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# RETOOLING GOVERNMENT FOR THE 21ST CENTURY: THE PRESIDENT'S REORGANIZATION PLAN AND REDUCING DUPLICATION

## HEARING

BEFORE THE

## COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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# RETOOLING GOVERNMENT FOR THE 21ST CENTURY: THE PRESIDENT'S REORGANIZATION PLAN AND REDUCING DUPLICATION

**WEDNESDAY, MARCH 21, 2012**

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,
*Washington, DC.*

The Committee met, pursuant to notice, at 10:02 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Carper, Pryor, Collins, Coburn, and Brown.

## OPENING STATEMENT OF CHAIRMAN LIEBERMAN

Chairman LIEBERMAN. Good morning and welcome to this hearing.

I do not think there would be any disagreement with the statement there is too much duplication and too little unity of effort in our Federal Government. And, of course, that leads to too much waste at a time when our government and our taxpayers can least afford it.

Today's hearing is going to look at two important efforts to identify and offer solutions to reduce waste and to increase unity of effort and efficiency in our Nation's government.

First, the latest report of the Government Accountability Office (GAO) on duplication in Federal agencies—which was required by legislation first introduced by Senator Coburn. This report identifies 32 areas of overlap, duplication, or fragmentation that likely are wasting a large number of taxpayer dollars.

GAO's recommendations range from better coordination of Homeland Security grants—which is a topic of longstanding concern to this Committee—to more centralized coordination of the nine Federal agencies charged with protecting our food supply from terrorist attacks or natural disasters.

Solving these problems will require concerted action by Congress working, of course, with the Executive Branch. That is why today we thought it would be appropriate to examine legislation which implements the President's proposal that he discussed in his State of the Union address this year, which is restore to the presidency the authority to reorganize government.

The Reforming and Consolidating Government Act of 2012, which has been introduced by Senator Mark Warner of Virginia



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and me, is based on language requested by the President. We think it deserves a hearing. We believe it will help reduce duplication and improve the effectiveness and efficiency of the Federal Government.

This proposal reinstates the government reorganization authority that past Presidents relied on from 1932 to 1984. Any plan a President proposes under this legislation must decrease the number of executive agencies and result in cost savings. Such presidential reorganization proposals would be put on a fast track through Congress, with no amendments or filibusters permitted if this legislation as introduced is adopted. The authority given to the President under this legislation would sunset after 2 years.

I know that some of my colleagues are concerned about how a President might use this authority, but as the current President said in his State of the Union speech: "We live and do business in the Information Age, but the last major reorganization of the government happened in the age of black-and-white TV."

That is not going to get the job done. The bill we are considering today would make an important first step in updating and improving our government and would enable whoever is elected President this November, if it is adopted and enacted, to have 2 years of this extra authority and fast track to move to reorganize our Federal Government and make it more efficient.

So I look forward to hearing from the witnesses and questioning them as well. Thank you. Senator Collins.

## OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Thank you, Mr. Chairman.

Our country has an unsustainable Federal debt of more than $15 trillion. That amounts to $49,600 for every man, woman, and child in this Nation. When difficult decisions must be made even dealing with very worthwhile programs, there simply can be no tolerance for taxpayers' dollars being wasted. That is why the GAO's report identifying duplication, fragmentation, and overlap of Federal programs is so important. The GAO estimates that the reforms could save tens of billions of dollars annually.

When the GAO released its 300-plus-page report last year, we were presented with overwhelming, quantifiable evidence of just how serious this problem is.

This year, GAO is not only reporting on new areas of duplication, but also providing a report card on what action—or lack of action—has been taken to fix the problems identified in last year's report. It is surely disappointing that, of the 81 areas discussed in the 2011 report, most have had only partial or nominal remedial action taken, and, worse, 18 have not been addressed at all.

At a time when our Nation is encumbered by a huge debt, there simply can be no excuse for this persistent waste, duplication, and inefficiency.

Duplication and overlap serve neither the taxpayers nor the intended beneficiaries of the programs in question. To cite just one example, a person with a disability may have to wade through a perplexing maze of some 50 programs providing employment assistance spread across nine agencies.

What is the cause of such duplication? At times, the President, seeking to put his own mark on the budget to demonstrate his priorities, creates a new program, despite the fact that similar ones already exist.

In other cases, it is Congress that creates the new programs without checking to see if other programs with similar goals already are on the books. Overlapping committee jurisdictions may further contribute to the problem.

This is not a case of bad intentions at work. Just the opposite. It is the proliferation of good intentions that has created the problem, and the problem is compounded by a lack of transparency about what programs even exist. Although various sources released by the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) produce partial lists of various government programs, there is not an exhaustive list of Federal programs in one, easy-to-access location.

That is why I have cosponsored Senator Coburn's bill that would require a comprehensive list on a public Web site of every Federal program, along with its budget and performance information.

The duplication and overlap in green building initiatives are a case study. Right now, there are 11 agencies running 94 initiatives trying to foster green buildings in the non-Federal sectors. Improving the energy efficiency of buildings is surely a worthwhile goal, but overlapping and duplicative programs are not the best way to achieve that goal. There is no consistent oversight, there is no accountability, and there is a virtual certainty that millions and millions of dollars are being wasted. Think how much overhead we are paying for each box on the charts that we have passed out.[1] These programs could be streamlined and achieve the same policy goal in a measurable way for less money. And, of course, there are many other examples that we will talk about today.

We often hear reports of duplicative programs, but rarely do we see proposals to address the problem. That is why I think it is appropriate that the Chairman has joined today's topic of the GAO duplication report with an evaluation of the reorganization authority the President has requested that might—and I underline "might"—help address some of these problems.

Congress has surely failed more times than not in reorganizing government in a major way. I would note, however, that two of the most significant such reorganizations in the past 10 years—comprehensive intelligence reform and the creation of the Department of Homeland Security (DHS)—have emerged as a result of this Committee's efforts, not by presidential fiat.

While I understand that Congress is sometimes an obstacle to speedy reform, it is important that, in considering ways to expedite the process, we do not undermine Congress' ability to carefully consider and amend legislation.

In the current context, I would note that we are being asked by the Administration to develop and vote on the fast-track reorganization authority in the absence of the actual reorganization proposal that we are told will be submitted for consideration using this new authority. I believe that is a mistake.

[1] The chart referenced by Senator Collins appears in the Appendix on page 28.

Nevertheless, I appreciate the serious work that has gone into both the diagnostic efforts at GAO and the efforts by OMB to develop some remedies, and I look forward to hearing from our panel.

Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator Collins.

I have just been notified there is going to be a vote around 11 a.m., so we will go as long as we can. We may have to recess for that purpose.

If it is all right with the witnesses, I think I would like to call on Ms. Dalton first because I know you are both going to testify on both the GAO report and the President's proposal, but I thought perhaps we would ask you first to describe the report and then Mr. Werfel can respond to it on behalf of the Administration and talk about the President's proposal.

Thanks for being here. Why don't you go first, Ms. Dalton?

## TESTIMONY OF PATRICIA A. DALTON,[1] CHIEF OPERATING OFFICER, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. DALTON. Thank you, Mr. Chairman, Senator Collins, and Members of the Committee. We appreciate the opportunity to discuss the need to reexamine the structures and operations of the Federal Government. With the Federal Government experiencing a period of profound transition and challenges, it also faces opportunities to enhance performance, ensure accountability, and position the Nation for the future.

GAO's reports over the past 2 years have identified numerous areas of potential duplication, overlap, and fragmentation across the Federal Government. For some of the areas, restructuring, including consolidation, may be the appropriate solution. In other instances, improved coordination, better information on performance and costs, and enhanced accountability may be appropriate.

Government reorganizations often, and I would say most likely, are going to be very complex and take time to implement properly. The President, as you know, recently requested expedited reorganization authority. The bill introduced by you, Mr. Chairman, and Senator Warner would renew, with some modifications, the authority that Congress provided the President from 1932 through 1984.

Expedited reorganization authority may facilitate reorganizations; however, all key players should be engaged in the discussion: The President, the Congress, and parties with a vested interest in the restructuring, including State and local governments and citizens. It is important to ensure consensus on identified problems and the solutions that can actually remedy the problems identified. Fixing the wrong problems, or fixing the right problems poorly, can cause more harm than good.

Prior reorganization initiatives reinforce the importance of maintaining the balance between the Executive and Legislative roles. Safeguards are needed to ensure congressional input and concurrence on the goals as well as the overall reorganization proposal.

Effective implementation is also critical to any restructuring. This requires establishing clear mission and strategic goals; sustained leadership; and comprehensive implementation, planning,

[1] The prepared statement of Ms. Dalton appears in the Appendix on page 48.

and execution. Importantly, S. 2129 would require an implementation plan to be submitted by the President along with his proposal. Effective oversight throughout the implementation process would also be critical.

Let me now turn to GAO's work on overlap, duplication, and fragmentation in the government.

In our 2012 report, we identified 32 areas of potential duplication, overlap, or fragmentation, as well as 19 additional areas where there is potential for cost savings or revenue enhancement. I would just like to illustrate by a few examples.

In the area of unmanned aircraft systems, the Department of Defense (DOD) expects to spend over $37 billion on these systems over the next few years. Military service-driven requirements rather than an effective department-wide strategy have led to overlapping capabilities. In the area of housing assistance, in 2010 the government had obligations of over $170 billion in housing-related programs, plus numerous tax expenditures. We identified 20 different entities administering 160 programs. Many of these programs may be justified because of differences in products or service delivery areas and markets. However, we did find examples where the Departments of Housing and Urban Development (HUD) and Agriculture (USDA) both run programs that offer similar products and now have market overlap.

Science, technology, engineering, and mathematics (STEM) programs are programs to encourage education in the science, technology, engineering, and mathematics areas. We reported 173 of 209 STEM education programs administered by 13 agencies overlapped to some degree. Though these programs overlap, there may be important differences among the programs that need to be understood. It is also important to understand the effectiveness of the programs, unfortunately, there is very little that is known about the effectiveness of these programs.

In the area of military and veterans health care, DOD and the Department of Veterans Affairs (VA) need to improve integration of costs, care coordination, and case management. There has been improvement, but there is much more that can be done. Our wounded warriors are often enrolled in multiple programs. They have multiple case workers that are often working on the same issue or may even be giving some conflicting advice to our warriors. There is more that can be done in terms of integrating these services to our warriors and our veterans.

Our 2012 report also identifies a number of areas of potential financial benefits, including better management of DOD contracts and acquisition, enhanced use of Medicare and Medicaid fraud detection systems, and regular evaluation of user fees, as well as many others.

As Senator Collins noted, we also followed up on our 2011 report. Of the 81 areas identified, we found four areas had been fully addressed, 60 had been partially addressed, and the remaining had not been addressed at all. Many of these issues are difficult to address and will take time and sustained leadership on the part of both the Administration and the Congress. There are opportunities certainly for efficiency and effectiveness, but as I said, they are going to take time and sustained leadership and commitment.

Thank you, Mr. Chairman. That concludes my remarks.

Chairman LIEBERMAN. Thank you, Ms. Dalton. That was excellent. I must say, I find those examples you gave of duplication to be mind-boggling—or maybe I should say headache-inducing—in the areas that you talked about, the unmanned aerial aircraft and the STEM programs, for instance. So we will come back to that in the question-and-answer period.

Next we will hear from Daniel Werfel, who is Controller at the Office of Federal Financial Management, OMB. Thanks for being here.

**TESTIMONY OF HON. DANIEL I. WERFEL,[1] CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET**

Mr. WERFEL. Thank you, Chairman Lieberman, Senator Collins, and Members of the Committee, for inviting me to testify on the Reforming and Consolidating Government Act of 2012.

From the beginning of the Administration, the President has focused on making government more efficient and accountable—eliminating waste, saving money, and making government services more responsive. For instance, when the President took office, improper payments were on a steady rise. By taking tough new steps to fight waste, fraud, and abuse, we have avoided over $20 billion in improper payments over the past 2 years and recaptured nearly $2 billion in overpayments. Furthermore, on the real estate front, the President directed agencies to achieve $3 billion in savings by reducing annual operating costs, disposing assets, consolidating existing space, and other space realignment efforts. Agencies have already achieved $1.5 billion in savings and expect to achieve $3.5 billion in savings by the end of fiscal year 2012.

I want to commend the Chairman, Senator Collins, and Members of the Committee for their leadership on efforts to improve government performance for the American people and express my appreciation for the Committee's work with the Administration.

Another area of common ground is the desire to have an efficient, effective government that does not require expert knowledge to navigate. This is why President Obama is urging Congress to reinstate presidential authority to reform, consolidate, and modernize the Executive Branch.

The scale of the Federal Government is vast. For decades, we have seen agencies created in response to the crisis of the moment. We have seen big departments broken into smaller departments, which over time have grown into big departments of their own. As the Members of this Committee well know, we have rarely seen departments or agencies downsized, much less eliminated.

The GAO recently confirmed this by identifying 32 areas of duplication, overlap, or fragmentation among Federal programs. If we were starting from scratch today, we would all agree that we would wind up with a different mix of agencies and departments.

In these times, government must be as efficient as possible in spending scarce dollars. Each program comes with its own associated overhead and related expenses, driving total spending need-

[1] The prepared statement of Mr. Werfel appears in the Appendix on page 105.

lessly upward. But overlap and duplication have more than just financial cost. They also make it more difficult for the American public, our customers, to access the programs and service they need. Over the past year, we spoke to hundreds of businesses to find out what is working and what is not working when they deal with the Federal Government. They told us there were too many agencies doing the same thing, that they were getting different answers to the same question, and that the export system was set up only for big businesses who could afford to hire someone to deal with all the paperwork.

They identified a series of straightforward issues a business owner might have such as: How can I identify international buyers? What financing and assistance programs are available to me from the government? In each case, the business owners confront a host of overlapping agencies, bureaus, and programs, all organized to help, but many operating autonomously of other programs addressing the same set of challenges. These examples exist across government and beg for a mechanism to consolidate key areas of overlap and duplication, make it easier for Americans to access government services, and save money.

That is why the President submitted the Reforming and Consolidating Government Act of 2012, which would reinstate the reorganization authority that Presidents have had for the better part of 50 years. For most of 1932 through 1984, Presidents had the authority to submit proposals to Congress to reorganize the Executive Branch via a fast-track procedure. The Act would reinstate the 1984 executive reorganization authority with a key modification. It would require that any plan either reduce the number of agencies or result in lower costs.

In addition, the Act would provide up to a 60-day window for congressional feedback and presidential modification of the plan. It would maintain the 1984 procedures with an expedited process for an up-or-down vote by Congress on specific consolidation proposals. This would ensure that a proposal cannot take effect without congressional approval. And the Act would sunset the authority after 2 years, allowing Congress to reconsider its authorization.

The proposed legislation enables the government to deliver the productivity growth we need, reduce program duplication and overlap, rationalize overhead and expenses, and improve customer services beyond the level that exist today. The President has said that if Congress reinstates reorganization authority, the first proposal he would make is to consolidate six business-focused agencies into one. This would save billions by eliminating duplication and overhead costs, and for the first time enable businesses to reach out to just one department in order to access the core government services that will help them compete, grow, and hire.

We all want a government that is efficient, effective, and offers Americans the services they deserve. Providing the President with a means to propose consolidations to save money and reduce government waste, subject to an up-or-down vote by both Houses of Congress, is an important step to accomplish these shared goals.

Thank you, and I look forward to your questions.

Chairman LIEBERMAN. Thanks, Mr. Werfel.

We are going to do 5-minute rounds of questions, so we can see if we can get as many of the Members in before the vote.

Let me ask you, Ms. Dalton, first: In this progress report on the problems identified in last year's duplication report, GAO found that about 80 percent of the problems identified in which GAO recommended possible Executive Branch action, those were addressed, about 80 percent of them in some way, not all fully. Unfortunately, Congress did not fare as well. GAO found that Congress has addressed less than 40 percent of last year's recommendations.

So I wanted to ask you to spend a minute, if you would, indicating what you think are some of the more important of the unaddressed recommendations that GAO made to Congress last year to avoid duplication.

Ms. DALTON. I think, Mr. Chairman, there are a number of them that Congress is considering in various legislation that I think could certainly help remove some of the duplication. For example, in the area of surface transportation, we have over 100 surface transportation programs. The surface transportation reauthorization bill is currently being considered, and there is some consideration of reducing the number of those programs.

In the area of employment and training, we have over 40 programs. Again, there are some opportunities, I believe, to streamline the number of programs.

I think anywhere that we identify numerous programs where they are legislatively authorized, there is an opportunity upon reauthorization to give a hard look at these programs to see whether or not we really need them all. Is there a way to consolidate some of them? We do need to have good data as to what the effectiveness of each of these programs is.

Chairman LIEBERMAN. Right.

Ms. DALTON. So, in many cases, it is both that Congress needs to take action and that the Administration does too, because Congress needs the information to make informed decisions on what programs should be continued or not.

Chairman LIEBERMAN. And the information necessarily will come from the Executive Branch.

Ms. DALTON. Yes.

Chairman LIEBERMAN. So the point here is that these are areas of duplication that the Executive Branch cannot itself deal with because they are legislatively mandated or created.

Ms. DALTON. Yes, Mr. Chairman.

Chairman LIEBERMAN. So we have to adopt legislation. Thanks for that detail.

Mr. Werfel, the Administration has argued that the President's proposal, which is embraced in the legislation before us, the Reforming and Consolidating Government Act, will make it easier to eliminate wasteful duplication. So I wanted to ask you if you would elaborate on why this authority is so important to achieving that goal and why you think it is responsive to the GAO reports on duplication, which really represent an indictment.

Mr. WERFEL. We absolutely believe it is responsive in numerous ways. The bottom line is that in today's budget climate and today's economic climate, we need to do more with less, and we need the opportunity for bold transformation to reshape the Federal Govern-

ment in meaningful ways that both cut costs and serve the American people better. And what the President has put forward is a mechanism to help achieve that. It establishes a process by which Congress and the American people will expect the Administration to tackle some of the key issues that are causing duplication and fragmentation, some of which are covered in the GAO report, and to put together bold transformations and changes that we can advance to Congress and have an open dialogue about the potential benefit, savings, and opportunities for improving government.

Without this mechanism, we are concerned that the types of transformations that we can achieve together will come up short.

Chairman LIEBERMAN. Let me ask you—I have about a half-minute left on my time—for a quick answer. Congress always resists or is at least skeptical of fast-track authority. Why does the President think that is important for reorganization proposals?

Mr. WERFEL. Well, first, I would mention that we are basing the framework off of the framework that existed in 1984. We do not see a need to reinvent the wheel. We want to go back and figure out what was happening before.

I think what we have tried to do is put together a balanced approach that enables things to move quickly and not get bogged down, but at the same time empowers Congress to prevent proposals going forward that Congress believes are unwise in serving the American people. So you have a situation where our framework would, for example, limit debate and limit amendment but provide the President opportunity to change the proposal in response to congressional feedback.

Chairman LIEBERMAN. Right.

Mr. WERFEL. And, obviously, if we are looking to get the proposal passed, we know that Congress could stop it in two ways—they can either enact a joint resolution to stop it or take no action. Under the President's proposal, if no action is taken within 90 days, the proposal will not go forward.

Chairman LIEBERMAN. Then it is dead.

Mr. WERFEL. So it is the balance between helping the process move forward quickly without getting bogged down, at the same time creating a feedback loop. But at the end of the day, the proposal will not go forward without a recognition from Congress that it is smart.

Chairman LIEBERMAN. OK. In that sense, obviously, it is different from the Base Realignment and Closure (BRAC) system, which requires a negative action.

My time is up. Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Werfel, we have just heard again today that there is a lack of information about what programs are even out there, and this is an area where Senator Coburn has done a great deal of work. Why doesn't OMB just issue a directive to every Federal agency and department requiring them to list all of the programs that they have and what the purpose of the program is on their Web sites? You do not need legislation. Why don't you just take that so that then when we are considering proposals for new programs, we could go to the Web site of that agency and look?

Mr. WERFEL. Senator Collins, first of all, I agree, it is frustrating—and I can imagine everyone's frustration—that the Federal Government today cannot quickly and efficiently produce a comprehensive inventory of all the Federal programs. That is why Congress enacted the Government Performance and Results Act (GPRA) Modernization Act, which was passed last year and signed by the President, to require the Federal Government to do just that. And so OMB has initiated a process to create this inventory.

Unfortunately, it is not something that we can do overnight. It is something that we have to work with the Federal agencies to evaluate the systems and information flows that they have, and the different definitions of programs and activities. Our program systems and our budgetary accounting systems have grown up over time in a way that is not fully rationalized to answer some of these basic questions, and GPRA Modernization is intended to fix that, and we are looking at ways to do so.

So we have initiated a pilot to start a comprehensive review with nine agencies, and based on what we learn in terms of how they fix their systems and do their information capture to get this list of programs, we will take that across the rest of government and produce that list.

Senator COLLINS. I just do not think that it is that complicated. A couple of departments have done it, and it seems to me that it reflects perhaps an alarming lack of information within the department about its own programs. I think OMB needs to be much tougher and lead in this area, or else I for one am going to continue to support a legislative mandate.

