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Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue

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Mr. Chairman, Ranking Member Senator Collins, and Members of the Committee:

We appreciate the opportunity to discuss our first annual report to Congress responding to the statutory requirement that GAO identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities.[1] This work can help inform government policymakers as they address the rapidly building fiscal pressures facing our national government. Our simulations of the federal government's fiscal outlook show continually increasing levels of debt that are unsustainable over time, absent changes in the federal government's current fiscal policies.[2] Since the end of the recent recession, the gross domestic product has grown slowly, and unemployment has remained at a high level. While the economy is still recovering and in need of careful attention, widespread agreement exists on the need to look not only at the near term but also at steps that begin to change the long-term fiscal path as soon as possible. With the passage of time, the window to address the fiscal challenge narrows and the magnitude of the required changes grows.

My testimony today is based on our March 2011 report and provides an overview of federal programs or functional areas where unnecessary duplication, overlap, or fragmentation exists and where there are other opportunities for potential cost savings or enhanced revenues.[3] In that report, we identified 81 areas for consideration—34 areas of potential duplication, overlap, or fragmentation (see app. I) and 47 additional areas describing other 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 (see app. II). The 81 areas span a range of federal government missions such as agriculture, defense, economic development, energy, general government, health, homeland security, international affairs, and social services. Within and across these

[1]Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

[2]GAO, *The Federal Government's Long-Term Fiscal Outlook: January 2011 Update*, GAO-11-451SP (Washington, D.C.: Mar. 18, 2011). Additional information on the federal fiscal outlook, federal debt, and the outlook for the state and local government sector is available at http://www.gao.gov/special.pubs/longterm.

[3]GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011). An interactive, Web-based version of the report is available at http://www.gao.gov/ereport/gao-11-318SP.

missions, the report touches on hundreds of federal programs, affecting virtually all major federal departments and agencies. My testimony today highlights (1) some examples from our March report; (2) needed improvements in the federal government's management and investment in information technology (IT); and (3) opportunities for achieving significant cost savings through improvements in government contracting.

The issues raised in the report were drawn from our prior and ongoing work. This statement is based substantially upon our March report,[4] which was conducted in accordance with generally accepted government auditing standards or with GAO's quality assurance framework, as appropriate.

Overlap and Fragmentation Can Indicate Unnecessary Duplication

Overlap and fragmentation among government programs or activities can be harbingers of unnecessary duplication. Reducing or eliminating duplication, overlap, or fragmentation could potentially save billions of tax dollars annually and help agencies provide more efficient and effective services. These actions, however, will require some difficult decisions and sustained attention by the administration and Congress. Many of the issues we identified concern activities that are contained within single departments or agencies. In those cases, agency officials can generally achieve cost savings or other benefits by implementing existing GAO recommendations or by undertaking new actions suggested in our March report. However, a number of issues we have identified span multiple organizations and therefore may require higher-level attention by the executive branch, enhanced congressional oversight, or legislative action.[5]

A few examples from our March report follow.

[4]GAO-11-318SP. Other reports contributing to this statement were *Information Technology: Continued Improvements in Investment Oversight and Management Can Yield Billions in Savings*, GAO-11-511T (Washington, D.C.: Apr.12, 2011); and *Information Technology: OMB Has Made Improvements to Its Dashboard, but Further Work Is Needed by Agencies and OMB to Ensure Data Accuracy*, GAO-11-262 (Washington, D.C.: Mar. 15, 2011).

[5]For enumerated lists of programs in each of the nine areas for which our March 1, 2011 report provided specific numbers of programs along with funding information where available, see GAO, *List of Selected Federal Programs That Have Similar or Overlapping Objectives, Provide Similar Services, or Are Fragmented Across Government Missions*, GAO-11-474R (Washington, D.C.: Mar 18, 2011).

- *Teacher quality programs*: In fiscal year 2009, the federal government spent over $4 billion specifically to improve the quality of our nation's 3 million teachers through numerous programs across the government. Federal efforts to improve teacher quality have led to the creation and expansion of a variety of programs across the federal government, however, there is no governmentwide strategy to minimize fragmentation, overlap, or duplication among these many programs. Specifically, we identified 82 distinct programs designed to help improve teacher quality, either as a primary purpose or as an allowable activity, administered across 10 federal agencies. The proliferation of programs has resulted in fragmentation that can frustrate agency efforts to administer programs in a comprehensive manner, limit the ability to determine which programs are most cost effective, and ultimately increase program costs.

  Department of Education (Education) officials believe that federal programs have failed to make significant progress in helping states close achievement gaps between schools serving students from different socioeconomic backgrounds, because in part, federal programs that focus on teaching and learning of specific subjects are too fragmented to help state and district officials strengthen instruction and increase student achievement in a comprehensive manner. Education has established working groups to help develop more effective collaboration across Education offices, and has reached out to other agencies to develop a framework for sharing information on some teacher quality activities, but it has noted that coordination efforts do not always prove useful and cannot fully eliminate barriers to program alignment.

  Congress could help eliminate some of these barriers through legislation, particularly through the pending reauthorization of the Elementary and Secondary Education Act of 1965 and other key education bills. Specifically, to minimize any wasteful fragmentation and overlap among teacher quality programs, Congress may choose either to eliminate programs that are too small to evaluate cost effectively or to combine programs serving similar target groups into a larger program. Education has proposed combining 38 programs into 11 programs in its reauthorization proposal, which could allow the agency to dedicate a higher portion of its administrative resources to monitoring programs for results and providing technical assistance.

- *Military health system*: The Department of Defense's (DOD) Military Health System (MHS) costs have more than doubled from $19 billion in fiscal year 2001 to $49 billion in 2010 and are expected to increase to over $62 billion by 2015. The responsibilities and authorities for the MHS are distributed among several organizations within DOD with no central command authority or single entity accountable for minimizing costs and achieving efficiencies. Under the MHS's current command structure, the Office of the Assistant Secretary of Defense for Health Affairs, the Army, the Navy, and the Air Force each has its own headquarters and associated support functions.

DOD has taken limited actions to date to consolidate certain common administrative, management, and clinical functions within its MHS. To reduce duplication in its command structure and eliminate redundant processes that add to growing defense health care costs, DOD could take action to further assess alternatives for restructuring the governance structure of the military health system. In 2006, if DOD and the services had chosen to implement one of the reorganization alternatives studied by a DOD working group, a May 2006 report by the Center for Naval Analyses showed that DOD could have achieved significant savings. Our adjustment of those savings from 2005 into 2010 dollars indicates those savings could range from $281 million to $460 million annually, depending on the alternative chosen and the numbers of military, civilian, and contractor positions eliminated. The Under Secretary of Defense for Personnel and Readiness has recently established a new position to oversee DOD's military healthcare reform efforts.

