serve more than 4.5 million Prime enrollees—stated that they likely would have the capacity and capability to provide TRICARE coverage to all of the current USFHP enrollees.

As a result of the USFHP's duplicative role, DOD has incurred added costs by paying the USFHP designated providers to simultaneously administer the same benefit to the same population of eligible beneficiaries in many of the same locations as the managed care support contractors. Although DOD would incur health care costs for the USFHP enrollees regardless of with whom they are enrolled, DOD must also pay administrative costs and profits to two different groups of contractors for providing the same TRICARE Prime benefit. DOD also incurs other expenses for the USFHP through support contracts, including a data support contract that is exclusive to the USFHP designated providers and does not exist for the managed care support contractors. Further, DOD must expend resources managing various aspects of the USFHP, including the annual negotiation of capitation payments—a process that lasts approximately 8 months. Eliminating the USFHP would allow DOD to potentially realize savings and better focus its resources on managing other aspects of the TRICARE program.

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## Actions Needed and Potential Financial or Other Benefits

GAO suggested in its July 2014 report that to eliminate unnecessary program duplication and achieve increased efficiencies and potential savings within the integrated Military Health System, Congress should

- terminate the Secretary of Defense's authority to contract with the USFHP designated providers in a manner consistent with a reasonable transition of affected USFHP enrollees into TRICARE's regional managed care program or other health care programs, as appropriate.

DOD could potentially realize both savings and increased efficiencies with the elimination of this program. However, the actual cost of the program's duplication is unknown. This is because the USFHP contracts are statutorily required to be treated as commercial item contracts under the



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Federal Acquisition Regulation (FAR), and this designation prohibits DOD from requiring the designated providers to provide certified cost or pricing data.<sup>10</sup> Furthermore, according to DOD officials, the designated providers also have been unwilling to share uncertified cost or pricing data when the department has requested it. As a result, even though DOD negotiates amounts for administrative costs and profits as part of the designated providers' capitation payments, it does not know how much of the approximately \$1 billion annual payment ultimately goes toward the designated providers' administrative costs and profit and how much goes to the actual costs of providing health care services to USFHP enrollees. GAO obtained a breakdown of the average capitation payments DOD made to the designated providers for USFHP enrollees for fiscal year 2013 and estimated that the negotiated administrative costs and profit margins were approximately \$27 million of the total cost of the program for that year (2.4 percent of \$1.1 billion). GAO also obtained the costs of relevant USFHP support contracts, including a data support contract that is expected to cost \$21 million over 5 years. Based on these cost data, GAO concluded DOD would potentially save millions of dollars if the USFHP were eliminated. Furthermore, eliminating this statutorily required program would help support DOD's efforts to control rising health care costs and increase efficiencies by freeing up departmental resources that could be better used to manage and oversee the TRICARE program.

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## Agency Comments and GAO's Evaluation

In commenting on the July 2014 report on which this analysis is based, DOD stated that since GAO's suggestion to eliminate the USFHP was addressed to Congress, the department deferred to Congress to consider it. DOD confirmed that GAO's factual determinations about the USFHP were correct. DOD also reiterated GAO's statement that if the USFHP were eliminated, it would be important to make provisions to carefully transition USFHP enrollees to other health care programs.

GAO provided a draft of this report section to DOD for review and comment. The department did not provide comments on this report section.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO product section. To conduct this work, GAO reviewed requirements relevant to the USFHP and the TRICARE program, including those established in federal laws and regulations,

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<sup>10</sup>See Pub. L. No. 104-201, § 722(b)(2). Offerors competing for commercial item contracts may not be required to provide certified cost or pricing data during contract negotiations. FAR § 15.403-1(b)(3). Section 2.101 of the FAR defines cost or pricing data as all facts that buyers and sellers would reasonably expect to affect price negotiations. In acquisitions where certified cost or pricing data are required, section 15.406-2 of the FAR provides that contractors must certify that required cost or pricing data are accurate, complete, and current as of a specified date.

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contracts, policy manuals, and benefit handbooks.<sup>11</sup> To assess the extent to which the USFHP designated providers and the TRICARE managed care support contractors engage in the same activities or strategies to provide the same services to the same target recipients or individuals, GAO reviewed and applied its framework for assessing fragmentation, overlap, and duplication. Additionally, GAO interviewed officials from the six USFHP designated providers and the three managed care support contractors to learn about the benefits, geographic service areas, and provider networks of the respective contractors. To understand the costs of the program, GAO interviewed DOD officials and officials from DOD's actuarial contractors to obtain the information that was available, albeit limited, about the costs of the USFHP. GAO requested DOD's contractor provide it with a breakdown of the average capitation payments paid to the designated providers for fiscal year 2013, which included amounts that were expected to cover the costs of health care services provided to USFHP enrollees, as well as the administrative costs and profit margins for the designated providers. Finally, GAO obtained information from DOD officials about the resources they use to manage the program, and DOD's annual process for negotiating the designated provider capitation payments.

Table 4 in appendix V lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*Defense Health Care: US Family Health Plan Is Duplicative and Should Be Eliminated.* [GAO-14-684](#). Washington, D.C.: July 31, 2014.

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## Contact Information

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<sup>11</sup>GAO did not assess the department's compliance with program requirements.

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# 7. Medicare Postpayment Claims Reviews

To prevent inappropriate duplicative postpayment claims reviews by contractors, the Centers for Medicare & Medicaid Services should monitor the Recovery Audit Data Warehouse—the database developed in part to prevent duplicative reviews—and develop more complete guidance on contractors’ responsibilities.

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## Why This Area Is Important

GAO has designated Medicare as a high-risk program because of its size, complexity, and susceptibility to mismanagement and improper payments.<sup>1</sup> In fiscal year 2014, the Centers for Medicare & Medicaid Services (CMS)—the agency within the Department of Health and Human Services (HHS) that administers the Medicare program—estimated it made improper payments of \$46 billion in the Medicare fee-for-service (FFS) program.<sup>2</sup> One activity CMS conducts to reduce improper Medicare payments is the review of paid FFS claims and related documentation from providers. CMS uses several different types of contractors to conduct postpayment claims reviews:

- Medicare Administrative Contractors (MAC), which process and pay claims, and conduct postpayment claims reviews to help ensure payment accuracy and ensure that providers with a history of billing errors comply with Medicare billing requirements;
- Zone Program Integrity Contractors (ZPIC), which investigate potential fraud;
- Recovery Auditors (RA), tasked with identifying on a postpayment basis improper payments in claims not previously reviewed by other contractors; and

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<sup>1</sup>See GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: February 2015). Improper Medicare payments include payments made for treatments or services that were not covered by program rules, that were not medically necessary, or that were not provided to beneficiaries in the way that they were billed to Medicare. An improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. This definition includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except where authorized by law), and any payment that does not account for credit for applicable discounts. Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204, § 2(e), 124 Stat. 2224, 2227, (2010) codified at 31 U.S.C. § 332. Note: Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found.

<sup>2</sup>To meet the requirements of the Improper Payments Information Act of 2002 as amended, CMS uses its Comprehensive Error Rate Testing program to estimate Medicare FFS improper payments. Medicare FFS, or original Medicare, consists of Medicare Parts A and B. Medicare Part A covers hospital and other inpatient stays. Medicare Part B is optional insurance and covers physician, outpatient hospital, home health care, certain other services, and the rental or purchase of durable medical equipment (DME), including wheelchairs, prosthetics, orthotics, and supplies.

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- the Comprehensive Error Rate Testing (CERT) contractor, which reviews claims used to annually estimate the Medicare FFS improper payment rate.

These types of contractors were established under different laws and for varying purposes, creating the potential for the same paid claim to be reviewed more than once by different contractors, which GAO defined in its July 2014 report as a duplicative claims review.<sup>3</sup> CMS officials indicated and GAO agrees that duplicative claims reviews may be appropriate under some circumstances; however, other duplicative claims reviews are inappropriate, which GAO reported could create an unnecessary burden on providers and contractors.<sup>4</sup>

In part to prevent RAs from duplicating other contractors' claims reviews, CMS developed the Recovery Audit Data Warehouse. MACs, ZPICs, the CERT contractor, and other entities can enter the claims they reviewed into the Recovery Audit Data Warehouse, and the database stores them as permanently excluded claims (or exclusions). In addition, ZPICs and law enforcement entities can upload claims into the Recovery Audit Data Warehouse that they may, though not necessarily will, select for postpayment review as part of a fraud investigation. The database stores these claims as suppressions, which makes them temporarily unavailable for RA review. RAs enter the claims they are considering for review into the Recovery Audit Data Warehouse, and the database then checks to see if any of those claims match excluded or suppressed claims and are, therefore, not available for the RAs to review.

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## What GAO Found

In July 2014, GAO determined that CMS does not have sufficient information to determine whether its contractors are conducting inappropriate duplicative claims reviews and that CMS has conducted insufficient data monitoring to prevent the RAs from conducting inappropriate duplicative reviews. CMS does not have reliable data to estimate the total number of duplicative claims reviews by all four types of contractors, in part because CMS did not design the Recovery Audit Data Warehouse to capture this information. For example, the Recovery Audit Data Warehouse does not show whether contractors other than RAs, such as a MAC and a ZPIC, duplicated each others' claims reviews.

GAO also found that not all of the four types of contractors consistently enter data into the database. For example, GAO found that, in 2012, five of the six ZPICs had not entered any claims into the Recovery Audit Data

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<sup>3</sup>In 2012, the RAs performed 83 percent of the roughly 1.4 million postpayment claims reviews conducted that year. GAO did not include the Supplemental Medicare Review Contractor in its study. This contractor type, established by CMS in 2012, conducts large-volume medical reviews nationwide for specific Medicare-covered services.

<sup>4</sup>For example, it is appropriate for the CERT contractor to review a claim that has already been reviewed by another contractor because it must select a random sample of claims to estimate the Medicare improper payment rate.

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Warehouse as exclusions, although these ZPICs had performed postpayment claims reviews. CMS officials told us they do not monitor contractors' entry of exclusions and suppressions to ensure this information is accurate or complete and that if ZPICs did not exclude claims they reviewed, the claims would be available for an RA to review, which could lead to inappropriate duplication.<sup>5</sup> Representatives from one RA reported that, in 2011, it had to halt reviews on 2,000 claims because the ZPIC had not informed the RA of an ongoing investigation either by suppressing affected claims in the Recovery Audit Data Warehouse or through any other methods of coordination. Checking the accuracy of data is part of a strong internal control environment and provides an agency with assurance that the data needed for operations are reliable and complete.<sup>6</sup> If the Recovery Audit Data Warehouse information on excluded claims is inaccurate, as GAO found is sometimes the case, the Recovery Audit Data Warehouse's effectiveness in preventing the RAs from conducting inappropriate duplicative claims reviews is limited.

In addition, GAO determined in July 2014 that CMS has issued guidance for some but not all contractors about when duplicative reviews are permitted. CMS has issued guidance for RAs and the CERT contractor about whether they may conduct duplicative claims reviews. For example, CMS's manual for the CERT contractor states that it should select and review a random sample of claims regardless of whether they have been reviewed by other contractors, in order to establish the Medicare improper payment rate accurately.<sup>7</sup> However, GAO found that CMS has not developed complete guidance for ZPICs and MACs about whether they are permitted to duplicate other contractors' claims reviews. CMS's *Medicare Program Integrity Manual* states that ZPICs should work with other contractors to avoid duplication of efforts, but does not address whether reviewing a claim that another contractor had reviewed would be considered a duplication of efforts. Representatives from a ZPIC and some CMS officials stated that ZPICs are allowed to conduct duplicative claims reviews, but some CMS officials stated that ZPICs may not duplicate reviews conducted by RAs or MACs. CMS's *Medicare Program Integrity Manual* also states only that MACs are not permitted to duplicate the ZPICs' claims reviews and does not address whether MACs are permitted to duplicate RA claims reviews. Although a CMS official stated that MACs are not permitted to conduct duplicative reviews, representatives from two of the three MACs we spoke with believed that CMS permitted them to duplicate some contractors' reviews. Written guidance stating explicitly which contractors may conduct duplicative claims reviews is important to prevent inappropriate duplication among

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<sup>5</sup>CMS conducts a quarterly review of a random sample of claims that RAs entered into the Recovery Audit Data Warehouse to ensure the information is timely and accurate.

<sup>6</sup>See [GAO/AIMD-00-21.3.1](#) and [GAO-01-1008G](#).

<sup>7</sup>Also, CMS's *Medicare Program Integrity Manual* states that RAs are prohibited from reviewing claims that have been reviewed by other contractors.

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the contractors. It is also consistent with federal internal control standards, which call for agencies to establish control activities that enforce management's directives.<sup>8</sup>

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## Actions Needed and Potential Financial or Other Benefits

In order to improve the efficiency and effectiveness of Medicare postpayment claims review efforts and to prevent inappropriate duplicative claims reviews among Medicare contractors, in July 2014 GAO recommended that the Administrator of CMS take the following two actions:

- monitor the Recovery Audit Data Warehouse to ensure that all postpayment review contractors are submitting required data and that the data the database contains are accurate and complete; and
- develop complete guidance to define contractors' responsibilities regarding duplicative claims reviews, including specifying whether and when MACs and ZPICs can duplicate other contractors' reviews.

Because GAO found that CMS does not have sufficient information to determine whether its contractors are conducting inappropriate duplicative claims reviews, the extent of any inappropriate duplication and the potential costs due to any resulting unnecessary burden on providers and contractors could not be determined. However, taking these actions should help ensure that Medicare contractors conduct efficient and effective postpayment claims reviews and avoid inappropriate duplication.

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## Agency Comments and GAO's Evaluation

In commenting on the July 2014 report on which this analysis is based, HHS agreed with GAO's findings and concurred with GAO's recommendations that CMS monitor the Recovery Audit Data Warehouse and develop complete guidance to define contractors' responsibilities regarding duplicative claims reviews. HHS also described steps it plans to take to remedy the issues GAO identified. For example, HHS stated it would update its guidance for contractors and would explore ways for HHS and contractors to be alerted when data are not entered into the Recovery Audit Data Warehouse within a certain time frame.

GAO provided a draft of this report section to HHS for review and comment, and HHS had no comments.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from GAO's July 2014 report listed in the related GAO products section. To conduct this work, GAO reviewed CMS documents to identify requirements for contractors to prevent inappropriate duplicative claims reviews. To assess whether the Recovery Audit Data Warehouse could

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<sup>8</sup>See [GAO/AIMD-00-21.3.1](#) and [GAO-01-1008G](#), sections related to control activities.

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be used to estimate the number of times in 2012 that a contractor reviewed a claim for which an RA had also initiated a review, GAO reviewed relevant documentation and data from the Recovery Audit Data Warehouse, and interviewed CMS officials. GAO also interviewed CMS officials about what types of duplicative claims reviews the agency considers appropriate and inappropriate, the reliability of the data the agency had on duplication, and the agency's efforts to limit inappropriate duplicative claims reviews. GAO interviewed representatives from all 4 RAs, the CERT contractor, and a nongeneralizable sample of 3 of the 16 MACs and 3 of the 6 ZPICs to learn about any steps the contractors take to prevent duplication. GAO selected 2 of the 12 MACs that process Part A and B claims and 1 of the 4 MACs that process claims for DME. GAO selected those MACs because they had been in operation for at least 6 months, performed postpayment claims reviews in 2012, and were geographically diverse. GAO selected ZPICs that had been in operation for at least 1 year and whose service areas included some of the same states served by the 3 MACs in the sample.

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## Related GAO Products

*Medicare Program Integrity: Increased Oversight and Guidance Could Improve Effectiveness and Efficiency of Postpayment Claims Reviews.* [GAO-14-474](#). Washington, D.C.: July 18, 2014.

*Medicare Program Integrity: Increasing Consistency of Contractor Requirements May Improve Administrative Efficiency.* [GAO-13-522](#). Washington, D.C.: July 23, 2013.

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## 8. Programs for Serious Mental Illness

To help ensure that the eight federal agencies administering over 100 programs supporting individuals with serious mental illness are able to develop an overarching perspective in order to understand the breadth of programs and resources used—including any potential gaps or overlap—greater coordination of federal efforts is needed from the Department of Health and Human Services, and within it, the Substance Abuse and Mental Health Services Administration, which is required to promote coordination of programs relating to mental illness throughout the federal government.

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### Why This Area Is Important

Mental illness is reported to be widespread in the United States. An estimated 43.8 million people—18.5 percent of adults in the United States—suffered from a mental illness in 2013, according to the 2013 National Survey on Drug Use and Health administered by Substance Abuse and Mental Health Services Administration (SAMHSA). Among those, about 10 million people—4.2 percent of adults in the United States—suffered from a serious mental illness, which generally includes conditions such as schizophrenia, bipolar disorder, major depression, and severe posttraumatic stress disorder.<sup>1</sup> The federal government provides a range of programs for those with a mental illness, including programs addressing broad social issues, such as homelessness, that can generally support individuals with serious mental illness as well as other programs that specifically target people with serious mental illness.

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### What GAO Found

In a December 2014 report, GAO found that 112 federal programs across eight federal agencies—Department of Defense (DOD), Department of Education, Department of Health and Human Services (HHS), Department of Housing and Urban Development, Department of Justice,

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<sup>1</sup>For the purposes of this report section, GAO defines individuals with serious mental illness as adults who currently or at any time in the past year have had a diagnosable mental, behavioral, or emotional disorder (excluding developmental and substance use disorders) of sufficient duration to meet certain diagnostic criteria, as specified within the Diagnostic and Statistical Manual of Mental Disorders, that resulted in serious functional impairment, substantially interfering with or limiting one or more major life activities. Individuals with serious mental illness may also include those with a specific diagnosis; for example, individuals diagnosed with schizophrenia, schizoaffective disorder, bipolar disorder, or major depression. In addition, GAO defined individuals with serious emotional disturbance as children and adolescents from birth up to age 18 who currently or at any time during the past year have had a diagnosable mental, behavioral, or emotional disorder of sufficient duration to meet diagnostic criteria specified within the Diagnostic and Statistical Manual of Mental Disorders that resulted in functional impairment, which substantially interferes with or limits the child's role or functioning in family, school, or community activities. Throughout this report section, when GAO refers to programs generally supporting or specifically targeting individuals with serious mental illness, it is referring to programs supporting or targeting individuals with either serious mental illness or serious emotional disturbance.



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Department of Labor, Social Security Administration, and Department of Veterans Affairs (VA)—were supporting individuals with serious mental illness in fiscal year 2013. The purposes and populations served by these programs varied widely, from the provision of support services, such as case management, to research, and from children to incarcerated adults. A subset of these programs—30 programs administered by five agencies—were identified by agencies as specifically targeting individuals with serious mental illness. Across these 30 programs, the agencies reported obligations of about \$5.7 billion for fiscal year 2013.<sup>2</sup> Half of the 30 targeted programs—across four agencies (DOD, Department of Justice, HHS, and VA)—identified the same primary program purpose, the provision of support services to individuals with serious mental illness. With multiple agencies involved in administering the many programs supporting individuals with serious mental illness, the potential exists for overlapping or duplicative efforts.

According to SAMHSA’s enabling legislation, as amended, it is required to promote coordination of programs relating to mental illness throughout the federal government. In addition, SAMHSA’s 2011-2014 strategic plan acknowledges the need for coordination, noting that no single program, either within HHS or anywhere else in the federal government, can solve the problems of homelessness, joblessness, educational challenges, and community cohesion for people with mental illness, including those with serious mental illness.<sup>3</sup>

Although SAMHSA recognizes the need to coordinate, such coordination related to serious mental illness has been largely absent. While agencies said they participate in committees that could allow them to coordinate efforts regarding mental health, these committees do not focus specifically on, and have taken little action regarding, serious mental illness. For example, the Secretary of HHS established the Behavioral Health Coordinating Council (BHCC) in 2010 to bring together members from agencies within HHS to focus on behavioral health issues, but the council did not include officials from other federal agencies. The BHCC had six subcommittees that addressed selected topics, and three of these subcommittees specifically address substance use. One of the six

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<sup>2</sup>The majority of these funds—84 percent—were obligated by DOD and VA for treatment and support services (among other things) for servicemembers, and veterans and their families. GAO’s review excluded programs that may reimburse providers for mental health services, such as Medicaid and Medicare or TRICARE. The Office of Management and Budget reported that federal spending on mental health services generally through Medicaid—a joint federal and state health care program—and Medicare was approximately \$40 billion for fiscal year 2012.

<sup>3</sup>Substance Abuse and Mental Health Services Administration, *Leading Change: A Plan for SAMHSA’s Roles and Actions 2011-2014*, HHS Publication No. (SMA) 11-4629 (Rockville, Md.: 2011). SAMHSA has also released their strategic plan for 2015-2018: Substance Abuse and Mental Health Services Administration, *Leading Change 2.0: Advancing the Behavioral Health of the Nation 2015-2018*, HHS Publication No. (PEP) 14-LEADCHANGE2, 2014 (Rockville, Md.: 2014).

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subcommittees has done work that was related to serious mental illness, based on information HHS provided on recent actions taken by the BHCC. SAMHSA officials said that they had plans to establish a subcommittee within the BHCC devoted to addressing serious mental illness and that they expected this group to have an initial meeting in early 2015. However, consistent with the BHCC, the subcommittee is only expected to coordinate within HHS, not across federal agencies.

Although staff in these programs targeting serious mental illness reported taking steps to coordinate their individual programs, GAO found that coordination efforts among agency leadership to address serious mental illness are lacking. While coordination at the program level is important, it does not take the place of, or achieve the level of, leadership that GAO has previously found to be key to successful coordination. The absence of this high-level coordination hinders the federal government's ability to develop an overarching perspective of its programs supporting and targeting individuals with serious mental illness. Without interagency coordination supported by agency leadership, agencies do not have the necessary information to assess the reach and effectiveness of their programs or to determine whether or where there may be gaps, overlap, or duplication in services for individuals with serious mental illness.

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## **Actions Needed and Potential Financial or Other Benefits**

To understand the full breadth of federal programs and the scope of federal resources expended on programs supporting those with serious mental illness, GAO recommended in December 2014 that HHS—which includes SAMHSA—establish a mechanism to facilitate intra- and interagency coordination across programs that support individuals with serious mental illness.

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## **Agency Comments and GAO's Evaluation**

In commenting on the December 2014 report on which this analysis is based, HHS did not concur with this recommendation to establish a mechanism to facilitate intra- and interagency coordination, citing the coordination that was already occurring at the program level. GAO acknowledged that coordination at the program level is important but noted that it cannot take the place of coordination at higher levels that would provide the perspective needed to assess the reach and effectiveness of all of the federal government's programs targeting individuals with serious mental illness.

GAO provided a draft of this report section to HHS for review and comment. HHS did not provide comments on this issue.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO product section. To identify federal programs supporting those with serious mental illness, the extent to which federal agencies are coordinating, and the extent to which federal agencies evaluate or monitor programs, GAO developed a web-based questionnaire.<sup>4</sup> The web-based questionnaire asked questions about program goals, target populations, services offered, performance information and evaluations, coordination, and funding in fiscal year 2013. GAO identified eight agencies frequently cited as having relevant programs supporting individuals with serious mental illness and administered the questionnaire to those agencies. The eight federal agencies selected for the web-based questionnaire were DOD, Department of Education, HHS, Department of Housing and Urban Development, Department of Justice, Department of Labor, Social Security Administration, and VA. GAO supplemented the questionnaire responses with follow-up interviews and questions to each of the agencies to obtain additional information.

Table 5 in appendix V lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*Mental Health: HHS Leadership Needed to Coordinate Federal Efforts Related to Serious Mental Illness.* [GAO-15-113](#). Washington, D.C.: December 18, 2014.

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## Contact Information

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<sup>4</sup>We defined a federal program as a program, activity, or initiative that may include, but is not limited to, (1) grants to state, local, tribal, nonprofit, or research entities; (2) contracts with service providers; or (3) services directly provided to beneficiaries by the federal agency itself. We excluded health benefit programs—such as Medicaid, Medicare, or TRICARE—that may reimburse for various mental health services.

## 9. Vulnerability Assessments of Critical Infrastructure

The Department of Homeland Security could mitigate potential duplication or gaps by consistently capturing and maintaining data from overlapping vulnerability assessments of critical infrastructure and improving data sharing and coordination among the offices and components involved with these assessments.

### Why This Area Is Important

The extensive damage and long recovery from disasters like Hurricanes Katrina and Sandy, as well as the terrorist attacks of September 11, 2001, highlight the vulnerability of critical infrastructure to various hazards.<sup>1</sup> Over the last several years, at least five Department of Homeland Security (DHS) offices and components have undertaken a mix of regulatory and voluntary activities to assess critical infrastructure assets and systems for vulnerabilities that could render them susceptible to threats and hazards.<sup>2</sup> Given the number of offices and components conducting or requiring vulnerability assessments of critical infrastructure, the potential exists for duplication or overlap between and among the various efforts.

### What GAO Found

In its September 2014 report, GAO found that DHS offices and components were not consistently capturing and maintaining data on their vulnerability assessment activities in a way that allows DHS to readily identify potential duplication or overlap among activities conducted. As a result, DHS is not positioned to track its activities to determine whether its assessment efforts are potentially duplicative or leave gaps among the critical infrastructure assessed. According to the National Infrastructure Protection Plan (NIPP), managing risk entails data interoperability standards to enable an efficient information exchange through defined data standards and requirements.<sup>3</sup> Among other things, these standards

<sup>1</sup>Critical infrastructure includes assets and systems, whether physical or virtual, so vital to the United States that their incapacity or destruction would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.

<sup>2</sup>These five DHS offices and components include the U.S. Coast Guard, the Federal Protective Service, the Transportation Security Administration (TSA), the Infrastructure Security Compliance Division (ISCD), and the Protective Security Coordination Division (PSCD). ISCD and PSCD are both within DHS's Office of Infrastructure Protection which leads and coordinates national programs and policies on critical infrastructure issues. According to DHS, a vulnerability assessment is a process for identifying physical features or operational attributes that render an entity, asset, system, network, or geographic area open to exploitation or susceptible to a given hazard that has the potential to harm life, information, operations, the environment, or property.

<sup>3</sup>DHS, *2013 National Infrastructure Protection Plan, Partnering for Critical Infrastructure Security and Resilience* (Washington, D.C.: December 2013). The NIPP provides the overarching approach for integrating the nation's critical infrastructure security and resilience activities into a single national effort.

are to include a foundation for an information-sharing environment that has common data requirements.

GAO's analysis of DHS vulnerability assessment data showed that, from October 2010 to September 2013, DHS offices and components conducted more than 5,300 assessments covering various types of assets and systems. In addition to DHS-led assessments, as many as 7,600 asset owners and operators were required to perform self-assessments to comply with security-related regulatory regimes. The table below shows the extent to which DHS offices or components conducted or required vulnerability assessments across the various sectors.

**Overlap across Sectors where Department of Homeland Security (DHS) Offices and Components Conduct Vulnerability Assessments or Required Asset Owners/Operators to Conduct Vulnerability Assessments, Fiscal Years 2011-2013**

Critical infrastructure sector	DHS office or component				
	Coast Guard	Federal Protective Service	Infrastructure Security Compliance Division	Protective Security Coordination Division	Transportation Security Administration
Chemical	✓		✓	✓	
Commercial facilities	✓	✓	✓	✓	
Communications	✓			✓	
Critical manufacturing	✓		✓	✓	
Dams	✓			✓	
Emergency services	✓			✓	
Information technology	✓		✓	✓	
Nuclear reactors, materials & waste				✓	
Food & agriculture	✓	✓	✓	✓	
Defense industrial base	✓	✓	✓	✓	
Energy	✓	✓	✓	✓	✓
Healthcare & public health			✓	✓	
Financial services	✓	✓		✓	
Water & wastewater systems	✓	✓		✓	
Government facilities	✓	✓	✓	✓	✓
Transportation systems	✓	✓		✓	✓

Source: GAO analysis of DHS data. | GAO-15-404SP

The analysis of the data and information from DHS officials also showed that DHS assessment activities of different offices and components overlapped across several critical infrastructure sectors during the 3-year period. For example, as the previous table shows, six critical infrastructure sectors were ones in which at least four of the five offices and components conducted or required vulnerability assessments. The potential for overlap or duplication was also confirmed to GAO anecdotally by Coast Guard, the Protective Security Coordination Division (PSCD), and Transportation Security Administration (TSA) field personnel who reported observing what they called federal fatigue, or a perceived weariness among critical infrastructure owners and operators who had

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been repeatedly approached or required by multiple federal agencies and DHS offices and components to participate in or complete assessments. DHS officials expressed concern that this “fatigue” may diminish future cooperation from asset owners and operators.

To determine whether DHS had conducted or required vulnerability assessments at the same assets or systems within those sectors, GAO compared records of assessment-related activities based on name and location, as no unique numeric identifiers were available. This analysis showed that the various data sets DHS offices and components used did not share common formats or defined data standards that would enable identification of matches across data sets. DHS officials acknowledged that DHS-wide interoperability standards do not exist for them to follow that would facilitate comparisons among the different data sets. Across the sets of data from the various offices and components, asset names and addresses generally were not entered in a standardized way or were not available in some cases. In addition, some records showed assets that were listed at the same address in more than one DHS data set but did not have names that matched. Similarly, some company names appeared to be the same or similar on multiple DHS data sets but were listed at different street addresses, on different streets, or had post office boxes instead of physical addresses. In some cases, company or asset names were missing altogether.

GAO determined that without consistent assessment data across DHS offices and components on the names and addresses of assets already assessed, DHS could not reasonably ensure that it could identify potential overlap or duplication in coverage of its vulnerability assessment activities. In addition, DHS is not fully positioned to track its activities to better ensure effective risk management across the spectrum of assets and systems as called for by the NIPP.

In addition to the lack of consistent data on assessments, GAO reported in September 2014 that DHS lacks department-wide processes to facilitate data sharing and coordination, as appropriate, among the various offices and components that conduct or require vulnerability assessments. The NIPP calls for standardized processes to promote integration and coordination of information sharing through, among other things, jointly developed standard operating procedures. However, GAO found that while different components within DHS use various data systems to maintain their assessment-related data, the offices and components have no process for sharing the data for assessments that they conduct, as appropriate.

For example, DHS’s Office of Infrastructure Protection has a system that stores the results of surveys and assessments conducted by its PSCD personnel, while TSA has a separate system that serves as a centralized online repository of TSA’s information. However, access to each others’ systems is limited or restricted, and there is no other mechanism that consolidates and maintains basic information on the assessment activities of each office or component, such as the names and addresses of assets

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assessed. DHS reports that it is in the early stages of addressing this issue, according to DHS's comments on GAO's September 2014 report. For example, one DHS component is developing a secure system to serve as a single interface through which certain mission partners enter and retrieve vulnerability assessment information.

In addition, GAO found that DHS lacks a department-wide process to facilitate coordination among the various offices and components involved in vulnerability assessment activities. DHS officials stated that they generally rely on field-based personnel to inform their counterparts at other offices and components about planned assessment activities and share information as needed on what assets may have already been assessed. For example, PSCD officials stated that they send e-mail notifications to partners advising them of planned assessments and may also alert DHS counterparts depending on assets covered and their areas of responsibility. Likewise, Coast Guard officials reported that locally based area maritime security committee meetings provide a forum for Coast Guard field personnel to share information about planned and completed assessment-related activities with other DHS components, as needed.<sup>4</sup> However, absent field-based coordination or sharing activities such as these, it is unclear whether all facilities in a particular geographic area or sector are covered.

Not having processes for sharing information or coordinating on assessments or consistent data standards and requirements can affect DHS offices' and components' ability to identify potential overlap or duplication in their assessment activities. For example, even if consistent data standards and requirements were in place, the lack of a process for facilitating the sharing of assessment data among offices and components can hinder DHS's ability to analyze what facilities have or have not been assessed because officials using one set of data are not readily able to access and compare the data of other offices and components. Similarly, having a process for sharing assessment data but not having consistent data standards and requirements would likewise hinder DHS's ability to maximize the use of data already collected, as one office's or component's data may not be compatible with another.

Consequently, without consistent data standards and requirements and processes for DHS offices and components to share data and coordinate with each other in their critical infrastructure vulnerability assessment activities, DHS cannot provide reasonable assurance that it can identify potential overlap, duplication, or gaps in coverage. This could ultimately

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<sup>4</sup>The area maritime security committees are authorized by section 102 of the Maritime Transportation Security Act of 2002, as codified at 46 U.S.C. § 70112(a)(2) and implemented at 33 C.F.R. pt. 103. Typically composed of members from federal, state, and local law enforcement agencies; maritime industry and labor organizations; and other port stakeholders, these committees are responsible for, among other things, identifying critical infrastructure and operations, identifying risks, and providing advice to the Coast Guard for developing the associated area maritime security plan.

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affect DHS's ability to work with its partners to enhance national critical infrastructure security and resilience, consistent with the NIPP.

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## Actions Needed and Potential Financial or Other Benefits

To promote efficiency and effectiveness in activities to advance critical infrastructure security and resilience, GAO recommended in September 2014 that the Secretary of Homeland Security direct the Under Secretary for the National Protection and Programs Directorate to work with other DHS offices and components to

- develop an approach to ensure that vulnerability data gathered on critical infrastructure assets and systems are consistently collected and maintained across DHS to facilitate the identification of potential duplication and gaps in critical infrastructure coverage, and
- develop and implement ways that DHS can facilitate data sharing and coordination of vulnerability assessments to minimize the risk of potential duplication or gaps in coverage.

Estimating potential cost savings is difficult because of the lack of consistent assessment data to determine the extent of actual duplication or overlap that currently exists in carrying out these various assessment activities. Moreover, some of the agencies could not separate out the costs of the vulnerability assessments from other activities. However, implementing these recommendations could enhance the ability of DHS offices and components to identify and minimize any potential duplication or gaps that exist in assessment coverage.

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## Agency Comments and GAO's Evaluation

In commenting on the September 2014 report on which this analysis is based, DHS concurred with GAO's recommendations and indicated it planned to take steps to respond to them. Specifically, DHS noted that a sub-Interagency Policy Committee of the National Security Council was taking steps to identify what policies and guidance are needed to support the identification of information that could be shared across the critical infrastructure protection community. DHS anticipates this guidance will provide departments and agencies with a common approach to critical infrastructure data and information. DHS also noted it plans to build upon ongoing internal initiatives such as developing a single assessment methodology with a strategic integrated approach as well as use one of its information systems as a means for mission partners across DHS and others to share and identify what facilities have been assessed. As part of this effort, DHS stated it also plans to convene stakeholders across DHS to assess current data collection efforts and develop and implement coordination plans.

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



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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from products listed in the related GAO products section. To determine the extent to which the same critical infrastructure was assessed by different entities within DHS, GAO obtained and analyzed data for the October 2010 to September 2013 time period on the assessments conducted by each DHS office or component using their respective tools and methods and the facilities regulated under the Maritime Transportation Security Act of 2002 and Chemical Facilities Anti-Terrorism Standards. For its analysis GAO used a statistical software program and manual data matching to compare data on over 25,000 assessment-related activities. To determine how DHS offices and components share information and coordinate with each other on vulnerability assessments of critical infrastructure, GAO collected and analyzed documentation from DHS offices and components on their processes; procedures; and systems for gathering, storing, sharing, and using information collected during assessments of critical infrastructure. GAO also interviewed officials from DHS offices and components involved in conducting assessments of critical infrastructure.

Table 6 in appendix V lists the various assessment tools and methods used or required by DHS offices and components that GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*Critical Infrastructure Protection: DHS Action Needed to Enhance Integration and Coordination of Vulnerability Assessment Efforts.* [GAO-14-507](#). Washington, D.C.: September 15, 2014.

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## Contact Information

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# 10. DHS Processing of FOIA Requests

To address duplication in the processing of Freedom of Information Act requests, the Department of Homeland Security should determine the viability of re-establishing an agreement between two of its component agencies that process immigration files.

## Why This Area Is Important

The Freedom of Information Act (FOIA) requires federal agencies to provide the public with access to government information on the basis of the principles of openness and accountability in government. Each year, federal agencies release information in response to hundreds of thousands of FOIA requests. The Department of Homeland Security (DHS) is one of the many agencies that respond to these requests. The department receives and processes requests for information related to immigration, border crossings, law enforcement, natural disasters, maritime accidents, and agency management, among other topics. This information is compiled and maintained throughout the department and its seven component agencies. DHS reported processing approximately 200,000 FOIA requests in fiscal year 2013—the most of any federal government agency.

The department has experienced an increase in requests received every year since 2009, and it also has reported the largest backlog of unprocessed requests of any federal agency.<sup>1</sup> At the end of fiscal year 2013, approximately half of all reported backlogged federal FOIA requests (about 50,000 of 95,000) belonged to DHS. Among the most frequent FOIA requests made to DHS are those for immigration files. These files usually contain various types of information pertaining to immigrants, including asylum applications, law enforcement records, and border crossing documents. As such, they may contain information and records that are generated by various DHS components or other agencies. For example, three DHS component agencies—U.S. Citizenship and Immigration Services (USCIS), Customs and Border Protection (CBP), and Immigration and Customs Enforcement (ICE)—create most of the documents included in immigration files.

## What GAO Found

GAO reported in November 2014 that two DHS component agencies—USCIS and ICE—process certain immigration-related requests twice. USCIS is the custodian of immigration files, and all FOIA requests for such files are either initiated with, or referred to, this component for processing. However, GAO found that certain requests are first processed by USCIS and then by ICE. Contributing to this duplication is the absence of an agreement between the two components to process all immigration-related requests.

<sup>1</sup>Backlogs are requests that are pending at an agency at the end of the fiscal year that are beyond the statutory time period for a response.

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To process a FOIA request for an immigration file, the USCIS staff member to whom the request is assigned first manually enters the requester's data, such as a name and address, into USCIS's FOIA system to establish a record of the request. Next, the staff member retrieves and scans the documents in the requested file and reviews the documents. If all of the documents were generated by USCIS, the staff member makes redactions as needed, sends the documents to the requester, and closes out the request. Further, if the FOIA request covers files containing documents generated by CBP, then USCIS is able to process the request on the basis of an agreement to that effect with CBP. By having USCIS process such requests for CBP documents, the two components avoid duplication in their response to a FOIA request.

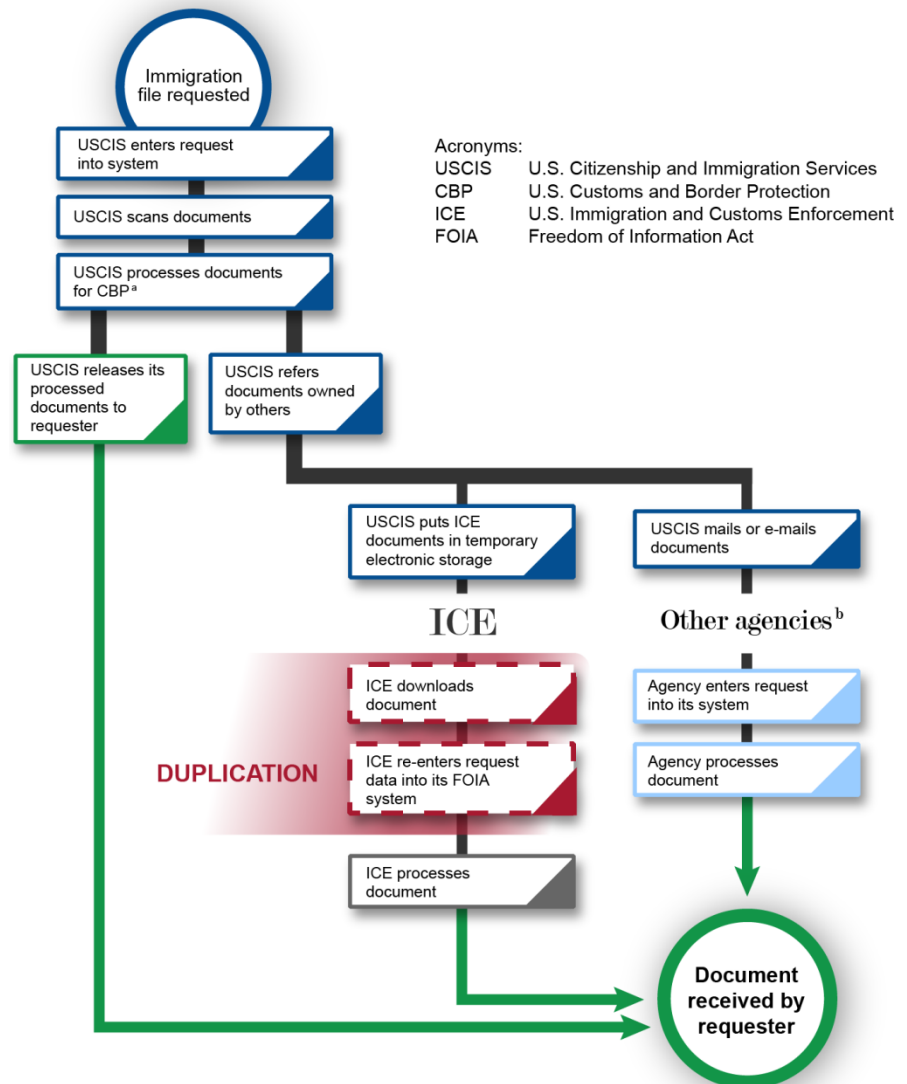
On the other hand, USCIS and ICE do not have such an agreement for documents generated by ICE. Thus, the USCIS staff member is to identify any such documents and make them available to ICE's FOIA staff for their separate processing.<sup>2</sup> In doing so, USCIS and ICE currently engage in duplicative processing of FOIA requests for those immigration files containing documents related to law enforcement activities that were generated by ICE. To facilitate ICE's review of such files, USCIS staff transfer copies of the ICE-generated documents to a temporary electronic storage drive that USCIS maintains. According to USCIS officials, ICE has been granted access to this electronic storage drive so that it can retrieve files containing the documents that it generates. ICE retrieves the documents, and the ICE staff then re-enter the data to create a new FOIA request in ICE's FOIA processing system. The staff then proceed with processing the requested documents and release them to the requester—in essence, undertaking a new, and duplicate, effort to respond to the FOIA request.

The figure depicts the duplication that occurs in USCIS's and ICE's downloading and re-entering of data to respond to FOIA requests for immigration files.

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<sup>2</sup>Where applicable, USCIS also refers the immigration file documents to other agencies, such as the Department of State or Federal Bureau of Investigation, for further processing.

## Referral Process for Documents in an Immigration File



Source: GAO analysis of U.S. Department of Homeland Security data. | GAO-15-82

<sup>a</sup>USCIS processes all CBP documents in the file under a service level agreement.

<sup>b</sup>Other agencies may include the Department of State, the Federal Bureau of Investigation, and the Federal Bureau of Prisons.