Ms. Dalton, I want to switch to you to talk about the Administration's reorganization proposal. You in your written testimony go into this in much greater detail than you had time to do in your oral presentation. You caution us that care should be taken regarding Congress deciding to limit its own powers and roles in government reorganizations. And I must say that I find it ironic that some of my colleagues who are most upset about the Senate shutting down the free and open amendment process are prepared to support this bill, which basically cuts Congress out of the process except for an initial consultation.

You also say in your statement that lessons can be learned from prior approaches to granting reorganization authority of this nature to the President.

Could you share with us some cautions that we should look at and some lessons of where the reorganization authority was used in a way that raised questions?

Ms. DALTON. Well, I think I would like to start off first with an example where it worked, and I think the best example goes to the middle of the last century and the Hoover Commission. In that instance, there was significant consultation with the Congress before a proposal was submitted and before the reorganization authority was asked to be used. Congress elected to set up a commission to work with the Administration to fully analyze and vet the proposal, and then it was presented to the Congress for a vote.

So that in using that authority, there was significant consultation with the Congress. There was information going back and

forth so that there could be agreement on the goals that were trying to be achieved and that the solutions made sense.

In other cases where there was not that type of consultation, the reorganization authority often could not be used because Congress did not buy into the proposals and said no. And so I think it is important, as I mentioned in my statement, to ensure that there is that adequate consultation with the Congress, that the views of Congress are incorporated in the development of the proposals, and that Congress has adequate time to consider what is being proposed.

Oftentimes in other cases where it has been used successfully, it has been—you have to look at the scale of the proposal and the reorganization. If it is a fairly small reorganization, that might be something that Congress may want to consider saying, yes, the expedited authority may be more appropriate. Where it is very large scale, creating a new department, for example, I think there needs to be much more consultation.

Senator COLLINS. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Collins. Senator Coburn.

**OPENING STATEMENT OF SENATOR COBURN**

Senator COBURN. Well, first of all, thank you all for being here. My first question is just a statement of thanks to GAO for all the hard work they have done. I know this has been a struggle.

Just for history for the record, when we first asked for this, GAO told us it was impossible. The Congressional Research Service (CRS) told us it was impossible. And what we found is we are actually starting to know something about two-thirds of the government.

My question for Mr. Werfel is: How is it that the Department of Education can give us a list every year of their programs and the rest of the departments cannot?

Mr. WERFEL. Senator, I am glad you asked because I want to go back to my earlier answer. Right now, we produce the President's budget and a variety of different mechanisms that provide long lists of programs and tables that show you what the dollars are. The issue is validating that the list is fully comprehensive, accurate, clear, and does not cause confusion. And what happens is that we have a combination of factors, including definitional issues in terms of whether these activities amount to a single program, do they amount to multiple programs, and what we want to do is make sure that we provide the correct list, and that is what is going to take a little bit of time, is the validation of——

Senator COBURN. Well, quite frankly, we do not have time to wait. You know, your first answer, if any American was listening to that, they did not believe a word of it. And if that is the fact, we are in a whole lot more trouble than any American thinks we are in, because what you are saying is we cannot tell you what we are doing today. That is what you are saying. And the fact is that is just an absence of leadership both in the Bush Administration and in this one.

The fact is it has not been a priority. If the Department of Education can put out a book this thick every year with all their programs, every other agency can do that. The question is that nobody

has demanded it. There has not been an Executive Order issued that said you will by this time report to us every program. And if there is a problem with a definition, footnote it and say this may or may not be a separate program. But the excuse of not having it is ridiculous for the taxpayers in this country.

You know, Mr. Chairman, the GAO has given us 403 specific recommendations to eliminate duplication. There has not been one bill or one amendment that has passed that addresses any of that in terms of their specific recommendations. So it is not just OMB, and it is not just Congress. It is both. And what we are hearing today is we have an excuse why we cannot get there. And what every business person and every college graduate knows and everybody that manages people is if you cannot measure what you are doing, you cannot manage it. And you come from the Office of Management and Budget.

I think we need a better answer. I am fully supporting the President's idea to reorganize. I am going to help on this bill. It has to be cleaned up some, but I am going to help. We have to do that. And I fully intend to be engaged to make sure that gets through here if it is possible. But we have to do the other steps as well, and we cannot wait.

Mr. WERFEL. Can I just respond? One of the historical lessons here that I think you will know and be familiar with is when you passed the Federal Funding Accountability and Transparency Act, which launched USAspending.gov, which you cosponsored with then-Senator Obama. You set out a time frame, and at that time I think you felt it was ridiculous that we cannot tell the American people where Federal dollars are going and who receives them, what grantee, what contractor, and you were right. And it took time for us to build up the necessary systems. You gave us deadlines, and we have worked hard to meet those deadlines. And we are not meeting all of them, but we are meeting a lot of them, and there is much more information out there today that is really enabling a change in the way government is happening. People are calling up inspector general (IG) hotlines and saying, "I just saw on USAspending.gov"—or Recovery.gov or other of these Web sites are that are doing this—"that this entity down the street from me is receiving funds, and this does not look like an entity that should be receiving Federal dollars." And that helps us do our fraud and oversight work.

With this program list—and, admittedly, it intuitively is a potentially easier proposition than what you asked us to do under USAspending.gov—the same thing occurred. Debate and dialogue occurred between the Administration and Congress, and the GPRA Modernization bill, which sets a line in the sand and asks us to list every program, establishes a statutory deadline, which we intend to meet. And I agree with your frustration. It is a tough answer to give. I would be frustrated if I was sitting at home. And we are working on it, and we are taking it seriously. And so the line has been drawn in the sand, and we will get it done.

Senator COBURN. All right. Thank you. I am out of time.

Chairman LIEBERMAN. Thanks, Senator Coburn. Thanks for your leadership on this, really your passionate and understandably im-

patient leadership. We owe it to you to try to do better than we have at responding to it.

I am also really grateful for your statement that you want to work together on a reorganization proposal. I think when the President introducted it in the State of the Union, maybe most people just thought it was another State of the Union proposal and it was going to go nowhere. But I think it would be a great thing for us at this moment in our government's history, with so much waste, so much debt, so much public exasperation, that if we could work together to get this done and then enact it, whoever is elected President then will have extraordinary authority for 2 years to challenge Congress to make the Federal Government work better and eliminate the duplication.

Senator COBURN. If the Chairman would just yield for a minute, the frustration I have is we had an amendment that said before we pass a new bill, the CRS would tell us whether or not we are duplicating. Our colleagues voted that down. The American people are probably nauseous about that if they knew it, that we do not want to know whether we are creating a new duplicative program. That is what 50 Senators said: "We do not want to know." And that tells you how sick Washington is, that we will not even put forth the tools to discipline ourselves to make good decisions. And several Members of this Committee voted against that.

Chairman LIEBERMAN. You know, for the record, when Senator Coburn uses terms like "nauseous" and "sick," he is a doctor. [Laughter.]

So it has special weight. Senator Carper.

**OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. There is probably an opportunity for me to explore fee-for-service as opposed to treating the patient and using prevention and wellness here.

Senator COBURN. We are treating the symptoms, not the disease.

Senator CARPER. Yes. Let us just pursue that just for a little bit, if we could.

First of all, thank you both for being here and for your efforts. You have heard me talk about trying to change the culture of the Federal Government. It is something that Dr. Coburn and I, along with others on this Committee, have worked on to try to move away from a culture of spendthrift, more toward a culture of thrift. Would you just help explain for us how what the Administration is proposing fits into that cultural change that we have called for for some time?

Mr. WERFEL. Absolutely, Senator Carper. Thank you for the question. We think we need different solutions to reshape government in a way that has it not only streamlined, not only saving money, not only addressing a lot of the issues that GAO raises in its duplication report, but to meet 21st Century realities, 21st Century demands, and we want to be bold and transformative.

I mentioned in my opening remarks that we spent a lot of time talking to hundreds of businesses, over 100 small and medium-sized businesses, asking them their reflections on government services that they rely on to build their businesses, to compete in international markets. And there was a common theme that emerged

from those discussions, and that common theme was that government programs in this critically important area of enabling business growth, enabling these businesses to thrive and compete and hire, are too fragmented and too complex. They were not getting a straight answer, they wanted a one-stop shop. They wanted the opportunity to work and interface with one Web site, one program, rather than having to hire a lot of additional subject matter experts to figure out how to navigate all this and build these road maps.

And so really there is a choice that is presented there, we think. One is that we can use administrative tools and smaller bite-sized steps to try to map these things out and help businesses figure out where all these points are and build tools that way, and we will do that. As long as we are around and we do not have the ability or the authority to reorganize government, we are going to do everything we can to help businesses. That is more of a bite-sized approach.

The more transformative approach is to actually change the way the Federal Government is structured so that rather than needing a complex road map of where all these services and the answers to all these questions are, the road map is much more simple because the organizations are together. And by bringing the organizations together in many ways, depending if you do it right—and we want to work with Congress to make sure we get it right—multiple benefits emerge, not just from the customer perspective but from sharing infrastructure, sharing financial and human resource systems, because you are under the same roof and in a shared organization. You are leveraging each other's resources. They enforce; we enforce. They have lawyers; we have lawyers. Now you are working together and building that capacity.

And so it is really a choice, and what the Administration is saying is that we need the reorganization authority to enable broader, more transformative change, and we think that fits right in to what Congress is trying to do, which is to streamline, eliminate duplication, address the issues in the GAO report, and build a government for the 21st Century.

Senator CARPER. My colleagues have heard me talk about a Finance Committee hearing that took place last fall, and it was a hearing that had about five or six people before us, and the people were pretty smart, and they had some ideas on how to reduce our budget deficits. One of the people who testified was a fellow named Alan Blinder. He used to be a Vice Chairman of the Federal Reserve when Alan Greenspan was the Chair. And in his testimony, he said that the 800-pound gorilla in the room on deficit reduction was health care costs, and he mentioned that the Japanese spend half as much as we do for health care, they get better results, and they cover everybody. He said, "They cannot be that smart; we cannot be that dumb."

He finished his testimony, and the others finished their testimony, and it came back to the rest of us to ask questions. And I said to him, "You said that health care costs are the 800-pound gorilla in the room. If we do not do something about reining those in, we are doomed, on Medicare and Medicaid and so forth." I said, "What would be your advice for us?" And he thought for a moment, and he said, "I am not an expert, I am not a health care economist,

and I am none of those things. Here is what I would suggest." He said, "Find out what works. Do more of that."

That is all he said. "Find out what works, and do more of that."

Sometimes I think a guiding principle like that, even with a big government like this—and those of us who are running this government, those of us who serve on this side, the idea should be for us to think every day about what works and do more of that. And I said to him in response, "You mean like find out what does not work and do less of that?" And he said, "Yes."

I would just ask that you keep that thought in mind as we go forth, and we want to be supportive of what you are proposing, but I would like for you to keep that in mind.

Thank you very much.

Senator COLLINS [presiding]. Senator Brown.

## OPENING STATEMENT OF SENATOR BROWN

Senator BROWN. Thank you, Madam Chairman.

Mr. Werfel, I just want to note something that the Ranking Member said. I do not understand how these various departments do not know what programs they are controlling and how it is not easy to actually put these on a Web site. It makes no sense to me. And I concur with what you were saying about being a little bit more forceful to get that information out. That is just a comment.

And while we are talking about duplication and waste, let us talk about, if we could, the dollar bill and dollar coins. As you know, President Obama made the very wise decision to curtail the wasteful production of dollar coins, which, frankly, has been a flop since it was first introduced about 40 years ago. I wrote legislation to fix the dollar coin which Senator John Kerry helped me introduce. I was very pleased to see that the President, in fact, adopted a similar position shortly thereafter. If you will bear with me, there is a lot of spin and misinformation out there, and I really want to set the record straight.

If you look at the first chart,[1] you can see the dollar bill is incredibly popular. I have never heard a complaint about it, and look at the approval ratings. It is actually 97 percent of people who say that it is more convenient; 83 percent oppose the elimination; and 81 percent want Congress to do more important work. I agree with that one wholeheartedly. And you cannot get much greener than the dollar bill, obviously, because it is made from recycled cotton, which is extremely light and, thus, greener to transport than the heavy coins. And no wonder they have never had to run ads asking people to use the dollar bill.

On the other hand, if we could go to the next chart,[2] there is the dollar coin. Now, that is a real loser in the marketplace. It is always more expensive to make it than the dollar bill. There are no savings associated with it.

Let me repeat: According to GAO, the dollar coin is not less expensive over its 30-year life span than printing a succession of dollar bills.[3] And there is an attempt to say that the coin is cheaper,

[1] The first chart referenced by Senator Brown appears in the Appendix on page 34.
[2] The second chart referenced by Senator Brown appears in the Appendix on page 35.
[3] The third chart referenced by Senator Brown appears in the Appendix on page 36.

and that is just fiction. One of the companies, as a matter of fact, that makes the coin metal has received loans from a foreign government that basically amount to foreign subsidies, and I still cannot get a straight answer from the U.S. Mint on how a foreign-owned company is getting picked to help produce American currency.

National Public Radio has done some great work on this issue, and they found that there are about $1.3 billion coins in storage at the Federal Reserve banks. The Fed says these coins are actually more commonly redeposited to banks than actually used in commerce. Americans get them at the bank or at the store, and they really cannot wait to get rid of them. And small businesses are often burdened with getting these coins back to the banks.

If you can see it, here is actually a vault with all these dollar coins just sitting there. We are paying money not only to store them, but obviously to produce them.

And I want to acknowledge President Obama's leadership on this issue, but I would also like to know whether OMB supports a permanent legislative fix to the broken dollar coin program. Do you support a more permanent legislative fix to that situation?

Mr. WERFEL. Senator Brown, I think it would be premature for me to answer that question for a variety of different reasons. One, I think there is a better set of experts at the Treasury Department on all issues currency that can speak better to this issue and the right things to do. And, second, on any particular legislative amendment or direction that we take on currency, I think there is a lot of analysis that we want to go over with you and your team to figure out exactly what the right answer is.

I will say that what we found with the commemorative dollar coins that were being produced by Treasury is that there was not a demand for them. And they were starting to stack up in our vaults without citizens asking for them. And it started to be a very clear disconnect, and we were about to spend tens of millions of dollars to produce these coins where there was not a clear demand for them.

Senator BROWN. Not only the coins, but the vaults—we were actually building new vaults to store them. A complete waste of money, and I already know the answer because the information is already out there, but I wanted to obviously just reiterate this fact of another duplicative and wasteful government program, and we need to do it better.

I would like to shift gears, if I could, to the National Oceanic and Atmospheric Administration (NOAA) and merging NOAA with the Fish and Wildlife Service. In the last two State of the Union addresses, the President has asked for authority to reorganize, as we have talked about, and I found that the American fishing industry is bizarrely overregulated with a scheme that is just out of whack with other regulated industries. Fishermen can encounter Coast Guard inspectors, NOAA inspectors, Fish and Wildlife inspectors all in one day, and it is easier to smuggle something across the border than to catch an extra fish in this country, it seems. And the abuses NOAA committed towards our fishermen, the shredding of files by the top cop, the $300,000 luxury yacht which we all know about that is being used for party cruises and booze cruises, the

millions of mismanaged fishermen's fines and the other scandals, there has been no accountability that I can see.

Can you make a commitment today that your transfer of NOAA to the Department of the Interior will take into account the many improvements that need to be made in our fisheries and how they are regulated?

Mr. WERFEL. Absolutely we can make a commitment that the goal in the President's framework that he outlined on business and trade and on the transfer of NOAA to the Department of the Interior is all about improved effectiveness and improved performance.

I would say that because of our goal to create an organization or a department that was laser focused on business and trade and competitiveness, it made sense to find a place where NOAA could work in concert with another entity that has stewardship responsibilities for natural resources, earth science, etc. And so the Department of the Interior was the logical home. But that does not mean that just moving them together is the answer. There has to be planning, there has to be an understanding of exactly what the opportunities for improved performance are, and we should set an expectation with both you and the public that any element of a reorganization is going to enhance productivity, accountability, and integrity of Federal programs.

Senator BROWN. And, also, more importantly, re-establishing the trust between the fishermen and the Federal Government and NOAA. Thank you.

Senator COLLINS. Senator Pryor, you are welcome to proceed if you wish. I am going to leave to go vote.

We will take a 10-minute recess. I think that Senator Lieberman is on his way back, but the rest of us have to go vote. Thank you.

[Recess.]

Chairman LIEBERMAN [presiding]. The hearing will reconvene. I hope and believe that some of my colleagues will return. If not, I am going to proceed for a bit with some questions. I thank the witnesses and everyone here for their understanding. My staff was just having a discussion about how inefficient it is to force us to walk back and forth and interrupt the hearing, and that at some point—it is probably not near—we are going to reach the stage where electronically we will be able to prove our identity, as we do every day in other forms of electronic communication, and cast our vote from afar. But then we would miss the schmoozing in the well of the Senate. [Laughter.]

Let me proceed. When this Committee was considering the creation of the Department of Homeland Security, the primary motivation was to build a governmental agency capable of taking on the new security challenges. Obviously, part of this was in part to avoid the duplication, but also the lack of coordination. The metaphor we were fond of using was that nobody was putting the dots on the same board so that they could have seen the plot that became 9/11 unfolding.

But I think there was also another aspect to that response to 9/11, which was that we were undertaking a new mission and a new security environment, and that probably would require more resources in addition to the elimination of duplication and forcing of coordination.

Now I will move to the President's proposed reorganization of our trade and commercial agencies, and I know from his statement that his purpose is to spur job creation and foster economic growth, which are obviously very important goals in their own right. But cost savings can sometimes be difficult to achieve in reorganization, especially when consolidating or moving around large agencies or a lot of programs.

So I wanted to ask you, Mr. Werfel, when we are considering a reorganization proposal, what weight would you say should be given to improving our updating the agency mission as distinct from cost savings that may be achieved in the future?

Mr. WERFEL. That is a very good question. What is happening in my head right now is that you are mixing two key issues of a bottom line. Because my main purpose at OMB surrounds financial management and our financial statements and government efficiency, I am often asked what is the government's bottom line, and I think the government's bottom line is to meet its mission cost-effectively. And so I do not think you can compromise one for the other. It is a failure of government if we cannot be cost-effective. It is a failure of government if we cannot achieve our mission. And so I think both have to be looked at in concert.

Right now, I think there is a clear pressing need with the budget climate we are in to find efficiencies, and you said it is difficult, and I agree. To be successful, you have to be extremely relentless in your planning for how you are going to integrate these agencies in a way that they are not going to just be on status quo in terms of their systems and infrastructure. There are obvious decisions that need to be made in order to streamline the infrastructure that underlies these organizations, things that I think with DHS, as an example, took longer. In that case, only now are we starting to see some of those integrations of systems and infrastructure start to result in some savings. I think looking forward we want to make sure that we hit the ground running with an expectation and a design that those infrastructure leveraging and economies of scale are achieved right away.

But if you are not comfortable that the connectivity that you are creating in the new organization is going to further advance mission, then I think the proposal is not smart.

Chairman LIEBERMAN. Well, that is a good answer, because we really aspire to both. And I take it in the specific example of the President's proposal regarding trade and commercial activities in agencies that you are confident that would, if enacted, achieve both cost savings and greater mission accomplishment.

Mr. WERFEL. We are confident based on an enormous amount of outreach that was done to businesses, former government officials, current government officials, committees, and Members of Congress. It is a framework, and there is more work to be done to finalize the details and a lot more consultation that will be done.

Senator Collins is not here, but earlier she and Ms. Dalton talked about the importance of the congressional role. And there is a clear intent with the President's proposal and the program going forward to consult with Congress at every step of the way, from the inception of a reorganization proposal to the planning and across through the implementation.

And so right now where we are in this life cycle with the trade and business proposal is that we have done an enormous amount of outreach that has led us to the conclusion that we can dually achieve better mission and achieve savings, and that is the framework that we are operating under.

As we roll up sleeves with you and others to define the proposal more specifically, if we were to get the reorganization authority, I think there will be an opportunity to delve even deeper into those questions. But there is a good starting point here based on the analysis and the research that we have done that this proposal will enable both mission and cost savings improvements.

Chairman LIEBERMAN. Yes, I can tell you that—perhaps this is saying the obvious—if the reorganization authority had been enacted already and the fast-track process was law, any presidential proposal—let us take this one—would be taken with a greater degree of seriousness. It is true in the proposal that now Senator Warner and I have put in, if Congress does not act within 90 days, it is gone. But the very fact that there is that clock running will lead stakeholders, media, etc., to put a different kind of pressure on Congress when such a proposal is made, than, in fact, exists now with regard to this specific proposal that the President has made.

Let me ask about the idea of results and cost savings; that is, the bill requires any reorganization plan submitted by the President must either decrease the number of agencies or result in cost savings. Who is the arbiter of results and cost savings in the contemplation of the President's proposal?

Mr. WERFEL. That is an interesting question. I think OMB has the responsibility to produce the information. The transmittal of any proposal will include cost savings, an explanation of the efficiencies that are achieved in the moving pieces that we are proposing, as well as other relevant information like the plan of action, how we are going to implement the plan, and how it is going to be accountable going forward. So we produce the information.