- *Employment and training programs*: In fiscal year 2009, 47 federally funded employment and training programs spent about $18 billion to provide services, such as job search and job counseling, to program participants. Most of these programs are administered by the Departments of Labor, Education, and Health and Human Services (HHS). Forty-four of the 47 programs we identified, including those with broader missions such as multipurpose block grants, overlap with at least one other program in that they provide at least one similar service to a similar population. As we reported in January 2011, nearly all 47 programs track multiple outcome measures, but only 5 programs have had an impact study completed since 2004 to assess whether outcomes resulted from the program and not some other cause. We examined potential duplication among three selected large programs—HHS's Temporary Assistance for Needy Families (TANF) and the Department of Labor's Employment Service, and Workforce Investment Act (WIA) Adult programs—and found they provide some of the same services to the same population through separate administrative structures.

Colocating services and consolidating administrative structures may increase efficiencies and reduce costs, but implementation can be challenging. Some states have colocated TANF employment and training services in one-stop centers where Employment Service and WIA Adult services are provided. An obstacle to further progress in achieving greater administrative efficiencies is that little information is available about the strategies and results of such initiatives. In addition, little is known about the incentives that states and localities have to undertake such initiatives and whether additional incentives are needed.

To facilitate further progress by states and localities in increasing administrative efficiencies in employment and training programs, we recommended in 2011 that the Secretaries of Labor and HHS work together to develop and disseminate information that could inform such efforts. As part of this effort, Labor and HHS should examine the incentives for states and localities to undertake such initiatives and, as warranted, identify options for increasing such incentives. Labor and HHS agreed they should develop and disseminate this information. HHS noted that it does not have the legal authority to mandate increased TANF-WIA coordination or create incentives for such efforts. As part of its proposed changes to the Workforce Investment Act, the Administration proposes consolidating nine programs into three. In addition, the budget proposal would transfer the Senior Community Service Employment Program from Labor to HHS. Sustained oversight by Congress could also help ensure progress is realized.

- *Surface transportation*: The Department of Transportation (DOT) currently administers scores of surface transportation programs costing over $58 billion annually. The current federal approach to surface transportation was established in 1956 to build the Interstate Highway System, but has not evolved to reflect current national priorities and concerns. Over the years, in response to changing transportation, environmental, and societal goals, federal surface transportation programs grew in number and complexity to encompass broader goals, more programs, and a variety of program approaches and grant structures. This variety of approaches and structures did not result from a specific rationale or plan, but rather an agglomeration of policies and programs established over half a century without a well-defined overall vision of the national interest and federal role in our surface transportation system. This has resulted in a fragmented approach as five DOT agencies with 6,000 employees administer over 100 separate surface transportation programs with separate funding streams for highways, transit, rail, and safety functions. This fragmented approach impedes effective decision making and limits the ability of decision makers to devise comprehensive solutions to complex challenges.

A fundamental re-examination and reform of the nation's surface transportation policies is needed. Since 2004, we have made several recommendations and matters for congressional consideration to address the need for a more goal-oriented approach to surface transportation, introduce greater performance and accountability for results, and break down modal stovepipes. The President's fiscal year 2012 budget proposes to consolidate 55 highway programs into 5 core programs. Congressional reauthorization of surface transportation programs presents an opportunity to address our recommendations and matters for congressional consideration that have not been implemented in large part because the current multiyear authorization for surface transportation programs expired in 2009, and existing programs have been funded since then through temporary extensions.

- *DOD-VA Electronic Health Record Systems*: Although they have identified many common health care business needs, DOD and the Department of Veterans Affairs (VA) have spent large sums of money to develop and operate separate electronic health record systems that each department relies on to create and manage patient health information. Moreover, the results of a 2008 study conducted for the departments found that over 97 percent of functional requirements for an inpatient electronic health record system are common to both departments. Nevertheless, the departments have each begun multimillion dollar modernizations of their electronic health record systems. Specifically, DOD has obligated approximately $2 billion over the 13-year life of its Armed Forces Health Longitudinal Technology Application and requested $302 million in fiscal 2011 year funds for a new system. For its part, VA reported spending almost $600 million from 2001 to 2007 on eight projects as part of its Veterans Health Information Systems and Technology Architecture modernization. In April 2008, VA estimated an $11 billion total cost to complete the modernization by 2018. Reduced duplication in this area could save system development and operation costs while supporting higher-quality health care for service members and veterans.

  The departments' distinct modernization efforts are due in part to barriers they face to jointly addressing their common health care system needs. These barriers stem from weaknesses in key IT management areas such as strategic planning and investment management. Our recent work identified several actions that the Secretaries of Defense and Veterans Affairs could take to overcome these barriers, including revising the departments' joint strategic plan, further developing the departments' joint health architecture, and defining and implementing a process for identifying and selecting joint IT investments to meet the departments' common health care business needs. In March 2011, the Secretaries committed their respective departments to pursue joint development and acquisition of integrated electronic health records capabilities, including defining an architecture to guide the departments' efforts. Further, in testimony before the Senate Veterans Affairs Committee on May 18, 2011, the departments' Deputy Secretaries reaffirmed DOD's and VA's commitment to addressing the weaknesses we have noted in our work with regard to achieving these joint capabilities.

We found that duplication and overlap occur for a variety of reasons. First, programs have been added incrementally over time to respond to new needs and challenges, without a strategy to minimize duplication, overlap, and fragmentation among them. Also, agencies often lack information on the effectiveness of programs; such information could help decision makers prioritize resources among programs. Lastly, there are not always interagency mechanisms or strategies in place to coordinate programs that address crosscutting issues, which can lead to potentially duplicative, overlapping and fragmented efforts.

The recently enacted GPRA Modernization Act of 2010, which updates the almost two-decades-old Government Performance and Results Act, may help address some of these issues. The act establishes a new framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. It requires the Office of Management and Budget (OMB), in coordination with agencies, to develop—every 4 years—long-term, outcome-oriented goals for a limited number of crosscutting policy areas. As a result, the act could also help inform reexamination or restructuring efforts and lead to more efficient and economical service delivery in overlapping program areas. The crosscutting planning and reporting requirements in the act could lead to the development of performance information in areas that are currently incomplete.

Expenditures on Information Technology Could Be Reduced by Consolidating Federal Data Centers, Improving Investment Management and Oversight, and Using Enterprise Architectures

The federal government's expenditures on IT could be reduced by, among other things, consolidating federal data centers, improving investment management and oversight, and using enterprise architectures as a tool for organizational transformation. Each year the federal government spends billions of dollars on IT investments; federal spending on IT has risen to an estimated $79 billion for fiscal year 2011. In recent years, as federal agencies modernized their operations, put more of their services online, and increased their information security profiles they have demanded more computing power and data storage resources. While it may meet individual agency needs, this growth has raised concerns about duplicative investments and underutilized computing resources across the government.