In its November 2014 report, GAO noted that, in prior years, up until April 2012, the two components had an agreement whereby USCIS processed ICE's documents contained in an immigration file. However, the components' officials stated that, since that agreement ended, the components have not made plans to enter into another such agreement. According to ICE's FOIA Officer, USCIS's processing of ICE's documents in immigration files was viewed as being too costly. While there would be costs associated with USCIS processing ICE's documents in immigration files, the potential exists for additional costs to be incurred in the continued duplicate processing of such files.

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Furthermore, the duplicate processing of a single FOIA request by USCIS and ICE staff contributes to an increase in the time needed to respond to a FOIA request for immigration files. Because USCIS does not send the immigration file to ICE until it has completed its own processing of the relevant documents—which, according to USCIS, takes on average 20 working days—ICE usually does not receive the file to begin its own processing until the 20-day time frame established by the 1996 e-FOIA amendments<sup>3</sup> for responding to a request, has passed.<sup>4</sup> The average time for USCIS to close a request as of fiscal year 2013 was 19.73 days, while the average time for ICE to close a request was 52.79 days.

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## Actions Needed and Potential Financial or Other Benefits

To improve the management of DHS FOIA requests, GAO recommended in November 2014 that the Secretary of Homeland Security take the following action:

- Determine the viability of re-establishing the service-level agreement between USCIS and ICE to eliminate duplication in the processing of immigration files. If the benefits of doing so would exceed the costs, re-establish the agreement.

GAO was unable to estimate the financial benefits associated with this action due to the lack of reliable cost data from DHS. However, the implementation of this recommendation would likely help DHS ensure that its resources are used efficiently to process FOIA request.

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## Agency Comments and GAO's Evaluation

In commenting on the November 2014 report on which this analysis is based, DHS concurred with GAO's recommendation. The department noted that a working group would be formed to determine the viability of re-establishing the service level agreement on FOIA processing between its components. Further, in February 2015, the department stated that it had begun taking action in this regard.

GAO provided a draft of this report section to DHS for its review and comment. In response, DHS provided technical comments that reflected the ICE FOIA Officer's general disagreement with our characterization of "duplication" as it related to ICE's processing of the FOIA requests received from USCIS. Specifically, the official stated that ICE records in immigration files are not processed by USCIS and that there is no duplicative processing of records. However, GAO stands by its finding in this report that duplication occurs because, when a FOIA request for

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<sup>3</sup>Electronic Freedom of Information Act Amendments of 1996, Pub. L. No. 104-231, 110 Stat. 3048 (1996).

<sup>4</sup>The typical 20-day time period may be extended to 30 days in unusual circumstances, such as when a request involves a voluminous amount of records or requires consultation with another agency.

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immigration files is received, two components—USCIS and ICE—must separately process the request.

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## How GAO Conducted Its Work

The information contained in this analysis is based on the findings from the product listed in the related GAO product section. To determine if duplication existed, GAO examined policies and procedures, viewed demonstrations of how automated systems are used to manage and process requests, and interviewed agency officials to clarify workflow. GAO also evaluated the processes against recommended practices discussed in its previously issued reports that addressed duplication in federal government programs.

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## Related GAO Products

*Freedom of Information Act: DHS Should Take Steps to Improve Cost Reporting and Eliminate Duplicate Processing.* [GAO-15-82](#). Washington, D.C.: November 19, 2014.

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## Contact Information

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# 11. Federal and States' Export Promotion

Because federal and state export promotion efforts overlap, the Department of Commerce should take steps to enhance collaboration among them to promote economic development while ensuring the most efficient use of limited federal resources.

## Why This Area Is Important

Given the importance of U.S. exports in supporting economic growth, in 2010, the President announced the National Export Initiative (NEI) doubling U.S. exports in the next 5 years.<sup>1</sup> The Office of Management and Budget (OMB) subsequently identified this goal as 1 of 14 interim crosscutting priority goals under the GPRA Modernization Act.<sup>2</sup> The NEI identifies increased coordination among the federal government and their nonfederal partners as a priority and a tool for increasing exports.<sup>3</sup> Congress called for such coordination more than two decades ago in the Export Enhancement Act of 1992, which directed the President to establish the interagency Trade Promotion Coordinating Committee (TPCC) to coordinate U.S. government export promotion and export financing activities and develop a U.S. government-wide strategic plan for carrying out such federal programs.<sup>4</sup> This law also called for the TPCC, chaired by the Secretary of Commerce, to review efforts by the states to promote U.S. exports and propose ways to develop cooperation between federal and state efforts.<sup>5</sup>

<sup>1</sup>The President launched the National Export Initiative in his January 2010 State of the Union Address. Subsequently, in Executive Order 13534 (Mar. 11, 2010), the President established a new body, the Export Promotion Cabinet, to develop and coordinate the implementation of the NEI. 75 Fed. Reg. 12433. The Export Promotion Cabinet is coordinated by a White House official, has most of the same member agencies as the Trade Promotion Coordinating Committee (TPCC), and is to coordinate its efforts with the TPCC. For a list of TPCC member agencies, see [http://export.gov/advocacy/eg\\_main\\_022762.asp](http://export.gov/advocacy/eg_main_022762.asp).

<sup>2</sup>The GPRA Modernization Act calls upon OMB to develop long-term, outcome-oriented goals for a limited number of crosscutting policy areas and to provide information on how they will be achieved. Parts of the act did not come into effect until the fiscal year 2015 budget was issued, but the act required OMB to develop interim goals starting with the 2013 budget. Pub. L. No. 111-352, 124 Stat. 3866 (2011) (amending the Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (1993)). For information on each of the interim crosscutting priority goals provided in the President's budget, see GAO, *Managing for Results: GAO's Work Related to the Interim Crosscutting Priority Goals under the GPRA Modernization Act*, GAO-12-620R (Washington, D.C.: May 31, 2012).

<sup>3</sup>In September 2010, the Export Promotion Cabinet issued the *Report to the President on the National Export Initiative*, which is its plan for doubling U.S. exports in 5 years. All further references to the NEI in this report section include the Export Promotion Cabinet and its activities.

<sup>4</sup>Pub.L. No.102-429, § 201, 106 Stat. 2186 (1992), codified at 15 U.S.C. § 4727.

<sup>5</sup>Pub.L. No.102-429, § 201.

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Many federal and state agencies operate a wide variety of programs across the country and overseas that are intended, at least in part, to assist U.S. companies in entering foreign markets, or in expanding their existing presence in markets abroad. Export promotion activities include efforts to raise awareness about exporting and to provide businesses with export counseling, training, and information on market opportunities; help connecting with potential buyers abroad; and help obtaining financing. Responsibility for federal export promotion is widely dispersed. Some of the 20 TPCC member agencies directly assist small businesses to export overseas, including the Department of Commerce (Commerce) and Small Business Administration (SBA), whose activities are similar to those of state governments.<sup>6</sup>

The TPCC Secretariat is housed in Commerce's International Trade Administration (ITA) and takes the lead in coordinating the activities of federal export promotion activities and implementing the NEI through an annual National Export Strategy. In fiscal year 2013, Commerce's ITA dedicated \$267.5 million (59 percent) of its total budget to export promotion. The ITA also manages the U.S. Commercial Service (CS) as part of its Global Markets unit. In most states, CS is the primary government entity providing federal export promotion services to nonagricultural businesses through CS's network of domestic and international trade professionals.<sup>7</sup> While CS's mission identifies small businesses as a particular focus of its export promotion efforts, CS assists companies of all sizes. SBA's key roles in export promotion are to conduct outreach and provide training, counseling, and export financing for small businesses. SBA's Office of International Trade, which provides export financing and promotion services to small businesses, had fiscal year 2013 total program costs of approximately \$9.8 million.<sup>8</sup> (See table 7 in appendix V.) The total amount of money spent on federal export promotion is unclear because comparable budget information for federal agencies involved in export promotion is not readily available.<sup>9</sup>

Every state government conducts some export promotion activities, though they vary in size and scope. For example, the five state trade

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<sup>6</sup>Throughout this report, GAO uses the term "small businesses" in keeping with SBA's definition of a small business as an enterprise that is independently owned and operated, organized for profit, and not dominant in its field. SBA's definition of a small business also sets industry-specific standards for other factors, including maximum number of employees and annual revenue, to identify how large a company may be and still qualify for SBA assistance.

<sup>7</sup>See 15 U.S.C. § 4721.

<sup>8</sup>Additionally, according to the Congressional Research Service, SBA's export-related loans amounted to approximately \$1.2 billion in fiscal year 2013. Congressional Research Service, *Small Business Administration Trade and Export Promotion Programs*, R43155 (Washington, D.C.: Jan. 22, 2014).

<sup>9</sup>GAO, *Export Promotion: Better Information Needed About Federal Resources*, [GAO-13-644](#) (Washington, D.C.: July 17, 2013).



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offices GAO visited for its May 2014 report had budgets for export promotion that ranged from \$1.9 million to over \$5 million annually for fiscal year 2013. According to a 2013 survey administered by the State International Development Organizations (SIDO)<sup>10</sup>, of the 14 states that responded 90 percent had budgets ranging from \$420,000 to \$1.75 million. State-level trade functions can be housed in various state government entities, including governors' offices, state departments of commerce, and state departments of economic development.<sup>11</sup> State trade offices often have both domestic and international staff; while domestic staff generally are state employees, international staff may be state employees or contractors.

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## What GAO Found

Commerce and SBA provide some of the same types of export promotion services, such as outreach, counseling, and training, and trade leads, as most states do through their state trade offices. Like the state trade offices in the five states GAO visited, most of the 28 state trade offices that responded to SIDO survey also provide export promotion outreach, counseling and training, and trade leads. While not all states provide all services, the survey results showed that state trade offices provide a range of export promotion services.

In addition to providing similar services, the federal agencies—including Commerce and SBA— offering export promotion services at the state level and most state trade offices primarily serve small businesses. According to Commerce, the majority of its customers are small businesses, although firms of any size may request its services. SBA, by law, offers services exclusively to small businesses. In 2012, 97 percent of the over 301,000 identified U.S. exporters were small and medium-sized businesses.<sup>12</sup> In the 2013 SIDO survey, of the 22 state trade offices that responded to one question, most reported that small businesses were their primary clients.<sup>13</sup> Four of the five state trade offices that GAO visited said they work primarily with small businesses, although three said they also serve some larger companies.

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<sup>10</sup> SIDO is a nonprofit, nonpartisan organization, affiliated with The Council of State Governments (CSG), and is comprised of international economic development practitioners and professionals from state and related organizations across the country. SIDO provides state trade promotion professionals with a forum for collaboration and sharing best practices as well as advocates for states' international trade development issues so that U.S. companies remain globally competitive.

<sup>11</sup>In this report section, GAO refers to all state government entities providing export promotion as "state trade offices."

<sup>12</sup>U.S. Census Bureau, *2012 Preliminary Profile of U.S. Exporting Companies* (Washington, D.C.: Dec. 4, 2013).

<sup>13</sup>Twenty-eight states responded to the 2013 SIDO survey; however, not all states provided a response to all survey questions.

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Overlapping export promotion efforts can have both positive and negative effects. For example, officials at both U.S. Export Assistance Centers (USEAC) and state trade offices that GAO visited said that they are operating at capacity in terms of resources to meet the demand for their export promotion services.<sup>14</sup> Consequently, officials at two USEACs and two state trade offices that GAO visited viewed the provision of similar services by different organizations as positive for beneficiaries of these services because the overlap meant that more resources were available to companies looking for help exporting.<sup>15</sup>

However, as GAO previously concluded, without enhanced collaboration, overlap may have a negative effect in that limited resources may not be used in the most effective and efficient manner.<sup>16</sup> For example, GAO has reported that while SBA and the Export-Import Bank of the United States (Ex-Im)<sup>17</sup> offer similar financial products for small businesses, many lenders prefer to work with only one agency and very few lenders use both agencies' products. Thus, clients may only be able to access one agency's products through their regular bank.<sup>18</sup> Furthermore, small business beneficiaries of export promotion services could be confused about how to access available services and unclear about who could best meet their needs. GAO found that the extent of collaboration between federal and state trade offices in the five states it visited ranged from no collaboration in one state, to very little collaboration in another, to close collaboration between federal and state export promotion providers in three states.

According to federal and state officials with whom GAO spoke, factors affecting their level of collaboration included physical proximity, level of

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<sup>14</sup>USEACs are the more than 100 domestic offices where Commerce's CS operates, including where SBA, the Export-Import Bank, and sometimes state trade offices have staff colocated with Commerce's staff. USEACs were established to act as "one-stop shops" that would provide coordinated guidance on export promotion services and available financing. SBA's field staff—Export Finance Specialists—are colocated with Commerce in 19 USEACs throughout the United States.

<sup>15</sup>GAO previously reported that Commerce and the majority of states provide many of the same types of export promotion services, but that some states have limited budgets and staff. Partly as a result of this limited capacity, most states reported that Commerce's services are important to their export promotion capabilities and have partnered with Commerce's offices. See GAO, *Export Promotion: Commerce Needs Better Information to Evaluate Its Fee-Based Programs and Customers*, [GAO-09-144](#) (Washington, D.C.: Mar. 4, 2009).

<sup>16</sup>GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration and Performance Management for Financial Assistance Programs*, [GAO-14-335T](#) (Washington, D.C.: Feb. 6, 2014).

<sup>17</sup>The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets.

<sup>18</sup>GAO, *Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role*, [GAO-13-217](#) (Washington, D.C.: Jan. 30, 2013).

communication, and resource levels. In addition, state offices report to their own executive and legislative bodies, and state trade offices determine their own priorities and are not obligated to collaborate with federal agencies. States that do choose to collaborate with federal partners in trade promotion primarily interact with Commerce but also collaborate with SBA, both to varying degrees.

The TPCC has three initiatives designed to advance federal-state collaboration in promoting U.S. exports by strengthening and expanding networks of state and local governments and other partners—Export Outreach Teams, Global Cities Exchange, and a Commerce-SIDO agreement—as shown in the figure below.

TPCC Initiatives to Promote Federal-State Collaboration in Export Promotion		
Export Outreach Teams	Commerce Support of Global Cities Exchange	Commerce and State International Development Organizations (SIDO) Agreement
Commerce-and-SBA-led initiative to strengthen local networks of export service providers	Brookings Institution effort to expand metro areas' involvement in exports, e.g., mayors' offices, economic development entities	Collaborative effort between Commerce and state trade offices' organization to better coordinate export promotion services

Source: GAO analysis of SBA, Brookings Institution, and SIDO information. | GAO-15-404SP

GAO found that results of these efforts have been limited, however, in part because their implementation has not consistently followed key collaboration practices. In prior work, GAO found that collaboration is generally enhanced by following key practices, such as articulating common outcomes; agreeing on roles and responsibilities; monitoring, evaluating, and reporting on results; and coordinating resource planning. In the five states visited, GAO found weaknesses in the implementation of Export Outreach Teams. For example, in some cases, activities were missing key participants and were inconsistent with the activities' objectives, in part because SBA was not fully monitoring implementation of the teams across its 68 district offices. Similarly, GAO found that TPCC's involvement in the Brookings Institution's Global Cities Exchange initiative to engage metropolitan areas in export promotion had unknown implications for federal export promotion efforts and resources because Commerce lacked a means to monitor the initiative's results.<sup>19</sup> Finally, an agreement between Commerce (the TPCC Chair) and SIDO expired without achieving its collaboration objective or enhancing client information sharing so states could share credit with Commerce for helping companies make export sales. According to Commerce, by law, it cannot release its clients' confidential commercial information, and its policy is to make determinations on releasing information case by case,

<sup>19</sup>The Brookings Institution is nonprofit public policy organization based in Washington, D.C.

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but it does not provide formal guidance to staff on what information sharing is allowable.

When federal and state governments provide overlapping export promotion services to similar clients, one result can be that more resources are available to companies looking for help exporting. However, given the current environment of constrained government resources, without effective collaboration, overlapping export promotion programs may not operate as efficiently and effectively as possible. The three TPCC initiatives have demonstrated that opportunities exist to enhance federal-state collaboration, including improving local networks of export promotion service providers, expanding activities to better include metropolitan area economic development agencies, and working with national organizations representing state and local governments. Renewed effort by the TPCC agencies to implement these initiatives with greater attention to key collaboration practices can help improve the support available to small businesses that take advantage of similar federal and state export promotion services, and thereby bolster federal and state efforts to achieve national export goals.

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## Actions Needed and Potential Financial or Other Benefits

To improve federal-state collaboration in providing export promotion services in accordance with the National Export Initiative and the Export Enhancement Act of 1992, in May 2014 GAO recommended that the Secretary of Commerce, as Chair of the TPCC, take the following three actions:

- Improve implementation of the Export Outreach Teams to better achieve their intended outcomes. This could include taking steps, including better monitoring, to ensure that key local participants are invited, that meetings are held as expected, and that the Export Outreach Teams seek to both increase awareness of available export resources and enhance interagency and intergovernmental collaboration.
- Take steps consistent with key practices for collaboration to enhance TPCC agencies' partnering on export promotion with nonfederal entities, such as SIDO and Global Cities. This could include reassessing and strengthening the TPCC's intergovernmental partnerships by clarifying expected outcomes, defining roles and responsibilities, monitoring results, and planning resource needs.
- Take steps consistent with key practices to enhance, where possible, federal information sharing with state trade offices on Commerce's export promotion activities. This could include more formal guidance to Commerce staff on the circumstances, in light of legal restrictions, in which information can be shared with state trade offices and other nonfederal entities, and exploring ways for clients to give permission to release information useful to such nonfederal entities.

While no data are available to quantify the financial benefit of improved federal-state collaboration on export promotion, over half of Commerce's

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total ITA fiscal year 2013 budget of \$452.3 million was devoted to export promotion.

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## Agency Comments and GAO's Evaluation

In commenting on the May 2014 report on which this analysis is based, Commerce concurred with GAO's overall assessment that collaboration can be enhanced through strategic management. On August 8, 2014, Commerce provided an action plan in response to GAO's recommendations. However, it is not clear the agency's plans will address GAO's findings. For example, Commerce and SBA determined that Export Outreach Teams would be more effective with a narrower focus on conducting outreach events with businesses rather than internal planning events with partners. GAO believes that narrowing the focus would address only one of the program's two objectives—increasing awareness of available export resources. This approach would not address the second objective—enhancing interagency and intergovernmental collaboration. Examples of Export Outreach Team activities that address the second objective include sharing best practices for client services, and developing referral protocols that include information about federal, state, and local agency responsibilities and the circumstances under which a business would be referred from one agency to another. With regard to information sharing, Commerce decided that maintaining a case-by-case approach is preferable to issuing more formal guidance because officials believe that issuing formal guidance could be counterproductive and result in its USEAC officials adopting a more conservative stance than they might otherwise. Commerce believes a case-by-case approach will allow it to continue to assess what flexibility exists in each instance to share information. As Commerce builds out a new Customer Relationship Management (CRM) system, it will explore the feasibility of adding a check box for customers to indicate whether Commerce can share their information with key nonfederal partners. GAO will continue to monitor Commerce activities related to its three recommendations.

GAO provided a draft report section to Commerce and SBA for review and comment. Commerce and SBA provided technical comments, some of which reiterated comments made about our 2014 report, and in response we made changes to this report when appropriate.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings in GAO's May 2014 report listed in the related GAO products section. To determine the main characteristics of federal and state export promotion efforts, including their collaboration, GAO compared their services, types of clients, and performance measures using information collected from documents and interviews from CS, SBA, and state trade offices in five states (Florida, Minnesota, Oregon, Pennsylvania, and Virginia). GAO chose these states based upon the following criteria: presence of relevant Commerce and SBA officials; participation in export promotion initiatives GAO was evaluating; state trade office presence overseas; extent of state-level export promotion activities according to Commerce officials in

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Washington, D.C.; and state trade office staff size (mix of large and small). GAO chose these five locations to better understand and test federal initiatives to advance collaboration with state trade offices at the local level. This allowed GAO to assess federal implementation efforts overall, but these five locations are not representative of the situations in each of the individual 50 states.

GAO also analyzed data collected by the State International Development Organizations (SIDO) in its annual member surveys for 2012 and 2013.<sup>20</sup> GAO also determined the extent to which CS and state trade offices share operational costs and clients. GAO gained additional insights into how CS and state trade offices work together in providing their services by examining 2012 data in Commerce's Client Tracking System.<sup>21</sup>

Table 7 in appendix V lists the programs GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*Export Promotion: Trade Agencies Should Enhance Collaboration with State and Local Partners.* [GAO-14-393](#). Washington, D.C.: May 21, 2014.

*Export Promotion: Better Information Needed About Federal Resources,* [GAO-13-644](#). Washington, D.C.: July 17, 2013.

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

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<sup>20</sup>To assess the reliability of the survey data from the SIDO, GAO interviewed the SIDO representatives responsible for developing and implementing the survey, performed a formal review of the survey questionnaire for methodological quality, and performed data testing. GAO determined that some of the survey data were reliable for the purposes of this report.

<sup>21</sup>On the basis of interviews with knowledgeable agency officials and GAO's assessment of the data for missing data, outliers, and obvious errors, we concluded that all data elements we assessed in the export successes data provided to us by Commerce were sufficiently reliable for the purposes of this report.

## 12. Oceanic and Atmospheric Observing Systems Portfolio

The National Oceanic and Atmospheric Administration should analyze its portfolio of observing systems to determine the extent to which unnecessary duplication may exist.

### Why This Area Is Important

The National Oceanic and Atmospheric Administration (NOAA), in the Department of Commerce, is the federal agency responsible for managing and operating a large portfolio of observing systems. An observing system is a collection of one or more sensing elements that reside on a fixed or mobile platform, such as a buoy or satellite, which gathers data on or measures specific environmental variables or “parameters.” The nation depends on observing systems to help produce a wide variety of products, including weather forecasts and tsunami warnings. In November 2014, GAO examined a subset of NOAA’s entire observing system portfolio, 41 ocean, coastal, and Great Lakes observing systems which collect data on 75 environmental parameters, including sea surface temperature, salinity, and wave direction. NOAA estimates it spent an average of approximately \$430 million annually to operate and maintain this subset of ocean, coastal, and Great Lakes observing systems in fiscal years 2012 through 2014. This is approximately 9 percent of NOAA’s total annual appropriations for these years.

### What GAO Found

GAO found in November 2014 that NOAA had not assessed whether there is unnecessary duplication in its observing systems portfolio. As a result, the agency may be missing opportunities to reduce unnecessary duplication and achieve cost savings. Since 2010, some of NOAA’s planning documents have indicated a need to reduce systems costs by eliminating unnecessary duplication.<sup>1</sup> For example, one of the agency-wide objectives in NOAA’s 2010 strategic plan was to collect accurate and reliable data for the agency’s entire observing system portfolio. The plan said that pursuing this objective would include reducing the costs of observations through, among other things, “reducing unnecessarily duplicative capabilities.”<sup>2</sup> Similarly, NOAA’s 2012 implementation plan for its objective to produce accurate observation data included as a short-term outcome “[r]educed, consolidated, and/or closed observing sites and sensors based on quality and utility of observations supporting all NOAA

<sup>1</sup>According to NOAA officials, duplication in data collection can sometimes be necessary if the data are needed to meet a critical mission need, such as providing a back-up to the primary data source if it failed.

<sup>2</sup>NOAA, *NOAA’s Next-Generation Strategic Plan* (Silver Spring, Md.: Dec. 2010).

needs.”<sup>3</sup> NOAA officials could not, however, provide examples of any observing sites that have been reduced, consolidated, or closed since the agency developed the 2012 implementation plan, even though these outcomes were to be accomplished in fiscal years 2012 or 2013.

GAO also found in November 2014 that multiple observing systems among the subset of NOAA’s ocean, coastal, and Great Lakes observing systems measure several of the same environmental parameters, as shown in the table below. For example, 21 of NOAA’s 41 ocean, coastal, or Great Lakes observing systems currently collect data on sea surface temperature.

**Environmental Parameters Measured Most Often by National Oceanic and Atmospheric Administration’s Ocean, Coastal, and Great Lakes Observing Systems**

<b>Environmental parameter</b>	<b>Number of observing systems collecting data for this parameter</b>
Sea surface temperature	21
Ocean surface winds: speed	14
Ocean temperature: profiles	12
Ocean surface winds: direction	11
Salinity: surface	11
Ocean currents: speed, surface	10
Ocean currents: speed, profiles	9
Atmospheric pressure: sea level	8
Ocean currents: direction, surface	8
Ocean currents: direction, profiles	7

Source: GAO analysis of NOAA documentation. | GAO-15-96

According to NOAA officials, there are a variety of reasons why multiple observing systems would measure the same parameters, such as to collect the data from different locations, at different times, or with different degrees of accuracy, or to maintain continuity of data collection in the event that one system failed. In addition, NOAA officials told GAO they do not believe unnecessary duplication in data collection in the agency’s observing systems portfolio is a significant problem. NOAA officials, however, could not provide documentation of any analysis of whether unnecessary duplication exists in the data collected by its ocean, coastal, and Great Lakes observing systems. Without analyzing whether there is unnecessary duplication or opportunities to reduce or consolidate observations, NOAA cannot know if there are opportunities to reduce costs associated with its observing systems portfolio. In NOAA’s written comments on the report, the agency said it is developing the NOAA Observing Systems Integrated Analysis (NOSIA) model, which may

<sup>3</sup>NOAA, *NGSP Implementation Plan: Enterprise Objective: Accurate and Reliable Data from Sustained and Integrated Earth Observing Systems FY 2013-2019* (Nov. 26, 2012).



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provide them with the capability to determine whether unnecessary duplication exists.

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## Actions Needed and Potential Financial or Other Benefits

To help identify opportunities to reduce unnecessary duplication and achieve cost savings in NOAA's observing systems portfolio, GAO recommended in November 2014 that the Secretary of Commerce should

- direct the NOAA Administrator to analyze the extent to which unnecessary duplication exists in NOAA's portfolio of observing systems.

Because NOAA has not yet analyzed its observing systems portfolio, it is difficult to estimate the potential cost savings associated with any unnecessary duplication that may exist. As a result, GAO cannot quantify potential financial benefits associated with the recommended action.

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## Agency Comments and GAO's Evaluation

GAO provided a draft of its November 2014 report to the Department of Commerce and NOAA for comment. In its written comments, NOAA, providing comments on behalf of the Department of Commerce, generally agreed with GAO's recommendation to analyze the extent to which unnecessary duplication exists in NOAA's portfolio of observing systems.

GAO provided a draft of this report section to the Department of Commerce and NOAA for review and comment. The Department of Commerce and NOAA did not provide comments on this report section.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. For that report, to identify the environmental parameters most often measured, GAO analyzed the number of environmental parameters measured by each of NOAA's 41 ocean, coastal, and Great Lakes observing systems. To determine annual operations and maintenance costs for these systems, GAO reviewed documentation collected by NOAA, interviewed agency officials, and took steps to assess the reliability of the cost data. GAO also reviewed agency documentation (such as strategic and implementation plans) and interviewed NOAA officials to determine the extent to which NOAA had taken steps to assess whether unnecessary duplication exists in its observing systems portfolio.

Table 8 in appendix V lists the observing systems GAO identified that might have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation might not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

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## Related GAO Products

*NOAA's Observing Systems: Additional Steps Needed to Achieve an Integrated, Cost-Effective Portfolio*, [GAO-15-96](#). Washington, D.C.: Nov. 17, 2014.

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

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This section summarizes 12 areas for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury.

# 13. Defense Facilities Consolidation and Disposal

To help identify opportunities for saving costs by consolidating or disposing of unutilized or underutilized facilities, the Department of Defense should ensure that data on the utilization of DOD facilities—which were collectively valued at around \$850 billion in fiscal year 2013—are complete and accurate.

## Why This Area Is Important

The Department of Defense (DOD) manages a global real property portfolio that, according to DOD, consisted of more than 562,000 facilities located at over 4,800 sites worldwide as of fiscal year 2013. These facilities cover more than 24.7 million acres and have a replacement value of about \$850 billion.<sup>1</sup> Operating and maintaining unutilized (i.e., vacant) and underutilized (i.e., partially vacant) facilities consumes valuable resources that could be eliminated from DOD's budget or used by DOD for other purposes.<sup>2</sup> To the extent that DOD is able to identify unutilized or underutilized facilities, additional cost savings might be realized through facilities' consolidation or disposal.

DOD's Real Property Management Program is governed by statute,<sup>3</sup> as well as by DOD regulations, directives, and instructions that establish real property accountability and financial reporting requirements. These laws, regulations, directives, and instructions require DOD and the military departments to maintain a number of data elements, such as utilization rate and status, about their facilities to help ensure efficient property management and thus help identify potential facility consolidation or disposal opportunities.<sup>4</sup> The military departments maintain databases to track their real property assets and upload their property inventory

<sup>1</sup>Department of Defense, *Base Structure Report—Fiscal Year 2014 Baseline*. For more information on the number of assets and the plant replacement value by military service, see table 9 in appendix V.

<sup>2</sup>Operating facilities incur costs, such as maintenance and repair costs, utilities, pest control, and grounds maintenance, some of which continue regardless of the use of the facility, according to a DOD official.

<sup>3</sup>Section 2721 of Title 10 of the United States Code directs the Secretary of Defense to prescribe regulations, to, among other things, have the records of fixed property of the military departments maintained on a quantitative and monetary basis, to the extent practical.

<sup>4</sup>According to a DOD official, the utilization rate shows the percentage of a facility that is used (0 to 100) and is based on information such as occupancy, square footage being used, and various mission functions being performed within the facility. The status of a facility indicates whether it is needed to perform the installation's mission. For example, an active status indicates that the facility is needed for 6 months or more a year to perform a mission, and inactive status indicates that the facility is not currently needed to perform a mission.

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records to the overall DOD database called the Real Property Assets Database.<sup>5</sup>

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## What GAO Found

In September 2014 GAO reported that DOD's Real Property Assets Database contained utilization data for only 53 percent of DOD's facilities. Previously, GAO had found that DOD did not maintain complete and accurate data concerning the utilization of its facilities. The Office of the Secretary of Defense's (OSD) guidance requires that up-to-date utilization rates be maintained for all categories of its real property asset records. In September 2014, GAO found that the percentage of total real property assets with a reported utilization rate had increased from 46 percent to 53 percent since fiscal year 2010, reflecting some improvements DOD made to the accuracy of the data. However, DOD continues to collect incomplete and inaccurate utilization data and may be missing opportunities to realize cost savings from identifying excess space among almost a quarter of a million facilities that could potentially be consolidated or disposed of.

In addition to incomplete utilization data, GAO reported in September 2014 that DOD's Real Property Assets Database contained inaccurate utilization data that did not reflect the actual usage rate of the facilities, although DOD subsequently made some improvements in the data. In reviewing DOD's Real Property Assets Database, in September 2014 GAO found a number of buildings reporting a zero utilization rate (indicating the facility was not used) while in an active status (indicating that the facility was needed for its current mission), which may indicate inaccurate records or opportunities for facility consolidation or disposal.<sup>6</sup> For example, as of September 30, 2013, OSD reported 7,596 buildings across the four military services with inconsistent or inaccurate reported utilization, 6,391 of which were Army buildings. OSD and Army officials stated that the reason for this large amount of unused buildings in an active status may be that many of the Army's building utilization rates were erroneously changed to zero when the Army uploaded its real property records into the Army's current database for managing its real property.

Military service officials acknowledged at the time of GAO's September 2014 review that data errors exist in the databases and said that because

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<sup>5</sup>The military departments consist of the Department of the Army, Department of the Air Force, and the Department of the Navy, with the Navy including the military service of the Marine Corps.

<sup>6</sup>DOD facilities can be buildings, structures, or linear structures. Buildings are roofed and floored facilities enclosed by exterior walls and consisting of one or more levels that is suitable for single or multiple functions. Structures are facilities other than a building or linear structure constructed on or in the land (e.g., tower, storage tank, wharf, and pier). Linear structures are facilities whose function requires that they traverse land (e.g., runway, road, rail line, pipeline, fence, pavement, and electrical distribution line).

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the utilization data are often missing, out of date, or inaccurate, the installations rely on physical verifications of facilities' utilization to identify consolidation or disposal opportunities. However, physical verifications are performed as a result of requests for space or other common real property management processes, such as changes to mission or personnel at the installation, rather than being used to proactively identify excess space that can be disposed of or consolidated. Real property inventories are required to be conducted every 5 years under DOD Instruction 4165.14 *Real Property Inventory (RPI) and Forecasting* (Jan. 17, 2014). In September 2014 GAO found that the services' real property inventory databases did not always have accurate information on when real property inventories were completed—for example, some showed invalid inspection dates, such as prior to 1775 or after 2015. During the course of GAO's September 2014 review, GAO told Army officials' about these inaccurate dates, and they responded that they would explore why the dates were incorrect and correct them.

In September 2011, GAO recommended, and reiterated in September 2014, that DOD develop and implement a methodology for calculating and recording utilization data for all types of facilities, and modify processes to update and verify the accuracy of reported utilization data to reflect a facility's true status. DOD partially concurred with the recommendation, stating that it had already begun some efforts to improve utilization data. DOD also recognized the need for further improvements in the collection and reporting of utilization data across the department. However, we noted in response that DOD did not specify what actions it had completed to date or the time frames for completing efforts to improve the collection and reporting of utilization data. Without complete and accurate utilization data, use of the military departments' databases to identify consolidation or disposal opportunities could result in missed opportunities for potential cost avoidance or cost savings.

In addition, in September 2014, GAO found that OSD does not have a strategic plan, with goals and metrics, to manage DOD's real property efficiently and facilitate identifying opportunities for consolidating unutilized or underutilized facilities. According to a DOD directive, it is DOD policy that DOD real property be managed to promote the most efficient and economic use of DOD real property assets, and in the most economical manner consistent with defense requirements. In addition, GAO's prior work has shown that organizations need sound strategic management planning in order to identify and achieve long-range goals and objectives. GAO's prior work also identified critical elements that should be incorporated into strategic plans to establish a comprehensive, results-oriented management framework, such as long-term goals, strategies to achieve the goals, and metrics or performance measures to

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gauge progress.<sup>7</sup> However, OSD officials stated at the time of GAO's September 2014 review that there was no OSD strategic plan to manage DOD's real property nor had OSD established department-wide goals, strategies to achieve the goals, or metrics to gauge progress for how it intended to manage its real property in the most efficient manner, noting that DOD had been focused on other priorities. GAO concluded that, among other things, such real property management goals could focus on correcting inaccurate and incomplete facility utilization data to provide better visibility on the status of facilities and to identify opportunities for consolidating unutilized or underutilized facilities and reducing operations and maintenance costs. Without a strategic plan, it will be difficult for OSD to effectively manage its facilities and utilize them efficiently.

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## Actions Needed and Potential Financial or Other Benefits

To better identify consolidation or disposal opportunities and manage utilization of its facilities, in September 2011, GAO recommended that DOD take the following action:

- Modify processes to update and verify the accuracy of reported utilization data to reflect a facility's true status.

GAO reiterated this recommendation in its September 2014 report and stated that the action would help provide reasonable assurance that the utilization data are complete and accurate and better position the department to use the databases to identify consolidation or disposal opportunities.

In addition, to better enable DOD to manage its real property inventory effectively and efficiently, GAO recommended in September 2014 that DOD take the following action:

- Establish a strategic plan as part of a results-oriented management framework that includes, among other things, long-term goals, strategies to achieve the goals, and use of metrics to gauge progress to manage DOD's real property and to facilitate DOD's ability to identify all unutilized and underutilized facilities for potential consolidation or disposal opportunities.

Without a way to better collect complete and accurate utilization data and without a strategic plan to help manage DOD's efforts in improving its utilization data, DOD may be limited in their ability to achieve the full potential of cost savings. Moreover, GAO was not able to ascertain

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<sup>7</sup>See, for example, GAO, *Depot Maintenance: Improved Strategic Planning Needed to Ensure That Army and Marine Corps Depots Can Meet Future Maintenance Requirements*, [GAO-09-865](#) (Washington, D.C.: Sept. 17, 2009); *Depot Maintenance: Improved Strategic Planning Needed to Ensure That Air Force Depots Can Meet Future Maintenance Requirements*, [GAO-10-526](#) (Washington, D.C.: May 14, 2010); and *Depot Maintenance: Improved Strategic Planning Needed to Ensure That Navy Depots Can Meet Future Maintenance Requirements*, [GAO-10-585](#) (Washington, D.C.: June 11, 2010).

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financial benefits of taking this action because DOD lacks reliable data to identify facilities that are unutilized and underutilized. DOD also does not have reliable data on how much it costs to operate and maintain individual facilities. Therefore, even if data were available to identify which facilities were actually unutilized or underutilized, GAO would not be able to provide a reliable cost savings estimate of how much DOD would save from not operating or maintaining these facilities. For these reasons, GAO cannot quantify the potential financial benefits associated with the recommended actions. Nevertheless, the cost of operating and maintaining unutilized and underutilized buildings could potentially be reduced with improvements to the completeness and accuracy of utilization data, which may assist DOD in identifying consolidation or disposal opportunities. Thus, without fully implementing the September 2011 recommendation, DOD may not have reasonable assurance that the utilization data are complete and accurate, which could limit the military services from identifying consolidation opportunities and realizing potential cost avoidance from no longer operating and maintaining more facility space than needed. Further, without a strategic plan, OSD and the military services will be challenged in managing their real property in an efficient and economical manner, and in identifying opportunities for consolidation and disposal.

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## Agency Comments and GAO's Evaluation

In commenting on GAO's September 2011 report on which this analysis is based, DOD partially concurred with the recommendation. DOD recognized the need for further improvements in the collection and reporting of utilization data across the department and stated that it had begun some efforts to improve utilization data, as discussed above. However, DOD did not specify what actions it had completed to date or the time frames for completing efforts to improve the collection and reporting of utilization data. In commenting on GAO's September 2014 report, DOD concurred with the recommendation to establish a strategic plan. Further, in November 2014, DOD responded to a requirement in Section 2814 of the National Defense Authorization Act for Fiscal Year 2014 to submit a report to include, among other things, DOD's strategy, progress, and obstacles for maximizing efficient utilization of existing facilities and current efforts to systematically collect, process, and analyze data on efficient utilization. DOD submitted a report that identified military service plans for efficient utilization but does not provide information on a strategic plan to identify all underutilized and unutilized facilities, as GAO recommended. According to a DOD official, as of February 2015, DOD has developed a strategic plan for identifying underutilized and unutilized assets and is currently coordinating with the military services to establish an implementation approach.

GAO provided a draft of this report section to the Department of Defense for review and comment. The department did not provide comments on this report section.



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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the reports listed in the related GAO products section and additional work GAO conducted. To determine the extent to which DOD has improved the accuracy and completeness of facility utilization data in the Real Property Assets Database and the military services have improved the data contained in their respective real property inventory databases to identify potential consolidation or disposal opportunities, GAO analyzed selected data fields containing the military services' real property records from OSD's Real Property Assets Database. In September 2014, GAO selected the same data fields it had used as part of its methodology and analysis for its September 2011 report and determined a revised number of unutilized facilities. In addition, GAO reviewed prior GAO reports that discuss the accuracy and reliability of DOD's real property assets database and the military department real property databases that supply inventory records to the real property assets database.

Table 9 in appendix V lists the programs GAO identified that might have opportunities for cost savings.

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## Related GAO Products

*Defense Infrastructure: DOD Needs to Improve Its Efforts to Identify Unutilized and Underutilized Facilities.* [GAO-14-538](#). Washington, D.C.: September 8, 2014.

*Excess Facilities: DOD Needs More Complete Information and a Strategy to Guide Its Future Disposal Efforts.* [GAO-11-814](#). Washington, D.C.: September 19, 2011.

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# 14. DOD Headquarters Reductions and Workforce Requirements

The Department of Defense could potentially achieve hundreds of millions of dollars in cost savings and help to ensure that headquarters organizations are properly sized to meet their assigned missions by re-evaluating its ongoing headquarters-reductions efforts and conducting periodic reassessments of workforce requirements.

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## Why This Area Is Important

The Department of Defense (DOD) has many organizations with multiple layers of headquarters management, and at times these organizations possess complex and overlapping relationships. At the departmental level, such layers include, but are not limited to, the Office of the Secretary of Defense (OSD), the Joint Staff, and the military service secretariats and staffs, which are the highest level organizations in DOD responsible for managing and overseeing the major elements of the department. Beyond these organizations, DOD has other commands, such as the functional combatant commands, which assist in carrying out DOD's worldwide responsibilities and providing unique capabilities, such as conducting global operations to deter and detect strategic attacks against the United States and its allies, in support of DOD's six geographic combatant commands and four military services.

The total authorized positions and costs to support the headquarters operations for OSD, the Joint Staff, the military service secretariats and staffs, and the functional combatant commands was almost 27,000 authorized military and civilian positions and \$4.7 billion in fiscal year 2013.<sup>1</sup> Total personnel and costs to support headquarters operations have grown at many organizations; for example, authorized positions at the functional combatant commands increased from about 5,700 personnel in fiscal year 2004 to more than 10,500 personnel in fiscal year 2013, and costs to support headquarters operations increased from about \$215 million in fiscal year 2001 to about \$1.2 billion in fiscal year 2013.<sup>2</sup>

Like the rest of the federal government, DOD is operating in a constrained budget environment and is facing difficult decisions about how to allocate

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<sup>1</sup>For purposes of this report section, authorized positions refer to military and civilian positions that have been approved by DOD components for funding for a specific fiscal year. Costs to support headquarters operations primarily reflect the costs for civilian personnel and contract services. These costs do not include the costs associated with military personnel basic pay and allowances and other military personnel costs. It excludes obligations of funding provided for DOD's overseas contingency operations. All costs in this report section are in nominal dollars.

<sup>2</sup>GAO limited its analysis of authorized military and civilian positions to fiscal years 2004 through 2013 because U.S. Special Operations Command could not provide data on its authorized military and civilian positions for fiscal years 2001 through 2003.

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its resources to meet its global mission requirements.<sup>3</sup> Acknowledging the significant growth in headquarters, the department has sought to reduce its headquarters staff across the department. In July 2013, the Secretary of Defense directed a 20 percent cut in management headquarters spending throughout the department.<sup>4</sup> The reduction included spending within headquarters organizations such as OSD, the Joint Staff, the military services' secretariats and military staffs, and the combatant commands.<sup>5</sup> These cuts, according to the Secretary's guidance, were designed to streamline DOD's management of its headquarters through efficiencies and elimination of spending on lower-priority activities. In 2014, DOD reported that reductions to management headquarters staffs across the department would result in a savings of \$5.3 billion over 5 years (through fiscal year 2019). However, the specific details about how DOD will achieve these reductions were not clear as of January 2015.