I think the arbiter is ultimately Congress in terms of the authority that is granted to either approve or disapprove the proposal. Obviously the President will sign the law, so it is the dual relationship of how laws are enacted, but I would not articulate OMB as the arbiter. I would articulate OMB as the entity that is required to provide policymakers such as the President and Congress the raw materials they need to determine what is in the best interest of America for these proposals.

Chairman LIEBERMAN. Ms. Dalton, would you like to comment on that?

Ms. DALTON. Yes, thank you, Mr. Chairman. A couple things.

First of all, I would like to comment on the cost savings. One of the things to be aware of is that it may take time before the cost savings would be achieved, and an understanding of that timing is critical. When the Congress created the Department of Homeland Security, it was recognized that there were going to be some upfront investments before you could really achieve the results we were looking for. So that is important.

The implementation plans need to be detailed to show what the timing is and where those potential cost savings would be and

what would be expected to be achieved. And then there is a basis to look at—are we getting what we expected?

Chairman LIEBERMAN. Right. Thank you. That is helpful.

Senator Collins mentioned something—I believe it was in her opening statement—and it is interesting, and I would invite both of you to respond—I hope we are not thinking narrowly here because they came out of our Committee. But the creation of the Department of Homeland Security and then the implementation legislatively of the 9/11 Commission's recommendations together represented the most significant reorganization of our national security agencies since the end of the Second World War, necessarily because I think we were facing such a unique challenge. But those resulted from a legislative initiative, and in the case of the 9/11 Commission from a commission created by the legislature.

In fact, I will tell you—which I know you know, both of you—that it was pretty clear to me that within the Executive Branch there was resistance to the reorganization because it changed the status quo. And so I just wanted to ask you to comment on that—not to speak against the legislation because I think it is a good idea to give a President this authority, but recent history shows that the Executive Branch has been more hesitant to embrace significant reorganization, again, because there were people arguing within the Executive Branch against changing the status quo in which they had become comfortable.

Mr. WERFEL. A few reactions. First, I think the important distinguishing factor about the Department of Homeland Security reorganization is that was in response to a crisis and a clear emerging need that was on the national consciousness to realign our ability to protect the homeland. That is a critically important dynamic that I assume will continue going forward, and nothing in the President's proposal prevents us from responding to crises in order to deal with those types of situations.

The issue becomes what about when we do not have an immediate crisis of that nature but we are sitting on top of opportunities to improve government. And how do you move past the general inertia that sometimes exists to get enough energy around changes to government that have pain points involved for a variety of different constituents and stakeholders? And we do not want any individual pain point or any individual concern to prevent us from achieving what might be more of a global opportunity.

And so the issue for us is: Is there a mechanism in place right now that best positions us to reshape government in a transformative way? The answer is no. And the fact that the DHS reorganization came together in response to a crisis from our standpoint is not sufficient evidence that the Executive Branch and the Congress are ready to be transformative in government reorganization. We think this mechanism, as you mentioned earlier, creates an environment of expectation and it creates a special focus for the types of proposals that we have put forward that we do not believe would take place in the absence of this framework.

Chairman LIEBERMAN. That is well said. Ms. Dalton.

Ms. DALTON. A couple comments. In the formation of the Department of Homeland Security, there were agencies scattered throughout the government. I think there were 22 agencies that were

brought together. That clearly showed the need for a strategic approach to how do we want to conduct our homeland security functions. The reorganization authority and the requirement for the President to provide that proposal, I think, provides that framework to look more strategically and say how do we want to focus our efforts, what are those functions. And I think that provides that focal point for the discussions between the Legislative and the Executive Branch, which when you have that scattering of activities, as you said, there is an inertia, a status quo; it is difficult to bring that strategic thinking to bear. And by focusing on specific proposals from the President, that would provide that strategic thinking.

Chairman LIEBERMAN. Good. Let me go back to the implementation plan, the legislation Senator Warner and I have introduced, which is S. 2129. It would renew the requirement that the President submit an implementation plan along with any reorganization proposal, and I think that is a good idea. But let me just ask both of you how much detail you think should be included in an implementation plan.

Ms. DALTON. Mr. Chairman, I think there needs to be a considerable amount of detail, and as I mentioned earlier, like the need to understand the timing of when things would happen, what the costs are, and what the investments are. Implementation, depending on the size of the reorganization, is going to take time. It often takes years. So you need to lay that out, lay out who needs to be involved in this process, and get their input as part of that implementation plan.

I would not want to see it at a very high level. I think you need to bring a level of granularity to an implementation plan.

Chairman LIEBERMAN. Mr. Werfel.

Mr. WERFEL. I agree with that. I think you want to hit the right balance. You want to read the implementation plan and get a sense that the combination of the cost savings and the mission improvement are justified and appear rational based on what the Executive Branch is planning to do. So you want to understand things like commitments on combining infrastructures. You want to understand who the accountable officials will be that will be involved, what are the critical path elements where we can establish whether things are on progress or not, how accountability will be there, and measuring progress along the way. So I think a very high-level implementation plan is not what we have in mind.

At the same time, I also do not know that you need volumes and volumes of every last detail——

Chairman LIEBERMAN. Yes, exactly.

Mr. WERFEL [continuing]. Because I think some of that will change as we move forward with a particular implementation. So there is a sweet spot here, and I think when we move into a phase of a more specific proposal and we move out of the framework phase for the business and trade as an example, we will work together with the right stakeholders to define that analytical structure. That structure may look different each time depending on the complexity and the nature of the proposal if we get the reorganization authority and we move forward with a variety of different proposals.

Chairman LIEBERMAN. Thanks. I mentioned we cannot vote by electronic means, but Senator Pryor has written me by electronic means on my BlackBerry to say he is not able to return, so I do not myself have any more questions.

I will give each of you the opportunity to sum up if you want in any way, if you would like.

[No response.]

I thank you very much. This has been a very helpful hearing in both regards. Our gratitude goes to GAO for the continuing light that you are shining on the duplication. I said before it is headache-inducing when you think about it. All these programs have been created with really good intentions, and, look, in all those areas—unmanned aerial aircraft, unmanned aircraft, STEM programs—they are general subject areas that I, as one Member of the Senate, have supported. But it is intolerable to have created so many programs that the assumption is that they are not coordinating with one another. I mean, maybe the burden of proof would be on them to prove to us that they are. So I thank you for that.

I thank you, Mr. Werfel, for your testimony and also to say that it was encouraging to see that at least the Executive Branch has responded in some way to 80 percent of the proposals from the last year's report, and also to thank you for this proposal.

I tell you, I am encouraged by Senator Coburn's commitment to work on the reorganization proposal, and I know it is difficult. We are already in March of a difficult election year session. One of the Capitol Hill newspapers said that when the Stop Trading on Congressional Knowledge (STOCK) Act passes this week—which I am proud to say the anti-insider trading legislation came out of this Committee also—it would be the last bipartisan achievement of the year. Maybe we have a few more left, and so I am hereby adding the presidential reorganization proposal to what I normally describe as my bucket list for this year, that is, what I would like to be part of achieving before I kick not the bucket, generally, but the Senate bucket, and conclude my career next January.

So maybe with Senator Coburn's support we can build bipartisan support to get this done. As I have now said twice, but I really think it is significant, whoever is elected in November to be our next President will go into office with a public demanding changes in government, elimination of waste, and movement back to a balanced Federal budget. And this authority would give our next President a real opportunity to meet those public expectations. So I thank you both. My staff is now cringing thinking about what they are going to have to do to get that done—I did not give them a detailed implementation plan for following through. [Laughter.]

But, anyway, the record of the hearing will stay open for 15 days for additional statements and questions. I thank you very much for your testimony.

The hearing is adjourned.

[Whereupon, at 11:23 a.m., the Committee was adjourned.]

# APPENDIX

United States Senate
Committee on Homeland Security and Governmental Affairs
Chairman Joseph I. Lieberman, ID-Conn.

**Opening Statement of Chairman Joseph Lieberman**
**"Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication"**
**Homeland Security and Governmental Affairs Committee**
**March 21, 2012**

Good morning and welcome to this hearing.

I don't think there'd be any disagreement with the statement there's too much duplication and too little unity of effort in our federal government. And of course that leads to too much waste at a time when our government and our taxpayers can least afford it.

Today's hearing is going to look at two important efforts to identify and offer solutions to reduce waste and to increase unity of effort and efficiency in our government.

First, GAO's latest report on duplication in federal agencies – which was required by legislation first introduced by Senator Tom Coburn. This report identifies 32 areas of overlap, duplication or fragmentation that likely are wasting a large number of taxpayer dollars.

GAO's recommendations range from better coordination of Homeland Security grants – which is something of long-standing concern to this Committee – to more centralized coordination of the nine federal agencies charged with protecting our food supply from terrorist attacks or natural disasters.

Solving these problems will require concerted action by Congress working of course with the Executive branch. That's why today we thought it would be appropriate to examine legislation which implements the President's proposal, which he first discussed during his State of the Union address, to give him authority to reorganize government.

The "Reforming and Consolidating Government Act of 2012" is legislation introduced by Senator Mark Warner of Virginia and me and based upon language requested by the President. We believe it will help reduce duplication and improve the effectiveness and efficiency of the federal government.

This proposal reinstates the government reorganization authority that past Presidents relied on from 1932 to 1984.

Any plan a President proposes under this legislation must decrease the number of executive agencies and result in cost savings. Such presidential reorganization proposals would be put on a fast track through Congress,

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with no amendments or filibusters permitted if this legislation as introduced is adopted. The authority given to the President by this legislation would sunset after two years.

I know some of my colleagues have concerns with how a president might use this authority, but as the current President said in his State of the Union speech – "We live and do business in the Information Age, but the last major reorganization of the government happened in the age of black-and-white TV."

That's not going to get the job done, and the bill we are considering today takes an important first step in updating and improving our federal government and would enable whoever is elected to have two years of this extra authority to reorganize our government and make it more efficient.

So I look forward to hearing from the witnesses and questioning them as well.

**Opening Statement of Ranking Member**
**Senator Susan M. Collins**

**"Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication"**

**March 21, 2012**

★ ★ ★

Our country has an unsustainable federal debt of $15.3 trillion. That amounts to $49,600 for every man, woman, and child in this nation. When difficult decisions on even worthwhile programs have to be made, there can be no tolerance for taxpayers' dollars being wasted. That's why the GAO's work identifying duplication, fragmentation, and overlap of federal programs is so important. The GAO estimates that reforms could save tens of billions of dollars annually.

Wasteful duplication has long been thought to be a serious problem in the federal government, but last year, when GAO released its 300-plus page report, we were presented with overwhelming, quantifiable evidence of just how serious the problem is.

This year, GAO is not only reporting on new areas of duplication, but also providing an update on action taken—or the *lack* of action taken—to fix the problems identified in last year's report. I am disappointed that, of the 81 areas discussed in the 2011 report, most have had only partial or nominal remedial action taken, and, worse, 18 have not been addressed at all.

At a time when our nation is encumbered by an unsustainable debt, there is no excuse for this persistent waste, duplication, and inefficiency.

Duplication and overlap serve neither the taxpayers nor the intended beneficiaries of the programs in question. To cite just one example, a person with a disability may have to wade through a perplexing morass of some 50 programs providing employment assistance spread across nine agencies.

What is the cause of such duplication? At times, the President, seeking to put his own mark on the budget to demonstrate his priorities, creates a new program, despite the fact that similar ones already exist.

In other cases, it is Congress that creates the new programs without checking to see if something similar already exists. Overlapping Committee jurisdictions may further contribute to the problem.

This is not a case of bad intentions at work – just the opposite – it is the proliferation of *good* intentions that has created the problem. We see a problem and we want to fix it. We introduce a bill. We fight hard to pass it. Then we fight hard to see that our fix is fully funded and implemented.



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The problem is compounded by a lack of transparency about what programs even exist. Although various sources, such as *recovery.gov*, *USAspending.gov*, the Catalog of Federal Domestic Assistance, and documents released by OMB and CBO produce *partial* lists of various government programs, there is not an *exhaustive* list of federal programs in one, easy-to-access location.

That's why I have cosponsored Senator Coburn's bill that would require a comprehensive list on a public web site of every federal program, along with its budget and performance information.

The duplication and overlap in green building initiatives are a case study. Right now, there are 11 agencies running 94 initiatives to try to foster green buildings in the non-federal sectors. Improving the energy efficiency of buildings is a worthwhile goal, but surely, overlapping and duplicative programs are not the best way to achieve that goal; there is no consistent oversight, there is no accountability, and it is a virtual certainty that there are millions and millions of dollars wasted. Think how much overhead we're paying for each box on this chart. These programs could be streamlined and achieve the same policy goal in a measurable way, for less money.

There are many other examples. At least nine different agencies are running parallel programs to protect the safety of our food supply from a biological attack. Fifty-three separate economic development programs at four separate agencies claim to support entrepreneurial efforts. The list goes on and on.

We often hear reports of duplicative programs but too rarely see proposals to address the problem. That's why I think it's appropriate that you, Mr. Chairman, have joined today's topic of the GAO duplication report with an evaluation of the reorganization authority the President has requested that might help address some of these problems.

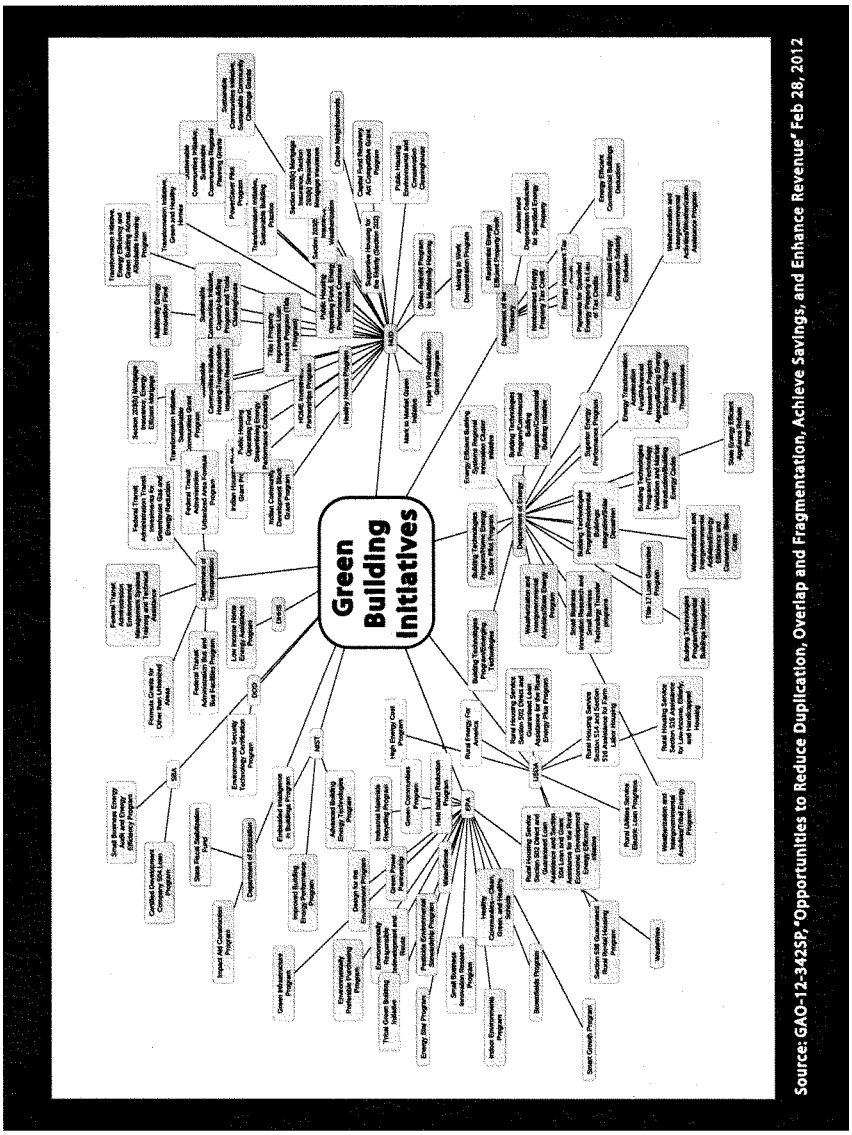
Congress has surely failed more times than it has succeeded at reorganizing government in a major way. I would note, however, that two of the most significant such changes in the past ten years, comprehensive intelligence reform and the creation of the Department of Homeland Security, have emerged as a result of this Committee's efforts, not by Presidential fiat.

While I understand that Congress is sometimes an obstacle to speedy reform, it is important that, in considering ways to expedite the process, we do not undermine Congress's ability to carefully consider and amend legislation.

In the current context, I would note that we are being asked by the Administration to develop and vote on the fast-track reorganization authority in the absence of the actual reorganization proposal that we are told will be submitted for consideration using this new authority. That is a mistake.

These are important matters, and I appreciate the serious work that has gone into both the diagnostic efforts at GAO and the efforts by OMB to develop some remedies. I look forward to hearing from our panel.

SUBMITTED BY SEN. COLLINS


Green Building Initiatives
HUD
Department of Energy
Department of Agriculture
EPA
GSA
NIST
DOD
Department of Education
USDA
Energy Star Program
Green Globe Program
Green Jobs/Jobs Program
Impact Aid Construction Program
Small Business Energy Audit and Energy Efficiency Program
Certified Development Company 504 Loan Program
Green Flood Defendant Fund
Formula Grants for Other than Unleaded Fuels
Federal Transit Administration Bus and Bus Facilities Program
Federal Transit Administration Capital Investment Grants Program
Federal Transit Administration Job Access and Reverse Commute Program
Federal Transit Administration Transportation Enhancements Program
Federal Transit Administration Transportation Planning Program
Section 203(b) Mortgage Insurance Single Family Mortgages
Section 203(k) Mortgage Insurance Rehabilitation Mortgages
Section 203(i) Mortgage Insurance Condominiums
Section 203(b) Mortgage Insurance Section 203(k) Mortgage Insurance
Section 203(b) Mortgage Insurance Section 203(k) Mortgage Insurance
Section 221(d)(3) Mortgage Insurance Section 221(d)(4

# Duplication in Federal Programs
## (2011 GAO Recommendations)

| Type of Program | Number of Programs | Partially/ Not at all Implemented |
|---|---|---|
| Teacher quality | 82 | X |
| Economic Development | 80 | X |
| Transportation assistance *(for clients without means of transportation to services/ activities)* | 80 | X |
| Financial literacy | 56 | X |
| Job training | 44 | X |
| Food for the hungry | 18 | X |

*Source: GAO-11-318SP "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue." 2011. pages 5-7.*
*GAO-12-453SP, "Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue" Feb 28, 2012*

# Duplication in Federal Programs
## (2012 GAO Recommendations)

| Type of Program | Number of Programs |
|---|---|
| Housing assistance | 160 |
| Green building initiatives | 94 |
| Disabled Employment Assistance | 50 |
| STEM Education | 209 |
| Diesel emissions | 14 |

*Source: GAO-12-342SP, "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue" Feb 28, 2012*

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# STATEMENT OF SENATOR DANIEL K. AKAKA

***Retooling Government for the 21st Century:***
***The President's Reorganization Plan and Reducing Duplication***

**Hearing**
**Committee on Homeland Security and Governmental Affairs**

As our Nation's space shuttle program comes to an end, I believe we must shift our focus to Earth's vast, unexplored, oceanic and atmospheric frontiers, known as inner space. The devastating earthquake and tsunami in Japan last year demonstrated the incredible power of the Earth and her oceans, and serve as a reminder that an America built to last must be able to understand and anticipate changes in the Earth's environment.

Any reorganization plan submitted to Congress affecting the National Oceanic and Atmospheric Administration (NOAA) must protect and enhance NOAA's organizational structure and scientific independence. This Committee's experience with the severe consequences resulting from the difficult integration of the Federal Emergency Management Agency into the Department of Homeland Security is a stark reminder of the high risks associated with moving a relatively independent, effective agency into a much larger Department, with a different culture. I believe moving NOAA into the Department of the Interior would repeat this costly mistake.

I strongly urge the Administration to follow the 2003 recommendation of the Pew Oceans Commission, led by my good friend, the Honorable Leon Panetta, to remove NOAA from the Department of Commerce and make it a strong, independent agency.



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**U.S. SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**

**HEARING: "Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication"**

WASHINGTON - Today, Sen. Tom Carper (D-Del.), Chairman of the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, joined the Committee on Homeland Security and Governmental Affairs hearing, "Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication."

*His statement follows:*

"With concerns growing over the mounting federal deficit and national debt, the American people deserve a more efficient and effective government. The Government Accountability Office's (GAO) most recent 'duplication report' provides us with an assessment of the areas to focus on to further reduce redundancy within the federal government. As Chairman of the Subcommittee on Federal Financial Management, I've heard countless times about the ways in which federal programs are not performing as well and as effectively as they could, and consequently wasting scarce taxpayers' dollars. Whether it is badly managed information technology projects, property and buildings that aren't efficient or necessary, programs like Medicare and Medicaid that are not doing a good enough job rooting out fraud and waste, or programs that are inconsistent with or duplicate work done elsewhere, we need to do better.