Consolidating Federal Data Centers Provides Opportunity to Improve Government Efficiency

Over time, the federal government's increasing demand for more IT has led to a dramatic rise in the number of federal data centers.[6] According to OMB, the number of federal data centers grew from 432 in 1998 to more than 2,000 in July 2010. These data centers often house similar types of equipment and provide similar processing and storage capabilities. These factors have led to concerns about the costs associated with the provision of redundant capabilities, the underutilization of resources, and the significant consumption of energy.

In 2010, the Federal Chief Information Officer (CIO) reported that operating and maintaining redundant infrastructure investments was costly, inefficient, and unsustainable, and had a significant impact on energy consumption. While the total annual federal spending associated with these data centers has not been determined, the Federal CIO has found that operating data centers is a significant cost to the federal government, including costs for hardware, software, real estate, and cooling costs. For example, according to the Environmental Protection Agency, the electricity cost to operate federal servers and data centers across the government is about $450 million annually. According to the

[6]OMB defines a data center as a data processing and storage facility over 500 square feet in size, with strict requirements for near-constant availability to users.

Department of Energy, data center spaces can consume 100 to 200 times as much electricity as standard office spaces.

In February 2010, OMB and the Federal CIO announced the Federal Data Center Consolidation Initiative and OMB outlined four high-level goals:

- Promote the use of Green IT[7] by reducing the overall energy and real estate footprint of government data centers.
- Reduce the cost of data center hardware, software, and operations.
- Increase the overall IT security posture of the government.
- Shift IT investments to more efficient computing platforms and technologies.

As part of this initiative, OMB directed federal agencies to prepare an inventory of their data center assets and a plan for consolidating these assets by August 30, 2010, and to begin implementing them in fiscal year 2011. In October 2010, OMB reported that all of the agencies had submitted their plans. OMB plans to monitor agencies' progress through annual reports and has established a goal of closing 800 of the data centers by 2015. More recently, in April 2011, OMB announced plans to close 137 data centers by the end of this year.

At your request, we are currently reviewing the Federal Data Center Consolidation Initiative as well as federal agencies' efforts to develop and implement consolidation plans. In our draft report, which is currently with agencies in order to obtain their comments, we discuss our preliminary observations based on our review of 24 agencies' consolidation plans. As part of their individual consolidation plans, each federal department and agency was expected to estimate cost savings over time. In their plans, 14 agencies reported expected savings totaling about $700 million between fiscal years 2011 and 2015; however, actual savings may be even higher because most of these agencies' estimates were incomplete. For example, 11 agencies included expected energy savings and reductions in building operating costs, but did not include savings from other sources such as

[7] Green IT refers to environmentally sound computing practices that can include a variety of efforts, such as using energy efficient data centers, purchasing computers that meet certain environmental standards, and recycling old or unusable electronics.

equipment reductions. Four other agencies did not expect to accrue any net savings by 2015 and six agencies did not provide estimated cost savings. Although some agencies reported that it was too soon to fully estimate cost savings because they are just beginning to plan for consolidation and other agencies noted that near-term savings were offset by consolidation costs, the opportunity for long-term savings is significant. In October 2010, a council of chief executive officers representing technical industry companies estimated that the federal government could save $150-$200 billion over the next decade, primarily through data center and server consolidation.[8]

In our draft report, we found that despite OMB's requirements for what agencies should include in their asset inventories and consolidation plans, only one of the agencies submitted a complete asset inventory and none of the agencies submitted complete plans. For example, in their asset inventories, 14 agencies do not provide a complete listing of their data centers and 15 do not list all of their software assets. Similarly, in their consolidation plans, 13 agencies do not provide specific performance metrics and 12 do not address cost-benefit calculations. Until these inventories and plans are complete, agencies may not be able to fully implement their consolidation activities and realize expected savings.

Further, we found that agencies identified multiple challenges during data center consolidation, including those that are cultural, funding-related, operational, and technical in nature. For example, agencies face challenges in overcoming cultural resistance to such major organizational changes, providing upfront funding for the consolidation effort before any cost savings accrue, maintaining current operations during the transition to consolidated operations, and establishing and implementing shared standards (for storage, systems, security, etc.). Mitigating these and other challenges will require commitment from the agencies and continued oversight by OMB and the Federal CIO.

To help ensure that the federal data center consolidation initiative improves governmental efficiency and achieves cost savings, we are making recommendations to OMB and to the heads of the participating agencies. Specifically, we are recommending that agencies complete the

[8]Technology CEO Council, *One Trillion Reasons: How Commercial Best Practices to Maximize Productivity Can Save Taxpayer Money and Enhance Government Services* (Washington, D.C., October 2010).

missing elements in their plans and that OMB monitor the agencies' completion and implementation of those plans to ensure that promised efficiencies and savings are realized. We also recommend that agencies consider challenges when updating their plans.

OMB's IT Dashboard Can Further Help Identify Opportunities to Invest More Efficiently in Information Technology

Given the importance of transparency, oversight, and management of the government's IT investments, in June 2009, OMB established a public Web site, referred to as the IT Dashboard, that provides detailed information on about 800 investments at 27 federal agencies, including ratings of their performance against cost and schedule targets. The public dissemination of this information is intended to allow OMB; other oversight bodies, including Congress; and the general public to hold agencies accountable for results and performance. Since our March report, we completed additional work and reported that by establishing the IT Dashboard, OMB has drawn additional attention to more than 300 troubled IT investments at federal agencies, totaling $20 billion, which is an improvement from the previously used oversight mechanisms.[9] The Federal CIO recognized that the Dashboard has increased the accountability of agency CIOs and established much-needed visibility into investment performance.

In a series of IT Dashboard reviews completed in July 2010 and March 2011,[10] we reported that OMB's Dashboard had increased transparency and oversight, but that improvements were needed for the Dashboard to more fully realize its potential as a management and cost-savings tool. Specifically, in reviews of selected investments from 10 agencies, we found that the Dashboard ratings were not always consistent with agency cost and schedule performance data. For example, the Dashboard rating for a Department of Homeland Security investment reported significant cost variances for 3 months in 2010; however, our analysis showed lesser variances for the same months. In another case, a Department of Justice investment on the Dashboard reported that it has been less than 30 days behind schedule from July 2009 through January 2010. Investment data that we examined, however, showed that the investment was behind schedule by 30 days to almost 90 days from September to December 2009. A primary reason for the data inaccuracies in the Dashboard's ratings was that while the Dashboard was intended to represent near real-time

[9] GAO-11-511T.