GAO has identified several actions related to DOD's management of its headquarters resources. In its February 2012 annual report on duplication, overlap, and fragmentation, GAO reported that DOD should review and identify further opportunities for consolidating or reducing the size of headquarters organizations. In March 2012, GAO recommended that DOD revise DOD Instruction 5100.73, *Major DOD Headquarters Activities*, to include all major DOD headquarters activity organizations. DOD has begun the process of updating this Instruction, but had not revised it as of January 2015. GAO also reported that DOD should continue to examine opportunities to consolidate or eliminate defense headquarters organizations that are geographically close or have similar missions. Moreover, in its April 2014 annual report on duplication, overlap, and fragmentation, GAO reported that DOD should conduct comprehensive, periodic evaluations of whether the combatant commands are sized and structured to efficiently meet assigned missions; DOD has not addressed this suggested action. DOD's progress to address these actions can be found in *GAO's Action Tracker*.

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## What GAO Found

In June 2014, GAO found that DOD's headquarters reduction plans were based on unreliable information and also could be excluding much of the total resources devoted to headquarters because the department focused its efforts on the portion of the headquarters designated as management headquarters. DOD defines management headquarters, or major DOD

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<sup>3</sup>Among other constraints, the Budget Control Act of 2011 established requirements for automatic budget sequestration, setting caps on the levels of DOD spending from fiscal years 2013 to 2021. See Pub. L. No. 112-25 (2011).

<sup>4</sup>Some DOD officials use the terms management headquarters and major DOD headquarters activities interchangeably. For purposes of this report section, GAO also uses the terms interchangeably.

<sup>5</sup>Deputy Secretary of Defense Memorandum, *20% Headquarters Reductions* (July 31, 2013).

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headquarters activities, as headquarters whose primary mission is to manage or command the programs and operations of DOD and its components and their major military units, organizations, or agencies.<sup>6</sup> DOD officials told GAO that the Secretary of Defense provided general guidance about what should be considered management headquarters for the commands to use when identifying their total headquarters budgets, directing that organizations should identify reductions amounting to 20 percent of management headquarters budgets.<sup>7</sup> The guidance focused on budgets but also stated that organizations should strive to reduce personnel by a like amount. However, because the department did not have complete and reliable information on the resources being devoted to management headquarters, DOD relied on self-reported and potentially inconsistent data from each individual component when implementing planned headquarters reductions.

GAO found that DOD considers less than a quarter of the positions at the functional combatant commands—2,500 of 10,500 total authorized positions—to be management headquarters even though many positions appear to be performing management headquarters functions such as planning, budgeting, and developing policies. As such, more than three quarters of the headquarters positions at the functional combatant commands are potentially excluded from DOD's directed reductions. DOD officials reported that many of these positions were excluded from management headquarters totals because they were performing tasks and functions that were more operationally focused. However, GAO found that the commands excluded resource management personnel that manage component command funding and personnel that manage and support the development, acquisition, and fielding of critical items for select forces, even though these personnel perform headquarters-specific functions.

GAO found differences, as well, in what proportion of personnel were considered management headquarters among DOD organizations. Compared to the functional combatant commands, the service component commands had a larger percentage of authorized positions included in their management headquarters totals—about 80 percent of their total headquarters authorized positions—even though their primary mission is to support the functional combatant command, and many have an operationally focused mission. DOD acknowledged that its management headquarters data were not complete and reliable, but noted that it does not have a reliable alternate source for capturing this information.

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<sup>6</sup>Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007) (incorporating change 2, June 12, 2012).

<sup>7</sup>The 20 percent reduction applied to the total headquarters budgets to include government civilian personnel who work at headquarters and associated costs including contract services, facilities, information technology, and others that support headquarters functions.

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GAO concluded that the department may not achieve meaningful savings unless it re-evaluates its decision to base its headquarters reduction plans on unreliable management headquarters information. Given that unreliable information on management headquarters formed the foundation of DOD's reduction efforts, the department did not have a reliable starting point for its headquarters reductions in the functional combatant commands and also across the department. GAO based its conclusion, in part, on the long-standing issues with accounting for such headquarters resources that date back to at least 1997. When evaluating organizational consolidation, the key to any consolidation initiative is the identification of and agreement on specific goals, with the goals of the consolidation being evaluated against a realistic assessment of how the consolidation can achieve them. GAO further noted that any consolidation initiatives must be grounded in accurate and reliable data. As a result, unless DOD reevaluates its decision to focus reductions to management headquarters and establishes a clearly defined and consistently applied starting point on which to base reductions, the department will be unable to track and reliably report its headquarters reductions and ultimately may not realize significant savings.

In a second report, published in January 2015, GAO found that other top-level DOD headquarters organizations it reviewed—OSD, the Joint Staff, and the secretariats and staffs for the Army, Navy, and Air Force, and Headquarters, Marine Corps—do not determine their workforce requirements as part of a systematic requirements-determination process, nor do they have procedures in place to ensure that they periodically reassess these requirements as outlined in DOD and other guidance. GAO noted that current personnel levels for these headquarters organizations are traceable to statutory limits enacted in the 1980s and 1990s to force efficiencies and reduce duplication. Although Congress set these statutory limits, GAO reported that the President has declared a national emergency each year since fiscal year 2002, which had the effect of waiving the limits for the military departments. If the limits had been in force in fiscal year 2013, the Army and Navy would have exceeded them by 17 percent and 74 percent, respectively. Moreover, the limits have little practical utility because of statutory exceptions for certain categories of personnel and because the limits exclude personnel in supporting organizations that perform headquarters-related functions. For example, the organizations that support the Army Secretariat and Army Staff are almost three times as large as the Secretariat and Staff, but personnel who perform headquarters-related functions in these organizations are excluded from the limits.

Many of the DOD organizations GAO reviewed have recognized problems with requirements determination and are beginning to take steps to modify their related requirement-determination processes. For example, GAO reported that OSD, the Navy, and the Marine Corps are taking steps to modify their processes, but their efforts are not complete. Without a systematic determination of workforce requirements and periodic reassessment of them, DOD will not be well positioned to proactively identify efficiencies and limit personnel growth within these

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headquarters organizations. Moreover, until DOD determines workforce requirements, Congress will not have critical information needed to re-examine statutory limits enacted decades ago.

Based in part on GAO's body of work on DOD headquarters, Congress required DOD to report on how it intended to address management challenges across a range of headquarters organizations not limited to those organizations GAO reviewed. Specifically, Congress directed DOD to develop a plan for implementing a periodic review and analysis of DOD's personnel requirements for management headquarters in section 905 of the Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015 and report on this plan no later than 120 days after enactment.<sup>8</sup> The review is to include a description of current headquarters size, structure and critical capabilities; an assessment of current systems to track how headquarters personnel are managed; and a proposed timeline on how they would go about adopting a periodic reassessment. The review not only applies to the organizations that GAO reviewed, but also the Defense Agencies, such as the Defense Finance and Accounting Service and the Defense Intelligence Agency; the combatant commands; DOD field activities such as the Defense Human Resource Activity and the DOD Education Activity; and the National Guard Bureau. Providing the information required by Congress could increase visibility into the size and structure of DOD headquarters organizations, but it may not capture all headquarters personnel because of the fundamental challenges with how DOD defines management headquarters. GAO previously reported that focusing reductions on management headquarters budgets and personnel, which tend to be inconsistently defined and often represent a small portion of the overall headquarters, shields much of the resources identified for potential reduction. GAO reported that focusing reductions on management headquarters did not provide a good designation of total headquarters resources and made recommendations to improve DOD's management headquarters reduction efforts. At a time of growing economic and fiscal constraints and changing national security challenges, it is critical for DOD to take a comprehensive approach in its headquarters reductions to ensure meaningful savings are achieved.

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## Actions Needed and Potential Financial or Other Benefits

To improve the management of DOD's headquarters-reduction efforts and to allow the department to respond to congressional reporting requirements, GAO recommended in June 2014 that the Secretary of Defense take the following three actions:

- Re-evaluate the decision to focus reductions on management headquarters.

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<sup>8</sup>See Pub. L. No. 113-291, § 905 (2014).

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- Set a clearly defined and consistently applied starting point as a baseline for the reductions.
  - Track reductions against the baselines in order to provide reliable accounting of savings and reporting to Congress.

To ensure that OSD, the Joint Staff, and the military secretariats and staff are properly sized to meet their assigned missions and use the most cost-effective mix of personnel, and to better position DOD to identify opportunities for more efficient use of resources, GAO recommended in January 2015 that the Secretary of Defense take the following two actions:

- Conduct a systematic determination of workforce requirements for these organizations, which should include an analysis of mission, functions, and tasks, and the minimum personnel needed to accomplish those missions, functions, and tasks.
- Establish and implement procedures to conduct periodic reassessments of workforce requirements.

Estimating definitive cost savings in this area is challenging because net savings will depend on how DOD defines and implements headquarters reductions. GAO previously noted that the total costs devoted to support headquarters operations at the commands it reviewed—OSD, the Joint Staff, the military service secretariats and staffs, and the functional combatant commands—was \$4.7 billion in fiscal year 2013. If the department broadened its headquarters-reduction efforts to total headquarters budgets at these commands GAO reviewed, DOD could potentially save \$47 million less any implementation costs for every 1 percent it reduces those headquarters. Importantly, these organizations represent a small fraction of the total headquarters resources of the department, so department-wide savings could be much larger if DOD altered its approach. Therefore, if the department were to implement significantly larger reductions to total headquarters budgets, once the reductions were in place and after implementation costs, DOD could potentially have net savings in the hundreds of millions of dollars a year.

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## Agency Comments and GAO's Evaluation

In commenting on GAO's June 2014 report on which this analysis is based, DOD partially concurred with the recommendation that the Secretary of Defense re-evaluate the decision to focus reductions on management headquarters to ensure the department's efforts ultimately result in meaningful savings. DOD stated that this department-wide recommendation would garner greater savings, but raised concerns that the recommendation seemed to be outside the scope of the review, which focused on the functional combatant commands. DOD also raised concerns with GAO's distinction between management headquarters and the functions that personnel in these positions perform. The department stated that while the Secretary of Defense's reductions were focused on management headquarters, the military services were allowed to reduce below-the-line organizations—those not designated as management

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headquarters—which includes elements of the combatant commands. While GAO’s review was focused on the functional combatant commands, the issue it identified is not limited to these commands and illustrates a fundamental challenge facing the department in its efforts to reduce headquarters overhead. Moreover, the intent of the recommendation was to focus on positions not included in the commands’ assessment of management headquarters positions. Given the long-standing issues with accounting for management headquarters, GAO maintains that the recommendation for the Secretary to re-evaluate the decision to focus the department’s reduction efforts on management headquarters is appropriate.

In commenting on GAO’s January 2015 report, DOD partially concurred with the recommendation that the Secretary of Defense direct that OSD, the Joint Staff, and the military service secretariats and staff conduct a systematic determination of their workforce requirements. DOD stated that the January 2015 report lacks perspective when characterizing the department’s headquarters staff, stating that it is appropriate for the department to have a complex and multilayered headquarters structure given the scope of its missions. However, the department has repeatedly recognized the need to streamline its headquarters structure. For example, in 2010, the Secretary of Defense expressed concerns about the dramatic growth in DOD’s headquarters and support organizations that had occurred since 2001, and initiated a series of efficiency initiatives aimed at stemming this growth. DOD further stated that it will continue to use the processes and prioritization that is part of the Planning, Programming, Budgeting, and Execution process to determine workforce requirements, and will also investigate other methods for aligning personnel to missions and priorities. DOD stated that it is currently conducting Business Process and System Reviews of the OSD Principal Staff Assistants, defense agencies, and DOD field activities to aid in documenting mission responsibilities to resource requirements, but the department did not provide any details specifying whether any of these actions would include a workforce analysis to systematically determine workforce requirements rather than continuing to rely on historic personnel levels and existing statutory limits as the basis for those requirements. Moreover, according to DOD’s implementation guidance for the Business Process and Systems Review, which GAO references in its report, this review is focused on business processes and supporting information technology systems within certain defense headquarters organizations, rather than a systematic determination of workforce requirements for those organizations. Given the importance of being well positioned to identify opportunities for efficiencies and to reduce the potential for headquarters-related growth, GAO maintains that the recommendation for the Secretary to direct OSD, the Joint Staff, and the military service secretariats and staff to conduct a systematic determination of their workforce requirements is appropriate.

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



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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the reports listed in the related GAO products section. For its June 2014 report, GAO analyzed data on functional combatant command resources, to include authorized positions and costs to support headquarters operations. GAO reviewed guidance and documentation on DOD's planned headquarters reductions and examined whether this information addressed some key questions GAO previously had developed for an agency to consider when evaluating proposals to consolidate management functions. GAO also interviewed officials at the functional combatant commands and their respective service component commands to discuss specific headquarters positions and organizations that could be affected by DOD's planned reductions. For its January 2015 report, GAO analyzed data on authorized positions and costs to support headquarters operations for OSD, the Joint Staff, and the military service secretariats. GAO also reviewed guidance and documentation on steps to implement DOD's 20 percent reductions to headquarters budgets starting in fiscal year 2015, the first budget for which DOD was able to include the reductions.

Table 10 in appendix V lists the programs GAO identified that might have opportunities for cost savings.

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## Related GAO Products

*Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of Secretary of Defense, Joint Staff, and Military Service Secretariats.* [GAO-15-10](#). Washington, D.C.: January 21, 2015.

*Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands.* [GAO-14-439](#). Washington, D.C.: June 26, 2014.

*2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits.* [GAO-12-342SP](#). Washington, D.C.: April 8, 2014.

*Defense Headquarters: DOD Needs to Periodically Review and Improve Visibility of Combatant Commands' Resources.* [GAO-13-293](#). Washington, D.C.: May 15, 2013.

*Defense Efficiencies: Action Needed to Improve Evaluation of Initiatives.* [GAO-14-134](#). Washington, D.C.: January 17, 2013.

*Defense Management: Actions Needed to Ensure National Guard and Reserve Headquarters Are Sized to Be Efficient.* [GAO-14-71](#). Washington, D.C.: November 12, 2013.

*Defense Management: Opportunities Exist to Improve Information Used in Monitoring Status of Efficiency Initiatives.* [GAO-13-105R](#). Washington, D.C.: December 4, 2012.

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*Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings.* [GAO-12-345](#). Washington D.C.: March 21, 2012.

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

*Defense Headquarters: Total Personnel and Costs Are Significantly Higher Than Reported to Congress.* [GAO/NSIAD-98-25](#). Washington, D.C.: October 30, 1997.

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## Contact Information

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# 15. Strategic Petroleum Reserve

The Department of Energy could potentially realize savings by reexamining the appropriate size of the Strategic Petroleum Reserve—which was valued at about \$45 billion as of December 2014—and depending on the outcome of the analysis, selling crude oil from the reserve and using the proceeds to fund other national priorities.

## Why This Area Is Important

Almost 4 decades ago, in response to the Arab oil embargo and recession it triggered, Congress passed legislation establishing the Strategic Petroleum Reserve (SPR) to release oil to the market during supply disruptions and protect the U.S. economy from damage. The SPR is owned by the federal government and operated by the Department of Energy (DOE) and is the world's largest government-held emergency stockpile of crude oil. According to DOE, the SPR held almost 691 million barrels of crude oil valued at about \$45 billion as of December 2014.<sup>1</sup> In total, over the period from fiscal years 2000 through 2013, the federal government spent about \$500 million to purchase crude oil for the SPR. In addition, operating and maintenance costs for the SPR amounted to about \$2.5 billion over this period. According to DOE officials, SPR infrastructure is aging, may need to be relocated, and will need to be replaced soon.

Decreasing reliance on imported crude oil has potential implications for the SPR. After decades of generally falling U.S. crude oil production, technological advances have contributed to increasing U.S. production. Monthly crude oil production has increased by almost 68 percent from 2008 through April 2014, and increases in production in 2012 and 2013 were the largest annual increases since the beginning of U.S. commercial crude oil production in 1859, according to the Energy Information Administration (EIA).<sup>2</sup> Meanwhile, net crude oil imports—imports minus exports—have declined from a peak of about 60 percent of consumption in 2005 to 30 percent in the first 5 months of 2014. According to some forecasts, net imports are expected to remain well below 2005 levels into the future.

## What GAO Found

In September 2014, GAO found that DOE had taken steps to assess aspects of the SPR but had not recently reexamined its size. The SPR is a significant national asset, and it is important for federal agencies tasked with overseeing such assets to examine how, if at all, changing conditions affect their programs. In the past, GAO has found that federal programs

<sup>1</sup>DOE calculated the market value of the SPR as of December 2014 using crude oil prices for three marker crudes: (1) West Texas Intermediate; (2) Brent; and (3) Louisiana Light Sweet.

<sup>2</sup>EIA is a statistical agency within the Department of Energy that collects, analyzes, and disseminates independent information on energy issues.

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should be reexamined if there have been significant changes in the country or the world that relate to the reason for initiating the program.<sup>3</sup> In that report, GAO further found that many federal programs and policies were designed decades ago to respond to trends and challenges that existed at the time of their creation, and that agencies should reexamine their programs if conditions change. In September 2014, GAO found that DOE had taken some steps to reexamine some aspects of the SPR. For example, in March 2014, DOE conducted a test sale of SPR crude oil to evaluate the SPR's ability to draw down and distribute SPR crude oil through one of its distribution systems. As a member of the International Energy Agency (IEA), the United States is required to maintain public and private reserves of at least 90 days of net imports and to release these reserves and reduce demand during oil supply disruptions.<sup>4</sup> DOE officials said that the last time they conducted a comprehensive reexamination of the SPR was in 2005 because the SPR only recently met the IEA requirement to maintain 90 days of imports. However, without such a reexamination, DOE cannot be assured that the SPR is holding an appropriate amount of crude oil. As shown in the figure, IEA data show that U.S. reserves as of September 2014 are in excess of this international obligation; specifically, the SPR held reserves of 106 days, and private industry held reserves of 141 days for a combined total of 247 days. The figure presents one scenario where U.S. reserves are expected to continue to be in excess in the future.<sup>5</sup>

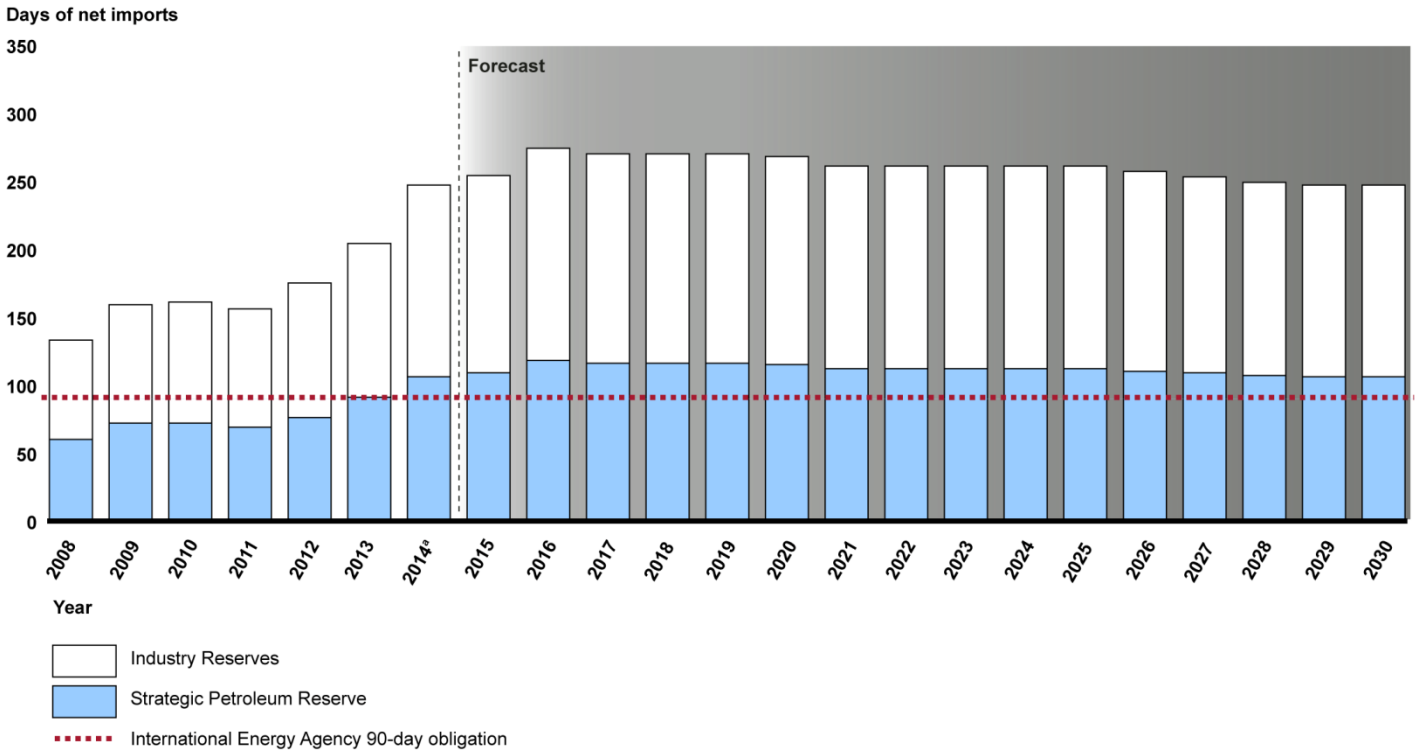
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<sup>3</sup>GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: Feb. 1, 2005).

<sup>4</sup>The IEA was established in 1974 to help coordinate the responses of oil-consuming industrialized countries to oil supply disruptions and other energy-related problems. Based in Paris, the IEA is an autonomous organization within the framework of the Organization for Economic Cooperation and Development and is currently made up of 29 member countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Republic of Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

<sup>5</sup>The figure presents a forecast where U.S. reserves are expected to be in excess under the EIA's reference case, a business-as-usual estimate that assumes current laws and policies remain unchanged.

## United States' Historic and Estimated Compliance with International Energy Agency Obligation to Hold Reserves



Sources: GAO analysis of International Energy Agency data and Energy Information Administration forecasts. | GAO-15-404-SP

Note: Data for 2015 and later are based on September 2014 reserve levels reported by the International Energy Agency and forecast changes in net imports from the Energy Information Administration's (EIA) reference case forecast, a business-as-usual estimate that assumes current laws and policies remain unchanged. EIA's forecast includes several cases, highlighting uncertainty about future conditions which are not depicted in this figure.

<sup>a</sup>As of September 2014.

## Actions Needed and Potential Financial or Other Benefits

In view of recent changes in market conditions and in tandem with DOE's ongoing activities to assess other aspects of the SPR, GAO recommended in September 2014 that the Secretary of Energy

- undertake a comprehensive reexamination of the appropriate size of the SPR in light of current and expected future market conditions.

If DOE were to assess the appropriate size of the SPR and find that it held excess crude oil, the excess crude oil could be sold to fund other national priorities. For example, if DOE found that 90 days of imports was an appropriate size for the SPR, it could sell crude oil worth \$6.7 billion

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and use the proceeds to fund other national priorities.<sup>6</sup> In addition, GAO estimates that DOE may be able to reduce its operating costs by about \$25 million per year, based on GAO's calculation of the amount of oil in excess of 90 days of net imports as of September 2014 and DOE's assessment of its annual operating cost for the SPR at \$.25 per barrel. In addition, in light of recent crude oil price volatility, if DOE were to find that the SPR held excess oil, it may benefit from assessing how best to execute a sale, taking into consideration factors such as effects on crude oil prices and potential revenue raised. Conducting a reexamination of the size of the SPR could also help inform DOE's decisions about how or whether to replace existing infrastructure.

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## Agency Comments and GAO's Evaluation

In commenting on the September 2014 report on which this analysis is based, DOE concurred with GAO's recommendation and stated that a broad, long-range review of the SPR is needed.

GAO provided a draft of this report section to DOE for review and comment. On February 13, 2015, DOE's Office of Fossil Energy provided written comments and stated that DOE has initiated the process for conducting a comprehensive reexamination of the appropriate size of the SPR. Specifically, DOE is reviewing the scope of a proposed strategic review to determine future actions and establish specific timeframes for completing the study. Among other things, this review is anticipated to take into consideration what the role of the SPR should be relative to U.S. energy and economic security goals and objectives and International Energy Program requirements; what the optimal configuration of the SPR should be; and whether existing legal authorities are adequate to ensure the SPR can meet both current and future U.S. energy and economic security goals and objectives.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the report listed in the related GAO products section. For that report, GAO reviewed literature and agency documents, interviewed DOE officials, and summarized the views of a nonprobability sample of stakeholders including academic, industry, and other experts.

Table 11 in appendix V lists the programs GAO identified that might have opportunities for cost savings.

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<sup>6</sup>This estimate is GAO's calculation of the amount of oil in excess of 90 days of net imports as of September 2014 and the average crude oil price of three marker crudes: (1) West Texas Intermediate; (2) Brent; and (3) Louisiana Light Sweet as of December 2014. In 2011, the Congressional Budget Office analyzed a budget reduction option that would reduce the SPR's holdings by about 10 percent during the 2012-2016 period and then maintain a reserve of 650 million barrels. They estimated that this would have generated roughly \$6 billion over 5 years. See Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, Pub. No. 4212 (Washington, D.C.: March 2011).

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## Related GAO Products

*Changing Crude Oil Markets: Allowing Exports Could Reduce Consumer Fuel Prices, and the Size of the Strategic Reserves Should Be Reexamined.* [GAO-14-807](#). Washington, D.C.: September 30, 2014.

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## Contact Information

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# 16. U.S. Enrichment Corporation Fund

Congress may wish to consider permanent rescission of the entire \$1.6 billion balance of the U.S. Enrichment Corporation Fund—a revolving fund in the U.S. Treasury—because its purposes have been fulfilled.

## Why This Area Is Important

The U.S. Enrichment Corporation (USEC) was established under the Energy Policy Act of 1992 as a government corporation to provide uranium enrichment services for the U.S. government and utilities that operate nuclear power plants, a service that was previously provided by the Department of Energy and its predecessor agencies. The Energy Policy Act of 1992 also established a revolving fund in the U.S. Treasury, the USEC Fund, for carrying out USEC's purposes. In 1996, the USEC Privatization Act authorized USEC's sale to the private sector. USEC was then privatized on July 28, 1998, and became a subsidiary of the new private company USEC, Inc.<sup>1</sup> The USEC Privatization Act also provided that "expenses of privatization" were to be paid from certain accounts, including the USEC Fund. One week before privatization, Public Law 105-204 was enacted,<sup>2</sup> which reserved approximately \$373 million from certain accounts, including the USEC Fund, for disposition of depleted uranium stored at government-owned enrichment plants operated by USEC.<sup>3</sup> After privatization, the USEC Fund's remaining balance of \$1.2 billion was retained on the accounting books of the Treasury, and the balance of the USEC Fund is expected to be over \$1.6 billion in 2015.

## What GAO Found

The purposes for which the USEC Fund was authorized after privatization have been fulfilled, and GAO has not identified any other purposes for which the USEC Fund is currently available. GAO therefore has determined that the entire \$1.6 billion balance of the USEC Fund is likely available for permanent rescission.<sup>4</sup> As part of a 2001 legal opinion, GAO determined that the USEC Fund was available for two purposes: (1) environmental clean-up expenses associated with the disposition of

<sup>1</sup>USEC Privatization Act, Pub. L. No. 104-134, tit. III, ch. 1, subch. A, 110 Stat. 1321-35 (1996), codified as amended at 42 U.S.C. §§ 2297h-2297h-13 (2012).

<sup>2</sup>Pub. L. No. 105-204, 112 Stat. 681 (1998), amended by Pub. L. No. 107-206, § 502, 116 Stat. 820, 851-52 (2002).

<sup>3</sup>Depleted uranium is a byproduct of the enrichment process that is generally considered to be low-level radioactive waste.

<sup>4</sup>Rescission of amounts from special fund receipts are usually temporary reductions. If the reduced amount is permanently appropriated, it becomes available in the following year. An exception is when the legislation makes clear that the amounts are permanently canceled or rescinded, in which case the amounts are returned to the General Fund of the U.S. Treasury. Office of Management and Budget, Circular No. A-11, Preparation, Submission, and Execution of the Budget § 20 19-20 (2014).



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depleted uranium pursuant to Public Law 105-204<sup>5</sup> (“the Act”) and (2) expenses of USEC privatization pursuant to the USEC Privatization Act.<sup>6</sup>

Regarding the first authorized purpose, environmental clean-up expenses pursuant to the Act, the construction of intended facilities associated with the disposition of depleted uranium has been completed. The Act reserved, but did not appropriate, a portion of the USEC Fund to finance the construction and operation of facilities to treat and recycle (convert) depleted uranium hexafluoride (DUF6) at gaseous diffusion plants in Portsmouth, Ohio, and Paducah, Kentucky, that USEC leased from the Department of Energy (DOE) and was operating at the time of the legislation.<sup>7</sup> At the time of the Act, USEC indicated in its financial statements that the amount available pursuant to the Act was approximately \$373 million. However, in DOE’s June 2004 written response to public comments on the Environmental Impact Statement for its proposed DUF6 conversion facility at the Paducah Gaseous Diffusion Plant, DOE stated that it had requested that funds be appropriated from the general fund instead of from the USEC Fund for the design and construction of the project.<sup>8</sup> Both DUF6 conversion facilities at the Portsmouth and Paducah gaseous diffusion plants have since been fully constructed and are operating.

Regarding the second authorized purpose, to pay for expenses of USEC privatization, privatization was completed in 1998. GAO determined in 2001 that “expenses of privatization” were defined as expenses related to the July 28, 1998, transfer of ownership of USEC to private investors. This definition specifies a discrete event, and not a continuing status, and therefore would not include costs incurred years after the privatization date. Further, from fiscal years 2002 through 2004, the President’s budget stated that the only authorized use of the USEC Fund was to pay any remaining expenses associated with the transfer of ownership of the government-owned USEC to private investors and that these expenses were estimated to be less than \$1 million. In addition, the President’s budget for fiscal years 2009 through 2015 did not include a narrative stating that the USEC Fund could only be used to pay any remaining expenses associated with transfer of ownership of USEC (as it had in fiscal years 2002 through 2004). Instead, the President’s budget for fiscal

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<sup>5</sup>Pub. L. No. 105-204, 112 Stat. 681 (1998), amended by Pub. L. No. 107-206, § 502, 116 Stat. 820, 851-52 (2002).

<sup>6</sup>USEC Privatization Act, 42 U.S.C. §§ 2297h-2297h-13 (2012).

<sup>7</sup>DUF6 is a product of the enrichment process and is generally considered a low-level radioactive waste. DUF6 must be chemically converted into a more stable and safe uranium compound before long-term storage.

<sup>8</sup>DOE stated that, because the Act did not appropriate the funds it set aside, there was no advantage to requesting funds from the USEC Fund rather than from the general fund. Furthermore, using funds from the USEC Fund would have required DOE to prepare a plan related to the disposition of depleted uranium. We did not identify any subsequent appropriations from the USEC Fund for the design and construction for the project.

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years 2009 through 2015 characterized the balance of the USEC Fund as “unavailable.” Finally, in 2014 USEC completed a corporate restructuring under Chapter 11 bankruptcy protection.<sup>9</sup> It emerged from that process under a new name, Centrus Energy Corp., and is not currently operating a commercial-scale enrichment facility.

In an April 2014 report to Congress—*Analysis of Available and Prospective Domestic Enrichment Technologies for National Security Needs*—DOE’s National Nuclear Security Administration stated that the USEC Fund was one of two sources of funding that it was exploring to finance research, development, and demonstration of national nuclear security-related enrichment technologies in light of USEC’s decision to cease its enrichment operations.<sup>10</sup> This is not one of the authorized purposes of the USEC Fund. Furthermore, GAO determined in 2001 that the USEC Fund was not available to cover the costs of a similar proposal by DOE in October 2000 to build an advanced centrifuge technology demonstration plant for gas centrifuge uranium enrichment because such costs did not constitute “expenses of privatization.”

GAO’s prior work has emphasized the importance of transparency in federal agencies’ budget presentations because such information helps Congress have a clear understanding of how new funding requests relate to funding decisions for existing projects with continuing resource needs.<sup>11</sup> DOE’s effort to utilize USEC Fund monies instead of general fund appropriations to support a research and development effort would diminish transparency in budgeting. The House of Representatives included language to permanently rescind the USEC Fund in H.R. 4923, Energy and Water Development and Related Agencies Appropriations Act, 2015, which passed the House on July 10, 2014. However, the rescission was not included in P.L. 113- 235, Consolidated and Further Continuing Appropriations Act, 2015. As of March 2015, legislation containing a similar rescission has not been introduced in the 114<sup>th</sup> Congress.

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<sup>9</sup>In recent years, USEC’s financial condition has deteriorated, due in part to decreased commercial demand for low-enriched uranium and high production costs associated with using energy-intensive enrichment technology, which is more than 60 years old. USEC filed for Chapter 11 bankruptcy protection in March 2014 in order to strengthen its balance sheet and restructure its debt.

<sup>10</sup>The Consolidated Appropriations Act, 2014, includes authority for the Secretary of Energy to transfer up to \$56,650,000 of funding from within the National Nuclear Security Administration to its Weapons Activities account to further the research, development, and demonstration of national nuclear security-related enrichment technologies.

<sup>11</sup>See, for example: GAO, *Army Corps of Engineers: Budget Formulation Process Emphasizes Agencywide Priorities, but Transparency of Budget Presentation Could Be Improved*, [GAO-10-453](#) (Washington, D.C.: Apr. 2, 2010); *Veterans’ Benefits: More Transparency Needed to Improve Oversight of VBA’s Compensation and Pension Staffing Levels*, [GAO-05-47](#) (Washington, D.C.: Nov. 15, 2004); and *Budget Issues: Budgeting for Federal Insurance Programs*, [GAO/T-AIMD-98-147](#) (Washington, D.C.: Apr. 23, 1998).

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## Actions Needed and Potential Financial or Other Benefits

Congress may wish to permanently rescind the entire \$1.6 billion balance of the U.S. Enrichment Corporation (USEC) Fund.

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## Agency Comments and GAO's Evaluation

GAO provided a technical statement of facts for DOE's review in May 2014. GAO received technical comments from DOE and incorporated them as appropriate.

GAO provided a draft of this report section to DOE for review and comment on January 30, 2015. DOE did not provide comments on our findings or recommendations, nor did they provide technical comments.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from our January 2001 legal opinion and findings in the related technical assistance provided to Congress in May 2014 in the form of a budget justification review. The objective of GAO's budget justification review is to provide pertinent and timely information that Congress can use during budget deliberations by raising questions about specific programs in the President's proposed budget. GAO reviewed DOE and U.S. budget documents and consulted prior GAO work on this topic. GAO conducted its work from April 2014 to May 2014 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to its objectives. The framework requires that GAO plan and perform the engagement to meet its stated objectives and to discuss any limitations in its work. GAO believes that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

Table 12 in appendix V lists the programs GAO identified that might have opportunities for cost savings or revenue enhancement.

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## Related GAO Products

*USEC Portsmouth Gaseous Diffusion Plant "Cold Standby" Plan.* [B-286661](#). Washington, D.C.: January 19, 2001.

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## Contact Information

For additional information about this area, contact David C. Trimble at (202) 512-3841 or [trimbled@gao.gov](mailto:trimbled@gao.gov).

# 17. Tax Policies and Enforcement, 2015

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.

## Why This Area Is Important

The Internal Revenue Service (IRS) has estimated that the gross tax gap—the difference between taxes owed and taxes paid on time—was \$450 billion for tax year 2006 (the most recent year for which data were available). IRS estimated that it would eventually recover about \$65 billion of this amount through late payments and enforcement actions, leaving a net tax gap of \$385 billion. Because the net tax gap is so large and the effectiveness of various new IRS enforcement initiatives largely remains to be determined, tax law enforcement is on GAO's High-Risk List.<sup>1</sup> The nation's long-term fiscal challenges heighten the importance of reducing the tax gap. Given that individual income tax misreporting accounts for the largest portion of the tax gap, even small changes in IRS's enforcement programs could result in hundreds of millions of dollars of increased revenue.

## What GAO Found

In a series of reports in 2014, GAO identified areas where IRS could improve its enforcement programs and collect additional tax revenue.

### IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden

Auditing tax returns is a critical part of IRS's strategy to ensure tax compliance and address the tax gap. Most audits are correspondence audits, which are done by mail, where examiners review taxpayer correspondence and related documentation such as receipts, expense invoices, and payments. For audits closed in fiscal year 2012, correspondence audits accounted for

- 1.1 million (76 percent) of the total 1.5 million individual tax return audits, and
- \$9.2 billion (60 percent) of the total \$15.3 billion in recommended additional taxes due and refunds disallowed for those audits.

However, in its June 2014 report, GAO found that unrealistic time frames included in IRS audit notices had contributed to taxpayer burden and IRS inefficiencies.<sup>2</sup> In recent years, IRS experienced backlogs in responding to taxpayers—dramatically increasing in 2013—causing taxpayer frustration and generating unnecessary phone calls. For example, notices issued in 2013 stated that IRS would specify a date to respond, which was usually within 30 to 45 days of the date of the notice, but the

<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015).

<sup>2</sup>GAO, *IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden*, [GAO-14-479](#) (Washington, D.C.: June 5, 2014).

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agency consistently had taken several months to do so. In some cases, refunds were delayed. The unclear notices generated phone calls from taxpayers about audit time frames that IRS examiners were not prepared to answer, leaving examiners with less time to conduct the audits. IRS's subsequent revisions to the notices—which were intended to make the time frame more realistic—were not based on analysis of historical data, nor did IRS have plans to analyze data to ensure the agency is responding in a timely manner consistent with the revised notices.

In commenting on this submission, IRS noted that the timing of this audit coincided with delays caused by significant budget issues during fiscal years 2013 and 2014. According to IRS, the agency continues to recover from budget-related setbacks. For example, IRS reports that the Small Businesses/Self-Employed division has improved its responsiveness to answering taxpayer replies within the timeframe stated in their acknowledgment letters. IRS also reports revising phone scripts to better inform taxpayers of delays in processing correspondence and initiating programming changes to allow for flexibility in providing taxpayers with more accurate response timeframes in acknowledgement letters. According to IRS, these letter changes will be effective in January 2016. GAO has asked IRS for more information and will continue to monitor progress on actions intended to reduce the need for taxpayer calls, ensure IRS is providing taxpayers with more realistic response time frames, and is using agency resources more efficiently.

In that same 2014 report, GAO also found that IRS could benefit from more information on performance that is clearly linked to IRS's strategic goals. IRS's strategic plan includes goals for achieving compliance results at the lowest costs while minimizing taxpayer burden by using data to inform resource allocation decisions. Further, *Standards for Internal Control in the Federal Government*—as well as performance management practices—call for agencies to take the following actions: establish program objectives and performance measures that clearly link to agency-wide goals; use accurate and complete performance information and document resource allocation decisions; and promptly evaluate program review findings to determine appropriate actions in response to any improvement recommendations.<sup>3</sup> However, IRS

- had no documented criteria on how staff are to use correspondence audit program data to make decisions, such as the number of audits to undertake or which tax issues to audit;
- did not have documented program objectives or linkages between the performance measures and IRS-wide strategic goals for compliance, cost, and taxpayer burden;

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<sup>3</sup>GAO, *Auditing and Financial Management: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1, 1999).

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- had incomplete correspondence audit measures and data;
  - did not leverage some potentially useful, available decision-making data that could provide a more complete picture of audit compliance results and costs—such as data on actual revenue collections and costs related to answering taxpayer calls and collecting additional taxes assessed from audits; and
  - did not have a plan or time frames to evaluate whether it should act on the recommendations of a recent program review that may improve the selection of tax returns for audit and better allocate examiner resources.

Without tools—such as documented criteria, linkages between performance measures and strategic goals, complete data, and an established plan and evaluation timeline—IRS risks making poor resource decisions on how many audits to do overall and which specific compliance issues to audit. Further, because it does not have a reasonable assurance that it is making decisions cost effectively and taking action to make progress towards the agency’s goals, IRS risks missing noncompliance, unnecessarily burdening many taxpayers, and wasting resources.

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### Individual Retirement Accounts: IRS Could Bolster Enforcement on Multi-Million Dollar Accounts, but More Direction from Congress Is Needed

Congress has limited annual contributions to individual retirement accounts (IRA) to prevent the tax-favored accumulation of unduly large balances, but there is no total limit on IRA accumulations.<sup>4</sup> In its October 2014 report, GAO estimated that hundreds of taxpayers have accumulated tens of millions of dollars in their IRA balances, likely by investing in assets unavailable to most investors, such as private stocks—which may be initially valued very low and if successful, may offer high potential investment returns.<sup>5</sup> Individuals who invest in these assets using certain types of IRAs, such as Roth IRAs, can escape taxation on investment gains. In addition, hard-to-value, nonpublicly traded assets—particularly those under direct control of the IRA owner—also pose a higher risk of the IRA owner engaging in prohibited, nonretirement-related IRA transactions.

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<sup>4</sup>IRAs serve dual roles by (1) providing a way for individuals not covered by a pension plan to save for retirement and (2) providing a place for retiring workers or individuals changing jobs to roll over, or transfer, their employer-sponsored plan balances. Two types of IRAs are geared toward individuals—each with its own federal income tax benefits: traditional IRAs and Roth IRAs. Traditional IRA contributions, subject to certain limitations, can be deducted from taxable earnings. Taxes on earnings are deferred until distribution. In contrast, Roth IRA contributions, also subject to certain limitations, are made after tax and distributions are tax free.

<sup>5</sup>GAO, *Individual Retirement Accounts: IRS Could Bolster Enforcement on Multimillion Dollar Accounts, but More Direction from Congress Is Needed*, [GAO-15-16](#) (Washington, D.C.: Oct. 20, 2014).

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To move forward with a service-wide strategy to target enforcement efforts, IRS must first conduct research to understand how many taxpayers (and the amounts associated with IRA assets) are at risk of noncompliance. Research identifying the numbers and types of custodians and taxpayers holding such hard-to-value assets could also help IRS target outreach activities and strategies (such as reminder notices) for improving compliance with IRA asset valuation and prohibited transaction requirements. Beginning for tax year 2015, IRS will require IRA custodians to report additional data about hard-to-value nonpublic assets on annual information returns, *Form 5498 IRA Contribution Information*. Identifying these taxpayers (and amounts associated with such IRA assets) would provide data for use in examination selection. However, efficient use of the new IRA asset-type data for examination selection depends on IRS approving its plan to digitize the data from paper forms.

IRS officials said IRA valuation cases are audit-intensive and difficult to litigate because of the subjective nature of valuation. In addition, an improper valuation made many years prior to its discovery by IRS may fall outside the 3-year statute of limitations for assessing taxes owed.<sup>6</sup> Furthermore, according to IRS, noncompliant activity and prohibited transactions are not reflected on any filed tax return and are also difficult to detect within the 3-year statute of limitation period. As IRS gathers more information about IRA asset-type data from the Form 5498, it will be clearer whether the 3-year statute of limitations should be changed for tax assessments with regard to IRAs.