"That's why I welcome today's hearing as another potential step in our efforts to reduce duplication and consolidate several agencies that focus on trade and commerce. When the President was first considering the initiatives included in the Reforming and Consolidating Government Act of 2012, I told then-Deputy Director for Management at the Office of Management and Budget Jeff Zients that the Administration should 'go big' – and that's what they appear to have done. President Obama promised a fundamental reorganization of the federal government and this consolidation is expected to save $3 billion dollars over the next 10 years. I believe the President's proposal would bring together several resources to create a one-stop shop that will promote American businesses and ensure that government is providing a nurturing environment for economic grow and job creation.



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"The hard truth is that the funding levels for programs across government will likely need to be reduced in the coming months and years. Even some of the popular and necessary programs out there will likely be asked to do more with less. That is the case with some that we'll be talking about today, as well. For example, the two statistical agencies in the Commerce Department – the Census Bureau and the Bureau of Economic Affairs - are part of a decentralized system consisting of more than 11 separate agencies located in 9 different executive government departments and some 70 other agencies of the government that produce statistical output as a part of their programmatic responsibilities. Our statistical system is one that seems disjointed, with multiple data bases and little integration. The President's proposal is a move towards a more centralized system that recognizes the benefits and tremendous cost savings that can come with strong and effective coordination.

"While there is more work to be done to improve efficiency and effectiveness in the federal government, we must not overlook the important steps taken over the past year by the Obama Administration to address many of these problems. In addition, the Government Performance and Results Modernization Act of 2010, which the President signed into law last year, requires agencies to set government-wide goals to align programs from different agencies to work together to reduce overlap and duplication. The Administration continues to be a good partner with me and other members of Congress who are zealous in our pursuit of reforms that will help the government do more with less taxpayer money. However, it is important to remember that the Administration cannot do this alone – we in Congress must do more work on our part to achieve success."

# The Dollar Bill:
## WASHINGTON'S MOST POPULAR PRODUCT

97% say dollar bill is more convenient than coin

83% oppose elimination of dollar bill

81% want Congress to do more important work

100% recycled material

100% American made

*The dollar bill is preferred by Americans because it works.*

*It's made from recycled, renewable cotton and costs less than a heavy coin.*

*A trusted part of American commerce for over a century, new technology is making the dollar bill last longer.*

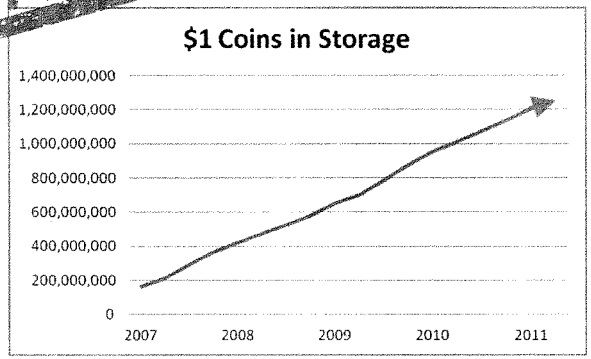
The American people speak with their spending.
The $1 bill wins every day.

*Poll Results by Luntz Global – 11/2011*

# DOLLAR COINS: MONEY NO ONE WANTS

FAILED

$220 million per year cost to private sector after transition




*Special interests stand to make billions off the dollar coin. The American people stand to lose.*

99% say dollar bill is easier to carry than dollar coin

4 times more expensive than the dollar bill

1.3 billion coins in vaults

40 years of failure

Requires environmentally destructive mining

Produced by foreign owned and subsidized metal firm

*Data sources: Luntz Group, Lincoln Park Strategies, Federal Reserve Board of Governors*

GAO: Cost to transition to dollar coin is
never recovered over
30 year projection period.

SUBMITTED BY SEN. McCAIN

United States Senate
WASHINGTON, DC 20510

March 19, 2012

The Honorable Leon E. Panetta
Secretary of Defense
1000 Defense Pentagon, Room 3E880
Arlington, VA 20301-1000

Dear Secretary Panetta:

With our Nation facing a $15.4 trillion debt, we must eliminate inefficiency and waste in the federal government. With the emerging challenges in our security environment and the decline in defense resources due to our debt crisis, nowhere is it more important to eliminate unnecessary spending than in the Department of Defense.

We have reviewed the second annual report by the Government Accountability Office (GAO), issued on February 28, 2012, on "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue" (GAO-12-342SP). In this report, GAO identifies 32 areas of duplication, overlap and fragmentation throughout the federal government, as well as 19 of cost-saving and revenue-enhancement opportunities in federal programs, agencies, offices and initiatives. Sixteen of those areas relate to the Department of Defense's programs and operations.

We understand that estimating how much the Department could save by implementing GAO's recommendations depends on how the Department plans to implement them. But, a sampling of these recommendations on, for example, strategic sourcing and medical governance, clearly shows that the Department could realize billions of dollars in financial benefits at a time when it is trying to identify efficiencies and leverage its financial resources to sustain and modernize critical warfighting capabilities.

In our view, the Department should, therefore, implement GAO's cost-saving recommendations to avoid imposing the large cuts to force structure and key investment priorities that the President proposed in the Fiscal Year 2013 budget request. Also, implementing GAO's recommendations will reduce the need for catastrophic cuts in defense programs through sequestration, precipitated by Congress' failure to enact $1.2 trillion in deficit reduction under the Budget Control Act of 2011.

Against this backdrop, please provide a response to each of the questions in the attachment to this letter, detailing how the Department intends to implement each of the recommendations GAO identified. Please be assured that we will continue to monitor the Department's efforts to implement these valuable recommendations and will take whatever steps are needed to ensure their implementation.



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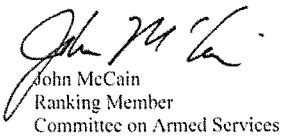
Thank you, in advance, for your attention to this important matter.

Sincerely,



John McCain
Ranking Member
Committee on Armed Services

Dr. Tom Coburn
Ranking Member
Permanent Subcommittee on
Investigations



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## ATTACHMENT

**Duplication, Overlap, and Fragmentation Areas**

**Electronic Warfare**—Identifying opportunities to consolidate Department of Defense airborne electronic attack programs may reduce overlap in how it develops new capabilities and could help ensure that the Department maximizes return on its related multibillion-dollar acquisition investments.

GAO finds that all four military services within the Department are separately acquiring new airborne electronic attack systems. Investments by the Department to update its airborne electronic attack systems will total more than $17.6 billion from fiscal years 2007 to 2016. The Department appears to be developing multiple systems to provide similar capabilities in this area. This can lead to inefficiently using available resources—thereby contributing to other warfighting needs going unfilled.

- How is the Department, as GAO recommends, leveraging its resources and efforts to acquire this capability across all the services to help maximize returns its airborne electronic attack investments?
- To what extent is the Department, as GAO recommends, reviewing and indentifying opportunities to consolidate electronic attack capabilities provided by, for example, the Marine Corps's Intrepid Tiger II pod and CORPORAL; the Army's CEASAR; and the Air Force's MQ-9 Reaper Electronic Attack Pod systems?
- When will its pending efforts in this regard yield a design or set of requirements that is agreeable among the services?
- To what extent is the Department, as GAO recommends, assessing the Air Force's and the Navy's plans for developing and acquiring new expendable jamming decoys, specifically their MALD-J Increment II and Airborne Electronic Expendable initiatives—to determine if these procurement activities should be merged and can be made more efficient?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Unmanned Aircraft Systems (UAS)**— The lack of collaboration within the Department's services and components to acquire unmanned aircraft systems has created unacceptable overlap and duplication within this procurement portfolio.

Over the last decade, the Department has invested billions of dollars in various UAS and sensors to meet immediate warfighter needs for battlefield intelligence. It, however, cannot sustain these unique separate investments indefinitely. Its efforts to procure UAS and related capability have been estimated to top $37.5 billion from fiscal years 2012 to 2016. But, the services have only recently started to rationalize their UAS and sensor portfolios to support their own internal budget trades. The Department, in particular the Undersecretary of Defense for Intelligence and the Intelligence, Surveillance and Reconnaissance (ISR) Task Force, must demonstrate leadership in this area and submit to Congress an enterprise-wide roadmap that describes what UAS and sensor capabilities should be sustained post-Afghanistan and what capabilities can be reduced or eliminated outright.



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- Will the Department, as GAO recommends, re-evaluate whether a single entity could better integrate all of the Department's crosscutting efforts to improve the management and operation of UAS capability?
- Will the Department, as GAO recommends, consider its current UAS portfolio requirements and how it acquires UAS in the future, including strategies for making these systems more common, objectively and independently examined—to help ensure maximum return on its investment dollars?
- Before starting UAS programs in the future, will the Department, as GAO recommends, direct the military services to identify and document in their acquisition plans and strategies specific areas where commonality can be achieved; take an open systems approach to product development; conduct a quantitative analysis that examines the costs and benefits of different levels of commonality; and establish a collaborative approach and management framework to periodically assess and effectively manage commonality?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Counter-Improvised Explosive Device Efforts**—The Department of Defense risks duplication in its counter-Improvised Explosive Device (IED) efforts because it does not have a comprehensive database of its projects and initiatives.

As GAO notes, the threat of IEDs continues to be a major concern in Afghanistan and other parts of the world. Congress has appropriated over $18 billion to the Joint IED Defeat Organization (JIEDDO) from fiscal year 2006 through fiscal year 2011. Other components within the Department have spent billions of dollars of their own funds as well. The Mine Resistant Ambush Protected (MRAP) Task Force, for example, received $40 billion from fiscal year 2005 through fiscal year 2010. The Department, however, does not have full visibility over all of its counter-IED efforts. But, it needs to coordinate such efforts to ensure that these funds are used most efficiently.

GAO finds that to date the Department has relied on various sources and systems to manage its counter-IED efforts and has not developed a process that provides it with a comprehensive listing of its counter-IED activities. GAO has found three examples of potential duplication: counter-IED directed-energy technology, radio-frequency jamming systems, and electronic data collection systems.

- To what extent will the Department, as GAO recommends, develop an implementation plan—to include a detailed timeline with milestones—to help achieve desired efficiencies in this area?
- To what extent will it, as GAO recommends, improve and expand on currently existing processes that would facilitate coordination and collaboration across the Department to better identify and reduce duplication, overlap and fragmentation among its counter-IED initiatives?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Defense Language and Culture Training**—The Department of Defense needs to reduce fragmentation and overlap in the training programs that the military services and other organizations use.



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As GAO notes, changes in the global security environment have required the Department personnel to develop language skills and greater knowledge of foreign culture. GAO estimates that the Department has invested $266 million from fiscal years 2005 through 2011. But, several organizations at the Department oversee these language and culture-training programs. And, each military service has developed its own approach for language and culture training, without the Department's integrating them. GAO finds a similar overlap in the area of training products.

- Will the Department, as GAO recommends, establish a planning process (with milestones) that would outline what steps will be taken to reach a consensus among the military departments about what language and culture training is needed; coordinate and review approval of plan updates; synchronize plan development with the budget process; monitor how initiatives are implemented; and report progress?
- Will it, as GAO recommends, designate organizational responsibility and develop a process to inventory and evaluate existing language and culture products to help eliminate any overlap and plan for additional investments in this area?
- What steps will the Department take, as GAO recommends, to coordinate efforts to contract for future language and culture training products where possible and collaborate on the development of new products that would be used by more than one service?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Stabilization, Reconstruction, and Humanitarian Assistance Efforts**—The Department of Defense needs to improve how it evaluates stabilization, reconstruction, and humanitarian assistance efforts, and address coordination challenges with the Department of State and the U.S. Agency for International Development.

Since 2002, the U.S. government has spent roughly $72 billion for programs to secure, stabilize, and develop Afghanistan and about $62 billion since 2003 for relief and reconstruction in Iraq, according to GAO. The Department of Defense's efforts in this space are similar to State and USAID efforts, so interagency coordination is vital to, among other things, avoiding overlap and wasted resources. But, each of these agencies have failed to successfully monitor and evaluate their own humanitarian efforts—much less coordinate activities. GAO finds that information-sharing among them has been particularly problematic.

- When will the Department, as GAO recommends, finalize the framework that it is jointly developing with the Department of State and USAID that would formalize how they share information on humanitarian or development assistance efforts outside of wartime or disaster environments?
- How will the Department, as GAO recommends, ensure that this database is shared and used by all relevant U.S. government agencies involved in all future U.S.-funded development projects?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Health Research Funding**—Most federal health research funding is conducted by the National Institute of Health, the Department of Defense and the Veterans Administration. GAO found, however, that information-sharing among these federal agencies regarding research



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projects has not been efficient and has led to a duplication of effort. One way the duplication of health research funding can be reduced is for congressional appropriators to stop adding hundreds of millions of dollars in unauthorized medical research not requested by the Department of Defense to the defense budget. These duplicative programs include funding for breast cancer, lung cancer and prostate cancer research conducted by the Department of Defense that is unrelated to military mission. The National Institutes is and should be the lead agency funding by the taxpayers for medical research that is unrelated to military needs.

- What, if anything, does the Department intend to do to minimize the likelihood that its health research projects duplicate projects undertaken by other federal agencies?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Military and Veterans Health Care**—The Department of Defense and the Department of Veterans Affairs have failed to jointly develop options for improving collaboration between the Federal Recovery Coordination Program (FRCP) and the Recovery Coordination Program (RCP). GAO finds that many recovering service-members and veterans are enrolled in more than one care coordination or case management program. This has lead to duplication and reduced effectiveness in the assistance these agencies provide.

Examples from GAO's testimony of these inefficiencies include five case managers' working on the same life insurance issue for an individual; Department of Defense and Veterans Affairs case managers unknowingly establishing conflicting recover goals for a service-member with multiple amputations; and a VA Recovery Care Coordinator's reporting that on average his clients have eight case managers working for difference programs. In addition, information exchange and poor coordination between these programs and the two federal agencies have caused confusion and frustration for the enrollees.

- On what timeline and on the basis of what supporting milestones will the Department of Defense and the Department of Veterans Affairs create and implement a plan that would strengthen functional integration across all of these agencies' care coordination and case management programs that serve recovering service-members, veterans and their families—including but not limited to the FRCP and RCP?
- Should these programs be administratively combined to ensure greater continuity and better outcomes for our service-members and veterans, and more efficient use of taxpayer resources?
- Who in the executive branch is responsible for holding the Department of Defense's and Veterans Affairs' feet to the fire when it comes to their joint activities such as recovery care management and disability evaluation?
- Who is similarly responsible for leveraging technology to support these agencies' joint activities such as these?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Information Technology Investment Management**—The Office of Management and Budget, and the Departments of Defense and Energy, should review their information technology (IT) investments to avoid overlap and unnecessary systems.



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According to GAO, in fiscal year 2011, there were approximately 7,200 investments in IT government-wide, totaling at least $79 billion. The Department of Defense reported the largest number of IT investments (2,383 investments, at $37 billion) followed by the Department of Energy (876 investments, at $2 billion). The Office of Management and Budget (OMB) provides overall guidance to agencies on how to report their IT investments, but it does not ensure complete reporting or facilitate the identification of duplicative investments. So, according to GAO, OMB has been limited in its ability to identify duplicative investments within and across agencies because similar investments may be organized into different categories.

- To what extent with the Chief Information Officer at the Department of Defense, as GAO recommends, use existing transparency mechanisms to report on the results of the Department's efforts to identify and eliminate, where appropriate, each potentially duplicative investment that GAO has identified, as well as any other duplicative investments?
- To what extent will the Department, as GAO recommends, correct the miscategorizations for the IT investments GAO has identified and ensure that investments are correctly categorized in its annual budget submissions to OMB?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Space Launch Contract Costs**—Increased collaboration between the Department of Defense and NASA could reduce duplication in how they contract for launch services.

As GAO notes, national security space payloads, including those of the Department of Defense, are primarily launched by the main U.S. launch provider, the United Launch Alliance (ULA). In fiscal year 2012, the Department of Defense plans to complete nine launches on ULA's vehicles, at a cost of about $1.8 billion. As a whole, the government plans to spend about $15 billion on ULA's launch services from fiscal year 2013 through 2017. In the past few years, ULA's launch costs have risen, but there are currently no alternative launch vehicles in the commercial sector that have been certified to launch the larger national security satellites. GAO finds that space launch acquisition processes for NASA and the Department of Defense are not formally coordinated; duplicate one another; and may not fully leverage the government's investment because the government is not acting as a single buyer.

- How does the Department of Defense intend, as GAO recommends, to better coordinate with other federal agencies to create opportunities for the government to act as a single buyer to further reduce duplication, and therefore enhance efficiency and opportunities for cost-savings, in how it acquires launch services?
- To what extent does the Department intend, as GAO recommends, to help determine whether the government is paying twice for any overhead costs and if it is, find a way to ensure that the government does not pay more than once for overhead costs through separate acquisition processes?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Science, Technology, Engineering, and Mathematics Education (STEM)**—Strategic planning is vital to improving how STEM programs overlapping across multiple agencies are



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managed. GAO finds that in fiscal year 2010, federal agencies gave $3.1 billion in to STEM education programs nationwide. These programs help prepare students and teachers for careers in STEM fields. But, in fiscal year 2010, 173 of the 209 STEM education programs administered by 13 federal agencies overlapped, meaning they offered similar services to similar groups of people. GAO has found that government-wide little has been done to monitor the success of STEM programs.

- To what extent is the Department developing a plan to evaluate the performance metrics of each of its programs and when will it complete this plan?
- To what extent does will the Department, as GAO recommends, work with other agencies to find STEM programs that could be consolidated or eliminated? On what timeline will it do so?
- In the absence of a government-wide plan, to what extent will the Department, as GAO recommends, determine how it can incorporate each agency's STEM education efforts and the goals from National Science and Technology Council's 5-year STEM education strategic plan into its own performance plans, to reduce duplication and inefficiency in how these programs are executed government-wide?
- If the Department were to implement GAO's recommendations, what would be the cost savings to the American taxpayer?

**Other Cost Savings or Revenue Enhancement Opportunities**

**Air Force Food Service**—The Air Force can save millions of dollars annually by reviewing and renegotiating food service contracts where appropriate to better align with the needs of installations. The Air Force has 149 main dining facilities at installations nationwide. Most installations have individual contracts for food service. The cost for these contracts range from $725,000 to $21.4 million per year—with a total cost of approximately $150 million per year for all installations. In July 2011, the Air Force started the Food Transformation Initiative and improved food service at six pilot installations. But, there are opportunities to significantly reduce food service costs at Air Force installations that are not part of these pilots. Recognizing this, the Air Force's Major Commands were directed to review of existing food service contracts to determine if the contracts meet current mission needs.

- To what extent is the Secretary of the Air Force, as GAO recommends, monitoring the actions taken by the Air Force Major Commands in response to the direction by Air Force leadership to review food service contracts, and take actions, as appropriate, to ensure that cost-savings measures are implemented?

**Defense Headquarters**—The Department of Defense (DOD) should identify opportunities to consolidate and reduce the size of their headquarters organizations. In 2010, the Secretary of Defense expressed concerns about the dramatic growth in the Department's headquarters and support organizations. As a result, the Secretary directed the Department to undertake an enterprise-wide initiative to assess how the Department is staffed, organized and operated. This effort identified $178 billion in projected savings across the military departments and other DOD components from fiscal year 2012 through fiscal year 2016. But, GAO found additional cost savings opportunities.



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- Does the Department intend to revise, as GAO recommends, how it tracks headquarters resources to include all major DOD headquarters activity organizations, under DOD Instruction 5100.73?
- Will the Department, as GAO recommends, specify how contractors performing headquarters functions will be identified and included in headquarters reporting?
- Will the Department, as GAO recommends, clarify how the components should compile the major DOD headquarters activities information needed to respond to the reporting requirements in section 1109 of Fiscal Year 2010 National Defense Authorization Act, which requires that the Department report major DOD headquarters activities annually in the Defense Manpower Requirements Report?
- Will the Department, as GAO recommends, establish timeframes for implementing the actions above to improve tracking and reporting headquarters resources?
- Will the Department, as GAO recommends, continue to examine opportunities to consolidate or eliminate DOD headquarters organizations that are geographically close or have similar missions, and seek more opportunities to centralize administrative and command support services, functions and programs?

**Defense Real Property**—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.

The Department of Defense has over 539,000 facilities and 28 million acres of land. It has been challenged to manage deteriorating facilities and underused and excess property. To address these challenges, the Department participates in enhanced use leasing (EUL), which involves leasing underused real property to gain additional resources for the maintenance and repair of existing facilities or the construction of new facilities. According to military services, EUL could reduce the Department's infrastructure costs and provide hundreds of millions of dollars to improve installations and facilities.

At the end of fiscal year 2010, the military services reported that 17 EULs were in place. The Army has 7, the Navy has 5 and the Air Force has 5. They also reported that 37 additional EULs were in various phases of review or renegotiation. But, GAO found that the services have not regularly monitored or performed periodic analyses of EUL program administration costs.

- When will the Department complete, as GAO recommends, guidance that would clarify how the fair market value of the lease interest should be determined and how the receipt of fair market value can best be ensured?
- When will the Department complete, as GAO recommends, developing procedures to regularly monitor and analyze the EUL program's administrative costs to help ensure that these costs are in line with the program's benefits?