[10] GAO-11-262 and GAO, *Information Technology: OMB's Dashboard Has Increased Transparency and Oversight, but Improvements Needed*, GAO-10-701 (Washington, D.C.: July 16, 2010).

performance information, the cost and schedule ratings did not take into consideration current performance. In these reports, we made a number of recommendations to OMB and federal agencies to improve the accuracy of Dashboard ratings. Agencies agreed with these recommendations, while OMB agreed with all but one. Specifically, OMB disagreed with the recommendation to change how it reflects current investment performance in its ratings because Dashboard data are updated on a monthly basis. However, we maintained that current investment performance may not always be as apparent as it should be; while data are updated monthly, ratings include historical data, which can mask more recent performance.

OMB officials indicated they had relied on the Dashboard as a management tool, including using investment trend data to identify and address performance issues and to select investments for a TechStat session—a review of selected IT investments between OMB and agency leadership that is led by the Federal CIO. According to OMB, as of December 2010, 58 TechStat sessions had been held with federal agencies. Additionally, OMB officials stated that as a result of these sessions, 11 investments have been reduced in scope, and 4 have been cancelled.

According to the Federal CIO, use of the Dashboard as a management and oversight tool has already resulted in a $3 billion budget reduction. OMB's planned improvements to the Dashboard, along with full implementation of our recommendations and the possible identification of duplicative investments have the potential to result in further significant savings. Additional opportunities for potential cost savings exist with the use of the Dashboard by executive branch agencies to identify and make decisions about poorly performing investments, as well as its continued use by congressional committees to support critical oversight efforts.

Enterprise Architectures Are Key Mechanisms for Identifying Potential Overlap and Duplication

An enterprise architecture is a modernization blueprint that is used by organizations to describe their current state and a desired future state and to leverage IT to transform business and mission operations. Historically, federal agencies have struggled with operational environments characterized by a lack of integration among business operations and the IT resources that support them. A key to successfully leveraging IT for organizational transformation is having and using an enterprise architecture as an authoritative frame of reference against which to assess and decide how individual system investments are defined, designed, acquired, and developed. The development, implementation, and maintenance of architectures are widely recognized as hallmarks of successful public and private organizations, and their use is required by the Clinger-Cohen Act of 1996 and OMB.

Our experience has shown that attempting to modernize (and maintain) IT environments without an architecture to guide and constrain investments results in organizational operations and supporting technology infrastructures and systems that are duplicative, poorly integrated, unnecessarily costly to maintain and interface, and unable to respond quickly to shifting environmental factors. For example, we have conducted reviews of enterprise architecture management at federal agencies, such as the Department of Homeland Security (DHS) and the Federal Bureau of Investigation (FBI), as well as reviews of critical agency functional areas, such as DOD financial management, logistics management, combat identification, and business systems modernization. In addition, as discussed earlier, we have reviewed the DOD and VA's joint health architecture efforts, which are intended to guide identification and development of common health IT solutions.

These reviews have continued to identify the absence of complete and enforced enterprise architectures, which in turn has led to agency business operations, systems, and data that are duplicative, incompatible, and not integrated. These conditions have either prevented agencies from sharing data or forced them to depend on expensive, custom-developed system interfaces to do so. For example, we previously reported that IT had been a long-standing problem for the FBI, with nonintegrated applications, residing on different servers, each of which had its own unique databases and did not share information with other applications or with other government agencies. As a result, these deficiencies served to significantly hamper the FBI's ability to share important and time-sensitive information internally and externally with other intelligence and law enforcement agencies.

In 2006, we reported that the state of enterprise architecture development and implementation varied considerably across departments and agencies, with some having more mature architecture programs than others. However, overall, most departments and agencies were not where they needed to be, particularly with regard to their approaches for assessing each investment's alignment with the enterprise architecture and measuring and reporting on enterprise architecture results and outcomes. In our prior work, most departments and agencies reported they expect to realize benefits from their respective enterprise architecture programs, such as improved alignment between their business operations and the IT that supports these operations and consolidation of their IT infrastructure environments, which can reduce the costs of operating and maintaining duplicative capabilities, sometime in the future. What this suggests is that the real value in the federal government from developing and using enterprise architectures remains largely unrealized.

Our recently issued seven-stage enterprise architecture management maturity framework recognizes that a key to realizing this potential is effectively managing department and agency enterprise architecture programs. However, knowing whether benefits and results are in fact being achieved requires having associated measures and metrics. In this regard, it is important for agencies to satisfy the core element of the framework—enterprise architecture results and outcomes are measured and reported. Examples of results and outcomes to be measured include costs avoided through eliminating duplicative investments or by reusing common services and applications and improved mission performance through re-engineered business processes and modernized supporting systems.

Our work has shown that over 50 percent of the departments and agencies assessed had yet to fully satisfy this element. On the other hand, some have reported they are addressing this element and have realized significant financial benefits. For example, in 2006 we reported that the Department of the Interior had addressed all but one of the elements in our enterprise architecture management maturity framework, which meant that it was well–positioned to realize the significant benefits that a well-managed architecture program can provide. It has since demonstrated that it is using its enterprise architecture to modernize agency IT operations and avoid costs through enterprise software license agreements and hardware procurement consolidation. These architecture-based decisions have resulted in reported financial benefits of at least $80 million. This means that the departments and agencies can demonstrate achievement of expected benefits, including costs avoided through eliminating duplicative investments, if enterprise architecture results and outcomes are measured and reported. We have work under way to determine the extent to which federal departments and agencies are realizing value from their use of enterprise architectures.

Notwithstanding these challenges, we have also reported on departments that have demonstrated improvements to their enterprise architecture programs. In 2009, we reported that to DHS's credit, recent versions of its enterprise architecture largely addressed our prior recommendations aimed at adding needed architectural depth and breadth. For example, in response to our prior recommendation that the architecture include a

Technical Reference Model[11] that describes, among other things, the technical standards to be implemented for each enterprise service, the 2008 version of the enterprise architecture included a Technical Reference Model that identified such standards. The department also adopted an approach for extending the architecture through segments, which is a "divide and conquer" approach to architecture development advocated by OMB. However, we also concluded that while recent versions largely addressed our prior recommendations, important content, such as prioritized segments and information exchanges between critical business processes, was still missing.

In addition, in response to our recommendations, DOD adopted a federated approach to developing and using its business enterprise architecture, which is a coherent family of parent and subsidiary architectures, to help modernize its nonintegrated and duplicative business operations and the systems that support them. According to DOD, the federated business enterprise architecture is expected to identify and provide for sharing common applications and systems across the department and its components and promote interoperability and data sharing among related programs. For example, the architecture now focuses on improving the department's ability to manage business operations from an end-to-end perspective. In this regard, it depicts 15 end-to-end business processes, such as hire-to-retire and procure-to-pay. In addition, it also identifies the corporate architectural policies, capabilities, rules, and standards that apply DOD-wide. While this is important progress, DOD has yet to define these end-to-end processes at a lower level so that any redundant or duplicative system functions can be identified and avoided.