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## Partnerships and S Corporations: IRS Needs to Improve Information to Address Tax Noncompliance

Income earned through partnerships and S corporations accounts for billions of dollars of unpaid taxes, and their share of business activity is growing.<sup>7</sup> In May 2014, GAO found that IRS does not know the full extent of partnership and S corporation income misreporting. Using IRS's compliance research studies on flow-through income misreporting by individual taxpayers and considering various caveats and uncertainties, GAO estimated a rough order of magnitude of the misreporting to be \$91 billion per year in lost tax revenue for tax years 2006 through 2009.

GAO found that IRS has limited information on the effectiveness of its examinations in detecting income misreporting by partnerships. For example, IRS estimated that 3 percent to 22 percent of identified

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<sup>6</sup>Generally, IRS has 3 years from the date a return is filed (whether the return is filed on time or not) to make an assessment of tax liability. 26 U.S.C. § 6501(a). The statute of limitations is extended in certain situations, including when a taxpayer submits a fraudulent return or omits reporting a certain amount of gross income on the return.

<sup>7</sup>Partnerships and S corporations are flow-through entities, which are entities that generally do not pay taxes themselves on income, but instead, pass income or losses to their partners and shareholders, who must include that income or loss on their income tax returns.

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misreporting by partnerships was double counted due to income flowing from one partnership to another or to other related parties. Further, IRS does not know how income misreporting by partnerships affects taxes paid by partners. As a result, IRS does not have reliable information about its compliance results to fully inform decisions about allocating examination resources across different types of businesses. Without reliable information on the extent of partnership misreporting, or the results of its partnership examinations, IRS cannot make fully informed decisions about whether its allocation of enforcement resources across business types is justified and whether or not to update one of its major partnership examination selection tools, the discriminate income function formula.

IRS's processes for selecting returns to examine could also be improved. IRS officials told GAO that having more return information available electronically might improve examination selection; however, not all partnership and S corporation line items from paper returns are digitized. Further, enhancing digitization of paper-filed partnership and S corporation returns would involve costs to IRS. In the absence of funding for transcription, one way to increase digitization is a statutory mandate requiring increased electronic filing (e-filing) of tax and other returns.<sup>8</sup> Expanding the mandate would increase digitized data available for examination selection. Improving IRS's selection of partnership and S corporation returns to examine would also benefit compliant taxpayers whose returns may otherwise be selected for examination and would reduce IRS's tax return processing costs.

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### Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency

In September 2014, GAO found that IRS audits few large partnerships and most audits result in no change to the partnership's return.<sup>9</sup> For those large partnership audits that did result in a change to the partnership's return, the aggregate amount across all audits was minimal. According to IRS auditors, the audit results may be due to challenges such as finding the sources of income within multiple tiers while meeting the administrative tasks required by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) within specified time frames.<sup>10</sup> For example, IRS auditors said that it can sometimes take months to identify the partner authorized to represent the partnership in the audit, therefore

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<sup>8</sup>Currently, certain large partnerships and S corporations are required by statute to e-file. 26 U.S.C. § 6011(e)(2) and 26 C.F.R. § 301.6011-5. About 65 percent of partnerships and S corporations e-filed in 2011.

<sup>9</sup>GAO defines large partnerships as those with 100 or more direct and indirect partners and \$100 million or more in assets. Direct partners are partners that have a direct interest in the large partnership during the tax year. Direct partners may include taxable partners (such as a corporation or individual) and nontaxable partners (such as a partnership) that also have direct partners. Indirect partners are partners that have an interest in a partnership through interest in another partnership or other form of pass-through entity.

<sup>10</sup>Pub. L. No. 97-248, §§ 401–407, 96 Stat. 324, 648–671 (1982).



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reducing time available to conduct the audit (TEFRA does not require large partnerships to identify this partner on tax returns). Also under TEFRA, unless the partnership elects to be taxed at the entity level (which few do), IRS must pass audit adjustments through the ultimate partners. IRS officials stated that the process of determining each partner's share of the adjustment is paper and labor intensive. When hundreds of partners' returns have to be adjusted, the costs involved limit the number of audits IRS can conduct. Adjusting the partnership return instead of the partners' returns would reduce these costs; however, without legislative action, IRS's ability to do so is limited.

Understanding the reasons for the poor audit results is difficult because IRS (1) does not have activity codes that track audits of large partnerships returns, and (2) does not break out the audit results because the activity codes are not specific enough to identify large partnerships by asset and partner size.<sup>11</sup> Addressing these issues could help IRS officials better allocate audit resources. In addition, IRS does not distinguish between field audits (which examine the partnership's tax return and supporting documentation) and campus audits (which pass through any audit adjustments as a result of the field audit to the partners' tax returns) when counting the number of large partnership audits. Instead, IRS counts both field audits and campus audits when calculating its audit rate for all partnerships, which misrepresents the number of audits that actually verify information reported on tax returns. According to *Standards for Internal Control in the Federal Government*, managers need accurate and complete information to help ensure efficient and effective use of resources.<sup>12</sup> A single, consistently applied definition could assist IRS in establishing agreement on the scope of large partnership audit efforts and in ensuring that audit results can be assessed. Likewise, modifying IRS's current activity codes in order to identify large partnership returns, and breaking out field and campus audit rate data in order to accurately measure audit results, would allow IRS to analyze and plan resource usage for large partnership audits more efficiently and effectively.

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## IRS 2015 Budget: Return on Investment Data Needed to Better Set Priorities

In June 2014, GAO found that IRS does not calculate actual Return on Investment (ROI) to evaluate the performance of its initiatives once they are implemented; consequently, it does not have that data to inform decisions about allocating resources to those initiatives in the future. According to IRS officials, one reason they do not calculate actual ROI for enforcement initiatives is because it is difficult to determine which staff

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<sup>11</sup>These activity codes focus on whether a partnership reported having less or more than 11 partners, as well as reported gross receipts above or below \$100,000. IRS has two activity codes for partnerships that pay an entity-level tax at the end of an IRS audit, and that had returns processed prior to January 1988.

<sup>12</sup>[GAO/AIMD-00-21.3.1](#)

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have actually worked on a particular initiative over a multiyear period. In addition, IRS officials cite difficulties in tracking ROI-related information on funded initiatives because of difficulties in matching information between IRS systems for formulating and executing its budget. Given these difficulties and the need to make numerous assumptions, the officials believe that any feasible estimates would be too uncertain to be useful.

Comparing projected ROI to actual ROI is consistent with project management concepts, internal control standards, Office of Management and Budget guidance, and GAO's prior work on performance management.<sup>13</sup> In December 2012, GAO demonstrated how IRS planners could review actual ROI across different enforcement programs and across different groups of cases within these programs to better inform resource allocation decisions.<sup>14</sup> GAO also recommended IRS identify research efforts that would enhance its ability to estimate ROI for specific enforcement activities, including initiatives.<sup>15</sup> In addition, IRS established "funded program codes" (previously known as internal order codes) as a mechanism to track specific initiatives—such as merchant card and cost basis reporting—which could be used when estimating the ROI of future initiatives. While not the only factor in making resource decisions, actual ROI could provide useful insights on an initiative's productivity.

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## Actions Needed and Potential Financial or Other Benefits

GAO suggests that Congress should consider the following:

- Revisiting the use of IRAs to accumulate large balances and considering ways to improve the equity of the existing tax expenditure on IRAs. Options could include limits on (1) the types of assets permitted in IRAs, (2) the minimum valuation for an asset purchased in an IRA, or (3) the amount of assets that can be accumulated in IRAs and employer-sponsored plans that get preferential tax treatment.
- Expanding the mandate that partnerships and S corporations electronically file their tax returns in order to cover a greater share of filed returns.

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<sup>13</sup>Office of Management and Budget (OMB), *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Results*, OMB Circular A-11 (Washington, D.C.: June 2008); OMB, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, OMB Circular A-94 (Washington, D.C.: undated); GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

<sup>14</sup>GAO, *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources*, [GAO-13-151](#) (Washington, D.C.: Dec. 05, 2012).

<sup>15</sup>One important research effort is to estimate the revenue and costs associated with "marginal" enforcement cases—cases that would not have been worked if slightly fewer resources had been devoted to a particular enforcement activity.

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- Altering the TEFRA audit procedures to require partnerships that have more than a certain number of direct and indirect partners to pay any tax owed due to audit adjustments at the partnership level.

In its June 2014 report, GAO recommended that the Commissioner of Internal Revenue

- collect data to analyze whether IRS is responding to taxpayers within the time frames cited in the revised audit notices;
- further revise IRS notices (if delays continue) to provide more realistic response times based on the data and take other appropriate actions to ensure efficient use of IRS tax examiner resources;
- establish formal program objectives;
- ensure that the program measures reflect those objectives;
- clearly link those measures with strategic IRS-wide goals for ensuring compliance in a cost-effective way while minimizing taxpayer burden;
- document how decisions are to be made using performance information;
- track and use other program data that have not been used; and
- develop a plan and timeline for implementing recommendations to improve the selection of correspondence audit workload and allocation of examiner resources, or develop justifications for not implementing the recommendations.

In its October 2014 report, GAO recommended that the Commissioner of Internal Revenue take the following actions:

- Approve plans to fully compile and digitize the new data from electronic and paper-filed Form 5498s to ensure the efficient use of the information on nonpublicly traded IRA assets.
- Conduct research using the new Form 5498 data to identify IRAs holding nonpublic asset types and use that information for an IRS-wide strategy to target enforcement efforts.
- Build on research data regarding IRAs holding nonpublic assets, and identify options to provide outreach targeting taxpayers with nonpublic IRA assets and their custodians, such as reminder notices that engaging in prohibited transactions can result in loss of the IRA's tax-favored status.
- Add an explicit caution in the IRA publication for taxpayers about the potential risk of committing a prohibited transaction when investing in nonpublicly traded assets or directly controlling IRA assets.
- Work in consultation with the Department of the Treasury on a legislative proposal to expand the statute of limitations on IRA noncompliance to help IRS pursue valuation-related misreporting and prohibited transactions that may have originated outside the current statute's 3-year window.

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In its May 2014 report, GAO recommended that the Commissioner of Internal Revenue take the following actions:

- Develop and 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.
- Use the better information on noncompliance and program effectiveness to determine whether (1) the differences in examination rates across different types of business entities are justified, and (2) an improved tool for selecting partnerships for examination should be developed.

In its September 2014 report, GAO recommended that the Commissioner of Internal Revenue

- track the results of large partnership audits by (1) defining a large partnership based on asset size and number of partners; (2) revising the activity codes to align with the large partnership definition; and (3) accounting separately for field audits and campus audits.

In its June 2014 report, GAO recommended that the Commissioner of Internal Revenue

- calculate actual ROI for implemented initiatives, compare the actual ROI to projected ROI, and provide the comparison to budget decision makers for initiatives where IRS allocated resources; and
- use actual ROI calculations as part of resource allocation decisions.

IRS could collect additional revenue and generate other cost savings which GAO believes could be achieved by implementing its recommendations; for example, by using better data to target correspondence audits, as even a small percentage increase of additional taxes due could result in hundreds of millions of dollars of additional revenue. Further, more efficient use of the new IRA asset-type data could improve examination selection of IRAs that have accumulated tens of millions of dollars in balances. Other actions, such as developing a strategy to better estimate the extent of partnership misreporting and effectiveness of partnership examinations, could generate additional cost savings by achieving program efficiencies and better enforcing tax laws.

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## Agency Comments and GAO's Evaluation

In commenting on the five reports issued in May, June, September, and October of 2014 on which these analyses are based, IRS agreed with 13 of the 17 recommendations presented, but did not state whether it agreed or disagreed with 4. For those 13 it agreed with, IRS said it is taking action to address them or further action is contingent on funding. For example, in its response to GAO's recommendation to establish formal program objectives for correspondence audits while ensuring that the program measures reflect those objectives, and clearly link those measures with strategic IRS-wide goals, IRS agreed to ensure that the program objectives and measures established would be linked with the

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IRS-wide goals. Thus, if implemented effectively, IRS's action should address the intent of these three recommendations.

IRS did not agree or disagree with four of GAO's recommendations, but acknowledged related actions it is taking to address three of these four recommendations. First, in response to GAO's recommendation that IRS develop a plan and timeline for implementing recommendations to improve the selection of correspondence audit workload and allocation of examiner resources, IRS responded it will pursue efforts to improve its workload selection and maximize resource usage, but it did not comment on whether it would develop a plan and timeline for implementing the recommendations. IRS recently noted that the Office of Compliance Analytics has developed a planning tool to optimize distribution of planned starts based on several weighted measures. According to IRS, the tool is being tested in fiscal year 2015. GAO continues to believe it is important that IRS develop a plan and timeline for implementing these recommendations or document and justify its reasons for not doing so. As noted in GAO's June 2014 report, without timely follow-up on the recommendations, it will be difficult to hold IRS managers accountable for ensuring that any improvements needed are made. Furthermore, IRS may delay or miss opportunities to better select workload, allocate resources, reduce taxpayer burden, or otherwise improve the correspondence audit results without implementing these recommendations.

Second, in response to GAO's recommendation to calculate ROI for implemented initiatives, compare the actual ROI to projected ROI and provide the comparison to budget decision makers, IRS agreed that ROI is one of several factors relevant to making resource allocation decisions. However, IRS noted that determining the impact of an initiative will always rely on estimates, as the results of an initiative are the difference between actual results and what would have occurred in the absence of the initiative, which cannot be measured. Given the difficulty IRS has in attributing revenues to specific employees hired under an initiative, officials believe that any feasible estimate would need to be based on numerous assumptions and, therefore would be too uncertain to be useful. For this reason, IRS does not consider this additional analysis an effective use of its scarce research resources. GAO agrees that any post-implementation assessment of an initiative's results would be an estimate. The difficulty and reliability of such assessments would likely vary depending on the specifics of each initiative. GAO's previous recommendation--that IRS undertake research to improve all of its enforcement resource allocation decisions--would also enhance its ability to estimate initiative results.<sup>16</sup> In the interim, IRS should be able to provide some information of use to Congress, such as whether funds that

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<sup>16</sup>[GAO-13-151](#).

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were requested for initiatives were actually used in the manner that IRS originally proposed.

Third, in response to GAO's recommendation to develop and implement a strategy to better estimate the extent and nature of partnership misreporting, and the effectiveness of partnership examinations in detecting this misreporting, IRS stated that it had not fully evaluated GAO's recommendations and expressed concern regarding actions requiring a significant expenditure of resources.

Fourth and finally, IRS reiterated this same point concerning GAO's recommendation to use the better information on noncompliance and program effectiveness to determine whether the differences in examination rates across different types of business entities are justified, and whether an improved tool for selecting partnerships for examination should be developed. However, IRS reported it would consider all of GAO's recommendations and would identify appropriate actions while keeping resource limitations in mind. It is these very resource limitations—which were noted in GAO's May 2014 report—that underscore the importance of GAO's recommendations to develop better information for making resource allocation decisions.

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

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section. For the related products listed, GAO analyzed agency documents and interviewed officials from the Department of the Treasury, IRS, and other parties. GAO analyzed budget data from IRS and related budget documents. GAO also analyzed relevant federal laws, regulations, and procedures.

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## Related GAO Products

*Individual Retirement Accounts: IRS Could Bolster Enforcement on Multi-Million Dollar Accounts, but More Direction from Congress Is Needed.* [GAO-15-16](#). Washington, D.C.: October 20, 2014.

*Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency.* [GAO-14-732](#). Washington, D.C.: September 18, 2014.

*IRS 2015 Budget: Long-Term Strategy and Return on Investment Data Needed to Better Manage Budget Uncertainty and Set Priorities.* [GAO-14-605](#). Washington, D.C.: June 12, 2014.

*IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden.* [GAO-14-479](#). Washington, D.C.: June 5, 2014.

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*Partnerships and S Corporations: IRS Needs to Improve Information to Address Tax Noncompliance.* [GAO-14-453](#). Washington, D.C.: May 14, 2014.

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

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## Contact Information

For additional information about this area, contact James R. McTigue, Jr. at (202) 512-9110 or [mctiguej@gao.gov](mailto:mctiguej@gao.gov).

# 18. DOD TRICARE Improper Payments

To achieve potential cost savings associated with billions of dollars of improper payments, the Department of Defense should implement a more comprehensive improper payment measurement methodology and develop more robust corrective action plans for the military health care program known as TRICARE.

## Why This Area Is Important

Improper payments—payments that were made in an incorrect amount or should not have been made at all—contribute to excess health care costs. In fiscal year 2013, the Department of Defense (DOD) spent \$21 billion for the purchased care portion of TRICARE, which provides medical care to eligible military service members, retirees, and their families through civilian providers in civilian facilities.<sup>1</sup> The Defense Health Agency (DHA), which administers TRICARE, estimated that improper payments made up 0.3 percent of that \$21 billion—\$68 million. Such a low improper payment estimate likely understates the amount of improper payments. In comparison to DHA's low estimate, the Centers for Medicare & Medicaid Services (CMS), the agency within the Department of Health and Human Services (HHS) that administers the nation's largest federal health care program—Medicare fee-for-service (FFS)—estimated that improper payments made up about 10.1 percent of the program's \$357 billion in payments—approximately \$36 billion that same year.<sup>2</sup> Federal agencies annually report improper payment estimates and improper payment rates for certain programs as a requirement of the Improper Payments Information Act of 2002 (IPIA), as amended, and subsequent implementing guidance from the Office of Management and Budget (OMB).<sup>3</sup> The extent of agencies' reported improper payments depends, in part, on how they test program components for errors. While OMB's implementation guidance provides parameters for developing statistically valid estimates, it does not specifically dictate how agencies

<sup>1</sup>TRICARE includes several benefit options to provide health care to military service members, retirees, and their families. Medical care under TRICARE is provided by DOD personnel in military treatment facilities, or through civilian providers in civilian facilities, which is known as TRICARE's purchased care system. Private sector contractors—referred to as TRICARE purchased care contractors—develop and maintain the private health care provider networks that make up the purchased care system, as well as process and pay claims.

<sup>2</sup>Medicare is the federally financed health insurance program for persons age 65 or over, certain individuals with disabilities, and individuals with end-stage renal disease. Medicare consists of four parts: Parts A and B are known as Medicare fee-for-service; Part C is the private plan alternative to Medicare fee-for-service under which beneficiaries receive benefits through private health plans; and Part D is the outpatient prescription drug benefit. Separate error rates are reported for Part C and Part D.

<sup>3</sup>Pub. L. No. 107-300, 116 Stat. 2350 (2002), as amended by the Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204, 124 Stat. 2224 (2010) and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248, 126 Stat. 2390 (2013). TRICARE and Medicare fiscal year improper payment estimates represent payments from the prior year. Fiscal year 2013 estimates were the most recently available at the time GAO did its work.



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should test for improper payments. IPIA, as amended, also requires agencies to report the root causes of their improper payments and identify corrective actions to address them. The corrective actions agencies develop depend, in part, on the improper payments identified by their measurement methodology.

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## What GAO Found

As GAO reported in February 2015, DHA's methodology for measuring improper payments in the TRICARE program in fiscal year 2013 did not capture certain improper payments and was less comprehensive than the methodology used for Medicare FFS. Specifically, DHA's approach to measuring TRICARE improper payments examines whether the TRICARE purchased care contractors (TPCC), which process and pay submitted claims, do so in accordance with TRICARE policies. To determine a TPCC's claims processing performance, DHA uses another contractor—the TRICARE claims review contractor—to examine a sample of paid and denied claim records, including any documentation used by the TPCC to adjudicate the claim. For example, the claims review contractor verifies that the beneficiary and provider were eligible, the claimed services were covered TRICARE benefits, the TPCC calculated correct pricing and cost sharing, and prior authorization and medical necessity were documented when necessary. However, according to DHA and claims review contractor officials GAO spoke with, medical record documentation is only included in the improper payment claims review if the TPCC conducted a medical review to determine medical necessity as part of its original claim processing. Furthermore, in cases where a medical review was conducted, the claims review contractor does not typically re-evaluate the TPCC's medical review decision, but only ensures that the documentation exists. DHA's improper payment measurement methodology also does not independently validate that the medical records support the diagnosis or procedure codes submitted on the claim.

As a result, while DHA's methodology is designed to identify improper payments resulting from TPCC claims processing compliance errors, it does not comprehensively capture errors that occur at the provider level or errors that can only be identified through an examination of underlying medical record documentation. The table below provides examples of the information verified and not verified by the TRICARE improper payment measurement methodology.

**Examples of Information Verified by TRICARE Improper Payment Measurement Methodologies**

Type of information reviewed	Verified by TRICARE measurement methodology
<b>Contractor claims processing review</b>	
Beneficiary eligibility for services	●
Claim was properly executed (e.g., appropriate provider or beneficiary signatures on the claim)	●
Services indicated on claim were an appropriate program benefit	●
Procedure code reflects diagnosis and information on claim	●
Other insurance liability reflected in payment	●
No duplicate payments in claim history	●
Correct pricing and cost sharing used to calculate payment	●
<b>Medical record review</b>	
Evidence of medical necessity—medical record supports that services paid were medically necessary	○
Verification of correct coding—medical record supports that correct procedure and diagnosis codes were used	○
Documentation of provider services—provider has documentation to support the services claimed	○

Legend: ● = Measurement methodology verifies, ○ = Measurement methodology does not verify

Source: GAO analysis of Defense Health Agency information. | GAO-15-404SP

DHA officials reported that TRICARE has other postpayment mechanisms in place as part of its audit programs to examine medical records and thus identify the types of improper payments that the TRICARE claims review program does not. However, the results of the other mechanisms are not reflected in the estimated improper payment rates that DHA reports.

By comparison, the methodology used by CMS to measure Medicare FFS's improper payments does identify improper payments that can only be identified through medical record reviews because CMS conducts more comprehensive reviews that examine underlying medical records for each of a sample of Medicare claims. Nearly all of the 10.1 percent or \$36 billion in Medicare FFS improper payments that CMS estimated for fiscal year 2013 were for issues that could only be identified through a medical record review. OMB's IPIA implementation guidance allows for variation in how agencies test for improper payments. However, several other federal programs that pay for services based on claims submitted by beneficiaries or providers also conduct more comprehensive reviews that include examination of the underlying documentation for each sampled claim to determine the validity of payment as part of their efforts to estimate improper payments under IPIA. Most private health insurers also identify improper payments by conducting postpayment claims reviews, according to organizations we spoke to with knowledge of claims review practices. Many such private health insurance reviews require examination of a patient's underlying medical record to verify appropriate payment. The HHS Office of Inspector General, which conducts Medicare program integrity activities, also acknowledges that reviewing the underlying medical records is needed to verify appropriate payment.

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Consequently, because DHA does not examine underlying medical record documentation to determine if payments for claims are proper, DHA's reported fiscal year 2013 TRICARE improper payment rate of 0.3 percent likely understates the amount of improper payments in the TRICARE program, including potential overpayments that could be recouped to provide cost savings for the federal government. In addition, TRICARE's reported improper payment estimates are not comparable to Medicare's estimates despite similar program features. TRICARE and Medicare are at similar risk for improper payments because both health care programs pay providers on a fee-for-service basis, the programs' providers overlap, both programs depend on contractors to process and pay claims, and TRICARE uses some of Medicare's coverage and payment policies. If TRICARE had an error rate similar to that of Medicare—10.1 percent—measuring TRICARE improper payments in the more comprehensive approach used by Medicare could result in roughly \$2 billion in identified TRICARE improper payments.

Further, DHA may be missing opportunities to achieve cost savings by preventing future TRICARE improper payments. Without a robust measure of improper payment rates in the TRICARE program, DHA cannot effectively identify root causes and take steps to address practices that contribute to improper payments and excess spending. The root causes and related corrective actions that DHA reported in fiscal year 2013 to fulfill IPIA requirements are limited to addressing issues of contractor noncompliance with claims processing requirements. These reported root causes do not address underlying causes of improper payments that are not related to contractor compliance, such as errors made by providers who may not fully understand or comply with DHA policies. Developing a more comprehensive method for measuring TRICARE improper payments, similar to that used for Medicare, could allow DHA to potentially realize savings through recouped overpayments and prevention of further improper payments in the future.

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## Actions Needed and Potential Financial or Other Benefits

To assess and address the full extent of improper payments in the TRICARE program, GAO recommended in February 2015 that the Secretary of Defense take the following two actions:

- Implement a more comprehensive TRICARE improper payment measurement methodology that includes medical record reviews, as done in other parts of its existing audit programs.
- Once a more comprehensive improper payment methodology is implemented, develop more robust corrective action plans that address underlying causes of improper payments, as determined by the medical record reviews.

GAO was not able to quantify the potential financial benefits of taking these actions because other factors may prevent direct comparison to Medicare's improper payment findings. However, implementing a robust measure of improper payment rates in the TRICARE program could help

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to ensure efficient use of resources and help address practices that contribute to improper payments and excess spending.

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## Agency Comments and GAO's Evaluation

In commenting on the February 2015 report on which this analysis is based, DOD concurred with our recommendations and outlined the steps the department will take prior to implementation, including conducting discussions within the department; developing implementation plans; and hiring or contracting for the needed workforce to begin implementing the recommendations. DOD noted that taking these steps would take time. Given the potentially high cost of improper payments, GAO believes DOD should move expeditiously.

GAO provided a draft of this report section to DOD for review and comment. DOD did not have comments on this issue.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO products section. To examine the extent to which the measurements and corrective actions are comparable, GAO reviewed TRICARE and Medicare fiscal year 2013 improper payment estimates, measurement methodologies, and root causes and corrective actions, as reported in DOD's and HHS's agency financial reports, as well as other methodological documentation and relevant DHA and CMS guidance.<sup>4</sup> GAO reviewed relevant laws related to federal improper payment reporting and related OMB guidance to understand improper payment error rate requirements. GAO also interviewed relevant DHA and CMS officials and their respective contractors responsible for measuring TRICARE and Medicare improper payments.

In addition, to understand how the TRICARE measurement methodology compares to other claims-based programs, GAO interviewed representatives and reviewed documentation from four organizations with knowledge of the claims review practices of private health insurance plans; reviewed the improper payment measurement methodologies of Medicare and eight other federal claims-based payment programs,<sup>5</sup> as reported in their respective fiscal year 2013 agency financial reports; and examined improper payment reviews conducted by the HHS Office of Inspector General. GAO also reviewed internal control standards for the federal government and findings from prior GAO reports to examine the

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<sup>4</sup>DOD and HHS published their fiscal year 2014 TRICARE and Medicare improper payment estimates in November 2014, after GAO completed the majority of work for this review. Therefore, fiscal year 2014 improper payment reporting is outside the scope of this review. In addition, the fiscal year 2014 rates reported did not change the key findings of this review.

<sup>5</sup> GAO chose these eight programs because they involved federal payments, either directly by the agency or through a claims administrator, based on claims for services rendered.

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extent to which TRICARE and Medicare identify root causes of improper payments and develop effective corrective action plans to reduce them.

Table 13 in appendix V lists the programs GAO identified that might have opportunities for cost savings.

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## Related GAO Products

*Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit From Adopting Medical Record Reviews.* [GAO-15-269](#). Washington, D.C.: February 18, 2014.

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## Contact Information

For additional information about this area, contact Vijay A. D'Souza at (202) 512-7114 or [dsouzav@gao.gov](mailto:dsouzav@gao.gov).

# 19. Medicare Payments to Certain Cancer Hospitals

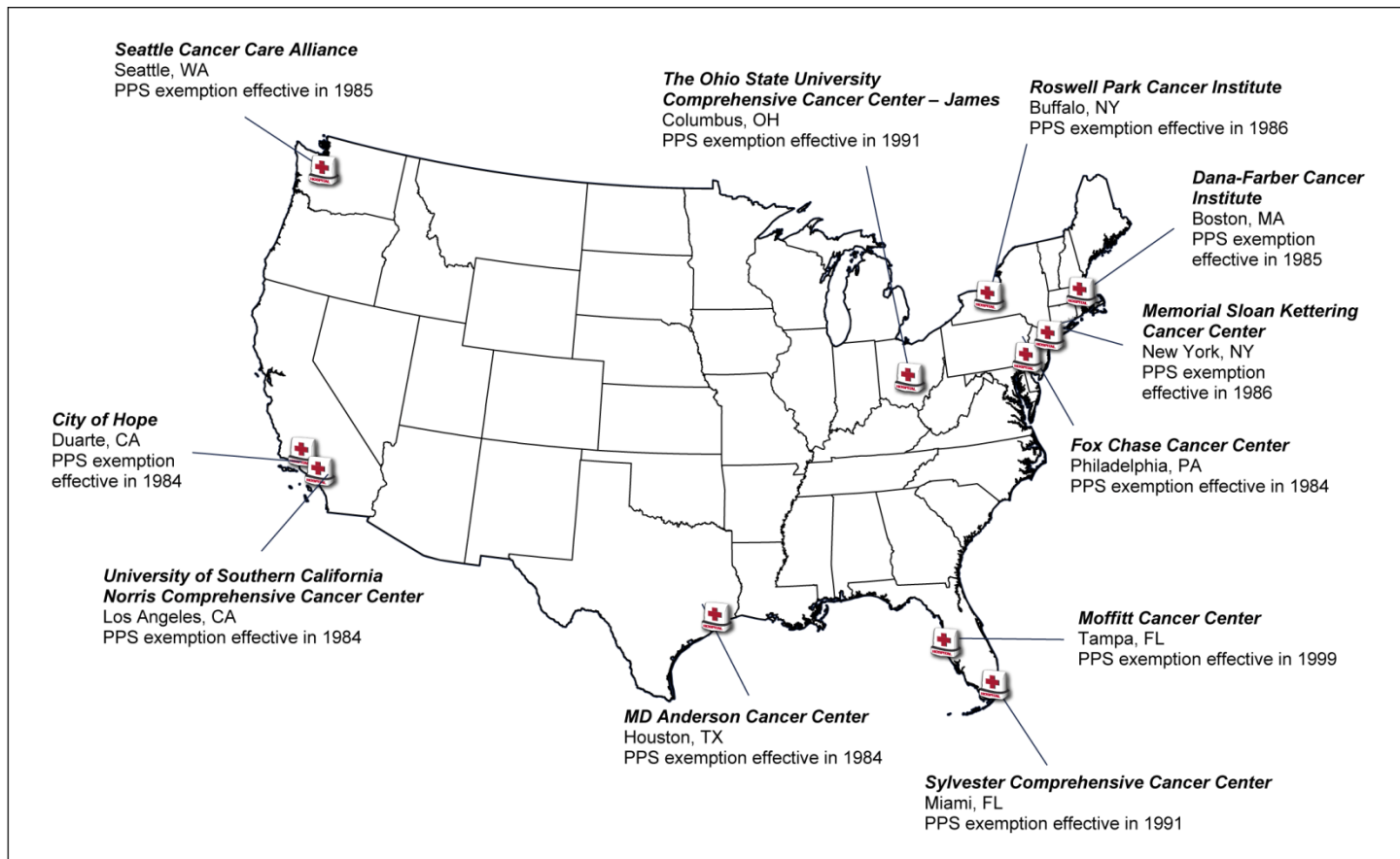
To achieve almost \$500 million per year in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals.

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## Why This Area Is Important

In 2013, traditional Medicare—which covered roughly 38 million beneficiaries—spent about \$179 billion on hospital services. To control costs and reward efficiency, Medicare pays the majority of hospitals using an approach known as the inpatient and outpatient prospective payment systems (PPS). Under a PPS, hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries. However, beginning in 1983, in response to concern that certain cancer hospitals would experience payment reductions under such a system, Congress required the establishment of criteria under which 11 cancer hospitals (see figure) are currently exempted from the inpatient PPS and receive payment adjustments under the outpatient PPS. Generally, Medicare pays these PPS-exempt cancer hospitals (PCH)—which are all teaching hospitals—based on their reported costs.

**Prospective Payment System (PPS)-Exempt Cancer Hospitals (PCH), Location and Effective Date**



Source: Centers for Medicare & Medicaid Services; Map Resources (map). | GAO-15-404SP

Since PCHs were first established in the early 1980s, cancer care and Medicare’s payment system have changed significantly. Advances in techniques and drugs have increased treatment options and allowed for more localized delivery of care. Along with these developments, the primary setting for cancer care has shifted from the inpatient setting to the outpatient setting. For example, patients now typically have chemotherapy and radiation treatments without staying overnight in a hospital. In addition, in 2007, the Centers for Medicare & Medicaid Services (CMS)—the agency within the Department of Health and Human Services (HHS) that administers the Medicare program—refined the inpatient PPS methodology to better account for variation in the severity and complexity of beneficiaries in its payment calculations. Medicare’s current payment system better recognizes the resource intensity of hospital care than the system put in place in 1983.

**What GAO Found**

In a February 2015 report, GAO’s analysis of 2012 Medicare data found a number of similarities and differences between PCHs and PPS teaching hospitals. For instance, unlike beneficiaries treated at PPS teaching hospitals, nearly all beneficiaries treated at PCHs had a diagnosis of cancer. However, at both PCHs and PPS teaching hospitals the health

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status of Medicare beneficiaries with cancer was not markedly different and the resources needed to care for inpatient cancer beneficiaries were also clinically similar.

In addition, compared with how PPS teaching hospitals are paid, the methodologies for paying PCHs provide little incentive for efficiency. Under a PPS, Medicare pays hospitals a predetermined amount based on the clinical classification of each service they provide. PPS hospitals can retain any amount Medicare pays that exceeds their costs. In contrast, as required by the exemption, Medicare pays PCHs for inpatient services based on their reported costs, subject to an upper limit, as well as potential add-on payments. For outpatient care, Medicare payments to PCHs are composed of PPS service-specific rates and an upward payment adjustment based on reported costs.

GAO reported that, had PCH beneficiaries received inpatient and outpatient services at nearby PPS teaching hospitals, Medicare may have realized substantial savings in 2012. GAO estimated that for inpatient care that year, CMS paid PCHs 42.3 percent more per discharge, on average, than it would have typically paid PPS teaching hospitals in the same geographic area to treat equally complex cancer beneficiaries.<sup>1</sup> The estimated differences in Medicare payment between PCHs and local PPS teaching hospitals varied greatly across the PCHs, with the largest payment difference at 90.9 percent and the smallest payment difference at 6.7 percent. Overall, the difference between the amount Medicare paid PCHs and the estimated amount Medicare would have paid PPS hospitals for treating comparable cancer patients suggests that Medicare would have saved about \$166 million in 2012.<sup>2</sup>

In the outpatient setting, Medicare payment adjustments to PCHs resulted in overall reimbursements that were 37 percent higher, on average, than payments Medicare would have made to teaching hospitals under the outpatient PPS for the same set of services. Again, the size of the payment adjustment varied widely across PCHs, ranging from 13 percent to 51 percent. For the majority of PCHs, Medicare increased payments by more than 25 percent over PPS rates. GAO calculated that, if PCHs were paid for outpatient services in the same way as PPS teaching hospitals—and forgone payment adjustment amounts had been returned to the Supplementary Medical Insurance Trust Fund rather than redistributed to

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<sup>1</sup>GAO used a regression model to predict what the typical Medicare payment per discharge for PCH beneficiaries would have been if they had been treated at PPS teaching hospitals in the same core based statistical area (CBSA). The average estimated payment per discharge had a margin of error of 1.0 percent at a 95 percent confidence level, with no individual CBSA margin of error exceeding 1.6 percent. The 42.3 percent overall payment difference had a margin of error at the 95 percent confidence level of plus or minus 1.5 percentage points.

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



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PPS hospitals under current requirements—Medicare would have saved about \$303 million in 2012.

GAO also found that, compared with PPS teaching hospitals, the PCH group had a higher median Medicare inpatient profit margin and a similar median outpatient profit margin.<sup>3</sup> In addition, GAO examined whether an increased focus on treating cancer patients affects hospitals' profitability. Its analysis of the PPS inpatient and outpatient data showed no relationship between the share of Medicare payment derived from treating cancer beneficiaries and Medicare profit margins. Furthermore, PCHs generally had positive all payer margins—profit margins that include both private and public payers—which could be attributable, in part, to how PCHs account for administrative costs.

In its February 2015 report, GAO concluded that Medicare PPS or an alternative payment system may be reasonable for PCHs. Because Medicare's payment methodology for PCHs lacks strong incentives for cost containment, Medicare expenditures in 2012 were substantially higher than they would have been had PCH cancer beneficiaries been treated at local PPS teaching hospitals. Until Medicare pays PCHs in a way that encourages greater efficiency, Medicare remains at risk for overspending.

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## Actions Needed and Potential Financial or Other Benefits

To help HHS better control Medicare spending and encourage efficient delivery of care, and to generate cost savings from any reductions in outpatient payments to PCHs, GAO recommended that Congress consider taking the following action:

- Require Medicare to pay PCHs as it pays PPS teaching hospitals, or provide the Secretary of Health and Human Services with the authority to otherwise modify how Medicare pays PCHs, and provide that all forgone outpatient payment adjustment amounts be returned to the Supplementary Medical Insurance Trust Fund.

GAO estimated that if, in 2012, PCH beneficiaries had received inpatient and outpatient services at nearby PPS teaching hospitals, and if the forgone outpatient adjustments were returned to the Supplementary Medical Insurance Trust Fund, Medicare may have realized annual savings of almost \$500 million.<sup>4</sup>

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<sup>3</sup>The comparison group of PPS teaching hospitals consists of those without National Institutes of Health-designated comprehensive cancer centers.

<sup>4</sup>This savings estimate is composed of \$166 million for inpatient services, which is estimated within a range of plus or minus \$4 million at a 95 percent confidence level, and \$303 million for outpatient services. The inpatient estimate did not include all PCHs due to missing data for 2012.

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## Agency Comments and GAO's Evaluation

Other than technical comments, which were incorporated as appropriate, HHS did not comment on GAO's February 2015 report. In addition, GAO provided a draft of this report section to HHS for review and comment. HHS did not have comments on this issue.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product in the related GAO product section. In developing those findings, GAO divided Medicare fee-for-service beneficiaries into two groups—beneficiaries with cancer and beneficiaries without cancer—using cancer diagnosis codes provided by CMS to analyze 2011 and 2012 Medicare claims data. To compare hospital characteristics, GAO analyzed 2012 Medicare cost report data. Because data limitations precluded a direct comparison of Medicare inpatient payments, GAO used a regression analysis to model payment per discharge for Medicare beneficiaries who were treated for cancer at PPS teaching hospitals located in the same geographic locations as PCHs. GAO included each beneficiary's Medicare severity diagnosis-related group and the core based statistical area (CBSA) in which the hospital was located as independent variables. GAO used this model to predict what the typical Medicare payment per discharge for PCH beneficiaries would have been if they had been treated at PPS teaching hospitals in the same CBSA and compared the results to inpatient PCH payments per discharge. To compare Medicare outpatient payments, GAO calculated the overall percentage payment adjustment to PCHs, which represented the difference in Medicare payments between PCHs and local PPS teaching hospitals. Furthermore, GAO determined Medicare inpatient and outpatient profit margins, as well as all payer margins, for PCHs and PPS teaching hospitals. Table 14 in appendix V lists the program GAO identified that may have opportunities for cost savings.

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## Related GAO Products

*Medicare: Payment Methods for Certain Cancer Hospitals Should Be Revised to Promote Efficiency.* [GAO-15-199](#). February 20, 2015.

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## Contact Information

For additional information about this area, contact James Cosgrove at (202) 512-7114 or [cosgrovej@gao.gov](mailto:cosgrovej@gao.gov).

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## 20. State Medicaid Sources of Funds

To potentially save hundreds of millions of dollars, the Centers for Medicare & Medicaid Services should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states' financing arrangements that can increase costs for the federal government.

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### Why This Area Is Important

Medicaid is a critical health care program for tens of millions of low income and medically needy individuals, and is growing in size as new populations become eligible for the program as a result of the Patient Protection and Affordable Care Act.<sup>1</sup> In 2014, Medicaid provided health care coverage to an estimated 65 million low-income individuals at an estimated total cost of \$508 billion. On average, the federal share of Medicaid service expenditures is about 57 percent. By 2020, Medicaid expenditures are projected to total \$725 billion, with federal expenditures alone totaling \$436 billion. Medicaid is structured as a federal and state partnership where each partner bears a certain portion of program costs, according to a formula in law. It involves significant and growing expenditures for the federal government and states, and states have used various sources of funds to help finance their share of the program. The federal government matches each state's Medicaid expenditures for services on the basis of the state's federal medical assistance percentage.<sup>2</sup>

States' financing of the nonfederal share is subject to federal limits and requirements. For example, states must use state funds to finance at least 40 percent of the nonfederal share of total Medicaid expenditures each year.<sup>3</sup> This limit is applied in the aggregate, that is, across each state's entire Medicaid program, and not for individual payments. States have financed the nonfederal share of Medicaid payments in large part through state general funds, and have depended on other sources of funds—such as taxes on health care providers and funds from local government providers or local governments on behalf of providers—to

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<sup>1</sup>Under the Patient Protection and Affordable Care Act, states may expand Medicaid eligibility to nonpregnant, nonelderly adults who are not eligible for Medicare and who meet certain income requirements.

<sup>2</sup>The federal medical assistance percentage is based on a formula established by law under which the federal share of a state's Medicaid expenditures for services generally may range from 50 to 83 percent. States with lower per capita income receive a higher federal medical assistance percentage for services.

<sup>3</sup>State funds that may be used to meet the requirement that at least 40 percent of the nonfederal share of total annual Medicaid expenditures be derived from state funds include state general funds, health care provider taxes imposed by the state, provider donations received by the state, and intra-agency funds from non-Medicaid state agencies. The remaining 60 percent of the nonfederal share for total annual Medicaid expenditures can be derived from local governments, including funds from counties, cities, and local hospital districts, as well as directly from local-government-owned or -operated providers, such as county hospitals.

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finance the remainder. Provider taxes must be broad-based, must be uniformly imposed, and must not hold providers harmless; that is, they must not provide a direct or indirect guarantee that providers will receive all or a portion of tax payments back. Taxes that are at or below 6 percent of the individual provider's net patient service revenues are considered not to have provided an indirect guarantee that providers will receive their tax payments back.

GAO's prior work has found that flexibility in federal financing and payment requirements has enabled states to create various financing arrangements that may have the effect of shifting costs to the federal government. For example, GAO has found that states have established complex financing arrangements to make excessive payments to certain providers in order to maximize federal funds and rely less on state general funds. These arrangements often involved large Medicaid supplemental payments—payments that are separate from the regular payments states make, often on a lump-sum basis and not paid on the basis of health care claims—to providers that supplied funds to finance the nonfederal share of these payments. This enabled states to obtain billions of dollars in additional federal matching funds without a commensurate increase in state general funds. These types of arrangements may be permissible under certain conditions; however, the flexibility states have to require individual providers to finance the entire nonfederal share of payments may create incentives for states to overpay providers that contribute funds to finance the nonfederal share, in order to reduce state obligations.