**Military Health Care Costs**—In its March 2011 report on "Opportunities to Reduce Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue" GAO stated that "realigning DoD's military medical command structures and common functions could increase efficiency and result in projected savings ranging from $281 million to $460 million annually". Since then, the Department has evaluated twelve options to improve the governance of the military health system and recommended establishing a new defense health agency



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overseen by the Joint Chiefs of Staff, as well as giving additional authorities for budget, workforce and workload to regional health-care market managers. In accordance with the Fiscal Year 2012 National Defense Authorization Act, GAO is required to analyze each option considered by the Department and report to Congress on strengths, weaknesses and cost savings before the Department implements any organizational change. The Department submitted its report and recommendations to Congress on March 2, 2012, and the required GAO analysis has begun.

In addition to acting on governance changes, the Department identified eleven cost-saving initiatives intended to improve performance and quality within the military health system. The Department has begun work on these initiatives to slow the rising cost of health care. But, considerable progress has yet to be made.

- When will the Department, as GAO recommends, complete and fully implement monitoring mechanisms and detailed implementation plans for each of the approved health care initiatives in a way that is consistent with results-oriented management practices?
- When will the Department, as GAO recommends, finish implementing a monitoring process to oversee the initiatives' progress and hold accountable those officials who are responsible for these initiatives?

**Overseas Defense Posture**—The Department of Defense could reduce costs of its Pacific region presence by developing comprehensive cost information and re-examining alternatives to planned initiatives.

According to the 2010 *Quadrennial Defense Review*, about 400,000 U.S. military personnel are forward-stationed or rotationally deployed, or postured, around the world on any given day—including those involved in operations in Afghanistan and Iraq. In addition to the costs of supporting ongoing combat operations, the Department of Defense spends billions of dollars annually on its network of installations around the world that supports its overseas defense posture. GAO reported in May 2011 that from fiscal year 2006 through fiscal year 2012, the Department obligated $24.6 billion to build, operate, and maintain installations in support of its defense posture in the Pacific. Although the Department has taken steps to improve its planning for overseas defense posture, it has not fully identified costs or provided an analysis of alternatives for basing U.S. forces in the Pacific.

- To what extent and on what timetable will the Department, as GAO recommends, identify and direct appropriate organizations within it to complete a business case analysis, including an evaluation of alternatives, for the strategic objectives that have to this point driven the decision to implement tour normalization in South Korea?
- To what extent and on what timetable will the Department, as GAO recommends, identify and limit investments and financial risks associated with construction programs at Camp Humphreys, South Korea, that are affected by tour normalization until a business case analysis is reviewed and the most cost-effective approach is selected by the Secretary of Defense?
- To what extent will, as GAO recommends, the secretaries of the military departments be directed to develop annual cost estimates for defense posture in the Pacific that provide a comprehensive assessment of defense posture-related costs, including costs associated



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with operating and maintaining existing defense posture, as well as costs associated with defense posture initiatives, in accordance with guidance developed by the Undersecretary of Defense (Comptroller)?

**Navy's Information Technology Enterprise Network**—Better informed decisions are needed to ensure a more cost-effective acquisition approach for the Navy's Next Generation Enterprise Network. In 2007, the Department of the Navy established the Next Generation Enterprise Network (NGEN) program to replace and improve the Navy Marine Corps Intranet, which provides about 382,000 workstations to approximately 700,000 users across 2,500 Navy and Marine Corps locations around the world. As envisioned, NGEN's capabilities are to be incrementally acquired through multiple providers (contractors). To date, the NGEN program has spent $434 million on work associated with transitioning from the legacy system. The first increment is to be fully operational in March 2014 and is to cost approximately $50 billion to develop, operate, and maintain through fiscal year 2025. But, the Navy does not have sufficient basis for knowing that it is acquiring NGEN capabilities in the most cost-effective way.

- Is the Department committed to limiting further investment in NGEN until the Navy completes its interim review to reconsider the selected acquisition approach?
- When will this review be completed?
- Will this review ensure that the Navy pursues the most advantageous acquisition approach, as evidenced by a meaningful analysis of all viable alternative approaches and consideration of existing performance shortfalls and known risks?
- After this review is completed, will the Secretary of the Navy ensure that the NGEN schedule substantially reflects key schedule-estimating best practices to ensure a reliable basis for program execution and that future NGEN acquisition reviews and decisions fully reflect the state of the program's performance and its exposure to risks?

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United States Government Accountability Office

GAO

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# Government Efficiency and Effectiveness: Opportunities for Improvement and Considerations for Restructuring

Statement of Patricia A. Dalton
Chief Operating Officer

GAO
Accountability * Integrity * Reliability

GAO-12-454T

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

Thank you for the opportunity to discuss the need to reexamine the structures and operations of the federal government. You also asked that we address the "Reforming and Consolidating Government Act of 2012" (S. 2129), first proposed by the President and introduced in the Senate by Chairman Lieberman and Senator Warner. We also present our recent work highlighting the existence of duplication, overlap, and fragmentation across the federal government.[1]

The federal government faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. A number of overarching trends, such as fiscal sustainability and debt challenges, demographic and societal changes, developments in science and technology, diffuse security threats, global interdependence, and the rapid expansion of collaborative networks, underscore the need for a fundamental reconsideration of the role, operations, and structure of the federal government for the 21st century.

My testimony today is based on our work on government reorganization, transformation, and management issues as well as our recently issued reports that identify additional opportunities and progress made to improve the efficiency and effectiveness of government. Specifically, it addresses:

- issues related to reexamining the structure of the federal government and its operations, including the President's request that Congress grant authority to reorganize the executive branch agencies;
- federal programs or functional areas where unnecessary duplication, overlap, or fragmentation exists as well as opportunities for potential cost savings or enhanced revenues identified in our 2012 annual report; and

[1]See 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) and *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, GAO-12-453SP (Washington, D.C.: Feb. 28, 2012).



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- the status of actions taken by Congress and the executive branch to address the issues we identified in 2011.

We conducted our work in accordance with generally accepted government auditing standards or with our quality assurance framework, as appropriate.

## Reexamining Federal Government Structures and Operations

### Reforming and Consolidating Government Act of 2012 (S. 2129) Would Renew and Expand President's Authority to Propose Restructurings

On February 17th, Chairman Lieberman and Senator Warner introduced S. 2129, entitled "Reforming and Consolidating Government Act of 2012", a bill renewing the Presidential authority to propose government organizational changes and obtain congressional approval through an expedited process. From 1932 to 1984, Congress provided the President with some form of reorganization authority.[2] S. 2129 renews most of the statutory framework[3] as it existed before the authority lapsed in 1984. However, S. 2129 proposes noteworthy changes, both in terms of eliminating restrictions on the scope of a President's plan and placing additional requirements on such plans.

Unlike the 1984 version of the law, under S. 2129, the President would be permitted to propose the creation of a new department (or renaming of an existing department), the abolishment or transfer of an executive department, or the consolidation of two or more departments. There are currently fifteen departments, including the Department of State and the Department of Homeland Security.[4] Additionally, the President would be

[2]Ronald C. Moe, Congressional Research Service, *The President's Reorganization Authority: Review and Analysis* (Washington, D.C.: Mar. 8, 2001).

[3]The Presidential reorganization authority is codified at chapter 9 of title 5 of the United States Code.

[4]See 5 U.S.C. § 101 for a list of all executive departments.



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permitted to propose the creation of a new agency, a restriction which was included by the 1984 amendment of this authority.[5]

The reorganization authority proposed under this bill would permit the President, as in the 1984 version of the law, to prepare and submit to Congress reorganization plans that call for the (1) transfer of an agency or some of its functions to another agency,[6] (2) abolishment of all or some functions of an agency, (3) consolidation of an agency or its functions or parts of an agency or some of its functions with another agency or part of another agency, (4) consolidation of part of an agency or some of its functions with another part of the same agency, or (5) authorization of an officer to delegate his or her functions.

The bill also renews most of the restrictions which have been imposed over time on the President's authority to reorganize. Such restrictions prohibit plans which (1) abolish or transfer an independent regulatory agency or all its functions, (2) consolidate two or more independent regulatory agencies or all their functions, (3) continue an agency or function beyond the period authorized by law, (4) authorize an agency to exercise a function not expressly authorized by law, (5) increase the term of an office beyond the period authorized by law, (6) deal with more than one logically consistent subject matter, or (7) abolish enforcement functions or programs established by statute. A President's submission of plans is restricted to no more than three plans pending before Congress at any time. Finally, the authority imposes a limit on the duration of the authority, which in this case is two years from enactment.

S. 2129 would impose an additional requirement that any plan permitted to go into effect must be an efficiency-enhancing plan as determined by the Office of Management and Budget (OMB). In order for a plan to be considered an efficiency-enhancing plan, the Director of OMB must determine that such plan will result in, or is likely to result in, either a decrease in the number of agencies or cost savings in performing the functions that are the subject of the plan. Therefore, this provision would allow for a consolidation that decreases the number of agencies by, for

[5]Reorganization Act Amendments of 1984, Pub. L. No. 98-614, 98 Stat. 3192 (Nov. 8, 1984).

[6]As commonly understood, an "agency" can be a component of a department or a free-standing entity (for example, the National Aeronautics and Space Administration).



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example, combining two agencies into one, but does not require that the consolidation result in cost savings.

Also consistent with prior law, under S. 2129 the President's submission of a reorganization plan to Congress must include an estimate of any reduction or increase in expenditures realized as a result of the reorganizations included in the plan as well as an implementation section that describes in detail (1) actions necessary or planned to complete the reorganization, (2) the anticipated nature and substance of any orders, directives, and other administrative and operational actions which are expected to be required, (3) preliminary actions which have been taken in the implementation process, and (4) a projected timetable for completion of the implementation process.

Finally, S. 2129 renews the expedited congressional approval process as that process was modified in 1984. The 1984 amendments to the reorganization authority eliminated the procedure that allowed a President's plan to go into effect unless either house acted by passing a motion of disapproval within a fixed period of time. Under the 1984 amendments, a plan could become effective only if approved by both houses of Congress through a joint resolution (approved by the President) within 90 days after the plan is submitted to Congress.[7] This change addressed constitutional concerns with the one-house legislative veto,[8] and set a higher bar for success and in essence gave Congress a stronger role than under past reorganization authorities.

Under this expedited process, recommendations from the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform to the full Senate and House must be made within 75 days and consideration of the resolution in both houses must be within 90 days from submission of the plan.[9] Consideration is limited to an up or down vote, no amendment to a plan may be considered. The President is permitted to amend or modify

[7]Days are calculated by calendar days of continuous session of Congress.

[8]Immigration and Naturalization Service v. Chadha, 462 U.S. 919 (1983), holding the one-house legislative veto unconstitutional.

[9]This 75 day period begins once a resolution of approval has been introduced in the House and the Senate. A resolution must be introduced the first day of session following submission of a plan.



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the plan at anytime within the first 60 days after submission. Any such change to a plan during this period does not impact the deadlines for congressional consideration. The authority to modify a plan allows the President to address any problems identified or concerns expressed during the pendency of a plan before Congress since a plan cannot be changed by Congress through a joint resolution.

## Use of Prior Reorganization Authorities

Presidents have used reorganization authorities to submit more than 100 plans to Congress, proposing a variety of changes from minor reorganizations to major ones.[10] Examples of approved Presidential plans include:

- creation of the Department of Health, Education, and Welfare, proposed by President Eisenhower in 1953 to improve the administration of health, education, and social security functions by elevating these functions to the departmental level;
- creation of the Office of Management and Budget, proposed by President Nixon in 1970, in part, to place greater emphasis on the evaluation of program performance, particularly in programs that cross agency lines, and to expand efforts to improve interagency cooperation;
- creation of the Environmental Protection Agency, proposed by President Nixon in 1970 to consolidate the federal government's environment-related activities in order to ensure the effective protection, development, and enhancement of the environment; and
- creation of the Federal Emergency Management Agency, proposed by President Carter in 1978 to improve federal emergency management and assistance by consolidating federal emergency preparedness, mitigation, and response activities.

President Carter was the last President to use this general grant of reorganization authority. During the Reagan Administration, the reorganization authority was only in place briefly at the beginning of his

[10]Henry B. Hogue, Congressional Research Service, *Executive Branch Reorganization Initiatives During the 112th Congress: A Brief Overview* (Washington, D.C.: Feb. 13, 2012).



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first term until it lapsed, and then was reauthorized for less than two months in 1984 at the end of his first term. The authority has not been granted since then.[11] Although there was expressed interest during the 108th Congress in renewing this authority, from both the Administration and members of Congress, no such reauthorization was forthcoming.[12]

## Balancing the Role of Congress and the Executive Branch in Developing Restructuring Proposals

A major issue for consideration for today's hearing is the question of whether and how to change Congress' normal deliberative process for reviewing and shaping executive branch reorganization proposals. Expedited reorganization authority can enable the President to propose reorganizations that are intended to increase the efficiency and effectiveness with which the government can meet existing and emerging challenges. However, all key players should be engaged in discussions about reorganizing government: the President, Congress, and other parties with vested interests, including state and local governments, the private sector, and citizens. It is important to ensure a consensus on identified problems and needs, and to be sure that the solutions our government legislates and implements can effectively remedy the problems we face in a timely manner. Fixing the wrong problems, or even worse, fixing the right problems poorly, could cause more harm than good.

It is imperative that Congress and the administration form an effective working relationship on restructuring initiatives. Any systemic changes to federal structures and functions must be approved by Congress and implemented by the executive branch, so each has a stake in the outcome. In this regard, an administration seeking expedited approval of complex government reorganization proposals could enhance its

[11]In 1995, the President was authorized to prepare and transmit to congress a reorganization plan pursuant to this reorganization authority for reorganizing the surface transportation activities of the Department of Transportation and the relationship of the Saint Lawrence Seaway Development Corporation to the Department. Pub. L. No. 104-50, § 335, 109 Stat. 436 (Nov. 15, 1995).

[12]*Toward a Logical Governing Structure: Restoring Executive Reorganization Authority; Hearing Before House Committee on Government Reform,* 108th Cong. (2003). Moreover, during consideration of the reform of the intelligence community, the House passed version of the bill included a reauthorization of the Presidential reorganization authority which was limited to reorganization plans involving enumerated intelligence units. See, 9/11 Recommendations Implementation Act, H.R. 10, 108th Cong. § 5021 (2003). This provision was not enacted.



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prospects for success by reaching out to Congress beforehand to ensure that congressional concerns are identified, solutions are developed, and general agreement is reached. The normal legislative process, which by design takes time to encourage thorough debate, helps to ensure that any related actions are carefully considered and have broad support. Therefore, Congress may wish to consider whether 90 days is a sufficient amount of time for Congress to review proposals and conduct its due diligence.

Even more importantly, all segments of the public that must regularly deal with their government—individuals, private sector organizations, states, and local governments—must be confident that the changes that are put in place have been thoroughly considered and that the decisions made today will make sense tomorrow. Excluding any key player increases the risk of sub-optimization or failure. Congressional deliberative processes serve the vital function of both gaining input from a variety of clientele and stakeholders affected by any changes and providing an important constitutional check and counterbalance to the executive branch.

Only Congress can decide whether it wishes to limit its powers and role in government reorganizations. In certain circumstances, Congress may deem limitations appropriate; however, care should be taken regarding the nature, timing, and scope of any related changes. Lessons can be learned from prior approaches to granting reorganization authority to the President. As discussed below, prior successful reorganization initiatives reinforce the importance of maintaining a balance between executive and legislative roles in undertaking significant organizational changes. Safeguards are needed to ensure congressional input and concurrence on the goals as well as overall reorganization proposals.

## Successful Government Reorganizations Balanced Executive and Legislative Roles

Throughout the 20th century, efforts to structure the federal government to address the economic and political concerns of the time met with varying degrees of success. The first Hoover Commission,[13] which lasted from 1947 to 1949, is considered by many to have been the most successful of government restructuring efforts. The membership was

[13]The commission's formal name was the Commission on Organization of the Executive Branch. Its membership: Former President Herbert Hoover, Dean Acheson, Sen. George Aiken, Rep. Clarence Brown, Arthur Flemming, James A. Forrestal, Joseph P. Kennedy, Rep. Carter Manasco, Sen. John L. McClellan, George Mead, James K. Pollock, and James Rowe.



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bipartisan, including members of the administration and both houses of Congress. Half its members were from outside government. The commission had a clear vision, making reorganization proposals that promoted what they referred to as "greater rationality" in the organization and operation of government agencies and enhanced the president's role as the manager of the government—principles that were understood and accepted by both the White House and Congress.[14] Former President Hoover himself guided the creation of a citizens' committee to build public support for the commission's work. More than 70 percent of the first Hoover Commission's recommendations were implemented, including 26 out of 35 reorganization plans. According to a 1982 history of the Hoover Commissions "the ease with which most of the reorganization plans became effective reflected two factors: the existence of a consensus that the President ought to be given deference and assistance by Congress in meeting his managerial responsibilities and the fact that most of the reorganization plans were pretty straightforward proposals of an organizational character."[15]

By contrast, the second Hoover Commission, referred to as Hoover II, which lasted from 1953 to 1954, examined policy areas with the goal of cutting government programs. However, Hoover II lacked the support of the President, who preferred to use his own advisory group[16] in managing the government. It also lacked the support of Congress and the public, neither of which, according to CRS, cared to cut the government at a time when federally run programs were generally held in high esteem and considered efficient and beneficial.[17] More than 60 percent of Hoover II's recommendations were implemented, but these were mostly drawn from the commission's technical recommendations rather than from its major ones (such as changing the government's policies on lending, subsidies,

[14]Ronald C. Moe, *The Hoover Commissions Revisited* (Boulder, Colorado: Westview Press, 1982), 2.

[15]Ronald C. Moe, Congressional Research Service, *The President's Reorganization Authority: Review and Analysis* (Washington, D.C.: Mar. 8, 2001).

[16]Called PACGO (the President's Advisory Council on Government Organization), it was chaired by Nelson Rockefeller from 1953-1958. PACGO drafted 14 reorganization plans that were presented to the President and accepted by Congress. Ronald C. Moe, *Reorganizing the Executive Branch in the Twentieth Century: Landmark Commissions* (Washington, D.C.: Congressional Research Service, Mar. 19, 1992), 34.

[17]Moe, 105.



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and water resources) that would have substantively cut federal programs.[18]

The lesson of the two Hoover Commissions is clear: if plans to reorganize government are to move from recommendation to reality, creating a consensus for them is essential to the task. In this regard, both the process employed and the players involved in making any specific reorganization proposals are of critical importance. The success of the first Hoover Commission can be tied to the involvement and commitment of both Congress and the President. Both the legislative branch and executive branches agreed to the goals. With this agreement, a process was established that provided for wide spread involvement, including citizens, and transparency so that meaningful results could be achieved.

That lesson shows up again in the experience of the Ash Council, which convened in 1969-70. Like the first Hoover Commission, the Ash Council aimed its recommendations at structural changes to enhance the effectiveness of the President as manager of the government. The Ash Council proposed organizing government around broad national purposes by integrating similar functions under major departments. It proposed that four super departments be created economic affairs, community development, natural resources, and human services—with State, Defense, Treasury, and Justice remaining in place. But the Ash Council could not gain the support of Congress. Its recommendations would have drastically altered jurisdictions within Congress and the relationships between committees and the agencies for which they had oversight responsibilities. Congress was not thoroughly clear on the implications of the four super departments, was not readily willing to change its own structure to parallel the structure proposed by the council, and was not eager to substantially strengthen the authority of the presidency.

[18] *Summary of the Objectives, Operations, and Results of the Commissions on Organization of the Executive Branch of the Government (First and Second Hoover Commissions)*, House Committee on Government Operations (Washington, D.C.: May 1963), 31-33.



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## Complexity of Government Reorganizations Require Clear Goals and Careful Implementation Planning

No matter what plans are made to reorganize the government, fulfilling the promise of these plans will depend on their effective implementation. The creation of a new organization may vary in terms of size and complexity. However, building an effective organization requires consistent and sustained leadership from top management to ensure the needed transformation of disparate agencies, programs, functions, and activities into an integrated organization. To achieve success, the end result should not simply be a collection of component units, but the transformation to an integrated, high-performance organization. The implementation of a new organization is an extremely complex task that can take years to accomplish.

In 2002, we convened a forum to identify and discuss useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations that federal agencies could implement to successfully transform their cultures and a new Department of Homeland Security could use to merge its various originating components into a unified department.[19] The invited participants were experienced in managing or studying large-scale organizational mergers, acquisitions, and transformations. The lessons learned and key practices gleaned from the forum provide a useful roadmap for planning the implementation of any large scale restructuring. We subsequently issued a report on the specific steps organizations can take to implement those key practices.[20]

The research suggests that the failure to adequately address—and often even consider—a wide variety of people and cultural issues is at the heart of unsuccessful mergers, acquisitions, and transformations. But this does not have to be the case. While there is no one right way to manage a successful merger, acquisition, or transformation, the experiences of both successful and unsuccessful efforts suggest that practices that are key to their success include the following.

[19]GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

[20]GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C. July 2, 2003) provides additional information on how to implement transformational change.



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**Key Practices Found in Successful Mergers and Organizational Transformations**

**Ensure top leadership drives the transformation.** Leadership must set the direction, pace, and tone and provide a clear, consistent rationale that brings everyone together behind a single mission.

**Establish a clear mission and integrated strategic goals to guide the transformation.** Together, these define the culture and serve as a vehicle for employees to unite and rally around.