To advance the state of enterprise architecture development and use in the federal government, senior leadership in the departments and agencies need to demonstrate their commitment to this organizational transformation tool, as well as ensure that the kind of management controls embodied in our framework are in place and functioning. Collectively, the majority of the departments' and agencies' architecture efforts can still be viewed as a work in progress with much remaining to be accomplished before the federal government as a whole fully realizes their transformational value. Moving beyond this status will require most

[11]The technical reference model describes how technology is supporting the delivery of service components including relevant standards for implementing the technology.

departments and agencies to overcome significant obstacles and challenges, such as organizational parochialism and cultural resistance, inadequate funding, and the lack of top management understanding and skilled staff. One key to doing so continues to be sustained organizational leadership. As our work has demonstrated, without such organizational leadership, the benefits of enterprise architecture will not be fully realized. OMB can play a critical role by continuing to oversee the development and use of enterprise architecture efforts, including measuring and reporting enterprise architecture results and outcomes across the federal government.

Improving Federal Contracting Could Save Billions

The federal government spent about $535 billion in fiscal year 2010 acquiring the goods and services agencies need to carry out their missions. Our March report highlighted four areas where improvements could be made to realize significant savings. These are: (1) minimizing unnecessary duplication among interagency contracts, (2) achieving more competition in the award of contracts, (3) using award fees more appropriately to promote improved contractor performance, and (4) leveraging the government's vast buying power through expanded use of strategic sourcing.

Improved Data on Interagency Contracting Needed to Minimize Duplication and Better Leverage the Government's Buying Power

Interagency contracting is a process by which one agency either uses another agency's contract directly or obtains contracting support services from another agency. In recent years, interagency and agencywide contracting accounts for more than $50 billion in procurement spending annually. Agencies have created numerous interagency and agencywide contracts using existing statutes, the Federal Acquisition Regulation, and agency-specific policies. With the proliferation of these contracts, however, there is a risk of unintended duplication and inefficiency. Billions of taxpayer dollars flow through interagency and agencywide contracts, but the federal government does not have a clear, comprehensive view of which agencies use these contracts and whether they are being used in an efficient and effective manner. Without this information, agencies may be unaware of existing contract options that could meet their needs and may be awarding new contracts when use of an existing contract would suffice. The government, therefore, might be missing opportunities to better leverage its vast buying power.

Government contracting officials and representatives of vendors have expressed concerns about potential duplication among the interagency and agencywide contracts across government, which they said can result in increased procurement costs, redundant buying capacity, and an increased workload for the acquisition workforce. Some vendors stated they offer similar products and services on multiple contracts and that the effort required to be on multiple contracts results in extra costs to the vendor, which they pass to the government through increased prices. Some vendors stated that the additional cost of being on multiple contracts ranged from $10,000 to $1,000,000 per contract due to increased bid and proposal and administrative costs.

We identified two overriding factors that hamper the government's ability to realize the strategic value of using interagency and agencywide contracts: (1) the absence of consistent governmentwide policy on the creation, use, and costs of awarding and administering some contracts; and (2) long-standing problems with the quality of information on interagency and agencywide contracts in the federal procurement data system. In April 2010, we recommended that OMB, which has governmentwide procurement policy responsibilities, establish a policy framework for establishing some types of interagency contracts and agencywide contracts, including a requirement to conduct a sound business case. We also recommended that OMB take steps to improve the data on interagency contracts including updating existing data on interagency and agencywide contracts, ensuring that departments and agencies accurately record these data, and assessing the feasibility of creating and maintaining a centralized database of interagency and agencywide contracts. OMB agreed with our recommendations.

In December 2010, the Federal Acquisition Regulation was amended to require that agencies prepare business cases for some multiagency contracts. This business case analysis also requires that agencies evaluate the cost of awarding and managing the contract and compare this cost to the likely fees that would be incurred if the agency used an existing contract or sought out acquisition assistance. In addition, OMB is developing additional business case guidance that will require agencies to prepare business cases describing the expected need for any new multiagency or agencywide contract, the value added by its creation, and the agency's suitability to serve as an executive agent. OMB also reports that it has a new effort under way to improve contract information in the Federal Procurement Data System-Next Generation, the current federal government database for information and data on all federal contracts. OMB also is discussing options for creating a clearinghouse of existing interagency and agencywide contracts. Requiring business case analyses for new multiagency and agencywide contracts and ensuring agencies have access to up-to-date and accurate data on the available contracts will promote the efficient use of interagency and agencywide contracting. Until such controls to address the issue of duplication are fully implemented, the government will continue to miss opportunities to take advantage of the government's buying power through more efficient and more strategic contracting.

Promoting Competition for Federal Contracts Can Produce Savings

Competition is a cornerstone of the federal acquisition system and a critical tool for achieving the best possible return on contract spending. Competitive contracts can save money, improve contractor performance, and promote accountability for results. Federal agencies generally are required to award contracts competitively, but a substantial amount of federal money is being obligated on noncompetitive contracts annually. Federal agencies obligated approximately $170 billion on noncompetitive contracts in fiscal year 2009 alone. While there has been some fluctuation over the years, the percentage of obligations under noncompetitive contracts recently has been in the range of 31 percent to over 35 percent. Although some agency decisions to forego competition may be justified, we found that when federal agencies decide to open their contracts to competition, they frequently realize savings. For example, we found in 2006 that the Army had awarded noncompetitive contracts for security guards, but later spent 25 percent less for the same services when the contracts were competed.

Our work also shows that agencies do not always use a competitive process when establishing or using blanket purchase agreements under the General Services Administration's schedules program. Agencies have frequently entered into blanket purchase agreements with just one vendor, even though multiple vendors could satisfy agency needs. And even when agencies entered into blanket purchase agreements with multiple vendors, we found that agencies have not always held subsequent competitions among those vendors for orders under the blanket purchase agreements, even though such competitions at the ordering level are required.

OMB has provided guidance for agencies to promote competition in contracting, and improve the effectiveness of their competition practices. In July 2009, OMB called for agencies to reduce obligations under new contract actions that are awarded using high-risk contracting authorities by 10 percent in fiscal year 2010. These high-risk contracts include, among other considerations, those that are awarded noncompetitively and those that are structured as competitive but for which only one offer is received. We are currently reviewing the agencies' savings plans to identify steps taken toward that goal. By more consistently promoting competition in contracts, federal agencies would have greater opportunities to take advantage of the effectiveness of the marketplace and potentially achieve billions of dollars in cost savings.