While states generally administer the Medicaid program, they are subject to the oversight of the Centers for Medicare & Medicaid Services (CMS), an agency within the Department of Health and Human Services (HHS). Its responsibilities include ensuring that federal Medicaid matching funds are provided for eligible expenditures, the federal government and states share in the financing of the Medicaid program as established by law and that payments are economical and efficient, and beneficiaries have access to care. In some cases after identifying financing arrangements that have enabled states to shift large shares of Medicaid costs to health care providers and local governments, CMS has taken action to ensure the financing was appropriate, resulting in federal cost savings because states were no longer making excessive payments when required to contribute to the nonfederal share of the payments. In recent years a number of proposals have been made to curtail states' ability to tax health care providers for purposes of financing the nonfederal share of Medicaid payments.<sup>4</sup> The proposals, which estimated federal savings in the tens of billions of dollars, have sought to lower the tax rate threshold. If the threshold is lowered below the current 6 percent, states would have less

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<sup>4</sup>For example, proposals were made in the President's budget in 2013, the National Commission on Fiscal Responsibility and Reform in 2010, and the Congressional Budget Office in 2008.

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provider tax revenue to finance their nonfederal share. If the states were unable to replace this funding with other eligible sources of its nonfederal share, then states would have fewer dollars to make Medicaid expenditures. The federal liability would be reduced because the federal government would be matching a lower amount of state Medicaid expenditures.

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## What GAO Found

In July 2014, GAO found that states' reliance on funds from providers and local governments to finance the nonfederal share of Medicaid payments was significant and increasing, according to an analysis of trends in sources of funds used to finance the nonfederal share as reported by states. In state fiscal year 2012, states nationwide financed on average 26 percent, or over \$46 billion of the approximately \$180 billion in the nonfederal share of total Medicaid payments—both regular and supplemental—with funds from health care providers and local governments. Among states, the reliance on providers and local governments to finance the nonfederal share of Medicaid payments varied widely. In the 48 states that reported using these sources, the percentage of funds from providers and local governments ranged from less than 1 percent to 53 percent. Nationwide, the reliance on these sources increased by over 21 percent from state fiscal year 2008 through state fiscal year 2012.

These sources were used to fund Medicaid supplemental payments to a greater extent than other types of payments, and this reliance is growing. For Medicaid supplemental payments, the percentage of the nonfederal share financed with funds from providers and local governments increased from 57 percent (or \$8.1 billion) in state fiscal year 2008 to 70 percent (or \$13.6 billion) in state fiscal year 2012.<sup>5</sup> Several states relied on health care providers and local governments for the entire nonfederal share of supplemental payments in 2012.

Also in July 2014, GAO's analysis of arrangements involving financing of the nonfederal share of Medicaid payments with funds from provider taxes or local governments in three selected states illustrated how Medicaid costs can be shifted from the state to the federal government and, to a lesser extent, to health care providers and local governments.<sup>6</sup> The use of funds from providers and local governments is, as previously

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<sup>5</sup>Federal law requires that no more than 60 percent of the nonfederal share is financed by local governments, and the remaining 40 percent can include state general funds and health care provider taxes imposed by the state. This requirement is applied on the basis of total annual Medicaid program spending and not on individual payments or types of payments. Assessing whether states were compliant with federal limits and requirements related to nonfederal sources of funds for Medicaid payments was not within the scope of this review.

<sup>6</sup>The three selected states were California, Illinois, and New York. States were chosen based on the size of the state's Medicaid program and whether the state had made changes in sources of funds to finance the nonfederal share, among other things.

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described, allowable under federal rules, but it can also have implications for federal costs. By increasing providers' Medicaid payments, and requiring providers receiving the payments to supply all or most of the nonfederal share, states claimed an increase in federal matching funds without a commensurate increase in state general funds. For example, GAO found that one state increased Medicaid payments to nursing facilities by \$220 million and financed the nonfederal share of the payment increase with a provider tax on nursing facilities. The payment increase and provider tax resulted in an estimated \$110 million increase in federal matching funds and no increase in state general funds. The net payment increase to the facilities, after paying the taxes, was \$105 million.

GAO has also found that CMS has not ensured that its data on sources of funds states used to finance Medicaid are accurate and complete. States have been required to report the amount of funds collected from health care provider taxes and provider donations since 1992. CMS has not assessed the accuracy and completeness of the data it collects from states on the amount of health care provider taxes and provider donations states use to finance the nonfederal share of Medicaid payments. CMS officials said in March 2014 that the agency could not attest to the accuracy of the data that states reported on their use of provider taxes and donations, but that states were likely underreporting their use of these sources of funds.

When GAO compared the provider tax data reported to CMS in 2012 with state responses to a GAO questionnaire, it found evidence of incomplete reporting. Specifically, 6 of the 47 states that reported in the questionnaire that they had at least one health care provider tax or provider donation in effect that year did not report a tax or donation to CMS in 2012.<sup>7</sup> CMS also does not collect complete data from all states on the amount of local government funds used to finance the nonfederal share of total annual Medicaid expenditures. Although federal requirements limit the percentage of the nonfederal share that states may finance with funds from local governments, states are not required to submit data on the amount of funds from these sources.

To oversee the Medicaid program and assess the need for and make changes to the program, CMS, federal policymakers, and other stakeholders need accurate and complete information on provider

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<sup>7</sup>Six states—Arizona, the District of Columbia, New Jersey, South Dakota, Utah, and Virginia—did not report to CMS any health care provider taxes and provider donations as the nonfederal share of Medicaid expenditures. However, these states reported to GAO that they levied provider taxes in state fiscal year 2012.

Four states—Alaska, Delaware, Hawaii, and New Mexico—reported in the GAO questionnaire that they did not have any health care provider tax, fee, and/or assessment or provider donation in effect during state fiscal year 2012 and therefore would not have reported information about these sources of the nonfederal share to CMS.

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payments and sources of funds to finance the nonfederal share. Without such information, it is difficult to track trends in financing the nonfederal share, to ensure compliance with current limits and requirements on financing the nonfederal share, and to examine the extent to which the federal government's increased spending is commensurate with an increase in net payments realized by providers for the delivery of health care services to Medicaid beneficiaries. Without a better understanding of the scope and implication of state financing arrangements, policymakers do not know the extent to which states' financing arrangements may be shifting Medicaid costs to the federal government or providers.

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## Actions Needed and Potential Financial or Other Benefits

To better oversee federal limits and requirements on financing the nonfederal share, and to examine the extent to which the federal government's increased spending is commensurate with increased payments to providers for health care services, GAO recommended in July 2014 that the Administrator of CMS

- develop a data collection strategy that ensures that states report accurate and complete data on all sources of funds used to finance the nonfederal share of Medicaid payments.

This action could result in potential savings by ensuring CMS has the data necessary to identify potential noncompliance with and better enforce federal limits and requirements on financing the nonfederal share. In addition, through a better understanding of the scope and implications of state financing arrangements, Congress could better identify the need for any policy changes, for example to reduce cost shifting in the program and incentives to overpay providers that are financing the nonfederal share of Medicaid payments, and to ensure proper use of federal Medicaid funds. Estimating the potential savings that could be realized from developing a data collection strategy is difficult because the lack of data on Medicaid financing precludes the ability to oversee compliance with current limits and requirements on financing the nonfederal share and because of uncertainty regarding changes in federal Medicaid policy that could result. However, the savings could be in the hundreds of millions of dollars, based on the expected growth in program spending and the ability of states to rely on sources of funds other than state general funds.

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## Agency Comments and GAO's Evaluation

In commenting on a draft of the July 2014 report on which this analysis is based, HHS stated that it is working to identify needs for improvement in current payment and financing review processes. HHS's acknowledgment is consistent with GAO's recommendation to develop a data collection strategy that ensures states report accurate and complete data on all sources of funds used to finance the nonfederal share of Medicaid payments.

GAO provided a draft of this report section to HHS for review and comment. In an email received on March 11, 2015, HHS reiterated its

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comments from a draft of the July 2014 report. HHS also provided technical comments, which were incorporated as appropriate.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the Related GAO Products section. To determine the extent to which states have relied on funds from health care providers and local governments to finance the nonfederal share of Medicaid payments, GAO sent a questionnaire to all states and the District of Columbia and received responses from all of them. The questionnaire collected information on each state's use of funds from health care providers and local governments, state general funds, and other sources to finance the nonfederal share of Medicaid payments from state fiscal year 2008 through state fiscal year 2012, and the type of Medicaid payments—for example, regular or supplemental—to which the funds were applied. GAO did not independently verify the data reported by states in the questionnaire; however, it reviewed published data submitted by state Medicaid programs to CMS and to outside researchers to assess the reasonableness of the data reported.

To analyze financing arrangements involving financing of the nonfederal share with funds from provider taxes or funds from local governments, GAO selected three states—California, Illinois, and New York—based on the size of the state's Medicaid program and whether the state had made changes in sources of funds to finance the nonfederal share (among other things), and then selected one financing arrangement in each of the three states. Findings from these three states are not generalizable to other states. In these three states, GAO obtained and analyzed Medicaid payment data from before and after an increase in funds from health care providers or local governments that occurred during state fiscal years 2008 through 2012 to determine the effect of the change on the amounts of Medicaid payments states made to providers and on the amounts of state general funds, funds from local governments, and federal funds used to finance these payments. To determine the extent to which CMS collects data to oversee states' use of various sources of funds, GAO asked CMS officials about the data they collect, the reliability of the data, and their oversight of state financing of the nonfederal share. GAO also reviewed relevant federal laws, regulations, and guidance.

Table 15 in appendix V lists the programs GAO identified that might have opportunities for cost savings or revenue enhancement.

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## Related GAO Products

*Medicaid: Completed and Preliminary Work Indicates That Transparency around State Financing Methods and Payments to Providers Is Still Needed for Oversight.* [GAO-14-817T](#). Washington, D.C.: July 29, 2014.

*Medicaid Financing: States' Increased Reliance on Funds from Health Care Providers and Local Governments Warrants Improved CMS Data Collection.* [GAO-14-627](#). Washington, D.C.: July 29, 2014.



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*Medicaid: More Transparency of and Accountability for Supplemental Payments Are Needed.* [GAO-13-48](#). Washington, D.C.: November 26, 2012.

*Medicaid: Ongoing Federal Oversight of Payments to Offset Uncompensated Hospital Care Costs Is Warranted.* [GAO-10-69](#). Washington, D.C.: November 20, 2009.

*Medicaid: CMS Needs More Information on the Billions of Dollars Spent on Supplemental Payments.* [GAO-08-614](#). Washington, D.C.: May 30, 2008.

*Medicaid Financing: Federal Oversight Initiative Is Consistent with Medicaid Payment Principles but Needs Greater Transparency.* [GAO-07-214](#). Washington, D.C.: March 30, 2007.

*Medicaid: Improved Federal Oversight of State Financing Schemes Is Needed.* [GAO-04-228](#). Washington, D.C.: February 13, 2004.

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## Contact Information

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## 21. Children's Disability Reviews

To prevent an estimated \$3.1 billion dollars in potential overpayments over 5 years, the Social Security Administration needs to conduct timely disability reviews to better ensure that only eligible children receive cash benefits from the Supplemental Security Income program.

### Why This Area Is Important

The Social Security Administration (SSA) administers Supplemental Security Income (SSI), a nationwide federal assistance program that provides cash benefits to eligible low-income individuals with disabilities, including children, as well as certain individuals who are aged or blind. In 2013, SSA paid almost \$53 billion in SSI benefits to about 8 million recipients, of which about \$10.3 billion was paid to about 1.3 million children. During the early and mid-1990s, the SSI program grew at an unprecedented rate for children due, in part, to legal developments that expanded program eligibility for children with mental impairments.

To ensure that only recipients who remain disabled continue to receive benefits, SSA is required to conduct periodic continuing disability reviews (CDR).<sup>1</sup> These reviews assess whether recipients are still eligible for benefits based on several criteria, including their current medical condition. When reviews are not conducted as scheduled, some recipients, including children, may receive benefits for which they are no longer eligible, potentially costing taxpayers billions of dollars in overpayments.

### What GAO Found

From fiscal years 2000 to 2011, the number of childhood CDRs fell from more than 150,000 to about 45,000 (70 percent), according to GAO's June 2012 analysis of SSA data.<sup>2</sup> More specifically, CDRs for children under age 18 with mental impairments—a group that comprises a growing majority of all child SSI recipients—declined from more than 84,000 to about 16,000 (an 80 percent decrease). In recent years, SSA has cited resource limitations and a greater emphasis on processing

<sup>1</sup>SSA's regulations pertaining to CDRs for SSI can be found at 20 C.F.R. § 416.989 et seq. For individuals under age 18, a disability is a medically determinable physical or mental impairment that results in marked and severe functional limitations, and is expected to result in death or which has lasted or can be expected to last for a continuous period of at least 12 months. 42 U.S.C. § 1382c(a)(3)(C)(i) and 20 C.F.R. § 416.906.

<sup>2</sup>Under Title XVI of the Social Security Act, SSA is generally required to (1) conduct a CDR at least every 3 years on all child recipients under age 18 whose impairments are likely to improve (or, at the Commissioner's option, recipients whose impairments are unlikely to improve) (42 U.S.C. § 1382c(a)(3)(H)(ii)(I)); (2) conduct a CDR within 12 months after the birth of a child who was granted benefits in part because of low birth weight (42 U.S.C. § 1382c(a)(3)(H)(iv)); and (3) redetermine, within 1 year of the individual's 18th birthday (or whenever the Commissioner determines the individual is subject to a redetermination), the eligibility of any individual who was eligible for SSI childhood payments in the month before attaining age 18, by applying the criteria used in determining initial eligibility for adults (42 U.S.C. § 1382c(a)(3)(H)(iii)).

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initial claims and requests for hearings appeals as reasons for the decrease in the number of CDRs conducted.<sup>3</sup>

GAO reported in June 2012 that a large proportion of childhood CDRs were overdue.<sup>4</sup> For example, CDRs for about one-half of all child recipients with mental impairments (435,000) were overdue, according to GAO's analysis of SSA data.<sup>5</sup> Of these, about 344,000 (79 percent) had exceeded the scheduled date by at least a year; about 205,000 (47 percent) exceeded their date by 3 years; and about 24,000 (6 percent) exceeded the scheduled date by 6 years. GAO also identified several cases that exceeded their scheduled date by 13 years or more. Of the 24,000 childhood CDRs pending 6 years or more, GAO found that about 70 percent (over 17,000) were for children who, at initial determination, SSA classified as "medical improvement possible," meaning they were considered likely to medically improve within 3 years. Twenty-five percent (over 6,000) of these pending CDRs were for children deemed medically expected to improve within 6 to 18 months of their initial determination (see fig.). Of these cases, GAO identified nine recipients who were expected to medically improve but whose CDR had been pending for 13 years or more. Reviews of children who are expected to medically improve are more productive than reviews of children who are not expected to medically improve because they have a greater likelihood of benefit cessation and thus yield higher cost savings over time.

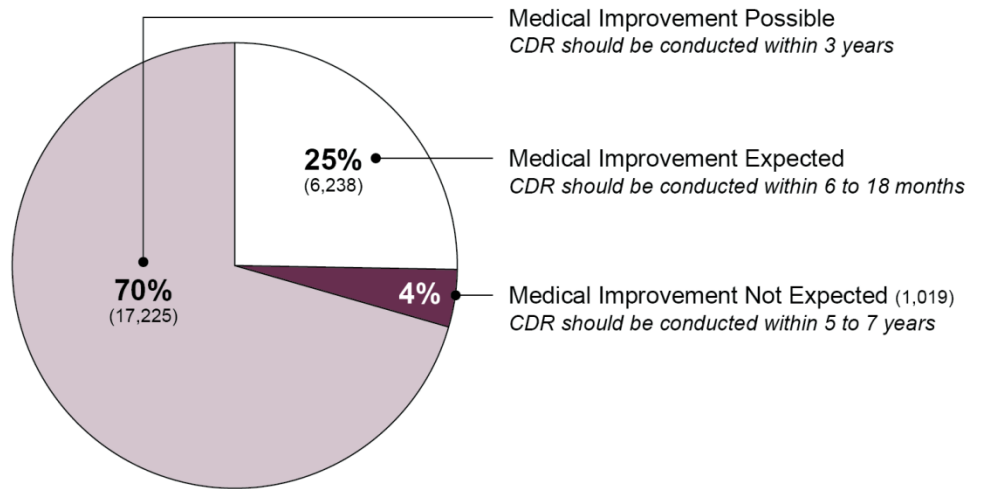
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<sup>3</sup>In January 2014, SSA reported that it was behind schedule in assessing the continued eligibility of all Disability Insurance (DI) and SSI recipients and had accumulated a backlog of 1.3 million CDRs.

<sup>4</sup>Although SSA is responsible for administering these programs, initial determinations of disability are generally made by state agencies, known as disability determination services offices. In general, disability determination services staff consider the likelihood of a recipient's medical improvement when setting the time frame for when SSA should conduct a CDR based on authorized time frames specified in the Social Security Act and SSA regulations. Improvement categories and general CDR time frames are (1) "medical improvement expected," 6 to 18 months; (2) "medical improvement possible," 3 years; and (3) "medical improvement not expected," 5 to 7 years.

<sup>5</sup>A total of about 861,000 child recipients with mental impairments were receiving SSI benefits as of December 2011.

**Childhood CDRs Pending for at Least 6 Years, by Anticipated Medical Improvement Category, for Children with Mental Impairments, as of August 1, 2011**



Source: GAO analysis of data from Social Security Administration Continuing Disability Review (CDR) Waterfall files. | GAO-15-404SP

Note: Percentages do not equal 100 percent due to rounding. Time frames for when SSA should conduct a CDR are set by state disability determination services staff and are based on the likelihood of a recipient's medical improvement.

SSA officials report that the agency has placed a higher priority on conducting CDRs for recipients of DI—the agency's other disability program—although our analysis of SSA data shows that children's SSI benefits are more likely to be ceased after review.<sup>6</sup> Specifically, SSA officials told us that it is more cost-effective to conduct adult DI CDRs than childhood SSI CDRs, because ceasing benefits for a young adult DI recipient may potentially represent decades of saved benefits. Additionally, because DI benefit payments are, on average, almost twice as much as SSI childhood payments, SSA officials told us that CDRs of adult DI cases generally produce greater lifetime savings. SSA reported that it ceased about 12 percent of all adult DI claims that received a CDR. However, GAO's analysis of SSA's data showed that 32 percent of child SSI claims that received a CDR were ceased in fiscal year 2011. For example, of those childhood CDRs conducted for children under age 18 with mental impairments, SSA ceased benefits for about 28 percent on average in fiscal year 2011, with personality disorders and speech and language delay having the highest cessation rates, 39 percent and 38 percent, respectively.<sup>7</sup> Despite these high cessation rates, SSA and state

<sup>6</sup>DI provides monthly cash benefits to eligible individuals unable to work because of a long-term disability and who meet certain work requirements, whereas SSI provides monthly cash benefits to people with disabilities on the basis of need, regardless of their work history.

<sup>7</sup>The cessation rates cited in this paragraph reflect "initial cessations," meaning that the agency concluded at the end of the CDR that the claimant involved no longer met the eligibility standards to continue receiving benefits, and therefore started the process to cease benefits. Claimants may have subsequently availed themselves of an appeals process, which could have resulted in a reversal of the initial cessation.

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disability determination services officials have acknowledged that the agency has not conducted reviews for child recipients in a timely manner. If these reviews are not conducted in sufficient numbers, the agency will continue to struggle to contain growth in benefit payments, placing added burden on already strained federal resources.

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## Actions Needed and Potential Financial or Other Benefits

GAO recommended in June 2012 that the Commissioner of Social Security

- Direct the Deputy Commissioner of Quality Performance to eliminate the existing CDR backlog of cases for children with impairments who are likely to improve and, on an ongoing basis, conduct CDRs at least every 3 years for all children with impairments who are likely to improve, as resources are made available for these purposes.

If this recommendation were implemented, SSA could potentially save \$3.1 billion over 5 years by preventing overpayments to children with mental impairments, according to GAO's analysis of fiscal year 2011 data.<sup>8</sup> This recommendation would also likely result in additional cost savings from preventing overpayments to children with physical impairments, which are not accounted for in the estimate. SSA's Office of the Inspector General and SSA have also estimated savings that could be achieved from conducting CDRs. In September 2011, SSA's Office of the Inspector General estimated that SSA had paid about \$1.4 billion in SSI benefits to approximately 513,000 recipients under age 18 who should have not received them—some of whom had been pending reviews for 5 or more years. The Inspector General estimated that SSA will continue to make improper payments of approximately \$461.6 million annually until these reviews are completed. Furthermore, SSA estimates a net program savings of about \$9, on average, for every \$1 invested in conducting CDRs.

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## Agency Comments and GAO's Evaluation

In commenting on the June 2012 report on which this analysis is based, SSA generally agreed that it should complete more CDRs for SSI children but emphasized that it is constrained by limited funding and competing workloads. Moving forward, one of the goals in SSA's Fiscal Year 2014-2018 Strategic Plan is to strengthen the integrity of the agency's programs. In line with this goal, SSA requested additional program integrity funding for fiscal year 2015 to enable the agency to conduct more CDRs, and Congress made these funds available. While additional funding may help address the CDR backlog, GAO continues to have

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<sup>8</sup>To perform this analysis, GAO considered two potential sources of cost savings: (1) addressing the CDR backlog for children with mental impairments who are expected to medically improve or for whom medical improvement is possible and (2) conducting future CDRs for these recipients, as scheduled. We considered such factors as the average cessation rate after appeals, average benefit amount, average amount of time in benefit receipt before age 18, and average cost of performing a CDR.

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concerns about the agency's ability to manage its resources in a manner that adequately balances its service delivery priorities with its stewardship responsibility. Because SSA has noted that it considers SSI childhood CDRs to be a lower priority than other CDRs, it is unclear whether the agency will use new increases in funding to review children most likely to medically improve—reviews that could yield a high return on investment.

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

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products in the related GAO products section and additional work GAO conducted. For the June 2012 report, GAO interviewed SSA officials; reviewed relevant federal laws, regulations, and guidance; and analyzed SSA data on CDRs conducted from fiscal years 2000 to 2011. For the April 2014 testimony, GAO reviewed SSA data from March and April 2014. To estimate potential cost savings, GAO used fiscal year 2011 data to estimate the savings that could be realized from (1) addressing the CDR backlog for children with mental impairments who are expected to medically improve or for whom medical improvement is possible and (2) conducting future CDRs for these recipients, as scheduled.

Table 16 in appendix V lists the program GAO identified that might have opportunities for cost savings.

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## Related GAO Products

*Social Security Disability Programs: SSA Could Take Steps to Improve Its Assessment of Continued Eligibility.* [GAO-14-492T](#). Washington, D.C.: April 9, 2014.

*Supplemental Security Income: Better Management Oversight Needed for Children's Benefits.* [GAO-12-497](#). Washington, D.C.: June 26, 2012.

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## Contact Information

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## 22. Supplemental Nutrition Assistance Program Fraud and Abuse

States should be able to more effectively fight fraud among beneficiaries of the Supplemental Nutrition Assistance Program—which provided more than \$76 billion in benefits in fiscal year 2013—by using data to better focus investigative efforts on high-risk households.

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### Why This Area Is Important

In fiscal year 2013, the federal government provided more than \$76 billion in benefits to help about 48 million people purchase food through the Supplemental Nutrition Assistance Program (SNAP). Since fiscal year 2009, SNAP has experienced an over 50 percent increase in distributed benefits and an over 40 percent increase in recipients following the Great Recession. Rapid program growth can increase the potential for fraud unless appropriate agency controls are in place to help minimize these risks. Furthermore, program officials have had long-standing concerns that some recipients falsify information to improperly receive benefits, or misuse their benefits to solicit or obtain non-food goods, services, and cash—a practice known as trafficking.<sup>1</sup> The Office of Management and Budget has designated SNAP as a “high error” program due to the estimated dollar amount in improper payments for fiscal year 2013, which increased from \$1.7 billion in 2009 to \$2.6 billion in 2013.<sup>2</sup> According to a September 2012 U.S. Department of Agriculture Office of Inspector General report, the magnitude of program abuse due to recipient fraud is unknown because states do not have uniform ways of compiling the data that would provide such information.

The goal of SNAP, formerly known as the federal Food Stamp Program, is to help low-income individuals and households obtain a more nutritious diet. The federal government pays the full cost of the benefits. It also shares the responsibility and costs of administering the program with the states. Specifically, the Food and Nutrition Service (FNS), within the Department of Agriculture, is responsible for promulgating program regulations and ensuring that states comply with these regulations by issuing guidance and monitoring their activity. FNS also determines which retailers are eligible to accept SNAP benefits and investigates and resolves cases of retailer fraud. State officials, on the other hand, are responsible for determining the eligibility of individuals and households,

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<sup>1</sup>Intentional program violations, such as trafficking, may result in temporary or permanent disqualification from the program. 7 U.S.C. § 2015(b), 7 C.F.R. § 273.16. Furthermore, under federal law, it is illegal for a person to knowingly use, transfer, acquire, or possess SNAP benefits in any manner that is contrary to the laws and regulations that govern the SNAP program. 7 U.S.C. § 2024(b). The statute applies to program recipients and retailers as well as people not participating in the program.

<sup>2</sup>This dollar amount represents benefits distributed in error due to administrative as well as recipient errors, not all of which can be attributed to fraud.

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calculating the amount of their monthly benefits, and issuing such benefits on an electronic benefit transfer (EBT) card in accordance with program rules. States are also responsible for investigating possible violations by benefit recipients and pursuing and acting on those violations that are deemed intentional.<sup>3</sup> States may pursue disqualification and repayment of ill-gotten or misused benefits in cases where a recipient has intentionally violated program rules. Intentional program violations include acts of fraud, such as making false or misleading statements in order to obtain benefits and trafficking. Trafficking activities may involve a recipient selling their EBT card to another person who does not return the card. A recipient may then report the trafficked EBT card as lost or stolen to state agencies or EBT management contractors and receive a new card that can be used for future transactions when the benefits are replenished the next month.

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## What GAO Found

In August 2014, GAO reported that FNS requires that states examine replacement card data as a potential indicator of trafficking, but states reported difficulties using the data as a fraud detection tool. In 2014, FNS began requiring states to monitor replacement card data and send notices to those SNAP households requesting excessive replacement cards, defined as at least four cards in a 12-month period. Officials in the 11 states that GAO interviewed reported tracking recipients who make excessive requests for replacement EBT cards, as required by FNS, but said they have not had much success in detecting fraud through that method as many of the replacement card requests are due to unstable living situations or misunderstanding how to use the EBT card rather than trafficking. While 4 states reported that they had not initiated any trafficking investigations as a result of the monitoring, 5 states reported low success rates for such investigations, and 1 state had just started tracking the data. Only 1 state reported some success using the data to pursue trafficking. Furthermore, officials from 7 of the 11 states reported that the current detection approach specified by FNS often leads them to people who make legitimate requests for replacement cards for reasons such as unstable living situations or a misunderstanding of how to use the SNAP EBT card. FNS is aware of states' concerns about the effectiveness of this effort, but it continues to stress that monitoring these data is worthwhile.

In August 2014, GAO reported on an alternative, more targeted approach to analyzing high-risk replacement card data that may offer states a way to better use the data as a fraud detection tool. Specifically, GAO analyzed fiscal year 2012 replacement card data in three selected states—Michigan, Massachusetts, and Nebraska—using an approach aimed at better identifying SNAP households requesting replacement cards that are at higher risk of trafficking benefits. GAO's approach took

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<sup>3</sup>7 C.F.R. § 273.16.



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into account FNS's regulation that defines excessive replacement cards as at least four requested in a year. However, GAO also considered the monthly benefit period of replacement card requests by focusing on SNAP households receiving replacement cards in four or more unique monthly benefit periods in a year. SNAP benefits are allotted on a monthly basis, and a recipient who is selling the benefits on their EBT card and then requesting a replacement card would generally have only one opportunity per month to do so. If a SNAP recipient is requesting a replacement card because they have just sold their EBT card and its associated SNAP benefits, it is unlikely that there would be more benefits to sell until the next benefit period. As a result, additional replacement card requests in the same benefit period may not indicate increased risk of trafficking. For SNAP households from the three selected states that received replacement cards in four or more monthly benefit periods, GAO then analyzed related purchase transaction data for trafficking indicators based on certain suspicious transaction types used by FNS and state SNAP officials. Through these analyses, GAO found that 73 percent of households that received replacement cards in four or more monthly benefit periods also made purchases indicating potential SNAP trafficking.

The current FNS regulation includes households for review that received at least four replacement cards at any time in the previous year, including households receiving four cards in the same monthly benefit period. However, GAO's analysis indicates that the number of benefit periods with replacement cards may be a better indicator of trafficking risk than simply the number of requested replacement cards. Furthermore, this more targeted approach may reduce the number of households for further review. For example, GAO's approach in the three states reduced the number of households for further review by 33 percent compared to the current FNS regulation.

As reported in August 2014, GAO identified 7,537 SNAP recipient households in these three selected states that both received replacement cards in four or more monthly benefit periods in fiscal year 2012, and made transactions considered to be potential signs of trafficking around the time of replacement card issuance, as shown in the table below. These 7,537 households made over \$26 million in total purchases with SNAP benefits during fiscal year 2012.

**SNAP Households Receiving Excessive Replacement Cards and Making Transactions Potentially Indicative of Trafficking in Fiscal Year 2012**

State	SNAP households with:		
	4+ replacement cards	Replacement cards in 4+ benefit periods	Suspicious transactions and cards in 4+ benefit periods
Michigan	8,190	4,935	3,183
Massachusetts	6,380	4,786	4,008
Nebraska	697	549	346
<b>Total</b>	<b>15,267</b>	<b>10,270</b>	<b>7,537</b>

Source: GAO analysis of Supplemental Nutrition Assistance Program (SNAP) transaction data. | GAO-15-404SP

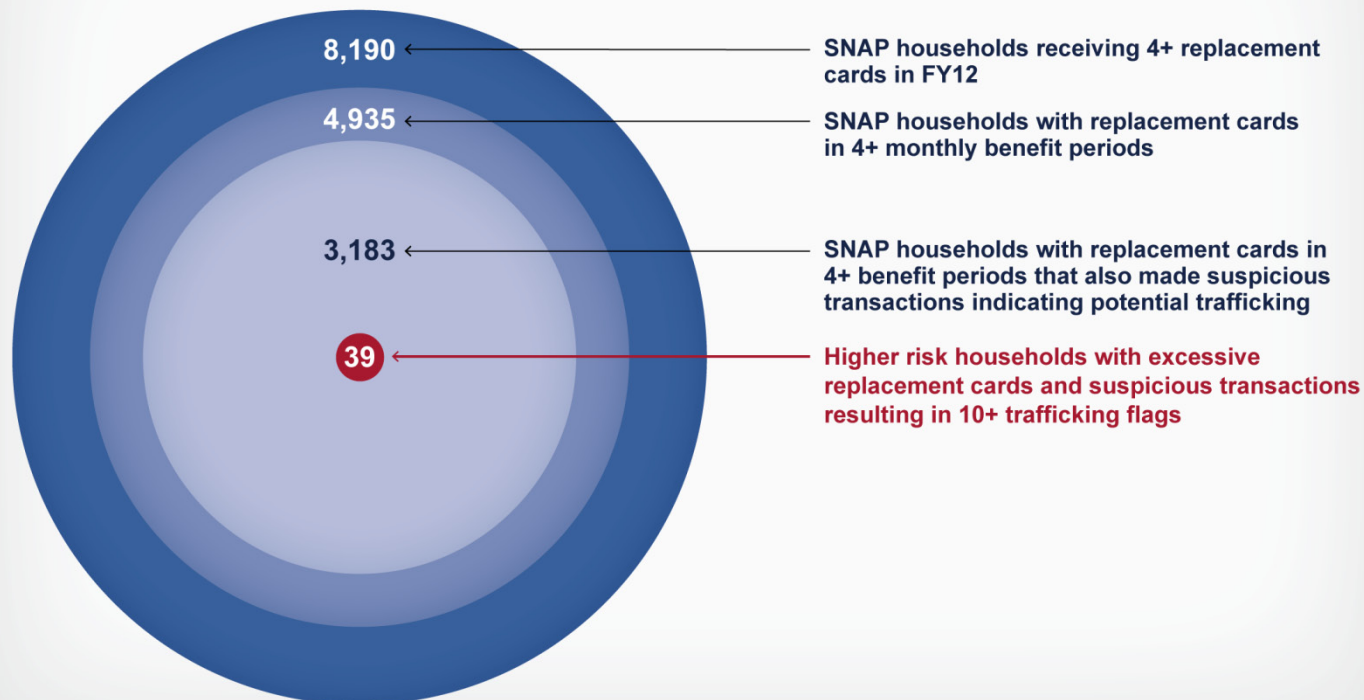
GAO analyzed the data for trafficking indicators based on suspicious transaction types already used by FNS and state SNAP officials, such as unusually large-dollar transactions or even-dollar transactions. GAO found that by comparing the number of benefit periods with replacement cards and the total number of transactions flagged for potential trafficking, states may be able to better identify those households that may be at higher risk of trafficking. For example, as shown in the figure below, while there were 4,935 SNAP households in Michigan that received excessive replacement cards, GAO identified just 39 households that received excessive replacement cards and made transactions resulting in 10 or more trafficking flags. While state SNAP officials may not want to limit their investigations to such a small number of households, this type of analysis may help provide a starting point for identifying higher priority households for further review. The more targeted approach may also be particularly helpful given that states reported having limited resources for conducting investigations.

FNS officials stated that, in light of the challenges using replacement card data as a fraud detection tool, they are working on how to better link excessive replacement card requests to potential trafficking. To inform these efforts, FNS has commissioned a study focused on detecting indications of potential trafficking by those requesting excessive replacement cards. However, FNS officials reported that it is too early to provide additional guidance or draw conclusions about the effectiveness of current efforts, but said they intend to provide more guidance to states once they have further data to inform a fraud detection methodology. A crucial element to an effective fraud prevention framework is resources and tools to continually monitor and detect potential fraud. Given limitations to state investigative resources, efficient antifraud activities and detection tools are critical.

## Targeting Potential Supplemental Nutrition Assistance Program (SNAP) Benefit Trafficking Using Replacement Card and Transaction Data to Identify Higher Risk Households in Michigan, Fiscal Year 2012

### Michigan SNAP households receiving replacement cards in fiscal year (FY) 2012

By taking a targeted approach to analyzing replacement card data in conjunction with related transaction data, we identified those households receiving excessive replacement cards that may be at higher risk of trafficking.



Source: GAO analysis of Supplemental Nutrition Assistance Program (SNAP) transaction data. | GAO-15-404SP

## Actions Needed and Potential Financial or Other Benefits

To help states better pursue SNAP recipient fraud, GAO recommended in August 2014 that the Secretary of Agriculture direct the Administrator of FNS to

- establish additional guidance to help states analyze SNAP transaction data to better identify SNAP recipient households receiving replacement cards that are potentially engaging in trafficking, and assess whether the use of replacement card benefit periods may better focus this analysis on high-risk households potentially engaged in trafficking.

According to a September 2012 U.S. Department of Agriculture Office of Inspector General report, the magnitude of SNAP program abuse due to recipient fraud is unknown because states do not have uniform ways of compiling the data that would provide such information. As a result, the extent of recipient fraud that may be detected through an effective replacement card tool is also unknown. For these reasons, GAO cannot

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quantify the potential financial benefits associated with the recommended actions.

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## Agency Comments and GAO's Evaluation

In commenting on the August 2014 report on which this analysis is based, FNS agreed with the recommendation and reported that efforts are under way to address it. For example, as of August 2014, FNS had commissioned studies to help inform its efforts to assist states in developing better recipient fraud detection tools, including potentially issuing new guidance.

GAO provided a draft of this report section to FNS for review and comment. FNS provided written comments. In their comments FNS stated that they are continuing efforts to help states better identify trafficking and effectively utilize replacement card data as a potential indicator. Specifically, FNS reported completing its analysis of recipient fraud prevention and detection in 2 of 7 state agencies currently being reviewed (New York and Pennsylvania) in 2014, resulting in over 100 recommendations to strengthen state trafficking prevention strategies. Furthermore, FNS reported that it conducted data mining activities of state household and SNAP transaction data in these two states to create models to help better detect program fraud. FNS also reported that an analysis conducted with their contractor indicated replacement card data was the single greatest indicator of potential trafficking in New York. FNS reported that it will provide additional technical assistance in fiscal year 2015 to help states implement the results of these studies. Furthermore, FNS stated that it is continuing the effort to study fraud prevention in 2015 and plans to deliver final reports for the remaining 5 state agencies being reviewed, including South Carolina, Wisconsin, California (Los Angeles County), Kansas, and Texas, by September 30, 2015.

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## How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO products section. To determine how selected state agencies are pursuing SNAP recipient fraud, GAO interviewed knowledgeable state and local officials in 11 states about their recipient antifraud work and obtained related documentation. These 11 states were selected based on geographic dispersion, SNAP payment error rates, percentage of the total number of SNAP households nationwide, and the percentage of recipients they reported as disqualified from the program due to noncompliance. GAO selected the 11 states to review to achieve variation on each of these selection criteria. To assess the effectiveness of replacement card data as a state fraud detection tool, GAO analyzed replacement card data for SNAP households in 3 of the 11 selected states—Michigan, Massachusetts, and Nebraska. GAO selected these three states to include high, medium, and low percentages of the total number of SNAP households nationwide. GAO analyzed fiscal year 2012 data to determine the number of households receiving replacement cards in four or more monthly benefit periods. GAO then obtained fiscal year 2012 transaction data from FNS for those households and analyzed the transaction data for suspicious transactions indicating potential

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trafficking that occurred during the same benefit period when a household received a replacement card. GAO tested the transaction data for six different suspicious transaction types that were reported as commonly used by FNS and state SNAP officials to identify potential trafficking. At the request of SNAP officials to maintain confidentiality over their fraud detection methods, GAO did not include descriptions of all six transaction tests in the report.

Table 17 in appendix V lists the programs GAO identified that might have opportunities for cost savings.

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## Related GAO Products

*Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud.* [GAO-14-641](#). Washington, D.C.: August 21, 2014.

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## Contact Information

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## 23. Federal Software Licenses

In order to achieve hundreds of millions of dollars in government-wide savings, federal agencies should apply better management of software licenses and the Office of Management and Budget should issue a directive to assist agencies in doing so.

### Why This Area Is Important

The federal government plans to spend almost \$80 billion on information technology (IT) products and services in fiscal year 2015, such as purchases of software licenses. According to the Information Technology Infrastructure Library's *Guide to Software Asset Management*, software licenses are legal rights to use software in accordance with terms and conditions specified by the software copyright owner.<sup>1</sup> Federal agencies engage in thousands of licensing agreements annually. The Office of Management and Budget (OMB) and the 24 federal agencies covered by the Chief Financial Officers Act of 1990 have key roles and responsibilities for overseeing IT investment management.<sup>2</sup> OMB is responsible for working with agencies to ensure investments are appropriately planned and justified pursuant to the Clinger-Cohen Act of 1996.<sup>3</sup> The law also places responsibility for managing investments with the heads of agencies and establishes chief information officers to advise and assist agency heads in carrying out this responsibility.<sup>4</sup>

Two executive orders contain information for federal agencies relative to the management of software licenses. In particular, Executive Order 13103 specifies that each agency shall adopt policies and procedures to ensure that the agency uses only computer software not in violation of copyright laws.<sup>5</sup> These procedures may include information on preparing agency software inventories. Additionally, as part of Executive Order 13589, on promoting efficient spending, agencies are required to assess current device inventories and usage, and establish controls to ensure

<sup>1</sup>Colin Rudd, *ITIL v.3 Guide to Software Asset Management* © (2009), ISBN 9780113311064. Reprinted with permission from ITIL. The guide is available at: <http://www.axelos.com/Publications-Library/IT-Service-Management-ITIL/>.

<sup>2</sup>The 24 major federal agencies covered by the Chief Financial Officers Act of 1990 are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; Environmental Protection Agency; General Services Administration; National Aeronautics and Space Administration; National Science Foundation; Nuclear Regulatory Commission; Office of Personnel Management; Small Business Administration; Social Security Administration; and U.S. Agency for International Development.

<sup>3</sup>40 U.S.C §§ 11302-11303.

<sup>4</sup>40 U.S.C §§ 11312, 11313, and 11315.

<sup>5</sup>Executive Order 13103, *Computer Software Piracy*, 63 Fed. Reg. 53273 (Sept. 30, 1998).

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that they are not paying for unused or underutilized IT equipment, installed software, or services.<sup>6</sup>

The objective of software license management is to manage, control, and protect an organization's software assets, including management of the risks arising from the use of those software assets.<sup>7</sup> Proper management of software licenses helps to minimize risks by ensuring that licenses are used in compliance with licensing agreements and cost-effectively deployed, and that software purchasing and maintenance expenses are properly controlled. In addition, effective management can help avoid purchasing too few licenses, which results in noncompliance with license terms and may cause the imposition of additional fees.

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## What GAO Found

In May 2014, GAO reported on federal agencies' management of software licenses and the potential for achieving significant savings government-wide.<sup>8</sup> Specifically, GAO found OMB and the vast majority of agencies reviewed did not have adequate policies for managing software licenses. While OMB had a policy on a broader IT management initiative that is intended to assist agencies in gathering information on their IT investments, including software licenses, it did not guide agencies in developing comprehensive license management policies comprised of the seven elements identified in GAO's May 2014 report.<sup>9</sup> Of the 24 major federal agencies, 2 had comprehensive policies that included the establishment of clear roles and central oversight authority for managing enterprise software license agreements, among other things; 18 had policies but they were not comprehensive; and 4 had not developed any policy. The weaknesses in agencies' policies were due, in part, to the lack

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<sup>6</sup>Executive Order 13589, *Promoting Efficient Spending*, 76 Fed. Reg. 70863 (Nov. 9, 2011).

<sup>7</sup>Colin Rudd, *ITIL v.3 Guide to Software Asset Management* © (2009), ISBN 9780113311064. Reprinted with permission from ITIL. The guide is available at <http://www.axelos.com/Publications-Library/IT-Service-Management-ITIL/>.

<sup>8</sup>GAO, *Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide*, GAO-14-413 (Washington, D.C.: May 22, 2014).

<sup>9</sup>The seven elements that a comprehensive software license policy should specify are (1) identify clear roles, responsibilities, and central oversight authority within the department for managing enterprise software license agreements and commercial software licenses; (2) establish a comprehensive inventory (80 percent of software license spending and/or enterprise licenses in the department) by identifying and collecting information about software license agreements using automated discovery and inventory tools; (3) regularly track and maintain software licenses to assist the agency in implementing decisions throughout the software license management life cycle; (4) analyze software usage and other data to make cost-effective decisions; (5) provide training relevant to software license management; (6) establish goals and objectives of the software license management program; and (7) consider the software license management life-cycle phases (i.e., requisition, reception, deployment and maintenance, retirement, and disposal phases) to implement effective decision making. GAO identified these elements by interviewing six recognized software license management experts from the private and federal sectors and then comparing and synthesizing the information.

of a priority for establishing software license management practices and a lack of direction from OMB. GAO concluded that without an OMB directive and comprehensive agency policies, it will be difficult for the agencies to consistently and effectively manage software licenses.