**Focus on a key set of principles and priorities at the outset of the transformation.** A clear set of principles and priorities serves as a framework to help the organization create a new culture and drive employee behaviors.

**Set implementation goals and a timeline to build momentum and show progress from day one.** Goals and a timeline are essential because the transformation could take years to complete.

**Dedicate an implementation team to manage the transformation process.** A strong and stable team is important to ensure that the transformation receives the needed attention to be sustained and successful.

**Use the performance management system to define responsibility and assure accountability for change.** A "line of sight" shows how team, unit, and individual performance can contribute to overall organizational results.

**Establish a communication strategy to create shared expectations and report related progress.** The strategy must reach out to employees, customers, and stakeholders and engage them in a two-way exchange.

**Involve employees to obtain their ideas and gain their ownership for the transformation.** Employee involvement strengthens the process and allows them to share their experiences and shape policies.

**Build a world-class organization.** Building on a vision of improved performance, the organization adopts the most efficient, effective, and economical personnel, system, and process changes and continually seeks to implement best practices.

Source: GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).



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The Department of Homeland Security's (DHS) ongoing efforts to build a single, unified department illustrate the complexity and challenges of reorganizing government agencies. DHS now has more than 200,000 employees and almost $60 billion in budget authority, and completing its transformation into a cohesive department is critical to achieving its homeland security missions. DHS has updated and strengthened its plans to resolve the department's management challenges, and has demonstrated strong leadership commitment to make improvements in these areas. However, much work remains for DHS to implement these plans and show sustained progress. We designated the implementation and transformation of DHS as high risk because, among other things, DHS had to combine 22 agencies, while ensuring no serious consequences for U.S. national and economic security. This high-risk area includes challenges in DHS's management functions—financial management, human capital, IT, and acquisitions; the effect of those challenges on implementing DHS's missions; and integrating the functions. Since the department's creation in 2003, we have issued over 1,200 products on DHS's operations in such areas as transportation security and emergency management, among others. These management challenges have had a direct impact on DHS's ability to satisfy its missions, such as delivering major acquisitions aimed at delivering important mission capabilities on time and within budget. We have made over 1,600 recommendations to DHS since its creation designed to strengthen the department's management and operations. DHS has implemented many of these recommendations and is in the process of implementing others. Furthermore, our 2011 and 2012 reports on overlapping and duplicative programs discussed later in this statement, identified additional areas where action could be taken to reduce overlap and potential unnecessary duplication.

In addition to integrating and strengthening the management of the components combined to form DHS, our work across the department has identified a number of additional observations that could be useful in informing deliberations on other government reorganizations. These include ensuring adequate and long-term transition support, identifying and addressing legacy issues that existed prior to the reorganization, and building and emphasizing partnerships and coordination mechanisms both internal and external to the new organization, among others.



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## Reorganization Authority Calls For a Description of Intended Performance Improvements, Estimated Savings, and an Implementation Plan

Given the complex challenges associated with government restructurings, it is important to note that S. 2129 would renew the requirement that the President submit as part of a reorganization plan a description of what it intends to achieve and a plan for implementation. Specifically, the President must estimate any reduction or increase in expenditures (itemized so far as practicable), and describe any improvements in management, delivery of federal services, execution of the laws, and increases in efficiency of government operations, which it is expected will be realized as a result of the reorganizations included in the plan. The implementation section must describe in detail the actions necessary or planned to complete the reorganization, the anticipated nature and substance of any orders, directives, and other administrative and operational actions which are expected to be required for completing or implementing the reorganization, and any preliminary actions which have been taken in the implementation process. It must also contain a projected timetable for completion of the implementation process. These requirements are broadly consistent with some of the aforementioned practices key to successful organizational transformations. The required implementation plan will be most useful to the extent that it covers all of the key practices in at least a preliminary form.

This provision, if implemented properly, could provide useful benchmarks for Congress to use in deciding whether the plan is feasible, whether the Administration has carefully considered the complex implementation issues, and if it will produce sufficient benefits to merit the changes being proposed.

## Oversight of Implementation

Congressional involvement is needed not just in the initial design of the organization, but in what can turn out to be a lengthy period of implementation. Congress has an important role to play—both in its legislative and oversight capacities—in establishing, monitoring, and maintaining progress to attain the goals envisioned by government transformation and reorganization efforts. Sustained oversight by Congress is needed to ensure the reorganization is accomplishing its goals and to determine whether it needs further refinement. Assessing progress is important to ensuring implementation is moving in the right direction.

To ensure effective implementation, along with efficient and effective oversight, Congress may need to consider realigning its own structure. For example, the legislation which established DHS instructed both houses of Congress to review their committee structures in light of the reorganization of homeland security responsibilities within the executive



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branch. This led to an expansion of the responsibilities of this committee in the Senate, and the formation of the Committee on Homeland Security in the House. However, these committees share oversight of DHS with many other congressional committees and subcommittees.

## GPRA Modernization Act Provides Another Tool to Reexamine Government Programs and Improve Coordination

Many federal efforts, including those related to protecting food and agriculture, providing homeland security, and ensuring a well trained and educated workforce, transcend more than one agency, yet agencies face a range of challenges and barriers when they attempt to work collaboratively. Both Congress and the executive branch have recognized this, and in January 2011, the GPRA Modernization Act of 2010 (the Act) was enacted, updating the almost two-decades-old Government Performance and Results Act. The Act establishes a new framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of the Act could play an important role in clarifying desired outcomes, addressing program performance spanning multiple organizations, and facilitating future actions to reduce unnecessary duplication, overlap, and fragmentation.

The Act requires OMB to coordinate with agencies to establish outcome-oriented goals covering a limited number of crosscutting policy areas as well as goals to improve management across the federal government, and to develop a government-wide performance plan for making progress toward achieving those goals. The performance plan is to, among other things, identify the agencies and federal activities—including spending programs, tax expenditures, and regulations—that contribute to each goal, and establish performance indicators to measure overall progress toward these goals as well as the individual contribution of the underlying agencies and federal activities. The President's budget for fiscal year 2013 includes 14 such crosscutting goals, including Science, Technology, Engineering, and Math Education, Entrepreneurship and Small Businesses, Job Training, Cybersecurity, Information Technology Management, Procurement and Acquisition Management, and Real Property Management. The Act also requires similar information at the agency level. Each agency is to identify the various federal organizations and activities—both within and external to the agency—that contribute to its goals, and describe how the agency is working with other agencies to achieve its goals as well as any relevant crosscutting goals.



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## Reducing Duplication, Overlap, and Fragmentation Can Improve Government Efficiency and Effectiveness

In our series of reports on the topic to date, we have identified a number of areas of potential duplication, overlap, or fragmentation, as well as 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. For example, our 2012 annual report presents 51 areas where programs may be able to achieve greater efficiencies or become more effective in providing government services.[21] We have also continued to monitor developments in the 81 areas that we identified a year ago in the first report we issued in this series.[22] Our 2011 follow-up report describes the extent to which progress has been made to address these areas.[23] Appendix I presents a summary of our assessment of the overall progress made in each of the 81 areas. Collectively, our 2011 and 2012 annual reports show that, if the actions are implemented, the government could potentially save tens of billions of dollars annually.

### 2012 Annual Report Identified 51 Opportunity Areas

In our 2012 annual report, we identified a total of 51 areas, including 32 areas of potential duplication, overlap, or fragmentation, as well as 19 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. These areas involve a wide range of government missions including agriculture, defense, economic development, education, energy, general government, health, homeland security, international affairs, science and the environment, and social services. Within and across these missions, the 2012 annual report touches on virtually all major federal departments and agencies. We expanded the scope of our work for this year's report to focus on areas where a mix of federal approaches is used, such as tax expenditures, direct spending, and federal grant or loan programs.

[21]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).

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

[23]GAO, *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, GAO-12-453SP (Washington, D.C.: Feb. 28, 2012).



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We summarized 32 areas where government missions are fragmented across multiple agencies or programs; agencies, offices, or initiatives may have similar or overlapping objectives or may provide similar services to similar populations or target similar users; and when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries (see table 1). We found instances where multiple government programs or activities have led to inefficiencies, and we determined that greater efficiencies or effectiveness might be achievable.

**Table 1: Duplication, Overlap, and Fragmentation Areas Identified**

| Mission | Areas identified |
|---|---|
| Agriculture | 1. **Protection of Food and Agriculture**: Centrally coordinated oversight is needed to ensure 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. |
| Defense | 2. **Electronic Warfare**: Identifying opportunities to consolidate Department of Defense 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. |
| | 3. **Unmanned Aircraft Systems**: Ineffective acquisition practices and collaboration efforts in the Department of Defense unmanned aircraft systems portfolio creates overlap and the potential for duplication among a number of current programs and systems. |
| | 4. **Counter-Improvised Explosive Device Efforts**: The Department of Defense 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. |
| | 5. **Defense Language and Culture Training**: The Department of Defense 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. |
| | 6. **Stabilization, Reconstruction, and Humanitarian Assistance Efforts**: Improving the Department of Defense's evaluations of stabilization, reconstruction, and humanitarian assistance efforts, and addressing coordination challenges with the Department of State and the U.S. Agency for International Development, could reduce overlapping efforts and result in the more efficient use of taxpayer dollars. |
| Economic development | 7. **Support for Entrepreneurs**: Overlap and fragmentation among the economic development programs that support entrepreneurial efforts require the Office of Management and Budget and other agencies to better evaluate the programs and explore opportunities for program restructuring, which may include consolidation, within and across agencies. |
| | 8. **Surface Freight Transportation**: Fragmented federal programs and funding structures are not maximizing the efficient movement of freight. |
| Energy | 9. **Department of Energy Contractor Support Costs**: The Department of Energy 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. |
| | 10. **Nuclear Nonproliferation**: Comprehensive review needed to address strategic planning limitations and potential fragmentation and overlap concerns among programs combating nuclear smuggling overseas. |



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| Mission | Areas identified |
|---|---|
| General government | 11. **Personnel Background Investigations**: The Office of Management and Budget should take action to prevent agencies from making potentially duplicative investments in electronic case management and adjudication systems. |
| | 12. **Cybersecurity Human Capital**: Governmentwide initiatives to enhance the cybersecurity workforce in the federal government need better structure, planning, guidance, and coordination to reduce duplication. |
| | 13. **Spectrum Management**: 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. Treasury. |
| Health | 14. **Health Research Funding**: The National Institutes of Health, Department of Defense, and Department of Veterans Affairs can improve sharing of information to help avoid the potential for unnecessary duplication. |
| | 15. **Military and Veterans Health Care**: The Departments of Defense and Veterans Affairs need to improve integration across care coordination and case management programs to reduce duplication and better assist servicemembers, veterans, and their families. |
| Homeland security/Law enforcement | 16. **Department of Justice Grants**: The Department of Justice could improve how it targets nearly $3.9 billion to reduce the risk of potential unnecessary duplication across the more than 11,000 grant awards it makes annually. |
| | 17. **Homeland Security Grants**: The Department of Homeland Security needs better project information and coordination among four overlapping grant programs. |
| | 18. **Federal Facility Risk Assessments**: Agencies are making duplicate payments for facility risk assessments by completing their own assessments, while also paying the Department of Homeland Security for assessments that the department is not performing. |
| Information technology | 19. **Information Technology Investment Management**: The Office of Management and Budget, and the Departments of Defense and Energy need to address potentially duplicative information technology investments to avoid investing in unnecessary systems. |
| International affairs | 20. **Overseas Administrative Services**: 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. |
| | 21. **Training to Identify Fraudulent Travel Documents**: 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. |
| Science and the environment | 22. **Coordination of Space System Organizations**: Fragmented leadership has led to program challenges and potential duplication in developing multibillion-dollar space systems. |
| | 23. **Space Launch Contract Costs**: Increased collaboration between the Department of Defense and the National Aeronautics and Space Administration could reduce launch contracting duplication. |
| | 24. **Diesel Emissions**: Fourteen grant and loan programs at the Department of Energy, Department of Transportation, and the Environmental Protection Agency, 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. |
| | 25. **Environmental Laboratories**: The Environmental Protection Agency needs to revise its overall approach to managing its 37 laboratories to address potential overlap and fragmentation and more fully leverage its limited resources. |



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| Mission | Areas identified |
|---|---|
| | 26. **Green Building**: To evaluate the potential for overlap or fragmentation among federal green building initiatives, the Department of Housing and Urban Development, the Department of Energy, and the Environmental Protection Agency should lead other federal agencies in collaborating on assessing their investments in more than 90 initiatives to foster green building in the nonfederal sector. |
| **Social services** | 27. **Social Security Benefit Coordination**: Benefit offsets for related programs help reduce the potential for overlapping payments but pose administrative challenges. |
| | 28. **Housing Assistance**: 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. |
| **Training, employment, and education** | 29. **Early Learning and Child Care**: The Departments of Education and Health and Human Services 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. |
| | 30. **Employment for People with Disabilities**: Better coordination among 50 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. |
| | 31. **Science, Technology, Engineering, and Mathematics Education**: Strategic planning is needed to better manage overlapping programs across multiple agencies. |
| | 32. **Financial Literacy**: Overlap among financial literacy activities makes coordination and clarification of roles and responsibilities essential, and suggests potential benefits of consolidation. |

Source: GAO-12-342SP.

Overlap and fragmentation among government programs or activities can be harbingers of unnecessary duplication. In many cases, the existence of unnecessary duplication, overlap, or fragmentation can be difficult to determine with precision due to a lack of data on programs and activities. Where information has not been available that would provide conclusive evidence of duplication, overlap, or fragmentation, we often refer to "potential duplication" and, where appropriate, we suggest actions that agencies or Congress could take to either reduce that potential or to make programmatic data more reliable or transparent. In some instances of duplication, overlap, or fragmentation, 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. For issues where information is being reported on for the first time in the 2012 annual report, we sought comments from the agencies involved, and incorporated those comments as appropriate.

Among the 32 areas highlighted in our 2012 annual report are the following examples of opportunities for agencies or Congress to consider



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taking action to reduce unnecessary duplication, overlap, or fragmentation.

- *Unmanned Aircraft Systems*: The Department of Defense (DOD) estimates that the cost of current Unmanned Aircraft Systems (UAS) acquisition programs and related systems will exceed $37.5 billion in fiscal years 2012 through 2016. The elements of DOD's planned UAS portfolio include unmanned aircraft, payloads (subsystems and equipment on a UAS configured to accomplish specific missions), and ground control stations (equipment used to handle multiple mission aspects such as system command and control). We have found that ineffective acquisition practices and collaboration efforts in DOD's UAS portfolio creates overlap and the potential for duplication among a number of current programs and systems. We have also highlighted the need for DOD to consider commonality in UAS—using the same or interchangeable subsystems and components in more than one subsystem to improve interoperability of systems—to reduce the likelihood of redundancies in UAS capabilities.

  Military service-driven requirements—rather than an effective departmentwide strategy—have led to overlap in DOD's UAS capabilities, resulting in many programs and systems being pursued that have similar flight characteristics and mission requirements. Illustrative of the overlap, the Department of the Navy (Navy) plans to spend more than $3 billion to develop the Broad Area Maritime Surveillance UAS, rather than the already fielded Air Force Global Hawk system on which it was based. According to the Navy, its unique requirements necessitate modifications to the Global Hawk airframe, payload interfaces, and ground control station. However, the Navy program office was not able to provide quantitative analysis to justify the variant. According to program officials, no analysis was conducted to determine the cost effectiveness of developing the Broad Area Maritime Surveillance UAS to meet the Navy's requirements versus buying more Global Hawks.

  The potential for overlap also exists among UAS subsystems and components, such as sensor payloads and ground control stations. DOD expects to spend about $9 billion to buy 42 UAS sensor payloads through fiscal year 2016. While the fact that some multiservice payloads are being developed shows the potential for collaboration, the service-centric requirements process still creates the potential for overlap, including 29 sensors in our review. Further, we identified overlap and potential duplication among 10 of 13 ground control stations that DOD plans to acquire at a cost of about $3 billion through fiscal year 2016. According to a cognizant DOD official, the associated software is about 90 percent



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duplicative because similar software is developed for each ground control station. DOD has created a UAS control segment working group, which is chartered to increase interoperability and enable software re-use and open systems. This could allow for greater efficiency, less redundancy, and lower costs, while potentially reducing levels of contractor proprietary data that cannot be shared across UAS programs. However, existing ground control stations already have their own architecture and migration to a new service-oriented architecture will not happen until at least 2015, almost 6 years after it began.

DOD plans to significantly expand the UAS portfolio through 2040, including five new systems in the planning stages that are expected to become formal programs in the near future. While DOD has acknowledged that many UAS systems were acquired inefficiently and has begun to take steps to improve outcomes as it expands these capabilities over the next several years, the department faces challenges in its ability to improve efficiency and reduce the potential for overlap and duplication as it buys UAS capabilities. For example, the Army and Navy are planning to spend approximately $1.6 billion to acquire separate systems that are likely to have similar capabilities to meet upcoming cargo and surveillance requirements. DOD officials state that current requirements do not preclude a joint program to meet these needs, but the Army and Navy have not yet determined whether such an approach will be used.

To reduce the likelihood of overlap and potential duplication in its UAS portfolio, we have made several prior recommendations to DOD which have not been fully implemented. While DOD generally agreed with our recommendations, the overlap in current UAS programs, as well as the continued potential in future programs, shows that DOD must still do more to implement them. In particular, we have recommended that DOD (1) re-evaluate whether a single entity would be better positioned to integrate all crosscutting efforts to improve the management and operation of UAS; (2) consider an objective, independent examination of current UAS portfolio requirements and the methods for acquiring future unmanned aircraft; and (3) direct the military services to identify specific areas where commonality can be achieved. We believe the potential for savings is significant and with DOD's renewed commitment to UAS for meeting new strategic requirements, all the more imperative.

- *Housing assistance*: In fiscal year 2010, the federal government incurred about $170 billion in obligations for housing-related programs and estimated revenue forgone for tax expenditures of which tax expenditures



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represent $132 billion (about 78 percent). Support for homeownership in the current economic climate has expanded dramatically with nearly all mortgage originations having direct or indirect federal assistance. The Department of the Treasury (Treasury) and the Board of Governors of the Federal Reserve System together invested more than $1.67 trillion in Fannie Mae and Freddie Mac, the government-sponsored enterprises, which issue and guarantee mortgage-backed securities. 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.

We identified 20 different entities that administer 160 programs, tax expenditures, and other tools that supported homeownership and rental housing in fiscal year 2010. In addition, we identified 39 programs, tax expenditures, and other tools that provide assistance for buying, selling, or financing a home and eight programs and tax expenditures that provide assistance to rental property owners. We found overlap in products offered and markets served by the Department of Agriculture's (USDA) Rural Housing Service (RHS) and the Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA), among others. In September 2000 and again as part of our ongoing work, we questioned the need for maintaining separate programs for rural areas. In September 2000, we recommended that Congress consider requiring USDA and HUD to examine the benefits and costs of merging programs, such as USDA's and HUD's single-family guaranteed loan and multifamily portfolio management programs.[24]

While USDA and HUD have raised concerns about merging programs, our recent work has shown increased evidence of overlap and that some RHS and FHA programs can be consolidated. For example, the two agencies overlap in products offered (mortgage credit and rental assistance), functions performed (portfolio management and preservation), and geographic areas served. Specifically, RHS and HUD guarantee single-family and multifamily loans, as well as offer rental subsidies using similar income eligibility criteria. And, both agencies have been working to maintain and preserve existing multifamily portfolios. Although RHS may offer its products only in rural areas, it is not always

[24]GAO, *Rural Housing: Options for Optimizing the Federal Role in Rural Housing Development*, GAO/RCED-00-241 (Washington, D.C.: Sept. 15, 2000).



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the insurer of choice in those areas. For example, in fiscal year 2009 FHA insured over eight times as many single-family loans in economically distressed rural counties as RHS guaranteed. And, many RHS loan guarantees financed properties near urban areas—56 percent of single-family guarantees made in fiscal year 2009 were in metropolitan counties.

Regarding consolidation, we found that RHS relies on more in-house staff to oversee its single-family and multifamily loan portfolio of about $93 billion than HUD relies on to manage its single-family and multifamily loan portfolio of more than $1 trillion, largely because of differences in how the programs are administered. RHS has a decentralized structure of about 500 field offices that was set up to interact directly with borrowers. RHS relies on over 1,600 full-time equivalent staff to process and service its direct single-family loans and grants. While RHS limits its direct loans to low income households and its guaranteed loans to moderate income households, FHA has no income limits and does not offer a comparable direct loan program. HUD operates about 80 field offices and primarily interacts through lenders, nonprofits, and other intermediaries. RHS and FHA programs both utilize FHA-approved lenders and underwriting processes based on FHA's scorecard—an automated tool that evaluates new mortgage loans. RHS has about 530 full-time equivalent staff to process its single-family guaranteed loans. FHA relies on lenders to process its loans. Although FHA insures far more mortgages than RHS guarantees, FHA has just over 1,000 full-time equivalent staff to oversee lenders and appraisers and contractors that manage foreclosed properties. While the number of RHS field offices decreased by about 40 percent since 2000, its decentralized field structure continues to reflect the era in which it was established—the 1930s, when geography and technology greatly limited communication and transportation. These limitations have diminished and HUD programs can be used in all areas of the country.