Adherence to New Guidance on Award Fee Contracts Could Improve Agencies' Use of Award Fees and Produce Savings

Several major agencies spent over $300 billion from fiscal year 2004 through fiscal year 2008 on contracts that included monetary incentives known as award fees. The purpose of these incentives is to motivate enhanced contractor performance. In 2005, however, we found that DOD paid billions of dollars in award fees regardless of acquisition outcomes. In 2007, we found significant disconnects between program results and fees paid at the National Aeronautics and Space Administration. In 2009, we reported that five agencies[12] had paid more than $6 billion in award fees, but were not consistently following award fee guidance and did not have methods for evaluating the effectiveness of an award fee as a tool for improving contractor performance. We identified three primary issues related to the use of award fees that, if addressed, could improve the use of these incentives and produce savings. Specifically, (1) award fees are not always linked to acquisition outcomes, (2) award fee payments are made despite unsatisfactory contract performance, and (3) contractors have been permitted to earn previously unearned award fees in subsequent evaluation periods, a practice known as "rollover," where unearned award fees are transferred from one evaluation period to a subsequent period, thus allowing contractors additional opportunities to earn previously unearned fees.

Although required by OMB guidance since 2007, we reported in 2009 that award fees were not always linked to acquisition outcomes. But when efforts are made to do so, savings can be achieved. For example, the Joint Strike Fighter program created metrics for areas such as software performance, warfighter capability, and cost control that were previously assessed using less-defined criteria. By using metrics to assess performance, the Joint Strike Fighter program paid an estimated $29 million less in fees in the 2 years since the policy changed than it might have when applying the former criteria.

OMB's 2007 guidance directed agencies to ensure that no award fee should be paid for performance that does not meet contract requirements or is judged to be unsatisfactory. We reported in 2009 that programs across the agencies reviewed used evaluation tools that could allow contractors to

[12]GAO reviewed the Departments of Defense, Energy, Health and Human Services, Homeland Security, and the National Aeronautics and Space Administration.

earn award fees without performing at a level that is acceptable to the government under the terms of the contract. For example, a Department of Energy research contract allowed the contractor to earn up to 84 percent of the award fee for performance that was defined as not meeting expectations. In addition, we found two HHS contracts, including a contract for Medicare claims processing, in which it was possible for the contractor to receive at least 49 percent of the award fee for unsatisfactory performance. By contrast, some programs within DOD have prohibited award fee payments for unsatisfactory performance. For example, we found that the Air Force saved $10 million on a contract for a satellite program by not paying an award fee to a contractor with unsatisfactory performance.

DOD guidance on award fees since 2006 has been that the practice of rollover should be limited to exceptional circumstances to avoid compromising the integrity of the award fee process. We found that based on contracts reviewed in 2005, DOD rolled over an average of 51 percent of the total unearned fees. For example, the contractor for the F-22 Raptor received over 90 percent of the award fee, including fees paid in subsequent evaluation periods, even though the program's cost and schedule targets had to be revised 14 times. By later limiting rollover, we estimated in 2009 that DOD would save over $450 million on eight programs from April 2006 through October 2010.

Recent changes to the Federal Acquisition Regulation in 2010 have prohibited the practices of rollover of unearned award fees and awarding fees to contractors that have performed unsatisfactorily. Some agencies are updating and disseminating guidance that could increase the pace and success rate of implementing these new regulations. Further, agencies such as DOD are increasing the likelihood that award fees would be better linked to acquisition outcomes by implementing key practices, like a peer review process that examines the plan for administering award fees. However, sustained progress in the use of award fees will require that contracting agencies adhere to the recent changes to the Federal Acquisition Regulation. Enhanced oversight by OMB and Congress is warranted to ensure successful implementation.

Applying Strategic Sourcing Best Practices throughout the Federal Procurement System Could Produce Significant Savings

Since 2002, spending on federal contracts has more than doubled to about $540 billion in 2009, consuming a significant share of agencies' discretionary budgets. Because procurement at federal departments and agencies generally is decentralized, the federal government is not fully leveraging its aggregate buying power to obtain the most advantageous terms and conditions for its procurements. In the private sector, however, an approach called strategic sourcing has been used since the 1980s to reduce procurement costs at companies with large supplier bases and high procurement costs. We reported that to reduce costs, improve productivity, and more effectively procure products and services, many companies have adopted a strategic sourcing approach—centralizing and reorganizing their procurement operations to get the best value for the company as a whole. The federal government could do the same and realize significant savings as a result.

Since 2005, OMB has encouraged agencies to coordinate their buys through Federal Strategic Sourcing Initiative (FSSI) interagency procurement vehicles awarded by the General Services Administration. In addition, some agencies have awarded agencywide (also referred to as enterprisewide) contracts under strategic sourcing programs within an individual federal department or agency. In July 2010, OMB's congressional testimony on the status of improvements to federal acquisition cited examples of what progress is being achieved under agency strategic sourcing efforts. Under the FSSI effort for example, a team of agencies selected office products in late 2009 as a promising strategic sourcing opportunity to combine buying power for about $250 million in requirements. This office products initiative is expected to reduce costs at these agencies by as much as 20 percent, for a total savings of almost $200 million over the next 4 years. Further, an agencywide initiative at the Department of Homeland Security—which accounted for $14.3 billion in contract spending in 2009—is expected to save $87 million during the next 6 years for a standardized suite of discounted desktop operating systems, e-mail, and office automation products.

These results demonstrate the potential to achieve significant savings through the use of strategic sourcing approaches. The starting point for such efforts, however, is having good data on current spending, but in April 2010 we reported that OMB and agencies cannot be sure the government is fully leveraging its buying power because of the absence of comprehensive, reliable data to effectively manage and oversee an important segment of total procurement spending: interagency and agencywide contracts. Acquisition leaders across the government need to more fully embrace the strategic sourcing initiative beginning with collecting, maintaining, and analyzing data on current procurement spending. Then, agencies have to conduct assessments of acquisition and supply chain functions to initiate enterprisewide transformations.

In conclusion Mr. Chairman, Ranking Member Senator Collins, and Members of the Committee, careful, thoughtful actions will be needed to address many of the issues discussed in our March report, particularly those involving potential duplication, overlap, and fragmentation among federal programs and activities. 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. Continued oversight by OMB and Congress will be critical to ensuring that unnecessary duplication, overlap, and fragmentation are addressed.

As the nation rises to meet the current fiscal challenges, we will continue to assist Congress and federal agencies in identifying actions needed to reduce duplication, overlap, and fragmentation; achieve cost savings; and enhance revenues. As part of current planning for our future annual reports, we are continuing to look at additional federal programs and activities to identify further instances of duplication, overlap, and fragmentation as well as other opportunities to reduce the cost of government operations and increase revenues to the government. We will be using an approach to ensure governmentwide coverage through our efforts by the time we issue of our third report in fiscal year 2013. We plan to expand our work to more comprehensively examine areas where a mix of federal approaches is used, such as tax expenditures, direct spending, and federal loan programs. Likewise, we will continue to monitor developments in the areas we have already identified. Issues of duplication, overlap, and fragmentation will also be addressed in our routine audit work during the year as appropriate and summarized in our annual reports.