Additionally, GAO reported that federal agencies were generally not following the leading practices GAO identified for managing software licenses.<sup>10</sup> In May 2014, GAO identified five leading practices: centralizing management; establishing a comprehensive inventory of licenses; regularly tracking and maintaining comprehensive inventories using automated discovery and inventory tools and metrics; analyzing the software license data to inform investment decisions and identify opportunities to reduce costs; and providing appropriate personnel with sufficient training on software license management. The table below lists the leading practices and the number of agencies that had fully, partially, or not implemented them.

**Summary of Results for 24 Major Agencies' Implementation of Software Licenses Management Leading Practices**

Leading practice	Fully implemented	Partially implemented	Not implemented
Centralized management	4	15	5
Established software license inventory	2	20	2
Tracking and maintaining inventory	0	20	4
Analyzing software license data	0	15	9
Providing sufficient training	0	5	19

Source: GAO analysis of agency data as reported in [GAO-14-413](#). | GAO-15-404SP

The inadequate implementation of leading practices in software license management was partially due to weaknesses in agencies' policies. As a result, agencies are limited in their ability to analyze software license data to more cost-effectively buy and maintain software licenses and to ascertain the software applications most widely used across the federal government. Consequently, while some agencies were able to identify millions in savings for software through ad hoc processes, the potential exists for even greater savings and additional opportunities to reduce software license spending and duplication than what agencies had reported, including the following examples:

- In fiscal year 2012, one major federal agency reported saving approximately \$181 million by consolidating its enterprise license agreements even though its oversight process was ad hoc.

<sup>10</sup>In its May 2014 report, GAO identified five leading practices for software license management by interviewing six recognized software license management experts from the private and federal sectors and then comparing and synthesizing the practices that were identified.



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- In fiscal year 2013, another major agency reported cost savings of approximately \$33 million by consolidating major IT contracts, including Cisco and Microsoft licenses, to achieve efficiencies.
  - Finally, in fiscal year 2012, a major agency reported that it negotiated an enterprise license agreement to reduce costs associated with software products used, providing the agency approximately \$13 million in cost savings in fiscal year 2012 and \$37 million in net cost avoidance for fiscal year 2013.

Until OMB and the agencies focus on improving policies and processes, they will not have the data to manage software licenses and will likely continue to miss opportunities to reduce costs.

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## Actions Needed and Potential Financial or Other Benefits

GAO recommended in May 2014 that the Director of OMB

- issue a directive to the agencies on developing comprehensive software licensing policies comprised of the seven elements of a comprehensive policy.

GAO also made recommendations to the 24 reviewed agencies to improve their policies and practices for managing software licenses by including all elements of comprehensive policies for the management of software licenses or adopting leading practices. Specifically, GAO recommended the following:

- Twenty-two of the 24 agencies should develop an agency-wide comprehensive policy for the management of software licenses that addresses the weaknesses we identified.<sup>11</sup>
- Twenty of the 24 agencies should employ a centralized software license management approach that is coordinated and integrated with key personnel for the majority of agency software license spending and/or enterprise-wide licenses.<sup>12</sup>
- Twenty-two of the 24 agencies should establish a comprehensive inventory of software licenses using automated tools for the majority of agency software license spending and/or enterprise-wide licenses.<sup>13</sup>

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<sup>11</sup>GAO did not make recommendations to the Departments of Homeland Security and Labor.

<sup>12</sup>GAO did not make recommendations to the Department of Housing and Urban Development, General Services Administration, National Science Foundation, and U.S. Agency for International Development.

<sup>13</sup>GAO did not make recommendations to the Department of Housing and Urban Development and National Science Foundation.

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- Each of the 24 agencies should regularly track and maintain a comprehensive inventory of software licenses using automated tools and metrics.
  - Each of the 24 agencies should analyze agency-wide software license data, such as costs, benefits, usage, and trending data, to identify opportunities to reduce costs and better inform investment decision making.
  - Each of the 24 agencies should provide software license management training to appropriate agency personnel addressing contract terms and conditions, negotiations, laws and regulations, acquisition, security planning, and configuration management.

Taking these actions—a total of 136 actions across OMB and the 24 agencies—should provide greater assurance that OMB and the agencies will identify opportunities to reduce software license spending and duplication, and therefore realize the full potential of cost savings for the federal government. Due to the lack of agency-wide data on software licenses, such as inventories and costs, it is not possible to estimate the full extent of potential cost savings associated with the implementation of these management practices and policies. The federal government has so far achieved at least \$250 million in savings, but GAO’s analysis suggests that implementing these recommendations could result in additional savings.

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## Agency Comments and GAO’s Evaluation

In commenting on GAO’s May 2014 report, OMB disagreed with GAO’s recommendation to issue a directive. In particular, OMB cited two additional management initiatives that it asserted have significant bearing in the area of software licensing that were not included in GAO’s report.<sup>14</sup> While GAO agrees that OMB’s initiatives collectively represent important management tools for agencies, they are not enough to guide agencies in developing comprehensive license management policies. Additionally, of the 24 agencies that GAO made specific recommendations to, 11 agreed, 5 partially agreed, 2 neither agreed nor disagreed, and 6 had no comments. In a subsequent GAO report in September 2014, GAO described OMB and agencies’ current and planned actions to address these recommendations. GAO found that 21 agencies planned to fully address all recommendations. Three agencies reported that they planned to address most recommendations but not all, primarily because they partially disagreed with the prior report’s findings or did not provide information on their efforts to address the recommendations made. Finally, OMB continued to disagree with GAO’s recommendation to issue a directive to help guide agencies’ management of software licenses and as a result, does not have plans to address this recommendation. GAO

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<sup>14</sup>These two initiatives are known as “Maximizing Use of SmartBuy and Avoiding Duplication” and “Cross Agency Priority Goal: Cybersecurity.”

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maintains that OMB should develop a directive because as GAO's May 2014 report shows, only 2 of the 24 major agencies have comprehensive policies in place, and only 2 have comprehensive license inventories. Until this gap in guidance is addressed, agencies will likely continue to lack visibility into what needs to be managed. In summary, of the 136 recommendations made in the May 2014 report, agencies have planned actions for 129 recommendations, no actions are planned for 6, and the status is unknown for 1.

Recently, GAO provided a draft of this report section to OMB and the 24 major agencies for review and comment. OMB and 22 of the major agencies stated that they have no comment. One agency (the Department of Housing and Urban Development), in written comments, stated that it would be in full compliance with software license management policies and industry best practices once corrective actions have been fully implemented.

The remaining agency (the Department of Energy), in written comments, maintained the position that it has an agency-wide comprehensive policy for the management of software licenses. The department further stated that GAO failed to recognize the federal government's improvement actions to leverage current federal initiatives, and agreed with OMB's response to GAO in the May 2014 report. However, GAO continues to believe that actions are needed at the Department of Energy to address weaknesses. As noted in the May 2014 report, the department has visibility into only 45 percent of its licenses due in part to its decentralized management approach. Until the department adopts a more centralized approach, it will likely not be adequately positioned to take advantage of OMB's current initiatives.

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## How GAO Conducted Its Work

The information contained in this analysis is based primarily on findings from the May 2014 report listed in the related GAO products section. GAO assessed policies from the 24 Chief Financial Officers Act agencies and OMB against software licensing policy measures. Specifically, GAO obtained and analyzed policy documents, such as agency and departmental guidance, policies, procedures, and standard operating procedures, and compared them to the seven elements. GAO also obtained information through interviews with officials responsible for software license management activities. Further, to assess the extent to which OMB has appropriate guidance on software license management, GAO collected and analyzed OMB guidance on the PortfolioStat and Strategic Sourcing initiatives to determine its efforts to oversee federal agencies' management of software licenses. GAO then compared these efforts to relevant statutes and executive orders and also interviewed OMB officials to identify their views on whether the relevant guidance for software license management to federal agencies is appropriately established. GAO also analyzed and compared agencies' software inventories and management controls to leading practices, and interviewed responsible officials. To identify sound licensing policy measures and leading practices, GAO interviewed recognized private

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sector and government software license management experts and then compared and synthesized the practices that were identified. To describe agencies' current or planned actions for the September 2014 correspondence listed in the related GAO products section, GAO obtained and reviewed OMB and the 24 major agencies' reported statement of actions about their efforts to address the recommendations and also gathered relevant information from agencies' comments on GAO's May 2014 report.<sup>15</sup>

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## Related GAO Products

*Federal Software Licenses: Most Agencies Have Reported Planned Actions to Address Our Prior Recommendations on Software License Management.* [GAO-14-835R](#). Washington, D.C.: September 23, 2014.

*Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide.* [GAO-14-413](#). Washington, D.C.: May 22, 2014.

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## Contact Information

For additional information about this area, contact Carol R. Cha at (202) 512-4456 or [chac@gao.gov](mailto:chac@gao.gov).

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<sup>15</sup>Federal agencies are required to submit to specified congressional committees a written statement of actions taken on GAO's recommendations. 31 U.S.C. § 720.

## 24. Disaster Relief Fund Administrative Costs

Cost savings of millions of dollars could be realized if Federal Emergency Management Agency officials enhance their oversight of the agency's administrative costs obligated from the Disaster Relief Fund for major disasters.

### Why This Area Is Important

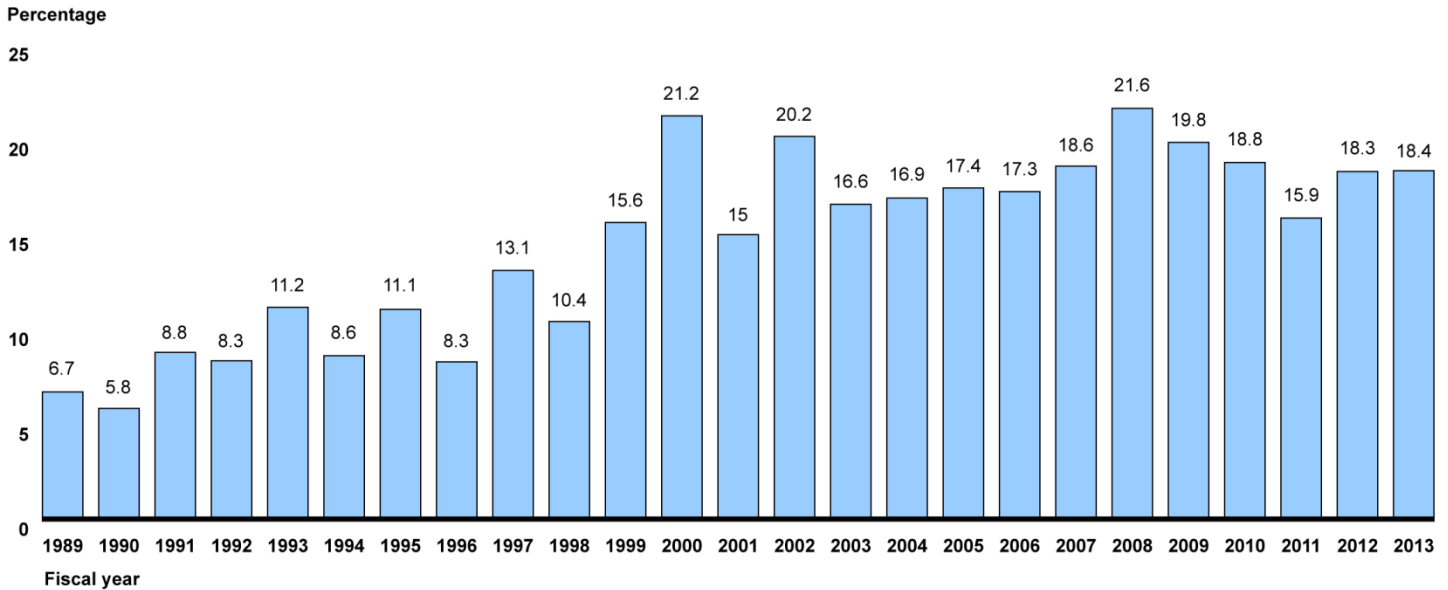
Presidents declared 650 major disasters during the 10 fiscal years from 2004 through 2013, which was 32 percent more than the 494 major disasters declared during the preceding 10 fiscal years. This growth in major disaster declarations has led to increased federal obligations, including increased administrative costs from the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund (DRF). For each major disaster, FEMA obligates funds from the DRF to cover its administrative costs—that is, costs that support the delivery of disaster assistance. Examples of FEMA administrative costs include the salary and travel costs for the disaster workforce, rent and security expenses associated with field operation locations, and supplies and information technology for field operation staff. FEMA obligated \$12.7 billion from the DRF to cover its administrative costs for the 650 major disasters declared during fiscal years 2004 through 2013.

### What GAO Found

In December 2014, GAO reported that FEMA's average annual administrative cost percentage (i.e., the percentage of total costs devoted to administrative costs) for major disasters had doubled since fiscal year 1989. As shown in the figure below, FEMA's average administrative cost percentage was 18 percent in fiscal year 2013 compared to an average of 7 percent in fiscal year 1989.<sup>1</sup>

<sup>1</sup>GAO calculated a major disaster's administrative cost percentage by dividing FEMA's administrative cost obligations by total obligations for the disaster. The annual average administrative cost percentage is the average of the administrative cost percentages of disasters that were declared during that fiscal year.

## Average Annual Administrative Cost Percentages for 1,332 Major Disasters Declared during Fiscal Years 1989 through 2013



Source: GAO analysis of FEMA data. | GAO-15-404SP

GAO further reported that, since fiscal year 2010, FEMA officials have taken actions intended to better manage and control the agency's administrative costs for major disasters. For example, in November 2010, the FEMA Administrator issued guidance to managers responsible for overseeing administrative costs that included best practices for determining staffing levels for field operations.<sup>2</sup> However, since fiscal year 2010 there has not been a significant decrease in FEMA's administrative costs. As discussed below, in past reports GAO identified some steps FEMA officials could take to more efficiently and effectively meet the agency's goals to reduce and better control administrative costs for major disasters.

**Administrative Cost Goals.** In September 2012, GAO reported that FEMA's November 2010 management guide included target ranges for administrative cost percentages—for example, small disasters have an administrative cost percentage target range of 12 percent to 20 percent.<sup>3</sup> However, the agency does not consider the targets formal guidance and does not hold its officials accountable for meeting the targets. FEMA did not require that the targets be met because, according to FEMA officials,

<sup>2</sup>FEMA, *Achieving Efficient JFO Operations: A Guide for Managing Staffing Levels and Administrative Costs* (Washington, D.C.: November 2010).

<sup>3</sup>According to the management guide, FEMA categorizes major disasters using three event levels—essentially small, medium, or large—based on the amount of federal funding obligated for disaster assistance. Large disasters have projected disaster assistance of \$500 million to \$5 billion, medium disasters have projected disaster assistance from \$50 million to \$500 million, and small disasters have projected disaster assistance of less than \$50 million.

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the agency's intent was to provide general guidance rather than to stipulate a prescriptive policy or formula. GAO further reported that, according to FEMA's strategic plan, the agency's ability to analyze and evaluate the results of its plans, programs, and organizational initiatives is key to managing its strategic and long-range organizational goals. To help FEMA control its administrative costs, GAO recommended that FEMA implement goals for administrative cost percentages and monitor performance to achieve these goals. In July 2014, FEMA issued its Strategic Plan for 2014-2018, which includes a goal to reduce its average annual percentage of administrative costs, as compared with total program costs, by 5 percentage points, by the end of 2018. According to FEMA officials, the goal to reduce FEMA's administrative costs reflects its importance to FEMA. In February 2015, FEMA reported that they are in the process of implementing GAO's recommendation and plan to provide GAO an update by March 31, 2015.

Based on GAO's analyses in December 2014, had FEMA met its target range for the 650 major disasters declared during fiscal years 2004 through 2013, the agency's administrative cost obligations could have been reduced by between \$2.3 billion and \$5.1 billion. Had FEMA met its target range for the 209 major disasters declared during fiscal years 2011 through 2013—that is, the period since FEMA created its administrative cost targets—the agency's administrative cost obligations could have been reduced by between \$312 million and \$841 million.<sup>4</sup> FEMA did not develop the target ranges until November 2010, and FEMA does not require its officials to stay within or below the target ranges. As a result, these amounts do not indicate the amount that FEMA could have saved during this period. Rather, these amounts can be used as an indication of the magnitude of potential cost savings in the future if the target ranges are met.

***Integrated Plan.*** In December 2014, GAO reported that FEMA officials provided information on several ongoing efforts to reduce and better control its administrative costs, such as the November 2010 management guide. However, according to FEMA officials, they had not at that time developed a plan that integrates the steps they are taking to better control and reduce costs, and that highlights clear roles and responsibilities, performance metrics, milestones, and a monitoring system to assess their progress. According to the Project Management Institute's *A Guide to the Project Management Body of Knowledge*, which provides standards for project managers, specific goals and objectives should be conceptualized, defined, and documented in the planning process, along with the appropriate steps, time frames, and milestones needed to

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<sup>4</sup>According to the management guide, small disasters have an administrative cost percentage target range of 12 percent to 20 percent. Medium disasters have an administrative cost percentage target range of 9 percent to 15 percent. Large disasters have an administrative cost percentage target range of 8 percent to 12 percent.

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achieve those results.<sup>5</sup> Until FEMA creates a plan that integrates its initiatives, FEMA will continue to lack assurance that it has an effective and efficient plan for reaching its goals to better control and reduce costs.

In addition, according to FEMA officials, the agency has not designated an office or senior officials accountable for controlling administrative costs. For example, FEMA officials highlighted that it was unclear who had authority and responsibility to monitor and question staffing levels, even though staffing is the largest driver of administrative costs. According to the *Standards for Internal Control in the Federal Government*, managers should compare actual performance to planned or expected results throughout the organization and analyze significant differences; it also states that an agency's organizational structure should clearly define key areas of authority and responsibility and establish appropriate lines of reporting.<sup>6</sup> As part of an integrated plan, designating an office or senior official with sufficient time, responsibility, authority, and resources can help improve FEMA's accountability and progress.

**Tracking Administrative Costs.** In December 2014, GAO reported that FEMA does not track or analyze its administrative costs for major disasters by individual DRF program—including Public Assistance, Individual Assistance, and Hazard Mitigation.<sup>7</sup> For example, FEMA could tell GAO how much it obligated for its own administrative costs, in total, for the Hurricane Sandy disaster response, but not how much it has obligated for its administrative costs related to each DRF program. Without administrative cost data by program, neither GAO nor FEMA can determine whether increases in administrative cost percentages since fiscal year 1989 were greater for one program than for another, or greater for certain components, such as staffing for a particular DRF program.

According to FEMA officials, gathering administrative cost data by DRF program would require additional resources and technical changes; however, the agency has not assessed the costs versus the benefits of

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<sup>5</sup>Project Management Institute, *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*, Fifth Edition (Newtown Square, Pennsylvania: 2013). GAO has used *A Guide to the Project Management Body of Knowledge* to provide criteria in previous reports, including GAO, *Nonproliferation and Disarmament Fund: State Should Better Assure the Effective Use of Program Authorities*, [GAO-13-83](#) (Washington, D.C.: Nov. 30, 2012).

<sup>6</sup>[GAO/AIMD-00-21.3.1](#).

<sup>7</sup>The Individual Assistance program provides for the necessary expenses and serious needs of disaster victims that cannot be met through insurance or low-interest Small Business Administration loans. For example, FEMA may provide temporary housing assistance, counseling, unemployment compensation, or medical expenses incurred as a result of a disaster. The Public Assistance program provides for debris removal; emergency protective measures; and the repair, replacement, or restoration of disaster-damaged, publicly owned facilities and the facilities of certain private nonprofit organizations that provide services otherwise performed by a government agency. Hazard Mitigation provides additional funds to states to assist communities in implementing long-term measures to help reduce the potential risk of future damages to facilities.



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tracking the data. FEMA officials stated that assessing the costs and benefits would be helpful, and they agreed that administrative costs should be tracked by program. According to *Standards for Internal Control in the Federal Government*, program managers need financial data to determine whether they are meeting their goals for accountability for effective and efficient use of resources. Further, FEMA's 2014-2018 *Strategic Plan* emphasizes the need for data-driven decision making.<sup>8</sup> By assessing the costs and benefits of tracking administrative cost data by DRF programs, FEMA could determine whether such data could be useful for identifying long-term trends, controlling its administrative costs, and better tailoring its administrative costs to program delivery.

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## Actions Needed and Potential Financial or Other Benefits

GAO recommended in September 2012 that the FEMA Administrator take the following action:

- Implement goals for administrative cost percentages and monitor performance to achieve these goals.

GAO recommended in December 2014 that the FEMA Administrator take the following actions:

- 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 or offices responsible for monitoring and measuring performance.
- 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.

FEMA may realize cost savings by increasing the efficiency and effectiveness of processes related to administrative costs for major disasters. However, a precise estimate of cost savings cannot be quantified because GAO's recommendations provided FEMA discretion in how it implements the recommendations. For example, GAO recommended that FEMA implement goals for administrative cost percentages, but GAO did not recommend specific goals. Therefore, it would be difficult for GAO to quantify potential cost savings from this recommendation.

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<sup>8</sup>FEMA, *FEMA Strategic Plan 2014-2018* (July 2014).

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## Agency Comments and GAO's Evaluation

In commenting on the December 2014 report on which this analysis is based, FEMA concurred with our recommendations and described planned actions to address them. GAO also provided a draft of this report section to FEMA for review and comment. In commenting on this report, FEMA stated that reducing administrative costs is a priority to the agency as reflected in its Strategic Plan for 2014-2018, and by its actions underway to address GAO's recommendations.

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## How GAO Conducted Its Work

The information contained in the analysis is based on findings from products listed in the related GAO products section. GAO obtained and analyzed FEMA's obligations data for major disasters; interviewed officials from FEMA's Office of Chief Financial Officer and the Office of Response and Recovery; and obtained and analyzed FEMA policies, procedures, and guidance specific to administrative costs.

Table 18 in appendix V lists the programs GAO identified that might have opportunities for cost savings.

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## Related GAO Products

*Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters.* [GAO-15-65](#). Washington, D.C.: December 17, 2014.

*Opportunities to Achieve Efficiencies and Strengthen Operations.* [GAO-14-687T](#). Washington, D.C.: July 24, 2014.

*Improved Criteria Needed to Assess a Jurisdiction's Capacity to Respond and Recover on Its Own.* [GAO-12-838](#). Washington, D.C.: September 12, 2012.

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## Contact Information

For additional information about this area, contact Chris Currie at (404) 679-1875 or [curriec@gao.gov](mailto:curriec@gao.gov).

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# Appendix I: List of Congressional Addressees

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The Honorable Thad Cochran  
Chairman  
The Honorable Barbara A. Mikulski  
Vice Chairwoman  
Committee on Appropriations  
United States Senate

The Honorable Mike Enzi  
Chairman  
The Honorable Bernie Sanders  
Ranking Member  
Committee on the Budget  
United States Senate

The Honorable Ron Johnson  
Chairman  
The Honorable Thomas R. Carper  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Harold Rogers  
Chairman  
The Honorable Nita M. Lowey  
Ranking Member  
Committee on Appropriations  
House of Representatives

The Honorable Tom Price  
Chairman  
The Honorable Chris Van Hollen  
Ranking Member  
Committee on the Budget  
House of Representatives

The Honorable Jason Chaffetz  
Chairman  
The Honorable Elijah E. Cummings  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives

The Honorable Claire McCaskill  
United States Senate

The Honorable Mark R. Warner  
United States Senate

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# Appendix II: Objectives, Scope, and Methodology

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Section 21 of Public Law 111-139, enacted in February 2010, requires GAO to conduct routine investigations to identify federal programs, agencies, offices, and initiatives with duplicative goals and activities within departments and governmentwide. This provision also requires GAO to report annually to Congress on its findings, including the cost of such duplication, and recommendations for consolidation and elimination to reduce duplication and specific rescissions (legislation canceling previously enacted budget authority) that Congress may wish to consider. As agreed with the key congressional committees, our objectives in this report are to (1) identify what potentially significant areas of fragmentation, overlap, and duplication as well as opportunities for cost savings and enhanced revenues exist across the federal government; and (2) identify what options, if any, exist to address fragmentation, overlap, and duplication in these areas and take advantage of opportunities for cost savings and enhanced revenues.

For the purposes of our analysis, we used the term "fragmentation" to refer to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and there may be opportunities to improve how the government delivers these services. We used the term "overlap" when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We considered "duplication" to occur when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.<sup>1</sup> This report presents 12 areas of fragmentation, overlap, or duplication where greater efficiencies or effectiveness in providing government services may be achievable. We also highlighted 12 other opportunities for potential cost saving or revenue enhancements.

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## GAO's Approach

Over the course of our 2011 through 2013 annual reports we conducted a systematic and practical examination across the federal government to provide reasonable coverage for areas of potential fragmentation, overlap, and duplication government-wide.<sup>2</sup> Since then, we continue to consider a variety of factors to determine whether such potential instances or opportunities identified in our routine audit work warrant

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<sup>1</sup>We recognize that there could be instances where some degree of program fragmentation, overlap, and duplication, may be warranted due to the nature or magnitude of the federal effort.

<sup>2</sup>See [GAO-14-343SP](#).

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inclusion in this annual report. Such factors included, but were not limited to, the extent of potential cost savings, opportunities for enhanced program efficiency or effectiveness, the degree to which multiple programs may be fragmented, overlapping, or duplicative, whether issues had been identified by GAO or external sources, and the level of coordination among agency programs.

Each issue area contained in Sections I and II of this report lists any respective GAO reports and publications upon which it is based. Those prior GAO reports contain more detailed information on our supporting work and methodologies. For issues that update prior GAO work, we provide additional information on the methodologies used in that update in the section entitled “How GAO Conducted Its Work” of each issue area.

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## Identifying Actions

To identify what actions, if any, exist to address fragmentation, overlap, and duplication and take advantage of opportunities for cost savings and enhanced revenues, we reviewed and updated prior GAO work and recommendations to identify what additional actions agencies may need to take and Congress may wish to consider. For example, we used a variety of prior GAO work identifying leading practices that could help agencies address challenges associated with interagency coordination and collaboration and evaluating performance and results achieving efficiencies.<sup>3</sup>

To identify the potential financial and other benefits that might result from actions addressing fragmentation, overlap, or duplication, we collected and analyzed data on costs and potential savings to the extent it was available. Estimating the benefits that could result from eliminating unnecessary fragmentation, overlap, or duplication was not possible in some cases because information about the extent of duplication among certain programs was not available. Further, the financial benefits that can be achieved from eliminating duplication, overlap, or fragmentation were not always quantifiable in advance of congressional and executive branch decision making, and needed information was not readily available on, among other things, program performance, the level of funding devoted to overlapping programs, or the implementation costs and time frames that might be associated with program consolidations or terminations.

When possible, we also included tables in appendix V that provide a detailed listing of federally-funded program names and associated budgetary information. While there is no standard definition for what constitutes a program, they may include grants, tax expenditures,

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<sup>3</sup>GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005) and *Managing for Results: A Guide for Using the GPRA Modernization Act to Help Inform Congressional Decision Making*, [GAO-12-621SP](#) (Washington, D.C.: June 15, 2012).

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centers, loans, funds, and other types of assistance. A wide variety of budgetary information may be used to convey the federal commitment to these programs. When available, we collected obligations information for fiscal year 2013 for reporting across issue areas. In some instances, obligations data were not available, but we were able to report other budgetary information, such as appropriations. In other issue areas, we did not report any budgetary information, because such information was either not available or sufficiently reliable. For example, some agencies could not isolate budgetary information for some programs, because the data were aggregated at higher levels.

We assessed the reliability of any computer-processed data that materially affected our findings, including cost savings and revenue enhancement estimates. The steps that GAO takes to assess the reliability of data vary but are chosen to accomplish the auditing requirement that the data be sufficiently reliable given the purposes it is used for in our products. GAO analysts review published documentation about the data system and Inspector General or other reviews of the data. GAO may interview agency or outside officials to better understand system controls and to assure ourselves that we understand how the data are produced and any limitations associated with the data. GAO may also electronically test the data to see if values in the data conform to agency testimony and documentation regarding valid values, or compare data to source documents. In addition to these steps GAO often compares data with other sources as a way to corroborate our findings. Per GAO policy, when data do not materially affect findings and are presented for background purposes only, we may not have assessed the reliability depending upon the context in which the data are presented.

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## Assessing Status of Actions

To examine the extent to which the legislative and executive branches have made progress in implementing the approximately 440 actions in the 188 areas<sup>4</sup> we have reported on in previous annual reports on fragmentation, overlap, and duplication, we reviewed relevant legislation and documents such as budgets, policies, strategic and implementation plans, guidance, and other information. We also analyzed, to the extent possible, whether or not financial or other benefits have been attained, and included this information as appropriate. In addition, we discussed the implementation status of the areas with officials at the relevant agencies.

Using the legislation and documentation collected from agencies, GAO analysts and specialists working on defense, domestic, and international areas assessed progress for each of the approximately 440 actions within their areas of expertise. A core group of GAO staff examined all

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<sup>4</sup>To provide a more accurate picture of the progress made in the identified areas, starting in 2015, we are reporting the status of each action under each area (see appendix IV). New actions are assessed as pending.

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assessments to ensure consistent and systematic application of the criteria, and made adjustments, as appropriate.

We used the following criteria in assessing the status of actions.<sup>5</sup>

- In assessing legislative branch actions, we applied the following criteria: “addressed” means relevant legislation is enacted and addresses all aspects of the action needed; “partially addressed” means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and “not addressed” means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced.<sup>6</sup>
- In assessing executive branch actions we applied the following criteria: “addressed” means implementation of the action needed has been completed; “partially addressed” means the action needed is in development, started but not yet completed; and “not addressed” means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

GAO provided drafts of these assessments to the agencies involved for their technical comments and incorporated these comments, as appropriate. In providing the drafts to the agencies for review, we communicated that we would use an as of date of March 6, 2015, for all assessments. In addition to summarizing any comments received on our assessments, we incorporated a summary of comments on the prior GAO work upon which each issue area is based. Consistent with GAO policy, we are not reprinting copies of agencies’ comment letters with this report, as the work included is based predominantly on previously issued GAO reports. Copies of agency comment letters associated with previous reports can be found in those reports, if applicable.

This report is based upon work GAO previously conducted in accordance with generally accepted government auditing standards, or GAO’s quality assurance framework. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient,

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<sup>5</sup>Based on subsequent audit work that we conducted, 12 actions reported in 2011 and 8 actions reported in 2012 were not assessed this year, and we have categorized those areas and actions as “consolidated or other.” These actions have either been consolidated, redirected from a Congressional to an executive branch action, or revised to reflect updated information or data that we obtained. In addition, we added 19 new actions to areas on which we reported in 2011-2014, these newly added actions are listed in appendix III. The status of new actions has not yet been assessed.

<sup>6</sup>On January 6<sup>th</sup>, 2015 the 114<sup>th</sup> United States Congress convened and all pending legislation from the 113<sup>th</sup> Congress expired. Therefore, all of the legislative branch actions that were assessed as partially addressed under the 113<sup>th</sup> Congress reverted to not addressed because the relevant bill was not enacted into law before the end of the 113<sup>th</sup> Congress and no similar bill has passed out of committee in the 114<sup>th</sup> Congress as of March 6, 2015.

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appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, Area 16: U.S. Enrichment Corporation Fund was conducted from April 2014 to May 2014 under GAO's quality assurance framework. We use GAO's quality assurance framework when we conduct routine nonaudits, such as technical assistance provided to Congress. GAO's quality assurance framework requires that we plan and perform the engagement to meet our stated objectives and to discuss any limitations in our work. We maintain that the information and data obtained, and the analysis conducted, provide a reasonable basis for our findings and conclusions.



# Appendix III: New Actions of Fragmentation, Overlap, and Duplication Added to Existing Areas

As part of our April 2015 update of the Action Tracker, we are adding 19 new actions based on GAO reports that fall within the scope of six existing areas identified in prior fragmentation, overlap, and duplication annual reports.

**Table 1: New Actions to Existing Areas in 2015**

Mission	Annual Report	Area	Associated GAO Product	Actions Identified
Agriculture	2011	Area 1: Food Safety	<a href="#">GAO-15-180</a>	<b>Action 1:</b> Congress should consider formalizing the Food Safety Working Group through statute to help ensure sustained leadership across food safety agencies over time.
Defense	2013	Area 20: Joint Basing	<a href="#">GAO-14-577</a>	<b>Action 1:</b> To help ensure DOD's approach to joint basing achieves the goals as outlined by DOD in its justification for the 2005 BRAC recommendation and leverages additional opportunities to reduce duplication of effort that could in turn generate cost savings and increased efficiencies, Congress should consider directing the Deputy Under Secretary of Defense (Installations and Environment), in collaboration with the military services and joint bases, to evaluate the purpose of the program and determine whether the current goals, as stated in the 2005 BRAC Commission recommendation, are still appropriate, or whether goals should be revised; communicate these goals to the military services and joint bases, and adjust program activities accordingly; provide direction to the joint bases on requirements for meeting program goals, including determining reporting requirements and milestones; and determine any next steps for joint basing, including whether to expand it to other installations.
General Government	2011	Area 66: New Markets Tax Credits	<a href="#">GAO-14-500</a>	<p><b>Action 1:</b> The Secretary of the Treasury should issue guidance on how funding or assistance from other government programs can be combined with the New Markets Tax Credit (NMTC), including the extent to which other government funds can be used to leverage the NMTC by being included in the qualified equity investment.</p> <p><b>Action 2:</b> The Secretary of the Treasury should ensure that controls are in place to limit the risk of unnecessary duplication at the project level in funding or assistance from government programs and to limit above market rates of return, i.e., returns that are not commensurate with the NMTC investor's risk.</p> <p><b>Action 3:</b> The Secretary of the Treasury should ensure that the Community Development Financial Institutions Fund reviews the disclosure sheet that Community Development Entities (CDE) are required to provide to low-income community businesses to determine whether it contains data that could be useful for the Fund to retain.</p> <p><b>Action 4:</b> The Secretary of the Treasury should ensure that the Community Development Financial Institutions (CDFI) Fund clarifies the instructions for reporting the amount of any equity which may be acquired by the low-income community business at the end of the 7-year New Markets Tax Credit (NMTC) compliance period.</p> <p><b>Action 5:</b> The Secretary of the Treasury should also ensure that the Community Development Financial Institutions (CDFI) Fund clarifies the instructions it provides to Community Development Entities (CDE) about reporting loan performance and make the reporting of that data mandatory.</p>

Mission	Annual Report	Area	Associated GAO Product	Actions Identified
General Government	2011	Area 17: Tax Expenditures	<a href="#">GAO-13-518</a>	<p><b>Action 1:</b> The Director of the Office of Management and Budget (OMB) should review whether all relevant tax expenditures that contribute to a cross-agency priority (CAP) goal have been identified, and as necessary, include any additional tax expenditures in the list of federal contributors for each goal.</p> <p><b>Action 2:</b> The Director of the Office of Management and Budget (OMB) should assess the contributions relevant tax expenditures are making toward the achievement of each cross-agency priority (CAP) goal.</p> <p><b>Action 3:</b> The Director of the Office of Management and Budget (OMB) should ensure that agencies adhere to OMB’s guidance for website updates by providing complete information about the organizations, program activities, regulations, tax expenditures, policies, and other activities—both within and external to the agency—that contribute to each Agency Priority Goal (APG).</p> <p><b>Action 4:</b> The Director of the Office of Management and Budget (OMB) should include tax expenditures in the federal program inventory effort by designating tax expenditure as a program type in relevant guidance.</p> <p><b>Action 5:</b> The Director of the Office of Management and Budget (OMB) should develop, in coordination with the Secretary of the Treasury, a tax expenditure inventory that identifies each tax expenditure and describes its definition, its purpose, and its related performance and budget information.</p>
Health	2011	Area 18: DOD-VA Health Records	<a href="#">GAO-14-302</a>	<p><b>Action 1:</b> To bring transparency and credibility to the Secretaries of Veterans Affairs and Defense’s assertion that the Department of Veterans Affairs’s (VA) and the Department of Defense’s (DOD) current approach to achieving an interoperable electronic health record will cost less and take less time than the previous single-system approach, the secretaries should (1) develop a cost and schedule estimate for their current approach, from the perspective of both departments, that includes the estimated cost and schedule of VA’s VistA Evolution program, DOD’s DOD Healthcare Management System Modernization (DHMSM) program, and the departments’ joint efforts to achieve interoperability between the two systems; then, compare the cost and schedule estimates of the departments’ current and previous (i.e., single-system) approaches. If the results of the comparison indicate that the departments’ current approach is estimated to cost more and/or take longer than the single-system approach, the secretaries should (1) provide a rationale for pursuing the current approach despite its higher cost and/or longer schedule and (2) report the cost and schedule estimates of the current and previous approaches, results of the comparison of the estimates, and reasons (if applicable) for pursuing a more costly or time-consuming approach to VA’s and DOD’s congressional authorizing and appropriations committees.</p> <p><b>Action 2:</b> To better position the Departments of Veterans Affairs (VA) and Defense (DOD) to achieve an interoperable electronic health record, the Secretaries of Veterans Affairs and Defense should develop a plan that, at a minimum, describes (1) the clinical domains that the interoperable electronic health record will address; (2) a schedule for implementing the interoperable record at each VA and DOD location; (3) the estimated cost of each major component (i.e., VistA Evolution, DHMSM, etc.) and the total cost of the departments’ interoperability efforts; (4) the organizations within VA and DOD that are involved in acquiring, developing, and implementing the record, as well as the roles and responsibilities of these organizations; (5) major risks to the departments’ interoperability efforts and mitigation plans for those risks; and (6) the departments’ approach to defining, measuring, tracking, and reporting progress toward achieving expected performance (i.e., benefits and results) of the interoperable record.</p>

Mission	Annual Report	Area	Associated GAO Product	Actions Identified
Information Technology	2013	Area 11: Geospatial Investments	<a href="#">GAO-15-193</a>	<p><b>Action 3:</b> To better position the Interagency Program Office (IPO) for effective collaboration between the Departments of Veterans Affairs (VA) and Defense (DOD) and to efficiently and effectively fulfill the office's stated purpose of functioning as the single point of accountability for achieving interoperability between the departments' electronic health record systems, the Secretaries of Veterans Affairs and Defense should ensure that the IPO has authority (1) over dedicated resources (e.g., budget and staff), (2) to develop interagency processes, and (3) to make decisions over the departments' interoperability efforts.</p> <p><b>Action 1:</b> To better facilitate the coordination of—and accountability for—the estimated billions of dollars in federal geospatial investments, the Director of the Office of Management and Budget (OMB) should improve oversight of progress on the National Spatial Data Infrastructure (NSDI). OMB should require federal agencies to report on their efforts to establish and implement policies for identifying geospatial metadata on the Geospatial Platform, and procedures for utilizing the Marketplace feature of the Geospatial Platform, before making new investments in geospatial data.</p> <p><b>Action 2:</b> To better facilitate coordination of federal investments in address data and reduce duplication, the Secretary of the Interior, as the Federal Geographic Data Committee (FGDC) Chair, should direct the FGDC Steering Committee to create an address data theme with associated subcommittees and working groups to assist in furthering a national address database.</p> <p><b>Action 3:</b> To better facilitate coordination of federal investments in geospatial imagery and reduce duplication, the Secretary of the Interior, as the Federal Geographic Data Committee (FGDC) Chair, should direct the FGDC Steering Committee to direct the National Digital Orthoimagery Program to reassess the feasibility of the "Imagery for the Nation" initiative, with the goal of identifying discrete steps that could be taken to further a national imagery program benefitting governments at all levels.</p> <p><b>Action 4:</b> To increase coordination between various levels of government and reduce duplication of effort, resources, and costs associated with collecting and maintaining accurate address data, Congress should consider assessing the impact of the disclosure restrictions of Section 9 of Title 13 and Section 412 of Title 39 of the U.S. Code in moving toward a national geospatial address database. If warranted, Congress should consider revising those statutes to authorize the limited release of addresses, without any personally identifiable information, specifically for geospatial purposes. Such a change, if deemed appropriate, could potentially result in significant savings across federal, state, and local governments.</p>

Source: GAO. | GAO-15-404SP

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# Appendix IV: Areas Identified in 2011 – 2015 Annual Reports, by Mission

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This enclosure presents the areas we identified in our 2011 – 2015 annual reports. It also includes our assessment of the progress made in each of the approximately 440 actions that we identified in our 2011, 2012, 2013, and 2014 annual reports in which Congress and the executive branch could take actions to reduce or eliminate potential fragmentation, overlap, and duplication or achieve other potential financial benefits. <sup>1</sup>We have not yet made any assessments of progress for its 2015 areas. Table 1 presents our assessment of progress made in implementing the actions needed in the areas related to fragmentation, overlap, or duplication. Table 2 presents our assessment of progress made in implementing the actions needed in the areas related to cost savings or revenue enhancement. <sup>2</sup>

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<sup>1</sup>GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011); GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap, and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012); GAO, *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-13-279SP](#) (Washington, D.C.: Apr 9, 2013); and GAO, *2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-14-343SP](#) (Washington, D.C.: Apr 8, 2014). Twenty actions were categorized as “consolidated or other” and were not assessed due to additional audit work or other information we considered.

<sup>2</sup>Tables 1 and 2 provide a snapshot of the overall action status for each area, and the ordering of the action status assessments does not correlate with the action numbering on [GAO’s Action Tracker](#). For more information on the status of individual actions, please see [GAO’s Action Tracker](#).