We first recommended in September 2000 —and have followed up since then—that Congress consider requiring USDA and HUD to examine the benefits and costs of merging those programs that serve similar markets and provide similar products, and require these same agencies to explore merging their single family insured lending and multifamily portfolio management programs. At that time, USDA stated that some of the suggestions made in our report to improve the effectiveness of current programs may better serve rural areas. However, USDA also stated that the gap in housing affordability between rural and urban areas, as well as the importance of rural housing programs to the Department's broader Rural Development mission area, would make merging RHS's programs



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with HUD's programs unfeasible and detrimental to rural America. HUD also stated that it believes any opportunity to improve the delivery of rural housing services should be explored, but stated that the differences between RHS's and FHA's single-family programs are sizable and that without legislative changes to product terms, efforts to merge the programs would likely result in a more cumbersome rather than a more efficient delivery system. HUD added that it had been working with USDA in a mutual exchange of information on best practices and would explore possible avenues of coordination.

The agencies have been working to align certain requirements of the various multifamily housing programs. In addition, in February 2011, the Administration reported to Congress that it would establish a task force to evaluate the potential for coordinating or consolidating the housing loan programs of HUD, USDA, and the Department of Veterans Affairs (VA). According to HUD, a benchmarking effort associated with the task force was recently begun. Our ongoing work considers options for consolidating these programs and we expect to make additional related recommendations.

Furthermore, Treasury and the Internal Revenue Service (IRS) provide numerous types of housing assistance through tax expenditures. Although often necessary to meet federal priorities, some tax expenditures can contribute to mission fragmentation and program overlap that, in turn, can create service gaps, additional costs, and the potential for duplication. For example, to qualify for a historic preservation tax credit, rehabilitation must preserve historic character, which may conflict with states' efforts to produce energy-efficient, low-income properties with tax credits, and could increase project costs.

We recommended in September 2005 and reiterated in March 2011 that coordinated reviews of tax expenditures with related spending programs could help policymakers reduce overlap and inconsistencies and direct scarce resources to the most-effective or least-costly methods to deliver federal support.[25] Specifically, we recommended that the Director of OMB, in consultation with the Secretary of the Treasury, develop and implement a framework for conducting performance reviews of tax

[25]See GAO, *Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined*, GAO-05-690 (Washington, D.C.: Sept. 23, 2005) and GAO-11-318SP.



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expenditures. OMB, citing methodological and conceptual issues, disagreed with our 2005 recommendations. To date, OMB had not used its budget and performance review processes to systematically review tax expenditures and promote integrated reviews of related tax and spending programs. However, in its fiscal year 2012 budget guidance, OMB instructed agencies, where appropriate, to analyze how to better integrate tax and spending policies with similar objectives and goals. The GPRA Modernization Act of 2010 also envisions such an approach for selected cross-cutting areas. Such an analysis could help identify redundancies.

- *Military and veterans health care*: We found that 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. DOD and VA have care coordination[26] and case management[27] programs that are intended to provide continuity of care for wounded, ill, and injured servicemembers and veterans. DOD and VA established the Wounded, Ill, and Injured Senior Oversight Committee (Senior Oversight Committee) to address identified problems in providing care to wounded, ill, and injured servicemembers as well as veterans. Under the purview of this committee, the departments developed the Federal Recovery Coordination Program (FRCP), a joint program administered by VA that was designed to coordinate clinical and nonclinical services for "severely" wounded, ill, and injured servicemembers—who are most likely to be medically separated from the military—across DOD, VA, other federal agencies, states, and the private sector. Separately, the Recovery Coordination Program (RCP) was established in response to the National Defense Authorization Act for Fiscal Year 2008 to improve the care, management, and transition of recovering servicemembers. It is a DOD-specific program that was designed to provide nonclinical care coordination to "seriously" wounded, ill, and injured servicemembers, who may return to active duty unlike those categorized as "severely" wounded, ill, or injured. The RCP is

[26]According to the National Coalition on Care Coordination, care coordination is a client-centered, assessment-based interdisciplinary approach to integrating health care and social support services in which an individual's needs and preferences are assessed, a comprehensive care plan is developed, and services are managed and monitored by an identified care coordinator.

[27]According to the Case Management Society of America, case management is defined as a collaborative process of assessment, planning, facilitation, and advocacy for options and services to meet an individual's health needs through communication and available resources to promote quality, cost-effective outcomes.



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implemented separately by each of the military services, most of which have implemented the RCP within their existing wounded warrior programs.[28]

As a result of these multiple efforts, many recovering servicemembers and veterans are enrolled in more than one care coordination or case management program, and they may have multiple care coordinators and case managers, potentially duplicating agencies' efforts and reducing the effectiveness and efficiency of the assistance they provide. For example, recovering servicemembers and veterans who have a care coordinator also may be enrolled in one or more of the multiple DOD or VA programs that provide case management services to "seriously" and "severely" wounded, ill, and injured servicemembers, veterans, and their families. These programs include the military services' wounded warrior programs and VA's Operation Enduring Freedom/Operation Iraqi Freedom Care Management Program, among others.

We found that inadequate information exchange and poor coordination between these programs have resulted in not only duplication of effort, but confusion and frustration for enrollees, particularly when case managers and care coordinators duplicate or contradict one another's efforts. For example, an FRCP coordinator told us that in one instance there were five case managers working on the same life insurance issue for an individual. In another example, an FRCP coordinator and an RCP coordinator were not aware the other was involved in coordinating care for the same servicemember and had unknowingly established conflicting recovery goals for this individual. In this case, a servicemember with multiple amputations was advised by his FRCP coordinator to separate from the military in order to receive needed services from VA, whereas his RCP coordinator set a goal of remaining on active duty. These conflicting goals caused considerable confusion for this servicemember and his family.

DOD and VA have been unsuccessful in jointly developing options for improved collaboration and potential integration of the FRCP and RCP care coordination programs, although they have made a number of attempts to

[28]The Navy, Air Force, and Marine Corps have all implemented the RCP within their existing wounded warrior programs. The Army and the U.S. Special Operations Command provide services that meet the requirements of the RCP, although they did not specifically implement this program.



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do so. Despite the identification of various options, no final decisions to revamp, merge, or eliminate programs have been agreed upon.

The need for better collaboration and integration extends beyond the FRCP and RCP to also encompass other DOD and VA case management programs, such as DOD's wounded warrior programs that also serve seriously and severely wounded, ill, and injured servicemembers and veterans. In October 2011, we recommended that the Secretaries of Defense and Veterans Affairs direct the co-chairs of the Senior Oversight Committee to expeditiously develop and implement a plan to strengthen functional integration across all DOD and VA care coordination and case management programs that serve recovering servicemembers, veterans, and their families, including—but not limited to—the FRCP and RCP.[29] DOD and VA provided technical comments on the report, but neither specifically commented on our recommendation. We plan to track the extent to which progress has been made to address our recommendation.

- *Information technology investment management*: OMB reported that in fiscal year 2011, there were approximately 7,200 information technology (IT) investments totaling at least $79 billion. OMB provides guidance to agencies on how to report on their IT investments and requires agencies to identify each investment by a single functional category and sub-category. These categorizations are intended to enable OMB and others to analyze investments with similar functions, as well as identify and analyze potentially duplicative investments across agencies. We found that DOD and the Department of Energy (DOE) need to address potentially duplicative IT investments to avoid investing in unnecessary systems.

  In February 2012, we completed a review that examined the 3 largest categories of IT investments within DOD, DOE, and the Department of Homeland Security (DHS) and found that although the departments use various investment review processes to identify duplicative investments, 37 of our sample of 810 investments were potentially duplicative at DOD

[29]GAO, *DOD and VA Health Care: Action Needed to Strengthen Integration across Care Coordination and Case Management Programs*, GAO-12-129T (Washington, D.C.: Oct. 6, 2011).



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and DOE.[30] These investments account for about $1.2 billion in IT spending for fiscal years 2007 through 2012 for these two agencies. We found that DOD and DOE had recently initiated specific plans to address potential duplication in many of the investments we identified—such as plans to consolidate or eliminate systems—but these initiatives had not yet led to the consolidation or elimination of duplicative investments or functionality.

In addition, while we did not identify any potentially duplicative investments at DHS within our sample, DHS officials have independently identified several duplicative investments and systems. DHS has plans to further consolidate systems within these investments by 2014, which it expects to produce approximately $41 million in cost savings. DHS officials have also identified 38 additional systems that they have determined to be duplicative.

Further complicating agencies' ability to identify and eliminate duplicative investments is that investments are, in certain cases, misclassified by function. For example, one of DHS's Federal Emergency Management Agency (FEMA) investments was initially categorized within the Employee Performance Management sub-function, but DHS agreed that this investment should be assigned to the Human Resources Development sub-function. Proper categorization is necessary in order to analyze and identify duplicative IT investments, both within and across agencies.

In February 2012, we recommended that the Secretaries of DOD and DOE direct their Chief Information Officers to utilize existing transparency mechanisms to report on the results of their efforts to identify and eliminate, where appropriate, each potentially duplicative investment that we identified, as well as any other duplicative investments. The agencies agreed with our recommendation. We also recommended that DOD, DOE, and DHS correct the miscategorizations of the investments we identified and ensure that investments are correctly categorized in agency submissions, which would enhance the agencies' ability to identify opportunities to consolidate or eliminate duplicative investments. DOD and DHS agreed with our recommendation, but DOE disagreed that two of the four investments we identified were miscategorized, explaining that its

[30]GAO, *Information Technology: Departments of Defense and Energy Need to Address Potentially Duplicative Investments*, GAO-12-241 (Washington, D.C.: Feb. 17, 2012).



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categorizations reflect funding considerations. However, OMB guidance indicates that investments should be classified according to their intended purpose. Consequently, we believe the recommendation is warranted.

- *Department of Homeland Security grants*: From fiscal years 2002 through 2011, FEMA, under DHS, allocated about $20.3 billion to grant recipients through four specific programs (the State Homeland Security Program, Urban Areas Security Initiative, Port Security Grant Program, and Transit Security Grant Program) to enhance the capacity of states, localities, and other entities, such as ports or transit agencies, to prevent, respond to, and recover from a terrorism incident. We found that DHS needs better project information and coordination to identify and mitigate potential unnecessary duplication among four overlapping grant programs.

  In February 2012, we identified multiple factors that contributed to the risk of FEMA potentially funding unnecessarily duplicative projects across these four grant programs. These factors include overlap among grant recipients, goals, and geographic locations, combined with differing levels of information that FEMA had available regarding grant projects and recipients.[31] We also reported that FEMA lacked a process to coordinate application reviews across the four grant programs and grant applications were reviewed separately by program and were not compared across each other to determine where possible unnecessary duplication may occur. Specifically, FEMA's Homeland Security Grant Program branch administered the Urban Areas Security Initiative and State Homeland Security Program while the Transportation Infrastructure Security branch administered the Port Security Grant Program and Transit Security Grant Program. We and the DHS Inspector General have concluded that coordinating the review of grant projects internally would give FEMA more complete information about applications across the four grant programs, which could help FEMA identify and mitigate the risk of unnecessary duplication across grant applications.[32]

  We also identified actions FEMA could take to identify and mitigate any unnecessary duplication in these programs, such as collecting more

[31]GAO, *Homeland Security: DHS Needs Better Project Information and Coordination among Four Overlapping Grant Programs*, GAO-12-303 (Washington, D.C.: Feb. 28, 2012).

[32]Department of Homeland Security Office of Inspector General, *Efficacy of DHS Grant Programs*, OIG-1069 (Washington, D.C.: Mar. 22, 2010).



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complete project information as well as exploring opportunities to enhance FEMA's internal coordination and administration of the programs. We suggested that Congress may wish to consider requiring DHS to report on the results of its efforts to identify and prevent duplication within and across the four grant programs, and consider these results when making future funding decisions for these programs.

- *Science, Technology, Engineering, and Math education programs*: Federal agencies obligated $3.1 billion in fiscal year 2010 on Science, Technology, Engineering, and Mathematics (STEM) education programs. These programs can serve an important role both by helping to prepare students and teachers for careers in STEM fields and by enhancing the nation's global competitiveness. In addition to the federal effort, state and local governments, universities and colleges, and the private sector have also developed programs that provide opportunities for students to pursue STEM education and occupations. Recently, both Congress and the administration have called for a more strategic and effective approach to the federal government's investment in STEM education. For example, Congress directed the Office of Science and Technology Policy, within the Executive Office of the President, to establish a committee under its component National Science and Technology Council to, among other things, develop a 5-year governmentwide STEM education strategic plan and identify areas of duplication among federal programs.[33] We found that strategic planning is needed to better manage overlapping programs across multiple agencies.

  In January 2012, we reported that 173 of the 209 (83 percent) STEM education programs administered by 13 federal agencies overlapped to some degree with at least 1 other program in that they offered similar services to target groups—such as K-12 students, postsecondary students, K-12 teachers, and college faculty and staff—to achieve similar objectives.[34] These overlapping programs largely resulted from federal efforts to both create and expand programs across many agencies in an effort to improve STEM education and increase the number of students going into related fields. Overlapping programs can lead to individuals and institutions being eligible for similar services in similar STEM fields

[33]Pub. L. No. 111-358, § 101, 124 Stat. 3982, 3984 (2011).

[34]GAO, *Science, Technology, Engineering, and Mathematics Education: Strategic Planning Needed to Better Manage Overlapping Programs across Multiple Agencies*, GAO-12-108 (Washington, D.C.: Jan. 20, 2012).



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offered through multiple programs. For example, 177 of the 209 programs (85 percent) were primarily intended to serve two or more target groups. Overlap can frustrate federal officials' efforts to administer programs in a comprehensive manner, limit the ability of decision makers to determine which programs are most cost-effective, and ultimately increase program administrative costs.

Even when programs overlap, the services they provide and the populations they serve may differ in meaningful ways and would therefore not necessarily be duplicative. There may be important differences between the specific STEM field of focus and the program's stated goals. For example, we identified 31 programs that provided scholarships or fellowships to doctoral students in the field of physics. However, one program's goal was to increase environmental literacy related to estuaries and coastal watersheds while another program focused on supporting education in nuclear science, engineering, and related trades. In addition, programs may be primarily intended to serve different specific populations within a given target group. Of the 34 programs providing services to K-12 students in the field of technology, 10 are primarily intended to serve specific underrepresented, minority, or disadvantaged groups and 2 are limited geographically to individual cities or universities.

However, little is known about the effectiveness of federal STEM education programs. Since 2005, when we first reported on this issue, we have found that the majority of programs have not conducted comprehensive evaluations of how well their programs are working. Agency and program officials would benefit from guidance and information sharing within and across agencies about what is working and how to best evaluate programs. This would not only help to improve individual program performance, but could also inform agency- and governmentwide decisions about which programs should continue to be funded. Furthermore, although the National Science and Technology Council is in the process of developing a governmentwide strategic plan for STEM education, we found that agencies have not used outcome measures for STEM programs in a way that is clearly reflected in their own performance plans and performance reports—key strategic planning documents. The absence of clear links between the programs and agencies' planning documents may hinder decision makers' ability to assess how agencies' STEM efforts contribute to agencywide performance goals and the overall federal STEM effort.

We reported in January 2012 that numerous opportunities exist to improve the planning for STEM programs. For example, we



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recommended that the National Science and Technology Council develop guidance for how agencies can better incorporate governmentwide STEM education strategic plan goals and their STEM education efforts into their respective performance plans and reports, as well as determining the types of evaluations that may be feasible and appropriate for different types of STEM education programs. We also recommended that the National Science and Technology Council work with agencies, through the strategic planning process, to identify STEM education programs that might be candidates for consolidation or elimination. OMB stated that our recommendations are critical to improving the provision of STEM education across the federal government. In separate comments, the Office of Science and Technology Policy said its own analysis of STEM education programs identified no duplicative programs and where it identified overlapping programs it found that some program characteristics differed. As an illustration, the Office of Science and Technology Policy explained that there could be two STEM education programs, one that worked with inner city children in New York City and another with rural children in North Dakota. We agree that it may be important to serve both of these populations, but it is not clear that two separate administrative structures are necessary to ensure both populations are served. The Office of Science and Technology Policy said it would address our recommendations in the 5-year Federal STEM Education Strategic Plan, which will be released in spring 2012. Furthermore, the President's Fiscal Year 2013 budget established STEM education programs as one of fourteen cross-agency priority goals. These goals are intended to enhance progress in areas needing more cross-government collaboration.

- *Coordination of space system organizations*: U.S. government space systems—such as the Global Positioning System (GPS) and space-based weather systems—provide a wide range of capabilities to a large number of users, including the federal government, U.S. businesses and citizens, and other countries. Space systems are usually very expensive, often costing billions of dollars to acquire. More than $25 billion a year is appropriated to agencies for developing space systems. These systems typically take a long time to develop, and often consist of multiple components, including satellites, ground control stations, terminals, and user equipment. Moreover, the nation's satellites are put into orbit by rockets that can cost more than $100 million per launch. We have found that costs of space programs tend to increase significantly from initial cost estimates. A variety of agencies, such as the Federal Aviation Administration, the National Oceanic and Atmospheric Administration, and DHS rely on government space systems to execute their missions,



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but responsibilities for acquiring space systems are diffused across various DOD organizations as well as the intelligence community and the National Aeronautics and Space Administration. Fragmented leadership has led to program challenges and potential duplication in developing multi-billion dollar space systems. In some cases, problems with these systems have been so severe that acquisitions were either canceled or the needed capabilities were severely delayed.

Fragmented leadership and lack of a single authority in overseeing the acquisition of space programs have created challenges for optimally acquiring, developing, and deploying new space systems. This fragmentation is problematic not only because of a lack of coordination that has led to delays in fielding systems, but also because no one person or organization is held accountable for balancing governmentwide needs against wants, resolving conflicts and ensuring coordination among the many organizations involved with space acquisitions, and ensuring that resources are directed where they are most needed. For example, we reported in April 2009 that the coordination of GPS satellites and user equipment segments is not adequately synchronized due to funding shifts and diffuse leadership in the program, likely leading to numerous years of missed opportunities to utilize new capabilities.[35] DOD has taken some steps to better coordinate the GPS segments by creating the Space and Intelligence Office within the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and conducting enterprise level reviews of the GPS program. However, DOD has not yet established a single authority responsible for ensuring that all GPS segments, including user equipment, are synchronized to the maximum extent practicable.

DOD has also undertaken a number of initiatives to improve leadership over defense space acquisitions, but these actions have not been in place long enough to determine whether acquisition outcomes will improve. Moreover, the initiatives do not extend to the space activities across the government. We and others, including the Commission to Assess United States National Security Space Management and Organization, have previously recommended a number of changes to the leadership of the space community and have consistently reported that a lack of strong, centralized leadership has led to inefficiencies and other problems. But the question as to what office or leadership structure above the

[35]GAO, *Global Positioning System: Significant Challenges in Sustaining and Upgrading Widely Used Capabilities*, GAO-09-325 (Washington, D.C.: Apr. 30, 2009).



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department level would be effective and appropriate for coordinating all U.S. government space programs and setting priorities has not been addressed.

We have suggested that OMB work with the National Security Council to assess whether a governmentwide oversight body for space acquisitions is needed. OMB agreed that coordinating space activities across the U.S. government has been and continues to be a major challenge, but is concerned that our recommendation would add an extra layer of space bureaucracy on top of ongoing coordination efforts as well as additional costs and possible confusion regarding roles and authorities among the existing mechanisms. We believe that the recommendation is sufficiently flexible to allow for an implementation approach that would address these concerns.

- *Defense Language and Culture Training*: DOD has emphasized the importance of developing language skills and knowledge of foreign cultures within its forces to meet the needs of current and future military operations and it has invested millions of dollars to provide language and culture training to thousands of servicemembers, including those deploying to ongoing operations. For example, we estimated that DOD invested about $266 million for fiscal years 2005 through 2011 to provide general purpose forces with training support, such as classroom instruction, computer-based training, and training aids. We found that DOD has not developed an integrated approach to reduce fragmentation in the military services' language and culture training approaches and overlap in the content of training products acquired by the military services and other organizations.

  In May 2011, we reported that language and culture training within DOD is not provided through a single department- or servicewide program, but rather multiple DOD organizations oversee the development and acquisition of language and culture training and related products and deliver training.[36] We recommended that the Office of the Under Secretary of Defense for Personnel and Readiness establish internal mechanisms to assist the department in reaching consensus with the military services and other DOD entities on training priorities, synchronize

[36]GAO, *Military Training: Additional Actions Needed to Improve Planning and Coordination of Army and Marine Corps Language and Culture Training*, GAO-11-456 (Washington, D.C.: May 26, 2011).



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the development of service- and departmentwide plans with the budget process, and guide efforts to monitor progress. DOD agreed with our recommendation.

We also found that the military services have not fully coordinated efforts to develop and acquire language and culture training products. As a result, the services have acquired overlapping and potentially duplicative products, such as reference materials containing country- or region-specific cultural information and computer software or web-based training programs that can be used within a distributed learning training environment. To illustrate, we analyzed 18 DOD language and culture training products and found that the content overlapped to some extent with at least one other training product. For Afghan languages, DOD invested in at least five products that were intended to build basic foreign language skills or specific language skills needed to perform military tasks.