Thank you, Mr. Chairman, Ranking Member Senator Collins, and Members of the Committee. This concludes my prepared statement. I would be pleased to answer any questions you may have.

For further information on this testimony or our March report, please contact Janet St. Laurent, Managing Director, Defense Capabilities and Management, who may be reached at (202) 512-4300, or StLaurentJ@gao.gov; and Katherine Siggerud, Managing Director, Physical

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Appendix I: Duplication, Overlap, or Fragmentation Areas Identified

Missions		Areas identified	Federal agencies and programs where duplication, overlap, or fragmentation may occur
Agriculture	1.	Fragmented **food safety** system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources	The Department of Agriculture's (USDA) Food Safety and Inspection Service and the Food and Drug Administration are the primary food safety agencies, but 15 agencies are involved in some way
Defense	2.	Realigning **DOD's military medical command** structures and consolidating common functions could increase efficiency and result in projected savings ranging from $281 million to $460 million annually	Department of Defense (DOD), including the Office of the Assistant Secretary for Health Affairs, the Army, the Navy, and the Air Force
	3.	Opportunities exist for consolidation and increased efficiencies to maximize response to **warfighter urgent needs**	At least 31 entities within DOD
	4.	Opportunities exist to avoid unnecessary redundancies and improve the coordination of **counter-improvised explosive device** efforts	The services and other components within DOD
	5.	Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of **intelligence, surveillance, and reconnaissance** capabilities	Multiple intelligence organizations within DOD
	6.	A departmentwide acquisition strategy could reduce DOD's risk of costly duplication in purchasing **tactical wheeled vehicles**	DOD, including Army and Marine Corps
	7.	Improved joint oversight of DOD's **prepositioning programs** for equipment and supplies may reduce unnecessary duplication	DOD including Air Force, Army, and Marine Corps
	8.	**DOD business systems** modernization: opportunities exist for optimizing business operations and systems	About 2,300 investments across DOD
Economic development	9.	The efficiency and effectiveness of fragmented **economic development programs** are unclear	USDA, Department of Commerce (Commerce), Housing and Urban Development (HUD), and the Small Business Administration (SBA); 80 programs involved
	10.	The federal approach to **surface transportation** is fragmented, lacks clear goals, and is not accountable for results	Five agencies within the Department of Transportation (DOT); over 100 programs involved
	11.	Fragmented federal efforts to meet water needs in the **U.S.-Mexico border region** have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources	USDA, Commerce's Economic Development Administration, Environmental Protection Agency (EPA), Department of Health and Human Services' (HHS) Indian Health Service, Department of the Interior's (Interior) Bureau of Reclamation, HUD, and the U.S. Army Corps of Engineers

Missions	Areas identified	Federal agencies and programs where duplication, overlap, or fragmentation may occur
Energy	12. Resolving conflicting requirements could more effectively achieve **federal fleet energy goals**	A number of agencies, including the Department of Energy (Energy) and the General Services Administration (GSA) play a role overseeing the governmentwide requirements
	13. Addressing duplicative federal efforts directed at increasing **domestic ethanol production** could reduce revenue losses by up to $5.7 billion annually	EPA and the Department of the Treasury
General government	14. **Enterprise architectures**: key mechanisms for identifying potential overlap and duplication	Governmentwide
	15. Consolidating **federal data centers** provides opportunity to improve government efficiency and achieve significant cost savings	Twenty-four federal agencies
	16. Collecting improved data on **interagency contracting** to minimize duplication could help the government leverage its vast buying power	Governmentwide
	17. Periodic reviews could help identify ineffective **tax expenditures** and redundancies in related tax and spending programs, potentially reducing revenue losses by billions of dollars	Governmentwide
Health	18. Opportunities exist for **DOD** and **VA** to jointly modernize their electronic **health record systems**	DOD and the Department of Veterans Affairs (VA)
	19. **VA** and **DOD** need to contro**l drug** costs and increase **joint contracting** whenever it is **cost-effective**	DOD and VA
	20. HHS needs an overall strategy to better integrate nationwide public **health information systems**	Multiple agencies, led by HHS
Homeland security/Law enforcement	21. Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against **biological threats**	USDA, DOD, Department of Homeland Security (DHS), HHS, Interior, and others; more than two dozen presidentially appointed individuals with responsibility for biodefense
	22. DHS oversight could help eliminate potential duplicating efforts of interagency forums in **securing** the **northern border**	DHS and other federal law enforcement partners
	23. The Department of Justice plans actions to reduce overlap in **explosives investigations**, but monitoring is needed to ensure successful implementation	Department of Justice's Federal Bureau of Investigation and Bureau of Alcohol, Tobacco, Firearms and Explosives
	24. **TSA's security assessments** on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap	DHS's Transportation Security Administration (TSA) and DOT

Missions	Areas identified	Federal agencies and programs where duplication, overlap, or fragmentation may occur
	25. DHS could streamline mechanisms for **sharing security-related information** with **public transit agencies** to help address overlapping information	Three information-sharing mechanisms funded by DHS and TSA
	26. **FEMA** needs to improve its oversight of **grants** and establish a framework for assessing capabilities to identify gaps and prioritize investments	DHS's Federal Emergency Management Agency (FEMA); 17 programs involved
International affairs	27. Lack of information sharing could create the potential for duplication of efforts between U.S. agencies involved in **development efforts** in **Afghanistan**	Principally DOD and the U.S. Agency for International Development
	28. Despite restructuring, overlapping roles and functions still exist at State's **Arms Control** and **Nonproliferation Bureaus**	Two bureaus within the Department of State (State)
Social services	29. Actions needed to reduce administrative overlap among **domestic food assistance** programs	USDA, DHS, and HHS; 18 programs involved
	30. Better coordination of federal **homelessness** programs may minimize fragmentation and overlap	Seven federal agencies, including Department of Education (Education), HHS, and HUD; over 20 programs involved
	31. Further steps needed to improve cost-effectiveness and enhance services for **transportation-disadvantaged** persons	USDA, DOT, Education, Interior, HHS, HUD, Department of Labor (Labor), and VA; 80 programs involved
Training, employment, and education	32. Multiple **employment** and **training** programs: providing information on colocating services and consolidating administrative structures could promote efficiencies	Education, HHS, and Labor, among others; 44 programs involved
	33. **Teacher quality**: proliferation of programs complicates federal efforts to invest dollars effectively	Ten agencies including DOD, Education, Energy, National Aeronautics and Space Administration, and the National Science Foundation; 82 programs involved
	34. Fragmentation of **financial literacy** efforts makes coordination essential	More than 20 different agencies; about 56 programs involved