**Table 1: GAO Identified Areas and Assessment of Actions of Fragmentation, Overlap, and Duplication in 2011 – 2015 Annual Reports**

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Agriculture	2011	Area 1: Fragmented <b>food safety</b> system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources. <sup>a</sup> <b>Actions:</b> ◐ ○ ◑			
	2012	Area 1: <b>Protection of Food and Agriculture:</b> Centrally coordinated oversight is needed to ensure more than nine federal agencies effectively and efficiently implement the nation's fragmented policy to defend the food and agriculture systems against potential terrorist attacks and major disasters. <b>Actions:</b> ● ● ● ● ◐ ◑			
	2013	Area 1: <b>Catfish Inspection:</b> Repealing provisions of the 2008 Farm Bill that assigned U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service responsibility for examining and inspecting catfish and for creating a catfish inspection program would avoid duplication of federal programs and save taxpayers millions of dollars annually without affecting the safety of catfish intended for human consumption. <b>Actions:</b> ○			
	2015	Area 1: <b>EPA's and FDA's Laboratory Inspections:</b> To avoid potential duplication of certain types of laboratory inspections and better leverage limited resources, the Environmental Protection Agency and the Food and Drug Administration should develop a formal process to collaborate and share information on planned inspections. <b>Actions:</b> Pending Assessment			
Defense	2011	Area 2: Realigning the <b>Department of Defense's (DOD) military medical command</b> structures and consolidating common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually. <b>Actions:</b> ●			
	2011	Area 3: Opportunities exist for consolidation and increased efficiencies to maximize response to <b>warfighter urgent needs.</b> <b>Actions:</b> ●			
	2011	Area 4: Opportunities exist to avoid unnecessary redundancies and improve the coordination of <b>counter-improvised explosive device efforts.</b> <b>Actions:</b> ●			
	2011	Area 5: Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of <b>intelligence, surveillance, and reconnaissance</b> capabilities. <b>Actions:</b> ● ◐ ◑ ◑			
	2011	Area 6: A departmentwide acquisition strategy could reduce DOD's risk of costly duplication in purchasing <b>Tactical Wheeled Vehicles.</b> <b>Actions:</b> ○			
	2011	Area 7: Improved joint oversight of DOD's <b>prepositioning programs</b> for equipment and supplies may reduce unnecessary duplication. <b>Actions:</b> ◐ ◐ ◐			
	2011	Area 8: <b>DOD's business systems</b> modernization: opportunities exist for optimizing business operations and systems. <b>Actions:</b> ◐ ◐ ◐ ◐			
	2012	Area 2: <b>Electronic Warfare:</b> Identifying opportunities to consolidate DOD airborne electronic attack programs could reduce overlap in the department's multiple efforts to develop new capabilities and improve the department's return on its multibillion-dollar acquisition investments. <b>Actions:</b> ● ○			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2012	Area 3: <b>Unmanned Aircraft Systems:</b> Ineffective acquisition practices and collaboration efforts in the DOD unmanned aircraft systems portfolio creates overlap and the potential for duplication among a number of current programs and systems. <b>Actions:</b> ◐ ◐ ○			
	2012	Area 4: <b>Counter-Improvised Explosive Device Efforts:</b> DOD continues to risk duplication in its multibillion-dollar counter Improvised Explosive Device efforts because it does not have a comprehensive database of its projects and initiatives. <b>Actions:</b> ● ●			
	2012	Area 5: <b>Defense Language and Culture Training:</b> DOD needs a more integrated approach to reduce fragmentation in training approaches and overlap in the content of training products acquired by the military services and other organizations. <b>Actions:</b> ● ● ●			
	2012	Area 6: <b>Stabilization, Reconstruction, and Humanitarian Assistance Efforts:</b> Improving the DOD's evaluations of stabilization, reconstruction, and humanitarian assistance efforts, and addressing coordination challenges with the Department of State (State) and the U.S. Agency for International Development (USAID), could reduce overlapping efforts and result in the more efficient use of taxpayer dollars. <b>Actions:</b> ● ◐ ○			
	2013	Area 2: <b>Combat Uniforms:</b> DOD's fragmented approach to developing and acquiring uniforms could be more efficient, better protect servicemembers, and result in up to \$82 million in development and acquisition cost savings through increased collaboration among the military services. <b>Actions:</b> ● ● ●			
	2013	Area 3: <b>Defense Foreign Language Support Contracts:</b> DOD should explore opportunities to gain additional efficiencies in contracts for foreign language support, which is estimated to cost more than \$1 billion annually, by addressing fragmentation in the department's acquisition. <b>Actions:</b> ●			
	2014	Area 1: <b>Army Workforce Planning:</b> To address potential overlap between two Army information systems that support workforce planning for weapon system maintenance, manufacturing, and other industrial operations, the Army should increase leadership attention to the issue and establish a fully developed and documented approach for completing a timely assessment of unnecessary overlap, which could lead to millions of dollars in annual savings. <b>Actions:</b> ● ●			
	2014	Area 2: <b>Contracting for Defense Health Care Professionals:</b> DOD should develop a consolidated agency-wide strategy to contract for health care professionals to reduce fragmentation and achieve greater efficiencies <b>Actions:</b> ◐			
	2014	Area 3: <b>Defense Satellite Control Operations:</b> Increased use of shared satellite control networks and leading practices within DOD could reduce fragmentation and potential duplication associated with dedicated systems, resulting in millions of dollars in savings annually. <b>Actions:</b> ◐ ◐			
	2014	Area 4: <b>Defense Studies and Analysis Research:</b> To address fragmentation in the processes used across the department to request studies and analysis research and limit the potential for overlap and duplication in research activities, DOD should establish a mechanism that requires the military services and other departmental offices to formally coordinate their annual research requests. <b>Actions:</b> ◐			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Mission	2014	Area 5: <b>POW/MIA Mission:</b> DOD should minimize overlapping and duplicative efforts by examining options to reduce fragmentation and clarify guidance on roles and responsibilities among the eight organizations that account for missing persons and improve the effectiveness of the mission. <b>Actions:</b> ● ○ ○ ○			
	2015	Area 2: <b>Ground Radar and Guided Munitions Programs:</b> The Department of Defense should take steps to minimize the risk of future duplication within its ground radar and guided munitions weapons systems. <b>Actions:</b> Pending Assessment			
	2015	Area 3: <b>Weapon System Milestone Decision Process:</b> To improve efficiency, the Secretary of Defense should streamline the Department of Defense's milestone decision process used for major weapon system acquisition programs by eliminating reviews that can be duplicative and are not highly valued by acquisition officials. <b>Actions:</b> Pending Assessment			
Economic Development	2011	Area 9: The efficiency and effectiveness of fragmented <b>economic development programs</b> are unclear. <b>Actions:</b> ● ◐ ◐			
	2011	Area 10: The federal approach to <b>surface transportation</b> is fragmented, lacks clear goals, and is not accountable for results. <b>Actions:</b> ●			
	2011	Area 11: Fragmented federal efforts to meet <b>water needs</b> in the <b>U.S.-Mexico border region</b> have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources. <b>Actions:</b> ●			
	2012	Area 7: <b>Support for Entrepreneurs:</b> Overlap and fragmentation among the economic development programs that support entrepreneurial efforts require the Office of Management and Budget (OMB) and other agencies to better evaluate the programs and explore opportunities for program restructuring, which may include consolidation, within and across agencies. <b>Actions:</b> ◐ ◐ ◑			
	2012	Area 8: <b>Surface Freight Transportation:</b> Fragmented federal programs and funding structures are not maximizing the efficient movement of freight. <b>Actions:</b> ● ● ◐			
	Energy	2011	Area 12: Resolving conflicting requirements could more effectively achieve <b>federal fleet energy goals</b> . <b>Actions:</b> ○		
2011		Area 13: Addressing duplicative federal efforts directed at increasing <b>domestic ethanol production</b> could reduce revenue losses by more than \$5.7 billion annually. <b>Actions:</b> ●			
2012		Area 9: <b>Department of Energy Contractor Support Costs:</b> The Department of Energy (DOE) should assess whether further opportunities could be taken to streamline support functions, estimated to cost over \$5 billion, at its contractor-managed laboratory and nuclear production and testing sites, in light of contractors' historically fragmented approach to providing these functions. <b>Actions:</b> ●			
2012		Area 10: <b>Nuclear Nonproliferation:</b> Comprehensive review needed to address strategic planning limitations and potential fragmentation and overlap concerns among programs combating nuclear smuggling overseas. <b>Actions:</b> ○ ○			

<b>Areas identified and assessment of actions</b>		
<b>Mission</b>	<b>Annual Report</b>	<input checked="" type="radio"/> <b>Addressed</b> <input type="radio"/> <b>Partially addressed</b> <input type="radio"/> <b>Not addressed</b> <input checked="" type="radio"/> <b>Consolidated or other</b>
	2013	<p>Area 4: <b>Renewable Energy Initiatives:</b> Federal support for wind and solar energy, biofuels, and other renewable energy sources, which has been estimated at several billion dollars per year, is fragmented because 23 agencies implemented hundreds of renewable energy initiatives in fiscal year 2010—the latest year for which GAO developed these original data. Further, the DOE and USDA could take additional actions—to the extent possible within their statutory authority—to help ensure effective use of financial support from several wind initiatives, which GAO found provided duplicative support that may not have been needed in all cases for projects to be built.</p> <p><b>Actions:</b> <input checked="" type="radio"/></p>
<b>General government</b>	2011	<p>Area 14: <b>Enterprise architectures:</b> key mechanisms for identifying potential overlap and duplication.</p> <p><b>Actions:</b> <input type="radio"/></p>
	2011	<p>Area 15: Consolidating <b>federal data</b> centers provides opportunity to improve government efficiency.</p> <p><b>Actions:</b> <input type="radio"/> <input type="radio"/></p>
	2011	<p>Area 16: Collecting improved data on <b>interagency contracting</b> to minimize duplication could help the government leverage its vast buying power.</p> <p><b>Actions:</b> <input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="radio"/> <input type="radio"/></p>
	2011	<p>Area 17: Periodic reviews could help ineffective <b>tax expenditures</b> and redundancies in related tax and spending programs, potentially reducing revenue losses by billions of dollars.<sup>a</sup></p> <p><b>Actions:</b> <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/></p>
	2012	<p>Area 11: <b>Personnel Background Investigations:</b> The Office of Management and Budget (OMB) should take action to prevent agencies from making potentially duplicative investments in electronic case management and adjudication systems.</p> <p><b>Actions:</b> <input type="radio"/></p>
	2012	<p>Area 12: <b>Cybersecurity Human Capital:</b> Governmentwide initiatives to enhance cybersecurity workforce in the federal government need better structure, planning, guidance, and coordination to reduce duplication.</p> <p><b>Actions:</b> <input checked="" type="radio"/> <input type="radio"/></p>
	2012	<p>Area 13: <b>Spectrum Management:</b> Enhanced coordination of federal agencies' efforts to manage radio frequency spectrum and an examination of incentive mechanisms to foster more efficient spectrum use may aid regulators' attempts to jointly respond to competing demands for spectrum while identifying valuable spectrum that could be auctioned for commercial use, thereby generating revenues for the U.S. Department of Treasury (Treasury).</p> <p><b>Actions:</b> <input checked="" type="radio"/> <input type="radio"/></p>
	2015	<p>Area 4: <b>Consumer Product Safety Oversight:</b> More formal and comprehensive coordination among federal agencies is needed to help increase efficiency and effectiveness related to consumer product safety oversight and address challenges related to fragmentation and overlap.</p> <p><b>Actions:</b> Pending Assessment</p>
	2015	<p>Area 5: <b>Nonemergency Medical Transportation:</b> To mitigate the effects of overlap, the Department of Transportation should take steps to enhance federal, state and local coordination among 42 programs that provide nonemergency medical transportation to individuals who cannot provide their own transportation due to age, disability, or income constraints.</p> <p><b>Actions:</b> Pending Assessment</p>
<b>Health</b>	2011	<p>Area 18: Opportunities exist for <b>DOD</b> and the <b>U.S. Department of Veterans Affairs (VA)</b> to jointly modernize their <b>electronic health records systems</b>.<sup>a</sup></p> <p><b>Actions:</b> <input type="radio"/> <input type="radio"/> <input type="radio"/></p>
	2011	<p>Area 19: <b>VA</b> and <b>DOD</b> need to control <b>drug</b> costs and increase <b>joint contracting</b> wherever it is cost-effective.</p> <p><b>Actions:</b> <input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="radio"/></p>



Mission	Annual Report	Areas identified and assessment of actions
		<input checked="" type="radio"/> Addressed <input type="radio"/> Partially addressed <input type="radio"/> Not addressed <input checked="" type="radio"/> Consolidated or other
	2011	<p>Area 20: The U.S. Department of Health and Human Services (HHS) needs an overall strategy to better integrate nationwide <b>public health information systems</b>.</p> <p><b>Actions:</b> <input type="radio"/></p>
	2012	<p>Area 14: <b>Health Research Funding:</b> The National Institutes of Health (NIH), DOD, and VA can improve sharing of information to help avoid the potential for unnecessary duplication.</p> <p><b>Actions:</b> <input checked="" type="radio"/></p>
	2012	<p>Area 15: <b>Military and Veterans Health Care:</b> DOD and VA need to improve integration across care coordination and case management programs to reduce duplication and better assist servicemembers, veterans, and their families.</p> <p><b>Actions:</b> <input type="radio"/></p>
	2013	<p>Area 5: <b>Joint Veterans and Defense Health Care Services:</b> The Departments of Veterans Affairs and Defense should enhance their collaboration to reduce costs, overlap, and potential duplication in the delivery of health care services.</p> <p><b>Actions:</b> <input type="radio"/> <input type="radio"/></p>
	2013	<p>Area 6: <b>Medicaid Program Integrity:</b> The Centers for Medicare &amp; Medicaid Services needs to take steps to eliminate duplication and increase efficiency in two Medicaid Integrity Program activities—provider audits and the collection of state program integrity data.</p> <p><b>Actions:</b> <input checked="" type="radio"/> <input checked="" type="radio"/></p>
	2014	<p>Area 6: <b>Federal Autism Research:</b> Because much of the \$1.2 billion that federal agencies spent on autism research from fiscal years 2008 through 2012 had the potential to be duplicative, the Interagency Autism Coordinating Committee and federal agencies should improve coordination and monitoring of autism research to help avoid unnecessary duplication.</p> <p><b>Actions:</b> <input type="radio"/> <input type="radio"/></p>
	2014	<p>Area 7: <b>Minority AIDS Initiative:</b> Consolidating the fragmented funding of the Department of Health and Human Services' Minority AIDS Initiative into core HIV/AIDS funding would likely reduce grantees' administrative burden and help the agency more efficiently and effectively provide services to minority populations who are disproportionately affected by HIV/AIDS, with the approximately \$3 billion used for this purpose. In addition to fragmentation, we found that the services provided by Minority AIDS Initiative grantees overlapped with those provided by core HIV/AIDS grantees and were provided to similar populations; this overlap increases the administrative costs associated with participating in the programs.</p> <p><b>Actions:</b> <input type="radio"/> <input type="radio"/></p>
	2015	<p>Area 6: <b>DOD US Family Health Plan:</b> To potentially save millions of dollars and eliminate duplication within the Department of Defense's health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other DOD health care contractors.</p> <p><b>Actions:</b> Pending Assessment</p>
	2015	<p>Area 7: <b>Medicare Postpayment Claims Reviews:</b> To prevent inappropriate duplicative postpayment claims reviews by contractors, the Centers for Medicare &amp; Medicaid Services should monitor the Recovery Audit Data Warehouse—the database developed in part to prevent duplicative reviews—and develop more complete guidance on contractors' responsibilities.</p> <p><b>Actions:</b> Pending Assessment</p>
	2015	<p>Area 8: <b>Serious Mental Illness Programs:</b> To help ensure that the eight federal agencies administering over 100 programs supporting individuals with serious mental illness are able to develop an overarching perspective in order to understand the breadth of programs and resources used—including any potential gaps or overlap—greater coordination of federal efforts is needed from the Department of Health and Human Services, and within it, the Substance Abuse and Mental Health Services Administration, which is required to promote coordination of programs relating to mental illness throughout the federal government.</p> <p><b>Actions:</b> Pending Assessment</p>

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Homeland security/law enforcement	2011	Area 21: Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against <b>biological threats</b> . <b>Actions:</b> ● ○			
	2011	Area 22: DHS oversight could help eliminate potential duplicating efforts of interagency forums in <b>securing the northern border</b> . <b>Actions:</b> ○ ○			
	2011	Area 23: The Department of Justice (DOJ) plans actions to reduce overlap in <b>explosives investigations</b> , but monitoring is needed to ensure successful implementation. <b>Actions:</b> ●			
	2011	Area 24: <b>The Transportation Security Administration's (TSA) security assessments</b> on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap. <b>Actions:</b> ● ◑ ◑			
	2011	Area 25: DHS could streamline mechanisms for <b>sharing security-related information with public transit agencies</b> to help address overlapping information. <b>Actions:</b> ● ◑			
	2011	Area 26: <b>The Federal Emergency Management Agency (FEMA)</b> needs to improve its oversight of grants and establish a framework for assessing capabilities to identify gaps and prioritize investments. <b>Actions:</b> ● ◐ ◐ ○			
	2012	Area 16: <b>Department of Justice Grants:</b> The Department of Justice could improve how it targets more than \$3 billion to reduce the risk of potential unnecessary duplication across the more than 11,000 grant awards it makes annually. <b>Actions:</b> ◐ ◐			
	2012	Area 17: <b>Homeland Security Grants:</b> DHS needs better project information and coordination among four overlapping grant programs. <b>Actions:</b> ◐ ◐ ○			
	2012	Area 18: <b>Federal Facility Risk Assessments:</b> Agencies are making duplicate payments for facility risk assessments by completing their own assessments, while also paying DHS for assessments that the department is not performing. <b>Actions:</b> ◐ ◐ ◐			
	2013	Area 7: <b>Department of Homeland Security Research and Development:</b> Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help DHS address fragmentation, overlap, and potential unnecessary duplication. <b>Actions:</b> ◐			
	2013	Area 8: <b>Field-Based Information Sharing:</b> To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, DOJ and DHS and the Office of National Drug Control Policy could improve coordination among five types of field-based information sharing entities that may collect, process, analyze, or disseminate information in support of law enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers. <b>Actions:</b> ◐ ◐			
	2013	Area 9: <b>Justice and Treasury Asset Forfeiture:</b> Conducting a study to evaluate the feasibility of consolidating DOJ's and Treasury's multimillion dollar asset forfeiture activities could help the departments identify the extent to which consolidation of potentially duplicative activities would help increase the efficiency and effectiveness of the programs and achieve cost savings. <b>Actions:</b> ●			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2015	<p>Area 9: <b>Vulnerability Assessments of Critical Infrastructure:</b> The Department of Homeland Security could mitigate potential duplication or gaps by consistently capturing and maintaining data from overlapping vulnerability assessments of critical infrastructure and improving data sharing and coordination among the offices and components involved with these assessments.</p> <p><b>Actions:</b> Pending Assessment</p>			
Income Security	2014	<p>Area 8: <b>Disability and Unemployment Benefits:</b> 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.</p> <p><b>Actions:</b> ○</p>			
	2014	<p>Area 9: <b>Federal Employees' Compensation and Unemployment Benefits:</b> Changes to enhance the sharing of compensation and wage information between state and federal agencies could improve the Department of Labor's ability to identify potentially improper payments, including inappropriately overlapping payments from the Federal Employees' Compensation Act program and the Unemployment Insurance program administered by the states.</p> <p><b>Actions:</b> ◐ ◐</p>			
Information Technology	2012	<p>Area 19: <b>Information Technology Investment Management:</b> The Office of Management and Budget and the Departments Defense and Energy need to address potentially duplicative information technology investments to avoid investing in unnecessary systems.</p> <p><b>Actions:</b> ● ● ● ● ◐</p>			
	2013	<p>Area 10: <b>Dissemination of Technical Research Reports:</b> Congress should consider whether the fee-based model under which the National Technical Information Service currently operates for disseminating technical information is still viable or appropriate, given that many of the reports overlap with similar information available from the issuing organizations or other sources for free.</p> <p><b>Actions:</b> ◐</p>			
	2013	<p>Area 11: <b>Geospatial Investments:</b> Better coordination among federal agencies that collect, maintain, and use geospatial information could help reduce duplication of geospatial investments and provide the opportunity for potential savings of millions of dollars.<sup>a</sup></p> <p><b>Actions:</b> ● ● ● ● ◐ ◐ ◐ ◐ ◐ ◐</p>			
	2014	<p>Area 10: <b>Interoperable Radio Communications Systems:</b> Better collaboration among agencies that rely on radio communications solutions for mission-critical operations would help to address fragmentation in their approach to improving the interoperability of radio communications systems and has the potential to achieve savings.</p> <p><b>Actions:</b> ○</p>			
	2015	<p>Area 10: <b>DHS Processing of FOIA Requests:</b> To address duplication in the processing of Freedom of Information Act requests, the Department of Homeland Security should determine the viability of re-establishing an agreement between two of its component agencies that process immigration files.</p> <p><b>Actions:</b> Pending Assessment</p>			
International Affairs	2011	<p>Area 27: Lack of information sharing could create the potential for duplication of efforts between U.S. agencies involved in <b>development efforts in Afghanistan.</b></p> <p><b>Actions:</b> ◐</p>			
	2011	<p>Area 28: Despite restructuring, overlapping roles and functions still exist at State's <b>Arms Control and Nonproliferation Bureaus.</b></p> <p><b>Actions:</b> ● ●</p>			
	2012	<p>Area 20: <b>Overseas Administrative Services:</b> U.S. government agencies could lower the administrative cost of their operations overseas by increasing participation in the International Cooperative Administrative Support Services system and by reducing reliance on American officials overseas to provide these services.</p> <p><b>Actions:</b> ● ● ○</p>			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Mission	2012	Area 21: <b>Training to Identify Fraudulent Travel Documents:</b> Establishing a formal coordination mechanism could help reduce duplicative activities among seven different entities that are involved in training foreign officials to identify fraudulent travel documents. <b>Actions:</b> ◐			
	2013	Area 12: <b>Export Promotion:</b> Enhanced collaboration between the Small Business Administration (SBA) and two other agencies could help to limit overlapping export-related services for small businesses. <b>Actions:</b> ◐ ◐			
	2013	Area 13: <b>International Broadcasting:</b> The Broadcasting Board of Governors—with a budget of \$752 million in fiscal year 2012—has recognized the need to reduce overlap and reallocate limited resources to broadcasts that will have the greatest impact, but the agency could do more to achieve this goal, such as systematically considering overlap of language services in its annual language services review. <b>Actions:</b> ●			
	2014	Area 11: <b>International Religious Freedom:</b> To promote international religious freedom more effectively, the Department of State and the U.S. Commission on International Religious Freedom should define how they are to interact in their efforts; the lack of defined roles has at times created tensions with foreign government officials. <b>Actions:</b> ○			
	2015	Area 11: <b>Federal and States' Export Promotion:</b> Because federal and state export promotion efforts overlap, the Department of Commerce should take steps to enhance collaboration among them to promote economic development while ensuring the most efficient use of limited federal resources. <b>Actions:</b> Pending Assessment			
Science and the Environment	2012	Area 22: <b>Coordination of Space System Organizations:</b> Fragmented leadership has led to program challenges and potential duplication in developing multibillion-dollar space systems. <b>Actions:</b> ◐			
	2012	Area 23: <b>Space Launch Contract Costs:</b> Increased collaboration between the Department of Defense and the National Aeronautics and Space Administration could reduce launch contracting duplication. <b>Actions:</b> ● ●			
	2012	Area 24: <b>Diesel Emissions:</b> Fourteen grant and loan programs at DOE, Department of Transportation (DOT), and the Environmental Protection Agency (EPA), and three tax expenditures fund activities that have the effect of reducing mobile source diesel emissions; enhanced collaboration and performance measurement could improve these fragmented and overlapping programs. <b>Actions:</b> ◐			
	2012	Area 25: <b>Environmental Laboratories:</b> EPA needs to revise its overall approach to managing its 37 laboratories to address potential overlap and fragmentation and more fully leverage its limited resources. <b>Actions:</b> ◐ ◐ ◐ ◐ ◐ ◐ ◐			
	2012	Area 26: <b>Green Building:</b> To evaluate the potential for overlap or fragmentation among federal green building initiatives, the Department of Housing and Urban Development (HUD), DOE, and EPA should lead other federal agencies in collaborating on assessing their investments in more than 90 initiatives to foster green building in the nonfederal sector. <b>Actions:</b> ◐			
	2013	Area 14: <b>Rural Water Infrastructure:</b> Additional coordination by the EPA and the USDA could help three water and wastewater infrastructure programs with combined funding of about \$4.3 billion avoid potentially duplicative application requirements, as well as associated costs and time developing engineering reports and environmental analyses. <b>Actions:</b> ● ◐ ◐			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2015	Area 12. <b>Oceanic and Atmospheric Observing Systems Portfolio:</b> The National Oceanic and Atmospheric Administration should analyze its portfolio of observing systems to determine the extent to which unnecessary duplication may exist. <b>Actions:</b> Pending Assessment			
Social Services	2011	Area 29: Actions needed to reduce administrative overlap among <b>domestic food assistance</b> programs. <b>Actions:</b> ◐ ◐			
	2011	Area 30: Better coordination of federal <b>homelessness</b> programs may minimize fragmentation and overlap. <b>Actions:</b> ● ●			
	2011	Area 31: Further steps needed to improve cost-effectiveness and enhance services for <b>transportation-disadvantaged persons</b> . <b>Actions:</b> ● ◐			
	2012	Area 27: <b>Social Security Benefit Coordination:</b> Benefit offsets for related programs help reduce the potential for overlapping payments but pose administrative challenges. <b>Actions:</b> ◐			
	2012	Area 28: <b>Housing Assistance:</b> Examining the benefits and costs of housing programs and tax expenditures that address the same or similar populations or areas, and potentially consolidating them, could help mitigate overlap and fragmentation and decrease costs. <b>Actions:</b> ○ ◑ ◑			
	2013	Area 15: <b>Drug Abuse Prevention and Treatment Programs:</b> More fully assessing the extent of overlap and potential duplication across the fragmented 76 federal drug abuse prevention and treatment programs and identifying opportunities for increased coordination, including those programs where no coordination has occurred, would better position the Office of National Drug Control Policy to better leverage resources and increase efficiencies. <b>Actions:</b> ●			
Training, Employment, and Education	2011	Area 32: Multiple <b>employment</b> and <b>training</b> programs: providing information on colocating services and consolidating administrative structures could promote efficiencies. <b>Actions:</b> ● ●			
	2011	Area 33: <b>Teacher quality:</b> proliferation of programs complicates federal efforts to invest dollars effectively. <b>Actions:</b> ● ○ ○			
	2011	Area 34: Fragmentation of <b>financial literacy</b> efforts makes coordination essential. <b>Actions:</b> ● ● ● ●			
	2012	Area 29: <b>Early Learning and Child Care:</b> The Departments of Education and Health and Human Services (HHS) should extend their coordination efforts to other federal agencies with early learning and child care programs to mitigate the effects of program fragmentation, simplify children's access to these services, collect the data necessary to coordinate operation of these programs, and identify and minimize any unwarranted overlap and potential duplication. <b>Actions:</b> ●			
	2012	Area 30: <b>Employment for People with Disabilities:</b> Better coordination among 45 programs in nine federal agencies that support employment for people with disabilities could help mitigate program fragmentation and overlap, and reduce the potential for duplication or other inefficiencies. <b>Actions:</b> ◐ ◐			
	2012	Area 31: <b>Science, Technology, Engineering, and Mathematics Education:</b> Strategic planning is needed to better manage overlapping programs across multiple agencies. <b>Actions:</b> ● ● ● ●			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2012	Area 32: <b>Financial Literacy:</b> Overlap among financial literacy activities makes coordination and clarification of roles and responsibilities essential, and suggests potential benefits of consolidation. <b>Actions:</b> ● ● ○ ○ ◑			
	2013	Area 16: <b>Higher Education Assistance:</b> Federal agencies providing assistance for higher education should better coordinate to improve program administration and help reduce fragmentation. <b>Actions:</b> ● ● ● ● ◐			
	2013	Area 17: <b>Veterans' Employment and Training:</b> The Departments of Labor, Veterans Affairs, and Defense need to better coordinate the employment services each provides to veterans, and Labor needs to better target the Disabled Veterans' Outreach Program so that it does not overlap with other programs. <b>Actions:</b> ◐ ◐ ◐ ◐			

Source: GAO. | GAO-15-404SP

<sup>a</sup>In 2015, we added new actions to this area, which can be found in appendix III.

**Table 2: GAO Identified Areas of Cost-Savings and Revenue-Enhancement Opportunities in 2011 – 2015 Annual Reports**

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Agriculture	2011	Area 35: Reducing some <b>farm program direct payments</b> could result in savings from \$800 million over 10 years to up to \$5 billion annually. <b>Actions:</b> ●			
	2013	Area 18: <b>Agricultural Quarantine Inspection Fees:</b> USDA's Animal and Plant Health Inspection Service could have achieved as much as \$325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services. <b>Actions:</b> ● ◐ ◐ ◐ ◐ ○			
	2013	Area 19: <b>Crop Insurance:</b> To achieve up to \$1.2 billion per year in cost savings in the Federal Crop Insurance program, Congress could consider limiting the subsidy for premiums that an individual farmer can receive each year, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies. <b>Actions:</b> ○			
Defense	2011	Area 36: DOD should assess costs and benefits of <b>overseas military presence</b> options before committing to costly personnel realignments and construction plans, thereby possibly saving billions of dollars. <b>Actions:</b> ● ◐ ◐			
	2011	Area 37: Total compensation approach is needed to manage significant growth in <b>military personnel costs</b> . <b>Actions:</b> ◐			
	2011	Area 38: Employing best management practices could help DOD save money on its <b>weapon systems acquisition programs</b> . <b>Actions:</b> ● ◐ ◐			
	2011	Area 39: More efficient management could limit future costs of <b>DOD's spare parts</b> inventory. <b>Actions:</b> ◐ ◐			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◉ Consolidated or other
	2011	Area 40: More comprehensive and complete cost data can help DOD improve the cost-effectiveness of <b>sustaining weapons systems</b> . <b>Actions:</b> ● ● ● ● ● ● ● ●			
	2011	Area 41: Improved <b>corrosion prevention</b> and control practices could help DOD avoid billions in unnecessary costs over time. <b>Actions:</b> ◉			
	2012	Area 33: <b>Air Force Food Service:</b> The Air Force has opportunities to achieve millions of dollars in cost savings annually by reviewing and renegotiating food service contracts, where appropriate, to better align with the needs of installations. <b>Actions:</b> ●			
	2012	Area 34: <b>Defense Headquarters:</b> DOD should review and identify further opportunities for consolidating or reducing the size of headquarters organizations. <b>Actions:</b> ● ◐ ◐ ◐ ◐ ◐			
	2012	Area 35: <b>Defense Real Property:</b> Ensuring the receipt of fair market value for leasing underused real property and monitoring administrative costs could help the military services' enhanced use lease programs realize intended financial benefits. <b>Actions:</b> ● ●			
	2012	Area 36: <b>Military Health Care Costs:</b> To help achieve significant projected cost savings and other performance goals, DOD needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives. <b>Actions:</b> ● ◐			
	2012	Area 37: <b>Overseas Defense Posture:</b> DOD could reduce costs of its Pacific region presence by developing comprehensive cost information and re-examining alternatives to planned initiatives. <b>Actions:</b> ● ● ● ● ● ● ● ●			
	2012	Area 38: <b>Navy's Information Technology Enterprise Network:</b> Better informed decisions are needed to ensure a more cost-effective acquisition approach for the U.S. Navy's Next Generation Enterprise Network. <b>Actions:</b> ● ◐ <sup>b</sup>			
	2013	Area 20: <b>Joint Basing:</b> DOD needs an implementation plan to guide joint bases to achieve millions of dollars in cost savings and efficiencies anticipated from combining support services at 26 installations located close to one another. <sup>a</sup> <b>Actions:</b> ● ● ◐			
	2014	Area 12: <b>Combatant Command Headquarters Costs:</b> The Department of Defense could potentially achieve tens of millions or more in cost savings annually if it (1) more systematically evaluates the sizing and resourcing of its combatant commands and (2) conducts a more comprehensive analysis of options for the location of U.S. Africa Command's headquarters. <b>Actions:</b> ◐ ◐ ◐ ◐ ◐ ◐			
	2015	Area 13: <b>Defense Facilities Consolidation and Disposal:</b> To help identify opportunities for saving costs by consolidating or disposing of unutilized or underutilized facilities, the Department of Defense should ensure that data on the utilization of DOD facilities—which were collectively valued at around \$850 billion in fiscal year 2013—are complete and accurate. <b>Actions:</b> Pending Assessment			
	2015	Area 14: <b>DOD Headquarters Reductions and Workforce Requirements:</b> The Department of Defense could potentially achieve hundreds of millions of dollars in cost savings and help to ensure that headquarters organizations are properly sized to meet their assigned missions by reevaluating its ongoing headquarters-reductions efforts and conducting periodic reassessments of workforce requirements. <b>Actions:</b> Pending Assessment			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Economic development	2011	Area 42: Revising the <b>essential air service</b> program could improve efficiency. <b>Actions:</b> ● ● ◐ ○			
	2011	Area 43: Improved design and management of the <b>universal service fund</b> as it expands to support broadband could help avoid cost increases for consumers. <b>Actions:</b> ● ◐			
	2011	Area 44: The U.S. Army <b>Corps of Engineers</b> should provide Congress with project-level information on unobligated balances. <b>Actions:</b> ●			
	2012	Area 39: <b>Auto Recovery Office:</b> Unless the Secretary of Labor can demonstrate how the Auto Recovery Office has uniquely assisted auto communities, Congress may wish to consider prohibiting the Department of Labor from spending any of its appropriations on the Auto Recovery Office and instead require that the department direct the funds to other federal programs that provide funding directly to affected communities. <b>Actions:</b> ● ◑			
Energy	2011	Area 45: Improved management of federal <b>oil and gas resources</b> could result in approximately \$2 billion over 10 years. <b>Actions:</b> ◐ ◐ ◐ ○ ○			
	2012	Area 40: <b>Excess Uranium Inventories:</b> Marketing the Department of Energy's excess uranium could provide billions in revenue for the government. <b>Actions:</b> ○ ○			
	2013	Area 21: <b>Department of Energy's Isotope Program:</b> Assessing the value of isotopes to customers, and other factors such as prices of alternatives, may show that the Department of Energy could increase prices for isotopes that it sells to commercial customers to create cost savings by generating additional revenue. <b>Actions:</b> ◐			
	2014	Area 13: <b>Advanced Technology Vehicles Manufacturing Loan Program:</b> Unless the Department of Energy can demonstrate demand for new Advanced Technology Vehicles Manufacturing loans and viable applicants, Congress may wish to consider rescinding all or part of the remaining \$4.2 billion in credit subsidy appropriations. <b>Actions:</b> ○			
	2015	Area 15: <b>Strategic Petroleum Reserve:</b> The Department of Energy could potentially realize savings by reexamining the appropriate size of the Strategic Petroleum Reserve—which was valued at about \$45 billion as of December 2014—and depending on the outcome of the analysis, selling crude oil from the reserve and using the proceeds to fund other national priorities. <b>Actions:</b> Pending Assessment			
	2015	Area 16: <b>U.S. Enrichment Corporation Fund:</b> Congress may wish to consider permanent rescission of the entire \$1.6 billion balance of the U.S. Enrichment Corporation Fund—a revolving fund in the U.S. Treasury—because its purposes have been fulfilled. <b>Actions:</b> Pending Assessment			
General government	2011	Area 46: Efforts to address <b>governmentwide improper payments</b> could result in significant costs savings. <b>Actions:</b> ◐ ◐			
	2011	Area 47: Promoting <b>competition</b> for the nearly \$500 billion in <b>federal contracts</b> could potentially save billions of dollars over time. <b>Actions:</b> ● ◐			
	2011	Area 48: Applying <b>strategic sourcing</b> best practices throughout the federal procurement system could save billions of dollars annually. <b>Actions:</b> ◑			



Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2011	Area 49: Adherence to new guidance on <b>award fee contracts</b> could improve agencies' use of award fees to produce savings. <b>Actions:</b> ●			
	2011	Area 50: Agencies aimed to save at least \$3 billion by the end of fiscal year 2012 through the continued disposal of <b>unneeded federal real property</b> . <b>Actions:</b> ○ ◑			
	2011	Area 51: Improved cost analysis used for making <b>federal facility ownership and leasing</b> decisions could save millions of dollars. <b>Actions:</b> ◑			
	2011	Area 52: The Office of Management and Budget's <b>IT Dashboard</b> reportedly has already resulted in savings and can further help identify opportunities to invest more efficiently in information technology. <b>Actions:</b> ● ●			
	2011	Area 53: Increasing <b>electronic filing</b> of individual income <b>tax returns</b> could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars. <b>Actions:</b> ● ● ● ●			
	2011	Area 54: Using <b>return on investment</b> information to better target IRS enforcement could reduce the tax gap; for example, a 1 percent reduction would increase tax revenues by \$3.8 billion. <b>Actions:</b> ● ● ●			
	2011	Area 55: Better management of <b>tax debt collection</b> may resolve cases faster with lower IRS costs and increase debt collected. <b>Actions:</b> ● ◐			
	2011	Area 56: Broadening IRS's authority to correct <b>simple tax return errors</b> could facilitate correct tax payments and help IRS avoid costly, burdensome audits. <b>Actions:</b> ○			
	2011	Area 57: Enhancing <b>mortgage interest information</b> reporting could improve tax compliance. <b>Actions:</b> ○ ○			
	2011	Area 58: More information on the types and uses of canceled debt could help IRS limit revenue losses of <b>forgiven mortgage debt</b> . <b>Actions:</b> ◐			
	2011	Area 59: Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated <b>real estate tax deductions</b> . <b>Actions:</b> ● ○			
	2011	Area 60: Revisions to content and use of <b>Form 1098-T</b> could help IRS enforce higher education requirements and increase revenues. <b>Actions:</b> ● ◐			
	2011	Area 61: Many options could improve the tax compliance of <b>sole proprietors</b> and begin to reduce their \$68 billion portion of the tax gap. <b>Actions:</b> ◐ ○			
	2011	Area 62: IRS could find additional <b>businesses not filing tax returns</b> by using third-party data, which show such businesses have billions of dollars in sales. <b>Actions:</b> ● ● ● ○ ○			
	2011	Area 63: Congress and IRS can help <b>S corporations</b> and their shareholders be more tax compliant, potentially increasing tax revenues by hundreds of millions of dollars each year. <b>Actions:</b> ● ○			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2011	Area 64: IRS needs an agencywide approach for addressing tax evasion among the at least 1 million <b>networks of businesses</b> and related entities. <b>Actions:</b> ● ◐			
	2011	Area 65: Opportunities exist to improve the targeting of the \$6 billion <b>research tax credit</b> and reduce forgone revenue. <b>Actions:</b> ○			
	2011	Area 66: Converting the <b>new markets tax credit</b> to a grant program may increase program efficiency and significantly reduce the \$3.8 billion 5 years revenue cost of the program. <sup>a</sup> <b>Actions:</b> ○			
	2011	Area 67: Limiting the tax-exempt status of certain <b>governmental bonds</b> could yield revenue. <b>Actions:</b> ○			
	2011	Area 68: Adjusting <b>civil tax penalties</b> for inflation potentially could increase revenues by tens of millions of dollars per year, not counting any revenues that may result from maintaining the penalties' deterrent effect. <b>Actions:</b> ◐			
	2011	Area 69: IRS may be able to systematically identify <b>nonresident aliens</b> reporting unallowed tax deductions or credits. <b>Actions:</b> ●			
	2011	Area 70: Tracking <b>undisbursed balances in expired grant accounts</b> could facilitate the reallocation of scarce resources or the return of funding to the Treasury. <b>Actions:</b> ●			
	2012	Area 41: <b>General Services Administration Schedules Contracts Fee Rates:</b> Re-evaluating fee rates on the General Services Administration's Multiple Award Schedules contracts could result in significant cost savings governmentwide. <b>Actions:</b> ●			
	2012	Area 42: <b>U.S. Currency:</b> Legislation replacing the \$1 note with a \$1 coin would provide a significant financial benefit to the government over time. <b>Actions:</b> ◑			
	2012	Area 43: <b>Federal User Fees:</b> Regularly reviewing federal user fees and charges can help the Congress and federal agencies identify opportunities to address inconsistent federal funding approaches and enhance user financing, thereby reducing reliance on general fund appropriations. <b>Actions:</b> ○ ○ ○			
	2012	Area 44: <b>Internal Revenue Service Enforcement Efforts:</b> Enhancing the Internal Revenue Service's enforcement and service capabilities can help reduce the gap between taxes owed and paid by collecting billions in tax revenue and facilitating voluntary compliance. <b>Actions:</b> ● ● ◐ ◐ ○ ○			
	2013	Area 22: <b>Additional Opportunities to Improve Internal Revenue Service Enforcement of Tax Laws:</b> The Internal Revenue Service can realize cost savings and increase revenue collections by billions of dollars by, among other things, using more rigorous analyses to better allocate enforcement and other resources. <b>Actions:</b> ● ● ◐ ◐ ◐ ○			
	2013	Area 23: <b>Agencies Use of Strategic Sourcing:</b> Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest spending procurement categories—savings of one percent from selected agencies' procurement spending alone would equate to over \$4 billion. <b>Actions:</b> ● ◐ ◐			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
	2013	Area 24: <b>Opportunities to Help Reduce Government Satellite Program Costs:</b> Government agencies could achieve considerable cost savings on some missions by leveraging commercial spacecraft through innovative mechanisms such as hosted payload arrangements and sharing launch vehicle costs. Selected agencies have reported saving hundreds of millions of dollars to date from using these innovative mechanisms. <b>Actions:</b> ● ● ◐			
	2014	Area 14: <b>Coin Inventory Management:</b> The Federal Reserve should develop a process to assess factors influencing coin management costs and identify practices that could potentially lead to millions of dollars in revenue enhancement. <b>Actions:</b> ◐			
	2014	Area 15: <b>Collection of Unpaid Federal Taxes:</b> The federal government can increase tax revenue collections by hundreds of millions of dollars over a 5-year time period by identifying and taking actions to limit issuance of passports to applicants, levy payments to Medicaid providers, or identify security-clearance applicants with unpaid federal taxes. <b>Actions:</b> ◐ ◐ ○			
	2014	Area 16: <b>Federal Real Property Ownership and Leasing:</b> The General Services Administration could potentially achieve millions of dollars in savings by using capital-planning best practices to create a long-term strategy for targeted ownership investments to replace some high-value leases. <b>Actions:</b> ◐ ◐ ◐			
	2014	Area 17: <b>Online Taxpayer Services:</b> 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. <b>Actions:</b> ● ◐ ◐ ◐			
	2014	Area 18: <b>Real Estate-Owned Properties:</b> Improvements to the Department of Housing and Urban Development's Federal Housing Administration's disposition and oversight practices for foreclosed properties could produce increased sales proceeds and savings from maintenance and other expenses from holding properties totaling hundreds of millions of dollars per year. <b>Actions:</b> ● ◐ ◐			
	2014	Area 19: <b>Reverse Auctions in Government Contracting Including Commercial Items:</b> Due to increasing government use of reverse auctions—with over \$1 billion awarded in contracts in fiscal year 2012—additional guidance may help maximize opportunities to increase competition and improve the accuracy of estimated cost savings. <b>Actions:</b> ○ ○			
	2014	Area 20: <b>Tax Policies and Enforcement:</b> The Internal Revenue Service can realize cost savings and increase revenue by, among other things, identifying continued offshore tax evasion and evaluating whether the agency's streamlined corporate audit process is meeting its goals. <b>Actions:</b> ● ● ● ◐ ◐ ◐ ◐ ○			
	2015	Area 17: <b>Tax Policies and Enforcement:</b> By more effectively using data to manage various enforcement programs, the Internal Revenue Service could bolster tax compliance and potentially collect hundreds of millions of dollars in additional revenue. <b>Actions:</b> Pending Assessment			
Health	2011	Area 71: Preventing billions in <b>Medicaid improper payments</b> requires sustained attention and action by CMS. <b>Actions:</b> ● ◑			
	2011	Area 72: Federal oversight over <b>Medicaid supplemental payments</b> needs improvement, which could lead to substantial cost savings. <b>Actions:</b> ◐			
	2011	Area 73: Better targeting of <b>Medicare's</b> claims review could reduce <b>improper payments</b> . <b>Actions:</b> ● ◐ ◐ ◐			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◉ Consolidated or other
	2011	Area 74: Potential savings in <b>Medicare's payment for health care</b> . <b>Actions:</b> ● ● ● ● ● ◐ ○			
	2012	Area 45: <b>Medicare Advantage Payment:</b> The Centers for Medicare & Medicaid Services could achieve billions of dollars in additional savings by better adjusting for differences between Medicare Advantage plans and traditional Medicare providers in the reporting of beneficiary diagnoses. <b>Actions:</b> ◐			
	2012	Area 46: <b>Medicare and Medicaid Fraud Detection Systems:</b> The Centers for Medicare & Medicaid Services needs to ensure widespread use of technology to help detect and recover billions of dollars of improper payments of claims and better position itself to determine and measure financial and other benefits of its systems. <b>Actions:</b> ● ● ◐ ◐ ◐ ◐ ○			
	2013	Area 25: <b>Medicare Prepayment Controls:</b> More widespread use of prepayment edits could reduce improper payments and achieve other cost savings for the Medicare program, as well as provide more consistent coverage nationwide. <b>Actions:</b> ● ● ◐ ◐ ◐			
	2013	Area 26: <b>Medicaid Supplemental Payments:</b> To improve the transparency of and accountability for certain high-risk Medicaid payments that annually total tens of billions of dollars, Congress should consider requiring the Centers for Medicare & Medicaid Services to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, which could lead to cost savings. GAO's analysis of providers for which data are available suggests that savings could be in the hundreds of millions, or billions, of dollars. <b>Actions:</b> ◐ ◐ ○			
	2013	Area 27: <b>Medicare Advantage Quality Bonus Payment Demonstration:</b> Rather than implementing the Medicare Advantage quality bonus payment program specifically established by law, the Centers for Medicare & Medicaid Services is testing an alternative bonus payment structure under a broad demonstration authority through a 3-year demonstration that has design flaws, raises legal concerns, and is estimated to cost over \$8 billion; about \$2 billion could be saved if it were canceled for its last year, 2014. <b>Actions:</b> ○ <sup>b</sup>			
	2014	Area 21: <b>Medicaid Demonstration Waivers:</b> Federal spending on Medicaid demonstrations could be reduced by billions of dollars if the Department of Health and Human Services (HHS) were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. GAO's work between 2002 and 2013 has shown that HHS approved several demonstrations without ensuring that they would be budget neutral to the federal government. <b>Actions:</b> ○ ○			
	2015	Area 18: <b>DOD TRICARE Improper Payments:</b> To achieve potential cost savings associated with billions of dollars of improper payments, the Department of Defense should implement a more comprehensive improper payment measurement methodology and develop more robust corrective action plans for the military health care program known as TRICARE. <b>Actions:</b> Pending Assessment			
	2015	Area 19: <b>Medicare Payments to Certain Cancer Hospitals:</b> To achieve almost \$500 million per year in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals. <b>Actions:</b> Pending Assessment			
	2015	Area 20: <b>State Medicaid Sources of Funds:</b> To potentially save hundreds of millions of dollars, the Centers for Medicare & Medicaid Services should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states' financing arrangements that can increase costs for the federal government. <b>Actions:</b> Pending Assessment			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◑ Consolidated or other
Homeland security/ law enforcement	2011	Areas 75 and 76: <b>DHS's management of acquisitions</b> could be strengthened to reduce cost overruns and schedule and performance shortfalls. <b>Actions:</b> ◐ ◐ ◐ ◐ ◐			
	2011	Area 77: Validation of <b>TSA's behavior-based screening program</b> is needed to justify future funding. <b>Actions:</b> ● ◐ ○ ◑ ◑ ◑			
	2011	Area 78: More efficient <b>baggage screening systems</b> could result in about \$470 million in reduced TSA personnel costs over the next 5 years. <b>Actions:</b> ●			
	2011	Area 79: Clarifying availability of certain <b>customs fee collections</b> could produce a one-time savings of \$640 million. <b>Actions:</b> ●			
	2012	Area 47: <b>Border Security:</b> Delaying proposed investments for future acquisitions of border surveillance technology until the Department of Homeland Security better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding. <b>Actions:</b> ● ● ◐ ◐			
	2012	Area 48: <b>Passenger Aviation Security Fees:</b> Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs. <b>Actions:</b> ●			
	2012	Area 49: <b>Immigration Inspection Fee:</b> The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than using general fund appropriations. <b>Actions:</b> ● ● ◐ ○			
	2013	Area 28: <b>Checked Baggage Screening:</b> By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates. <b>Actions:</b> ○ ○			
Income security	2011	Area 80: <b>Social Security</b> 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 <b>offsets</b> prospectively, the overall savings would be less as it would not reduce benefits already received. <b>Actions:</b> ○			
	2014	Area 22: <b>Disability Insurance:</b> The Social Security Administration could prevent significant potential cash benefit overpayments in the Disability Insurance program by obtaining more-timely earnings data to identify beneficiaries' work activity that is beyond program limits and suspend benefits appropriately. <b>Actions:</b> ○			
	2014	Area 23: <b>Veterans' and Survivors' Benefits:</b> The Department of Veterans Affairs' direct spending could be reduced—by an average of about \$4 million annually, according to the Congressional Budget Office—if new statutory provisions were enacted, namely, a look-back review and penalty period for claimants who transfer assets for less than fair market value prior to applying for pension benefits that are available to low-income wartime veterans who are at least 65 years old or have disabilities unrelated to their military service. This action would help to ensure that only those in financial need receive benefits and make the program more consistent with other federal programs for low-income individuals. <b>Actions:</b> ◐			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◉ Consolidated or other
	2015	Area 21: <b>Children's Disability Reviews:</b> To prevent an estimated \$3.1 billion dollars in potential overpayments over 5 years, the Social Security Administration needs to conduct timely disability reviews to better ensure that only eligible children receive cash benefits from the Supplemental Security Income program. <b>Actions:</b> Pending Assessment			
	2015	Area 22: <b>Supplemental Nutrition Assistance Program Fraud and Abuse:</b> States should be able to more effectively fight fraud among beneficiaries of the Supplemental Nutrition Assistance Program—which provided more than \$76 billion in benefits in fiscal year 2013—by using data to better focus investigative efforts on high-risk households. <b>Actions:</b> Pending Assessment			
Information technology	2013	Area 29: <b>Cloud Computing:</b> Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars. <b>Actions:</b> ◐ ◐			
	2013	Area 30: <b>Information Technology Operations and Maintenance:</b> Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments. <b>Actions:</b> ◐ ◐			
	2014	Area 24: <b>Information Technology Investment Portfolio Management:</b> 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 investments. <b>Actions:</b> ◐ ◐ ○ ○ ○ ○ ○ ○			
	2015	Area 23: <b>Federal Software Licenses:</b> In order to achieve hundreds of millions of dollars in government-wide savings, federal agencies should apply better management of software licenses and the Office of Management and Budget should issue a directive to assist agencies in doing so. <b>Actions:</b> Pending Assessment			
International affairs	2011	Area 81: Congress could pursue several options to improve collection of <b>antidumping</b> and <b>countervailing duties</b> . <b>Actions:</b> ○ ○			
	2012	Area 50: <b>Iraq Security Funding:</b> When considering new funding requests to train and equip Iraqi security forces, Congress should consider the government of Iraq's financial resources, which afford it the ability to contribute more toward the cost of Iraq's security. <b>Actions:</b> ● ●			
	2013	Area 31: <b>Tobacco Taxes:</b> Federal revenue losses were as much as \$615 million to \$1.1 billion between April 2009 and 2011 because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products. <b>Actions:</b> ○ ○			

Mission	Annual Report	Areas identified and assessment of actions			
		● Addressed	◐ Partially addressed	○ Not addressed	◉ Consolidated or other
Social Services	2012	Area 51: <b>Domestic Disaster Assistance:</b> The Federal Emergency Management Agency could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. <b>Actions:</b> ○ ◉ ◉			
	2014	Area 25: <b>Better Data to Mitigate Foreclosures:</b> The Department of Housing and Urban Development's Federal Housing Administration and the Departments of Veterans Affairs and Agriculture could improve outcomes and better manage the costs associated with foreclosure mitigation efforts with additional data collection and analysis, potentially saving taxpayers millions of dollars on an annual and recurring basis. <b>Actions:</b> ◐			
	2014	Area 26: <b>Housing Choice Vouchers Rent Reform:</b> By improving data collection and analysis efforts under the Moving to Work demonstration program, the Department of Housing and Urban Development would provide Congress with information to determine which rent reform option should be implemented program-wide and thereby potentially reduce program funding by millions of dollars or extend housing assistance to additional low-income households or some combination of these outcomes. <b>Actions:</b> ◐ ◐ ◐			
	2015	Area 24: <b>Disaster Relief Fund Administrative Costs:</b> Cost savings of millions of dollars could be realized if Federal Emergency Management Agency officials enhance their oversight of the agency's administrative costs obligated from the Disaster Relief Fund for major disasters. <b>Actions:</b> Pending Assessment			

Source: GAO. | GAO-15-404SP

<sup>a</sup>In 2015, we added new actions to this area, which can be found in appendix III.

<sup>b</sup>GAO is no longer assessing the status of this action. See *GAO's Action Tracker* for more details.

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# Appendix V: Lists of Programs Identified

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This appendix includes lists of federal programs or other activities related to issue areas in this report, and their obligations data, where such information was available. In some cases, we did not report budgetary information because it was either not available or sufficiently reliable. For some issue areas, agencies were not able to readily provide programmatic information needed to determine whether and to what extent programs are actually duplicative. Additionally, in some instances of fragmentation, overlap, or duplication, it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort.



**Table 1: Defense Acquisitions Programs: Programs and Related Budgetary Information**

Agency	Program name	Program description	Total Estimated Acquisition Costs (as of December 2014)
Department of Defense	Defense Acquisitions	Major Weapons Systems	\$1.4 trillion

Source: GAO analysis of DOD data. | GAO-15-404SP

**Table 2: Consumer Product Safety: List of Agencies with a Direct Oversight Role**

Agency	Role	Examples of products regulated
Coast Guard	Regulates safety standards for recreational boats.	All original equipment installed on boats; limited equipment installed after purchase (inboard engines, outboard engines, stern drive units, and inflatable life jackets)
Consumer Product Safety Commission (CPSC)	Oversees consumer products produced or distributed in the United States for sale to, or use by, consumers in or around a residence or school or in recreation or otherwise.	Toys, cribs, power tools that are used by consumers, lighters, and household products
Department of Housing and Urban Development (HUD)	Mitigates lead-based paint hazards in federally assisted housing. It also establishes federal standards for the design and construction of manufactured homes.	Structural materials in manufactured homes such as particle board, plywood, drywall, steel frames, and windows
Environmental Protection Agency (EPA)	Conducts risk assessments of pesticides and registers them for use in the United States. Also evaluates and manages risks of chemicals.	Insect repellents, toilet bowl sanitizers/disinfectants, ant traps, and flea powder Some household products such as window cleaners; flame retardants used in furniture and electronics; and formaldehyde emissions from composite wood products (e.g., kitchen cabinets)
Food and Drug Administration (FDA)	Ensures the safety, efficacy, and security of human and veterinary drugs, biological products, medical devices, and electronic products that emit radiation. Also ensures the safety of cosmetics. Additionally, regulates food and tobacco products, but are outside the scope of this study.	Prescription drugs, over-the-counter drugs, contact lenses, breast pumps, cosmetics such as lipstick and eye liner, cell phones, and toy laser products
National Highway Traffic Safety Administration (NHTSA)	Sets and enforces safety performance standards for motor vehicles and motor vehicle equipment.	Motor vehicles, motor vehicle equipment such as tires and motorcycle helmets, and child restraint systems (when sold for use in vehicles)
Nuclear Regulatory Commission (NRC)	Licenses and regulates civilian use of certain radioactive materials.	Consumer products that contain NRC-regulated materials such as tritium watches, smoke detectors, and electron tubes
Pipeline and Hazardous Materials Safety Administration (PHMSA)	Ensures that hazardous materials are packaged and handled safely during transportation.	Hazardous materials (such as consumer fireworks, lithium batteries, and compressed gas) in transport

Source: GAO analysis of agency data. | GAO 15-404SP

Note: Some agencies have broader responsibilities than those listed in the table, which focuses on aspects of each agency's work that relate to consumer product safety.

**Table 3: Nonemergency Medical Transportation (NEMT): List of Federal Programs**

<b>Agency</b>	<b>Program name</b>	<b>Program description</b>
<b>Department of Agriculture</b>	Community Facilities Loans and Grants	Program funds are available for health care projects (assisted living, nursing homes, etc.) and may be used to purchase vehicles to transport patients/residents for medical appointments and shopping.
<b>Department of Education</b>	State Vocational Rehabilitation Services Program	Transport for services to medical appointments.
	Centers for Independent Living <sup>a</sup>	Transport for services to medical appointments.
	Independent Living State Grants <sup>b</sup>	Transport for services to medical appointments.
	Independent Living Services for Older Individuals Who Are Blind	Transport for services to medical appointments.
	Special Education-Grants for Infants and Toddlers	Transport for services to medical appointments.
	Supported Employment Services for Individuals with Most Significant Disabilities	Transport for services to medical appointments.
	Rehabilitation Services American Indians with Disabilities	Transport for services to medical appointments.
<b>Department of Transportation</b>	Urbanized Area Formula Program	NEMT and any other type of trips are allowable, as general public transportation trips are not differentiated by purpose.
	Formula Grants for Rural Areas	NEMT and any other type of trips are allowable, as general public transportation trips are not differentiated by purpose.
	Enhanced Mobility of Seniors and Individuals with Disabilities <sup>c</sup>	Grants and other programs can be developed at the local level through the locally developed coordinated planning process that can serve to address transportation gaps for seniors and people with disabilities and could include partnerships with NEMT funded programs like Medicaid.
	New Freedom Program	Grants and other programs can be developed at the local level through the locally developed coordinated planning process that can serve to address transportation gaps for people with disabilities and could include partnerships with NEMT funded programs like Medicaid.
<b>Department of Health and Human Services</b>	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	These funds are flexible and can be used for both medical and non-medical transportation.
	Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes, Part B, Grants to Native Hawaiians	Transportation to access needed services which may include medical appointments and medical treatments.
	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	Transportation to access needed services which may include medical appointments for a child with mental health issues.
	Coordinated Services and Access to Research for Women, Infants, Children and Youth	Transportation services for an eligible individual to access HIV-related health services, including services needed to maintain the client in HIV Medical care, directly or through voucher.
	Urban Indian Health Services	Vehicle purchase or lease, bus token, taxi fare.
	Health Center Program	Health centers are required to provide services that enable individuals to use the services of the health center (including outreach and transportation services).
	Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	Public transportation, mileage reimbursement, and purchase of motor vehicles.
	Substance Abuse and Mental Health Services- Access to Recovery	Bus tokens/pass, cab fare, gas card.

Agency	Program name	Program description
	Transitional Living Program and Maternity Group Homes for Homeless Youth	Transport to medical appointments, for employment training, school, and other services identified.
	Head Start	Head Start grantees have flexibility to provide nonemergency medical transportation to children to medical and dental appointments.
	Social Services Block Grants	Travel to obtain medical care; may include special modes of transportation.
	Children's Health Insurance Program	Transportation to primary and preventative health care services for eligible low-income women.
	Medicaid	State Medicaid Agencies are required to assure transportation for beneficiaries to covered medical care when the beneficiary has no other means of transportation. Depending on the claiming authority, the state has many options to structure their NEMT program but Federal Financial Participation is only available for this specific purpose.
	Rural Health Care Services Outreach, Rural Health Network Development, and Small Health Care Provider Quality Improvement Program	Program funds can be used to support NEMT costs such as personnel, contractual services (with NEMT service providers) and/or promotion of NEMT services.
	HIV Emergency Relief Project Grants	Program funds can be used for the provision of transportation services for an eligible individual to access HIV-related health services, including services needed to maintain the client in HIV Medical care, directly or through voucher.
	HIV Care Formula Grants	Program funds can be used for the provision of transportation services for an eligible individual to access HIV-related health services, including services needed to maintain the client in HIV Medical care, directly or through voucher. Services are conveyance services provided, directly or through a voucher, to a client to enable him or her to access health care services.
	HIV Early Intervention Services	Program funds can be used for the provision of transportation services for an eligible individual to access HIV-related health services, including services needed to maintain the client in HIV Medical care, directly or through voucher.
	Healthy Start Initiative	Program funds can be used for bus tokens, taxi vouchers, reimbursement of own vehicle.
	Community Mental Health Services Block Grant	If the individual requires this services and it cannot or is not funded by Medicaid, States can use the funding for this service.
	Substance Abuse Prevention and Treatment Block Grant	Authorizing legislation neither prescribes nor prohibits funding of NEMT. The exception is Interim Final Rule (45 CFR 96. 120-137) explicitly prescribes transportation for substance using pregnant women and women with dependent children.
	Maternal and Child Health Services Block Grant to the States	If a state identifies this service as one that relates to an identified priority need, it may choose to support such an activity.
<b>Department of Housing and Urban Development</b>	Congregate Housing Services program	The grant can be used for up to 40 percent of the cost of supportive services which can include NEMT.
	Community Development Block Grants/Entitlement Grants	NEMT could qualify as an eligible service.
	Community Development Block Grants/Special Purpose Grants/Insular Areas	NEMT could qualify as an eligible service.
	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	NEMT could qualify as an eligible service.
	Housing Opportunities for Persons with AIDS	NEMT could qualify as an eligible service.
	Resident Opportunity & Self-Sufficiency Program	Expenses to support residents participating in the program obtain medical services such as obtaining eyeglasses for work.

Agency	Program name	Program description
Department of Veterans Affairs	Veterans Medical Care Benefits	The Beneficiary Travel Program (BT) has authority to provide both emergency and non-emergency transport to eligible beneficiaries in relation to VA or VA authorized non-VA care.
	VA Homeless Providers Grant and Per Diem Program	Funds granted to community homeless providers may be used to purchase vehicles to provide NEMT.
	Veterans Transportation Program	Transportation of Veterans to VA Medical Centers and CBOC's.

Source: GAO analysis of information from the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development, Transportation and Veterans Affairs, the Catalog of Federal Domestic Assistance, and applicable statutes and regulations. | GAO-15-404SP

Notes: Total federal spending on NEMT is unknown.

<sup>a</sup>On July 22, 2014, this program was transferred to HHS by the Workforce Innovation and Opportunity Act and is being administered by the Department of Education during this transition.

<sup>b</sup>On July 22, 2014, this program was transferred to HHS by the Workforce Innovation and Opportunity Act and is being administered by the Department of Education during this transition.

<sup>c</sup>The Over-the-Road Bus Program was repealed by MAP-21, effective October 2012. The Federal Public Transportation Act of 2012 repealed the New Freedom program (49 U.S.C. § 5317) as a separate program and instead merged the program into the Enhanced Mobility of Seniors and Individuals with Disabilities program (49 U.S.C. § 5310), effective October 2012.

**Table 4: Department of Defense Health Care: Program and Related Budgetary Information**

Agency	Program name	Program description	Fiscal year 2013 obligations
Department of Defense (DOD) Health Care		Provides health care to eligible military beneficiaries worldwide through the TRICARE program.	\$48,400,000,000
	US Family Health Plan	Provides the TRICARE Prime benefit to eligible military beneficiaries in six areas of the country.	\$ 1,120,000,000

Source: Department of Defense. | GAO-15-404SP

**Table 5: Serious Mental Illness: List of Programs and Related Budgetary Information**

Agency	Program name	Program description	Fiscal year 2013 obligations
<b>Department of Defense</b>			
Air Force	Baseline Psychological Testing for Recruits	A screening program completed during basic military training at Joint Base San Antonio to identify mental health and behavioral problems.	\$800,000 <sup>a</sup>
	Virtual Reality Exposure Therapy	Selected Air Force medical treatment facilities are outfitted with interactive virtual reality systems for use in enhanced exposure therapy between behavioral health providers and patients suffering from conditions such as post-traumatic stress disorder (PTSD), mild traumatic brain injury, addictions, phobias, and anger management issues.	280,000
Air National Guard	Psychological Health Program	Provides assessment services, ensures continuity and engagement in treatment, and prevents servicemembers from falling through the cracks. This program does not provide direct treatment services.	14,460,000
Army National Guard	Psychological Health Program	Provides assessment services, ensures continuity and engagement in treatment, and prevents servicemembers from falling through the cracks. This program does not provide direct treatment services.	14,400,000

Agency	Program name	Program description	Fiscal year 2013 obligations
Navy	Overcoming Adversity and Stress Injury Support	This is a 10-week comprehensive residential treatment program for Active Duty members with combat related stress disorders, including PTSD. Includes evidence-based treatment such as cognitive processing therapy, along with psychopharmacological interventions and complementary alternative treatments.	1,133,000
<b>Department of Health and Human Services</b>			
Substance Abuse and Mental Health Services Administration	Community Mental Health Services Block Grant	Distributes funding to eligible states and territories for a variety of mental health prevention and treatment services; planning; administration; and educational activities under the state plan for comprehensive community-based mental health services for children with serious emotional disturbance and adults with serious mental illness.	463,809,000 <sup>b</sup>
	Consumer and Consumer Support Technical Assistance	Provides support for technical assistance to facilitate the restructuring of the mental health system by promoting consumer directed approaches for adults with serious mental illness.	1,775,000 <sup>b</sup>
	Criminal and Juvenile Justice	Diverts individuals with serious mental illness from the criminal justice system by providing support services that connect the individual to behavioral health, housing, and job placement services.	4,754,000 <sup>b</sup>
	Mental Health Homelessness Prevention	Provides comprehensive services focusing on outreach, engagement, intensive case management, mental health services, substance abuse treatment, benefits support, and linkage to permanent housing.	23,018,000 <sup>b</sup>
	Mental Health Transformation Grant	Supports state and local governments creation or capacity expansion of evidence-based practices addressing the prevention of mental illness; trauma-informed care; screening, treatment and support services for military personnel; and housing and employment support.	8,551,000 <sup>b</sup>
	Minority HIV/AIDS	Expands behavioral health services to individuals who are at risk for or have serious mental illness and/or co-occurring substance use disorder and are at risk or living with HIV/AIDS. Supports programs that develop or expand behavioral health and primary care networks in order to reduce the impact of behavioral health problems, HIV risk and HIV-related health disparities.	7,340,000 <sup>b</sup>
	Primary and Behavioral Health Care Integration	Funds the coordination and integration of primary care services into publicly-funded community behavioral health settings. The program encourages grantees to engage in necessary partnerships, expand infrastructure and increase the availability of primary health care and wellness services to individuals with mental illness.	28,858,000 <sup>b</sup>
	Projects for Assistance in Transition from Homelessness	Supports services and resources to people with serious mental illness, including those with co-occurring substance use disorder, who are experiencing homelessness or at risk for homelessness. Provides funds for community-based outreach, case management, screening and diagnostic treatment, alcohol or drug treatment, and a limited set of housing services.	61,405,000 <sup>b</sup>

Agency	Program name	Program description	Fiscal year 2013 obligations
	Protection and Advocacy for Individuals with Mental Illness	Provides grant awards to support protection and advocacy systems designated by the governor of each state or mayor of the District of Columbia. These systems monitor compliance with the Constitution and federal and state laws within public and private residential care, treatment facilities, and non-medical community-based facilities for individuals with serious mental illness, children, and youth.	33,571,000 <sup>b</sup>
	State and Community Partnerships to Integrate Services	Supports the creation of developmentally-appropriate local systems of care to improve outcomes of youth and young adults with serious mental health conditions. The grants fund integration of local systems with state, tribal, or territorial levels in areas such as education, employment, housing, mental health and co-occurring disorders, and decrease contacts with the juvenile and criminal system.	2,929,000 <sup>b</sup>
	Statewide Consumer Network	Provides funding to consumer-driven organizations to enhance statewide service system capacity. Promotes skill development, business management, and partnership building as part of the recovery process for mental health consumers.	2,094,000 <sup>b</sup>
	Statewide Family Network	Provides information, referrals, and support at the state and local level to families who have a child with a serious emotional disturbance.	2,810,000 <sup>b</sup>
	System of Care Expansion Implementation Cooperative	Supports broad-scale operation, expansion and integration of systems of care to improve behavioral outcomes of children and youth with serious emotional disturbances and their families.	92,085,000 <sup>b</sup>
<b>Department of Justice</b>			164,200,000 <sup>c</sup>
Bureau of Prisons	Dual Diagnosis Residential Drug Abuse Program	An intensive residential substance abuse treatment program providing services for inmates with co-occurring substance use disorders and serious mental illnesses. The program is 9-months, unit-based, and offers cognitive-behavioral interventions in a modified therapeutic community setting.	c
	Mental Health Step Down Unit	Offers an intermediate level of care for inmates with serious mental illness who do not require inpatient treatment, but lack the skills to function independently in a general population prison. Programs operate as modified therapeutic communities and utilize cognitive behavioral treatments, cognitive rehabilitation, and skills training.	c
	Steps Toward Awareness, Growth, and Emotional Strength	A unit-based residential psychology treatment program that focuses on inmates with serious mental illness and a primary diagnosis of Borderline Personality Disorder. Uses evidence-based treatments to increase time between disruptive behaviors and increase pro-social skills, and aims to prepare inmates for transition to less secure prison settings or promote successful reentry to society.	c

Agency	Program name	Program description	Fiscal year 2013 obligations
<b>Social Security Administration</b>			
Office of Retirement and Disability Policy	Homeless with Schizophrenia Presumptive Disability	Aims to remove barriers to supplemental security income for individuals who have been diagnosed with schizophrenia or schizoaffective disorder who are known to be homeless by helping them through the application process and providing presumptive disability payments.	N/A <sup>d</sup>
<b>Department of Veterans Affairs</b>			
Veterans Health Administration	Intensive Community Mental Health Recovery	Provides veterans with serious mental illness intensive recovery-oriented mental health services in their home and community that enable them to live in the community of their choosing. Connects veterans with a team that may include peer specialists, social workers, psychologists and physicians.	142,533,000
	Mental Health Residential Rehabilitation Treatment	Provides residential rehabilitation and treatment services for veterans with mental health and substance use disorders, medical conditions and psychosocial needs, such as homelessness and unemployment. The program addresses the goals of rehabilitation, recovery, and community integration. It provides specific treatment for mental health, substance use disorders and medical conditions.	858,119,000
	Psychosocial Rehabilitation and Recovery Center	Supports recovery and integration into the community for veterans with serious mental illness and severe functional impairment. Includes individual assessment and curriculum planning, skills training classes, family education programs, psychiatric services, compensated work therapy, and case management services.	77,307,000
	Re-Engaging Veterans with Serious Mental Illness	Identifies veterans with schizophrenia or bipolar disorder who have received care but have been lost to follow-up (no outpatient visits and no inpatient visits of more than 2 days) for at least 1 year. Contact information of identified veterans are sent to a social worker or psychologist at VA medical centers and community outpatient clinics who make efforts to locate, contact, assess the needs, and invite the veterans to return to care.	<sup>e</sup>
	Specialized PTSD	Provides a range of inpatient and outpatient treatments for veterans diagnosed with military-based PTSD. These services use psychotherapies and psychopharmacology. Examples of specialty PTSD inpatient treatment are: Domiciliary PTSD, Women's Trauma Recovery Program. Specialty PTSD outpatient treatment includes Substance Use PTSD and Women's Stress Disorder Treatment Team.	372,364,000
	Therapeutic and Supported Employment Services	A continuum of recovery-oriented vocational rehabilitation programs that help veterans with mental health disabilities (including individuals with co-occurring physical disabilities) and a history of occupational dysfunction overcome barriers to employment and return to the workforce.	133,747,000
	VA Specialized Homeless Services	A continuum of care designed to assist eligible homeless veterans and veterans at risk for homelessness. Services include homelessness prevention and rapid re-housing; assistance to veterans involved with the justice system; community case management; and employment assistance.	1,404,890,000

Agency	Program name	Program description	Fiscal year 2013 obligations
	Inpatient Mental Health	Provides services to veterans with acute and severe emotional and/or behavioral symptoms that may cause a safety risk to the self or others, and/or may result in severely compromised functional status, including veterans with serious mental illness. Programs provide a range of intensive clinical services (e.g., close safety monitoring, close medication management) and frequent group therapy and psychoeducation.	1,766,716,000

Legend:

HUD Department of Housing and Urban Development

PTSD post-traumatic stress disorder

VA Department of Veterans Affairs

Source: GAO analysis of questionnaire responses. | GAO-15-404SP

Notes: Obligations are rounded to the nearest thousand.

<sup>a</sup>This amount only includes the analytic component. The amount for the clinical component is unknown.

<sup>b</sup>This amount only includes the obligated funds for the grants, not the obligated amount for the overall program.

<sup>c</sup>This amount includes all services and programs offered through the Department of Justice's Psychology Services departments. These departments provide routine mental health screening, evaluation, grief counseling, individual therapy, group therapy, and crisis intervention. Psychology Services departments also provide specialty programming for specific populations.

<sup>d</sup>This was a pilot program designed and operated internally by Social Security Administration staff, with assistance from partner agencies in the involved communities. There was no obligated funding for this program in fiscal year 2013.

<sup>e</sup>Case identification was through the Serious Mental Illness Treatment Resource and Evaluation Center. Subsequently, targeted outreach was conducted at local medical centers and clinics as part of the overall program of care for veterans with serious mental illness.



**Table 6: Department of Homeland Security (DHS) Vulnerability Assessment Tools and Methods**

<b>DHS office or component</b>	<b>Assessment tool or method</b>	<b>Description</b>
Protective Security Coordination Division	Infrastructure Survey Tool (IST)	ISTs consist of voluntary assessments that gather information on an asset's current security posture and overall security awareness.
	Site Assistance Visit (SAV)	SAVs consist of an IST and also identify security and resilience gaps and provide options for consideration to mitigate these identified gaps.
Federal Protective Service (FPS)	Modified Infrastructure Survey Tool (MIST)	MIST is a vulnerability assessment based on the IST assessment that has been modified to meet specific FPS criteria.
Infrastructure Security Compliance Division (ISCD)	Chemical Facility Anti-Terrorism Standards Security Vulnerability Assessment (SVA)	ISCD requires certain chemical facilities to self-report vulnerability and other information through the SVA.
Transportation Security Administration (TSA)	Baseline Assessment for Security Enhancements (BASE)	BASE assessments are composed of 205 questions for reviewing a transit systems security posture.
	Freight Rail Risk Analysis Tool	Freight Rail Risk Analysis Tool assessments began in fiscal year 2009 focusing on high priority tunnels and bridges based on an industry provided list of assets.
	Joint Vulnerability Assessment (JVA)	TSA and the Federal Bureau of Investigation (FBI) are to conduct joint threat and vulnerability assessments at each high-risk U.S. airport at least every 3 years. Airports not identified as one of the 34 high-risk airports may receive a JVA through a voluntary request, as a host of a National Special Security Event, or at the direction of TSA senior leadership.
	Critical Facility Security Review (CFSR)	CFSRs are a walkthrough of a pipeline facility that includes asking a common list of questions, discussions with asset owners and operators including corporate executives and security advisers, reviews of plans to protect the pipeline assets, and the adoption of established security guidelines by the assets.
United States Coast Guard	Maritime Transportation Security Act (MTSA) -regulated facility vulnerability assessments	MTSA and its implementing regulations require owners and operators of maritime facilities to conduct security assessments that identify their security vulnerabilities for use in developing security plans to mitigate these vulnerabilities.
	Port Security Assessment	The Coast Guard conducts voluntary vulnerability assessments on 25 port facilities annually at five port locations. These efforts are to support risk mitigation strategies.

Source: GAO analysis of DHS documents and interviews with DHS officials. | GAO-15-404SP

**Table 7: Federal Export Promotion: List of Activities and Related Budgetary Information**

Agency or subagency	Activity	Activity description	Fiscal Year 2013 budget
<b>Department of Commerce (Commerce)</b>			
International Trade Administration	Export promotion	ITA's export promotion activities include efforts to raise awareness about exporting and to provide businesses with export counseling, training, and information on market opportunities; help connecting with potential buyers abroad; and help obtaining financing.	\$267,674,000
<b>Small Business Administration (SBA)</b>			
Office of International Trade	Export promotion	SBA's export promotion activities include conducting outreach and providing training, counseling, and export financing for small businesses.	\$974,000 <sup>a</sup>

Source: Commerce, SBA, and the Congressional Research Service. | GAO-15-404SP

Note: The total amount of U.S. government funds expended on federal export promotion is unclear because comparable budget information for federal agencies involved in export promotion is not readily available.

<sup>a</sup>This amount includes salaries and operating expenses only.

**Table 8: National Oceanic and Atmospheric Administration's Estimated Operations and Maintenance Costs for the Ocean, Coastal, and Great Lakes Observing Systems by Office for Fiscal Year 2013**

Observing System Managing Office and System Name	Fiscal Year 2013 <sup>a</sup>
<b>National Environmental Satellite, Data, and Information Service</b>	
Geostationary Operational Environmental Satellite N/O/P	\$ 25,900,000
Jason Ocean Surface Topography Mission (2,3 & CS) <sup>b</sup>	1,600,000
Marine Optical Buoy	2,900,000
Polar-Orbiting Operational Environmental Satellite	29,000,000
Suomi National Polar-Orbiting Partnership Satellite	6,600,000
<b>National Marine Fisheries Service</b>	
Chesapeake Bay Interpretive Buoy System	800,000
Ecosystem Surveys	6,590,000
Fish Surveys	16,440,000
<b>National Ocean Service</b>	
Coral Reef Ecosystem Integrated Observing System/National Coral Reef Monitoring Plan	5,200,000
Hydrographic Surveying	25,100,000
Integrated Ocean Observing System High Frequency Radars	5,000,000
National Current Observation Program	1,000,000
National Estuarine Research Reserves System System-Wide Management Program	3,700,000
National Marine Sanctuary System-Wide Monitoring	2,360,000
National Status and Trends Program	1,700,000
National Water Level Observation Network	4,700,000
National Ocean Service-Shoreline	6,100,000
Physical Oceanographic Real-Time System <sup>c</sup>	0
Regional Ocean Observing System	18,100,000

<b>Observing System Managing Office and System Name</b>	<b>Fiscal Year 2013<sup>a</sup></b>
<b>National Weather Service</b>	
Coastal Weather Buoys	18,240,000
Coastal-Marine Automated Network	680,000
Deep-Ocean Assessment and Reporting of Tsunamis	8,770,000
Global Ocean Observing System Tropical Atmosphere Ocean Array	3,380,000
Pacific Tsunami Warning Center Sea Level Network	120,000
Voluntary Observing Ship	1,500,000
<b>Office of Oceanic and Atmospheric Research</b>	
Airborne Oceanographic Product	50,000
Arctic Observing Network	3,450,000
Ecosystems and Fisheries-Oceanography Coordinated Investigations	1,000,000
Global Ocean Observing System Argo Profiling Floats	10,300,000
Global Ocean Observing System Global Drifter Program	3,470,000
Global Ocean Observing System Global Sea Level Observing System	1,330,000
Global Ocean Observing System Global Tropical Moored Buoy Array-Prediction and Research Moored in the Atlantic	1,180,000
Global Ocean Observing System Global Tropical Moored Buoys Array-Research Moored for African-Asian-Australian Monsoon Analysis	2,820,000
Global Ocean Observing System Ocean Carbon Network	7,000,000
Global Ocean Observing System Ocean Reference Stations	5,910,000
Global Ocean Observing System-Ships of Opportunity	2,050,000
Ocean Acoustic Monitoring System	140,000
Real-time Coastal Observation Network	450,000
Western Boundary Time Series and South Atlantic Meridional Overturning Circulation	820,000
<b>Office of Marine and Aviation Operations</b>	
NOAA Aircraft	28,000,000
NOAA Ships	153,000,000
<b>Total</b>	<b>\$416,440,000</b>

Source: National Oceanic and Atmospheric Administration | GAO-15-404SP

<sup>a</sup>NOAA's estimated costs for fiscal year 2013 were based on final appropriations for this year.

<sup>b</sup>The estimates reported for here include costs to operate and maintain the Jason-2 mission. Development costs for the Jason-3 mission, with the operational environmental satellite scheduled to be launched in fiscal year 2015, are not included.

<sup>c</sup>The Physical Oceanographic Real-Time System is a cost-sharing program where local partners provide funding for the sensor systems and their ongoing maintenance.

**Table 9: DOD Real Property Portfolio: List of Military Services and Facilities' Property Replacement Value**

Military service	Number of assets	Plant replacement value
Army	270,277	\$306,430,000,000
Navy	111,200	\$214,230,000,000
Marine Corps	47,986	\$63,780,000,000
Air Force	132,422	\$259,280,000,000
Washington Headquarters Services	715	\$6,530,000,000
<b>Total</b>	<b>562,600</b>	<b>\$850,250,000,000</b>

Source: Office of the Secretary of Defense (OSD). | GAO-15-404SP

**Table 10: Department of Defense: List of Headquarters Organizations**

Department of Defense
Office of the Secretary of Defense
Joint Staff
Offices of the Secretary of the Army and Army Staff
Office of the Secretary of the Navy and Office of the Chief of Naval Operations
Offices of the Secretary of the Air Force and Air Staff
Headquarters, Marine Corps
U.S. Special Operations Command
U.S. Strategic Command
U.S. Transportation Command

Source: GAO-14-439 and GAO-15-10 | GAO-15-404SP

**Table 11: Strategic Petroleum Reserve: List of Programs and Related Budgetary Information**

Agency or subagency	Program name	Program description	FY 2014 actual obligations <sup>a</sup>
Department of Energy			
Office of Fossil Energy	Strategic Petroleum Reserve (SPR)	The SPR is a government-held emergency stockpile of crude oil. The program funds the management, operations, maintenance, and security of SPR storage sites, as well as site inspection and remediation activities.	\$187,835,037
Office of Fossil Energy	SPR Petroleum Account	Funds all SPR petroleum acquisitions, associated transportation costs, custom duties, terminal charges, and other miscellaneous costs. The account also holds receipts from any crude oil sales.	\$218,544,500

Source: DOE. | GAO-15-404SP

<sup>a</sup>These obligations include "recoveries of prior year unpaid obligations" that were re-obligated in FY2014.

**Table 12: U.S. Enrichment Corporation (USEC) Fund - Program and Financing: Related Budgetary Information**

Organization	Purpose	Total Investments: Fiscal Year 2015 (Estimate)	Unavailable Balances - Offsetting Collections: Fiscal Year 2015 (Estimate)
United States Enrichment Corporation (Fund)	USEC privatization expenses and environmental clean-up expenses pursuant to Public Law 105-204	\$1,634,000,000	(\$1,634,000,000)

Source: Budget of the United States Government, Fiscal Year 2015. U.S. Enrichment Corporation Fund as presented in the Appendix for Other Independent Agencies. | GAO-15-404SP

<sup>a</sup>The President's Budget estimates that the USEC Fund will receive \$16 million in offsetting collections in fiscal year 2015. However, the President's Budget also notes that "spending authority from offsetting collections [are] precluded from obligation."

**Table 13: TRICARE benefits: Program and Related Budgetary Information**

Agency or subagency	Program name	Program description	FY 2013 benefits issued
Department of Defense			
Defense Health Agency	TRICARE Purchased Care	TRICARE includes several benefit options to provide health care to military service members, retirees, and their families, including care provided in military treatment facilities or, through the TRICARE purchased care program, by civilian providers who are reimbursed by the department.	\$21,000,000,000

Source: Defense Health Agency. | GAO-15-404SP

**Table 14: Medicare: Program and Related Budgetary Information**

Agency or subagency	Program name	Program description	Calendar year 2013 program cost
Centers for Medicare & Medicaid Services	Medicare hospital benefits	Hospital inpatient and outpatient services covered by Medicare Part A and Part B.	\$178,600,000,000

Source: The Boards of Trustees of the Medicare Trust Funds. | GAO-15-404SP

**Table 15: Medicaid Financing: Program and Related Budgetary Information**

Agency or subagency	Program name	Program description	FY 2012 estimated cost
Centers for Medicare & Medicaid Services	Medicaid	A joint federal-state program that finances health care for low-income individuals, including children, families, and aged or disabled individuals	\$431,900,000,000 <sup>a</sup>

Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-15-404SP

Note: Department of Health and Human Services, 2013 Actuarial Report on the Financial Outlook for Medicaid (Washington, D.C.: 2013).

<sup>a</sup>The \$431,900,000,000 represents \$22,600,000,000 in administrative costs, \$236,600,000,000 in federal share of Medicaid payments, and \$172,600,000,000 in state share of Medicaid payments.

**Table 16: Supplemental Security Income: Program and Related Budgetary Information**

Agency	Program name	Program description	FY 2013 obligations
Social Security Administration	Supplemental Security Income	The Supplemental Security Income program guarantees a minimum level of income to financially needy individuals who are aged, blind, or disabled.	\$ 56,485,774,000

Source: GAO analysis of Social Security Administration data. | GAO-15-404SP

**Table 17: Supplemental Nutrition Assistance Benefits: Program and Related Budgetary Information**

Agency or subagency	Program Name	Program description	FY 2013 benefits issued
U.S. Department of Agriculture			
U.S. Department of Agriculture Food and Nutrition Service	Supplemental Nutrition Assistance Program (SNAP)	SNAP, formerly known as the federal Food Stamp Program, aims to help low-income individuals and households obtain a more nutritious diet.	\$76,066,280,000

Source: GAO analysis of Supplemental Nutrition Assistance Program data. | GAO-15-404SP

**Table 18: Department of Homeland Security, FEMA's Disaster Relief Fund: Related Budgetary Information**

Agency or subagency	Program name	Program Description	FY 2014 Appropriation
Federal Emergency Management Agency	Disaster Relief Fund	To carry out the Robert T. Stafford Disaster Relief and Emergency Assistance Act	\$6,220,908,000 <sup>a</sup>

Source: GAO | GAO-15-404SP

<sup>a</sup>Pub. L. No. 113-76, 128 Stat. 5, 263 (2014).

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