Source: GAO-11-318SP

Appendix II: Federal Agencies and Programs Where Cost-Saving or Revenue-Enhancement Opportunities May Exist

Missions		Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
Agriculture	35.	Reducing some **farm program payments** could result in savings from $800 million over 10 years to up to $5 billion annually	Department of Agriculture
Defense	36.	DOD should assess costs and benefits of **overseas military presence** options before committing to costly personnel realignments and construction plans, thereby possibly saving billions of dollars	DOD
	37.	Total compensation approach is needed to manage significant growth in **military personnel costs**	DOD
	38.	Employing best management practices could help DOD save money on its **weapon systems acquisition programs**	DOD
	39.	More efficient management could limit future costs of **DOD's spare parts** inventory	DOD, including the military services and Defense Logistics Agency
	40.	More comprehensive and complete cost data can help DOD improve the cost-effectiveness of **sustaining weapon systems**	DOD
	41.	Improved **corrosion prevention** and control practices could help DOD avoid billions in unnecessary costs over time	DOD's Office of Corrosion Policy and Oversight
Economic development	42.	Revising the **essential air service** program could improve efficiency and save over $20 million annually	Department of Transportation
	43.	Improved design and management of the **universal service fund** as it expands to support broadband could help avoid cost increases for consumers	Federal Communications Commission; four programs involved
	44.	The **Corps of Engineers** should provide Congress with project-level information on **unobligated balances**	U.S. Army Corps of Engineers
Energy	45.	Improved management of federal **oil and gas resources** could result in approximately $1.75 billion over 10 years	Department of the Interior's Bureau of Land Management, Bureau of Ocean Energy Management, Regulation and Enforcement, and Office of Natural Resources Revenue
General government	46.	Efforts to address **governmentwide improper payments** could result in significant cost savings	About 20 federal agencies; over 70 programs involved
	47.	Promoting **competition** for the over $500 billion in **federal contracts** can potentially save billions of dollars over time	Governmentwide

Missions		Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
	48.	Applying **strategic sourcing** best practices throughout the federal procurement system could save billions of dollars annually	Governmentwide
	49.	Adherence to new guidance on **award fee contracts** could improve agencies' use of award fees and produce savings	Several agencies, including DOD and the National Aeronautics and Space Administration
	50.	Agencies could realize cost savings of at least $3 billion by continued disposal of **unneeded federal real property**	Governmentwide, including DOD, General Services Administration (GSA), and Department of Veterans Affairs
	51.	Improved cost analyses used for making **federal facility ownership** and **leasing** decisions could save tens of millions of dollars	Primarily GSA, the central leasing agent for most agencies
	52.	The Office of Management and Budget's **IT Dashboard** reportedly has already resulted in $3 billion in savings and can further help identify opportunities to invest more efficiently in information technology	Governmentwide
	53.	Increasing **electronic filing of** individual income **tax returns** could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars	Department of the Treasury's (Treasury) Internal Revenue Service (IRS)
	54.	Using **return on investment** information to better target IRS enforcement could reduce the tax gap; for example, a 1 percent reduction would increase tax revenues by $3 billion	IRS
	55.	Better management of **tax debt collection** may resolve cases faster with lower IRS costs and increase debt collected	IRS
	56.	Broadening IRS's authority to correct **simple tax return errors** could facilitate correct tax payments and help IRS avoid costly, burdensome audits	IRS
	57.	Enhancing **mortgage interest information** reporting could improve tax compliance	IRS
	58.	More information on the types and uses of canceled debt could help IRS limit revenue losses on **forgiven mortgage debt**	IRS
	59.	Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated **real estate tax deductions**	IRS
	60.	Revisions to content and use of **Form 1098-T** could help IRS enforce higher education requirements and increase revenues	IRS
	61.	Many options could improve the tax compliance of **sole proprietors** and begin to reduce their $68 billion portion of the tax gap	IRS

Missions		Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
	62.	IRS could find additional **businesses not filing tax returns** by using third-party data, which show such businesses have billions of dollars in sales	IRS
	63.	Congress and IRS can help **S corporations** and their shareholders be more tax compliant, potentially increasing tax revenues by hundreds of millions of dollars each year	IRS
	64.	IRS needs an agencywide approach for addressing tax evasion among the at least 1 million **networks of businesses** and related entities	IRS
	65.	Opportunities exist to improve the targeting of the $6 billion **research tax credit** and reduce forgone revenue	Treasury and IRS
	66.	Converting the **new markets tax credit** to a grant program may increase program efficiency and significantly reduce the $3.8 billion 5-year revenue cost of the program	Treasury
	67.	Limiting the tax-exempt status of certain **governmental bonds** could yield revenue	Treasury
	68.	Adjusting **civil tax penalties** for inflation potentially could increase revenues by tens of millions of dollars per year, not counting any revenues that may result from maintaining the penalties' deterrent effect	IRS
	69.	IRS may be able to systematically identify **nonresident aliens** reporting unallowed tax deductions or credits	IRS
	70.	Tracking **undisbursed balances** in **expired grant accounts** could facilitate the reallocation of scarce resources or the return of funding to the Treasury	Governmentwide
Health	71.	Preventing billions in **Medicaid improper payments** requires sustained attention and action by CMS	Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS)
	72.	Federal oversight over **Medicaid supplemental payments** needs improvement, which could lead to substantial cost savings	CMS
	73.	Better targeting of **Medicare's** claims review could reduce **improper payments**	CMS
	74.	Potential savings in **Medicare's payments** for **health care**	CMS
Homeland security/Law enforcement	75.	**DHS's management of acquisitions** could be strengthened to reduce cost overruns and schedule and performance shortfalls	Department of Homeland Security (DHS)

Missions		Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
	76.	Improvements in **managing research and development** could help reduce inefficiencies and costs for homeland security	DHS
	77.	Validation of **TSA's behavior-based screening** program is needed to justify funding or expansion	Transportation Security Administration (TSA)
	78.	More efficient **baggage screening systems** could result in about $470 million in reduced TSA personnel costs over the next 5 years	TSA
	79.	Clarifying availability of certain **customs fee collections** could produce a one-time savings of $640 million	DHS's Customs and Border Protection (CBP)
Income security	80.	**Social Security** needs data on pensions from noncovered earnings to better enforce **offsets** and ensure benefit fairness, resulting in estimated $2.4-$2.9 billion savings over 10 years	Social Security Administration
International affairs	81.	Congress could pursue several options to improve collection of **antidumping and countervailing duties**	CBP

Source: GAO-11-318SP

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