We suggested that the Office of the Under Secretary of Defense for Personnel and Readiness and the military services designate organizational responsibility and a supporting process to inventory and evaluate existing language and culture products and plans for additional investments, eliminate any unnecessary overlap and duplication, and adjust resources accordingly, as well as take steps to develop and contract for new products that can be used by more than one military service. DOD agreed that departmentwide coordination efforts could be improved and noted that our analysis would be useful in targeting specific areas for improvement.

- *Federal facility risk assessments:* Federal facilities continue to be vulnerable to terrorist attacks and other acts of violence, as evidenced by the 2010 attacks on the IRS building in Austin, Texas, and the federal courthouse in Las Vegas, Nevada, which resulted in loss of life. DHS's Federal Protective Service (FPS) is the primary federal agency responsible for providing physical security and law enforcement services—including conducting risk assessments—for the approximately 9,000 federal facilities under the control and custody of the General Services Administration. We found that 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.

  We reported in June 2008 and also have recently found that multiple federal agencies are expending additional resources to assess their own facilities; although, according to an FPS official, the agency received $236



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million from federal agencies for risk assessments and other security services in fiscal year 2011.[37] For example, an IRS official stated that IRS completed risk assessments based on concerns about risks unique to its mission for approximately 65 facilities that it also paid FPS to assess. Additionally, Environmental Protection Agency officials said that the agency has conducted its own assessments based on concerns with the quality and thoroughness of FPS's assessments. These assessments are conducted by teams of contractors and agency employees, cost an estimated $6,000, and can take a few days to a week to complete.

FPS's planned risk assessment tool is intended to provide FPS with the capability to assess risks at federal facilities based on threat, vulnerability, and consequence; and track countermeasures to mitigate those risks, but it is unclear if the tool will help minimize duplication. According to an official, FPS planned to use its Risk Assessment and Management Program to complete assessments of about 700 federal facilities in fiscal year 2010 and 2,500 facilities in fiscal year 2011. However, as we reported in July 2011, FPS experienced cost overruns, schedule delays, and operational issues with developing this program and as a result the agency could not use it to complete risk assessments.[38] We found that since November 2009, the agency has only completed four risk assessments using its Risk Assessment and Management Program.

We identified several steps that DHS could take to address duplication in FPS's risk assessments. For example, in July 2011 we recommended that DHS develop interim solutions for completing risk assessments while addressing challenges with the Risk Assessment and Management Program. In addition, in February 2012, we suggested DHS work with federal agencies to determine their reasons for duplicating the activities included in FPS's risk assessments and identify measures to reduce this duplication. DHS agreed with our July 2011 recommendation and has begun taking action to address it, but did not comment on the action we identified in February 2012.

[37]GAO, *Homeland Security: The Federal Protective Service Faces Several Challenges That Hamper Its Ability to Protect Federal Facilities*, GAO-08-683 (Washington, D.C.: June 11, 2008).

[38]GAO, *Federal Protective Service: Actions Needed to Resolve Delays and Inadequate Oversight Issues with FPS's Risk Assessment and Management Program*, GAO-11-705R (Washington, D.C.: July 15, 2011).



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Our 2012 annual report also summarized 19 areas—beyond those directly related to duplication, overlap, or fragmentation—describing other opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collection for the Treasury. These cost saving and revenue-enhancing opportunities also span a wide range of federal government agencies and mission areas (see table 2).

**Table 2: Cost-Saving or Revenue-Enhancing Opportunities Identified**

| Mission | Areas identified |
|---|---|
| Defense | 33. **Air Force Food Service:** 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. |
| | 34. **Defense Headquarters:** The Department of Defense should review and identify further opportunities for consolidating or reducing the size of headquarters organizations. |
| | 35. **Defense Real Property:** 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. |
| | 36. **Military Health Care Costs:** 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. |
| | 37. **Overseas Defense Posture:** The Department of Defense could reduce costs of its Pacific region presence by developing comprehensive cost information and re-examining alternatives to planned initiatives. |
| | 38. **Navy's Information Technology Enterprise Network:** Better informed decisions are needed to ensure a more cost-effective acquisition approach for the Navy's Next Generation Enterprise Network. |
| Economic development | 39. **Auto Recovery Office:** Unless the Secretary of Labor can demonstrate how the Auto Recovery Office has uniquely assisted auto communities, Congress may wish to consider prohibiting the Department of Labor from spending any of its appropriations on the Auto Recovery Office and instead require that the department direct the funds to other federal programs that provide funding directly to affected communities. |
| Energy | 40. **Excess Uranium Inventories:** Marketing the Department of Energy's excess uranium could provide billions in revenue for the government. |
| General government | 41. **General Services Administration Schedules Contracts Fee Rates:** Re-evaluating fee rates on the General Services Administration's Multiple Award Schedules contracts could result in significant cost savings governmentwide. |
| | 42. **U.S. Currency:** Legislation replacing the $1 note with a $1 coin would provide a significant financial benefit to the government over time. |
| | 43. **Federal User Fees:** Regularly reviewing federal user fees and charges can help Congress and federal agencies identify opportunities to address inconsistent federal funding approaches and enhance user financing, thereby reducing reliance on general fund appropriations. |
| | 44. **Internal Revenue Service Enforcement Efforts:** Enhancing the Internal Revenue Service's enforcement and service capabilities can help reduce the gap between taxes owed and paid by collecting billions in tax revenue and facilitating voluntary compliance. |



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| Mission | Areas identified |
|---|---|
| Health | 45. **Medicare Advantage Payment:** The Centers for Medicare and 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. |
| | 46. **Medicare and Medicaid Fraud Detection Systems:** The Centers for Medicare and 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. |
| Homeland security/Law enforcement | 47. **Border Security:** 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. |
| | 48. **Passenger Aviation Security Fees:** Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs. |
| | 49. **Immigration Inspection Fee:** 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 Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than using general fund appropriations. |
| International affairs | 50. **Iraq Security Funding:** 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. |
| Social services | 51. **Domestic Disaster Assistance:** The Federal Emergency Management Agency could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. |

Source: GAO-12-342SP.

Examples of opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections include:

- *Air Force food service*: According to Air Force officials, most Air Force installations have their own individual contracts for food service, with a total cost of approximately $150 million per year for all Air Force installations. We found that the Air Force has opportunities to reduce its overall food service costs by millions of dollars annually by reviewing food service contracts and adjusting them, when appropriate, to better meet the needs of its installations, including aligning labor needs with the actual number of meals served by the dining facilities.

  The Air Force recently undertook an initiative to improve food service at six pilot installations, with intentions to eventually expand this initiative to more Air Force installations. Among other intended outcomes, Air Force officials stated that the first group of pilot installations achieved cost



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savings when compared to their previous contracts while also increasing hours of operation in the dining facilities and serving an additional 500,000 meals per year. We compared the estimated amount of food service labor at the six pilot installations under prior contracts to the projected work schedules under the initiative and found that by adjusting staffing levels for contractor staff at dining facilities, the contractor reduced the total number of labor hours at five of the six pilot installations by 53 percent. For example, at one installation, the number of estimated labor hours decreased from approximately 2,042 hours per week to 920. For the sixth installation where the labor hours did not decrease, the Air Force Audit Agency had recently conducted a review that found that the number of food service personnel did not align with workload estimates. As a result, the Air Force renegotiated its workload estimates and pay rates, resulting in savings of approximately $77,000 annually.

During our review, we discussed the potential opportunity for achieving additional savings by reviewing staffing levels at other installations outside of the initiative with Air Force officials. As a result, the Air Force issued a memorandum directing a review of existing food service contracts to determine if the contracts meet current mission needs. The memorandum indicated that special attention must be given to whether the food service contract workload estimates were properly aligned with the actual number of meals served. In July 2011, we recommended that the Secretary of the Air Force monitor the actions taken in response to the direction to review food service contracts, and take actions, as appropriate, to ensure that cost-savings measures are implemented.[39] According to Air Force officials, eight installations have recently reviewed and renegotiated their food service contracts for a total savings of over $2.5 million per year. The potential exists for other installations that rely on contracts to meet their food service needs to achieve similar financial benefits. For example, the Air Force has requested that each of its installations conduct a 100 percent review of existing food service contracts to determine if their current contract workload estimates meet current mission needs or if the contracts require modification. In addition, the Office of the Secretary of Defense planned to share the results of the Air Force's review of its food service labor costs to achieve cost savings with the other military services.

[39]GAO, *Defense Management: Actions Needed to Improve Management of Air Force's Food Transformation Initiative*, GAO-11-676 (Washington, D.C.: July 26, 2011).



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- *Navy information technology network*: In 2007, the Navy established the Next Generation Enterprise Network program (NGEN) to replace and improve the Navy Marine Corps Intranet. According to the President's fiscal year 2012 budget request, the NGEN program has spent about $434 million on work associated with the transition from the Navy Marine Corps Intranet. The Navy estimated that NGEN would cost approximately $50 billion to develop, operate, and maintain through fiscal year 2025. We found that better informed decisions were needed to ensure a more cost-effective acquisition approach for the Navy's NGEN program.

  We reported in March 2011 that the Navy selected an approach that was not considered as part of its analysis of alternatives and that it estimated would cost at least $4.7 billion more than any of the four assessed alternatives.[40] In addition, we reported that the Navy's schedule for NGEN also did not provide a reliable basis for program execution because it did not adequately satisfy key schedule estimating best practices, such as establishing the critical path (the sequence of activities that, if delayed, impacts the planned completion date of the project) and assigning resources to all work activities. We also found that the Navy's acquisition decisions were not always performance- or risk-based. In particular, senior executives approved the NGEN program's continuing progress in the face of known performance shortfalls and risks.

  To address these weaknesses, we recommended in March 2011 that the Navy limit further investment in NGEN until it conducts an immediate interim review to reconsider the selected acquisition approach. We also identified an additional action that the Navy could take to facilitate implementation of the approach resulting from this review by ensuring that the NGEN schedule reflects key schedule estimating practices and future program reviews and decisions fully reflect the program's performance and exposure to risk. DOD agreed with our recommendation to ensure that future NGEN acquisition reviews and decisions fully reflect the state of the program's performance and its exposure to risks. The department did not agree with our recommendation to reconsider its acquisition approach; however, the Navy is currently in the process of reviewing and making changes to the NGEN acquisition strategy. We are undertaking work that will assess the extent to which the Navy has

[40]GAO, *Information Technology: Better Informed Decision Making Needed on Navy's Next Generation Enterprise Network Acquisition*, GAO-11-150 (Washington, D.C.: Mar. 11, 2011).



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conducted its interim review to reconsider its acquisition approach and evaluate the revised strategy.

- *DOD health care costs*: DOD spends billions of dollars annually on its worldwide healthcare system. Currently, health care costs constitute nearly 10 percent of DOD's baseline budget request. For its fiscal year 2012 budget, according to DOD documentation, DOD received $52.7 billion[41] to provide health care to approximately 9.6 million active duty servicemembers, reservists, retirees, and their dependents. DOD recognizes that it must address the rate at which health care costs are rising and has stated that it intends to continue to develop health care initiatives that will improve the quality and standard of care, while reducing growth in overall costs.[42] Our ongoing work has found that DOD has identified 11 initiatives intended to slow the rise in its health care costs, but it has not fully applied results-oriented management practices to its efforts or an overall monitoring process, which limits its effectiveness in implementing these initiatives and achieving related cost savings goals.

  DOD's initiatives consist primarily of changes to clinical and business practices in areas ranging from primary care to psychological health to purchased care reimbursement practices. Partly in response to our ongoing work assessing DOD's management of its initiatives, the department has taken some initial steps toward managing their implementation by developing a number of high-level, non-monetary metrics and corresponding goals for each strategic initiative, and other management tools, such as implementation plans that will include key elements such as investment costs and savings estimates. However, DOD currently has completed only one implementation plan, which contains the one available cost savings estimate among all the initiatives. Without completing its plans and incorporating elements such as problem definitions, resources needed, goals, performance measures, and cost estimates into them, DOD will not be fully aware if these initiatives are achieving projected cost savings and other performance goals.

[41]DOD's fiscal year 2012 budget of $52.7 billion for its Unified Medical Budget includes $32.5 billion for the Defense Health Program, $8.3 billion for military personnel, $1.1 billion for military construction, and $10.8 billion for the Medicare Eligible Retiree Health Care Fund. The total excludes overseas contingency operations funds and other transfers.

[42]DOD, *Quadrennial Defense Review Report*, February 2010.



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In addition, DOD has not completed the implementation of an overall monitoring process across its portfolio of initiatives for overseeing the initiatives' progress or identified accountable officials and their roles and responsibilities for all of its initiatives. DOD's 2007 *Task Force on the Future of Military Health Care* noted that the current Military Health System does not function as a fully integrated health care system.[43] For example, while the Assistant Secretary of Defense for Health Affairs controls the Defense Health Program budget, the services directly supervise their medical personnel and manage their military treatment facilities. Therefore, as Military Health System leaders develop and implement their plans to control rising health care costs, they will need to work across multiple authorities and areas of responsibility. Until DOD fully implements a military-wide mechanism to monitor progress and identify accountable officials, including their roles and responsibilities across its portfolio of initiatives, DOD may be hindered in its ability to achieve a more cost-efficient military health system.

In order to enhance its efforts to manage rising health care costs and demonstrate sustained leadership commitment for achieving the performance goals of the Military Health System's strategic initiatives, we plan to recommend as part of our ongoing work that DOD complete and fully implement detailed implementation plans for each of the approved health care initiatives in a manner consistent with results-oriented management practices, such as the inclusion of upfront investment costs and cost savings estimates; and complete the implementation of an overall monitoring process across its portfolio of initiatives for overseeing the initiatives' progress and identifying accountable officials and their roles and responsibilities for all of its initiatives. We believe that DOD may realize projected cost savings and other performance goals by taking these actions to help ensure the successful implementation of its cost savings initiatives. Given that DOD identified these initiatives as steps to slow the rapidly growing costs of its medical program, if implemented these initiatives could potentially save DOD millions of dollars. DOD generally agreed with our planned recommendations.

- *Excess uranium inventories*: DOE maintains large inventories of depleted and natural uranium that it no longer requires for nuclear weapons or fuel for naval nuclear propulsion reactors. We reported in March and April

[43]Defense Health Board, *Task Force on the Future of Military Health Care* (December 2007).



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2008 and again in June 2011 that under certain conditions, the federal government could generate billions of dollars by marketing inventories of excess uranium to commercial power plants to use in their reactors.[44]

Specifically, we identified options that DOE could take to market the excess uranium inventories for commercial use. For example, DOE could contract to re-enrich inventories of depleted uranium hexafluoride (a by-product of the uranium enrichment process), consisting of hundreds of thousands of metric tons of material that are stored at DOE's uranium enrichment plants. Although DOE would have to pay for processing, the resulting re-enriched uranium could be potentially sold if the sales price of the uranium exceeded processing costs. DOE could also pursue an option of selling the depleted uranium inventory "as-is". This approach would require DOE to obtain the appropriate statutory authority to sell depleted uranium in its current unprocessed form. Firms such as nuclear power utilities and enrichment companies might find it cost effective to purchase the uranium and re-enrich it as a source of nuclear fuel.

If executed in accordance with federal law, DOE sales of natural uranium could generate additional revenue for the government. Natural uranium on its own cannot fuel nuclear reactors and weapons. Rather, it is shipped to a conversion facility, where it is converted for the enrichment process. We reported in September 2011 that in 7 transactions executed since 2009 DOE has, in effect, sold nearly 1,900 metric tons of natural uranium into the market, using a contractor as a sales agent, to fund environmental cleanup services.[45] DOE characterized these sales as barter transactions—exchanges of services (environmental cleanup work) for materials (uranium). While DOE received no cash directly from the transactions, it allowed its contractor to keep cash from the sales, which DOE would otherwise have owed to the United States Treasury. Because federal law requires an official or agent of the government receiving money for the

[44]See GAO, *Nuclear Material: DOE Has Several Potential Options for Dealing with Depleted Uranium Tails, Each of Which Could Benefit the Government*, GAO-08-606R (Washington, D.C.: Mar. 31, 2008); *Nuclear Material: Several Potential Options for Dealing with DOE's Depleted Uranium Tails Could Benefit the Government*, GAO-08-613T (Washington, D.C.: Apr. 3, 2008); and *Nuclear Material: DOE's Depleted Uranium Tails Could Be a Source of Revenue for the Government*, GAO-11-752T (Washington, D.C.: June 13, 2011).

[45]GAO, *Excess Uranium Inventories: Clarifying DOE's Disposition Options Could Help Avoid Further Legal Violations*, GAO-11-846 (Washington, D.C.: Sept. 26, 2011).



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government from any source to deposit the money in the Treasury, we found that these transactions violated the miscellaneous receipts statute.

We have reported that congressional action may be needed to overcome legal obstacles to the pursuit of certain options for the sale of depleted and natural uranium. Specifically, our March 2008 report suggested that Congress may wish to explicitly provide direction about whether and how DOE may sell or transfer depleted uranium in its current form. Our September 2011 report suggested that if Congress sees merit in using the proceeds from the barter, transfer, or sale of federal uranium assets to pay for environmental cleanup work, it could consider providing DOE with explicit authority to barter excess uranium and to retain the proceeds from these transactions. We also suggested that Congress could direct DOE to sell uranium for cash and make those proceeds available by appropriation for environmental cleanup work.

Congress has taken some actions in response to our work. For example, the Consolidated Appropriations Act, 2012, among other things, requires the Secretary of Energy to provide congressional appropriations committees with information on the transfer, sale, barter, distribution, or other provision of uranium in any form and an estimate of the uranium value along with the expected recipient of the material. The Consolidated Appropriations Act, 2012 also requires the Secretary to submit a report evaluating the economic feasibility of re-enriching depleted uranium.

- *Medicare and Medicaid fraud detection systems*: We have designated Medicare and Medicaid as high-risk programs, in part due to their susceptibility to improper payments—estimated to be about $65 billion in fiscal year 2011. To integrate data about all types of Medicare and Medicaid claims and improve its ability to detect fraud, waste, and abuse in these programs, the Centers for Medicare and Medicaid Services (CMS) initiated two information technology programs—the Integrated Data Repository, which is intended to provide a centralized repository of claims data for all Medicare and Medicaid programs, and One Program Integrity, a set of tools that enables CMS contractors and staff to access and analyze data retrieved from the repository. According to CMS officials, the systems are expected to provide financial benefits of more than $21 billion by the end of fiscal year 2015. We found that CMS 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.



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We reported in June 2011 that CMS had developed and begun using both systems, but was not yet positioned to identify, measure, or track benefits realized from these programs.[46] For example, although in use since 2006, the Integrated Data Repository did not have Medicaid claims data or information from other CMS systems that store and process data related to the entry, correction, and adjustment of claims due to funding and other technical issues. These data are needed to help analysts prevent improper payments. Program officials told us that they had begun incorporating these data in September 2011 and planned to make them available to program integrity analysts in spring 2012. Regarding Medicaid data, agency officials stated that they did not account for difficulties associated with integrating data from the various types and formats of data stored in disparate state systems or develop reliable schedules for its efforts to incorporate these data. In particular, program officials did not consider certain risks and obstacles, such as technical challenges, as they developed schedules for implementing the Integrated Data Repository. Lacking reliable schedules, CMS may face additional delays in making available all the data that are needed to support enhanced program integrity efforts.

In addition, CMS had not trained its broad community of analysts to use the One Program Integrity system because of delays introduced by a redesign of initial training plans that were found to be insufficient. Specifically, program officials planned for 639 analysts to be using the system by the end of fiscal year 2010; however only 41—less than 7 percent—were actively using it as of October 2010. Because of these delays, the initial use of the system was limited to a small number of CMS staff and contractors. In updating the status of the training efforts in November 2011, although we did not validate these data, CMS officials reported that a total of 215 program integrity analysts had been trained and were using the system. However, program officials had not finalized plans and schedules for training all intended users.

In June 2011, we recommended that CMS take a number of actions to help ensure the program's success toward achieving the billions of dollars in financial benefits that program integrity officials projected, such as finalizing plans and reliable schedules for incorporating additional data

[46]GAO, *Fraud Detection Systems: Centers for Medicare and Medicaid Services Needs to Ensure More Widespread Use*, GAO-11-475 (Washington, D.C.: June 30, 2011).



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into the Integrated Data Repository and conducting training for all analysts who are intended to use the One Program Integrity system. CMS agreed with our recommendations and identified steps the agency is taking to implement them. We plan to conduct additional work to determine whether CMS has addressed our recommendations and identified financial benefits and progress toward meeting agency goals resulting from the implementation of its fraud detection systems.

- *Medicare Advantage*: In fiscal year 2010, the federal government spent about $113 billion on the Medicare Advantage program, a private plan alternative to the original Medicare program that covers about a quarter of Medicare beneficiaries. CMS, the agency that administers Medicare, adjusts payments to Medicare Advantage plans based on the health status of each plan's enrollees. The agency 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.

  CMS calculates a risk score for every beneficiary—a relative measure of health status—which is based on a beneficiary's demographic characteristics, such as age and gender, and major medical conditions. To obtain information on the medical conditions of beneficiaries in traditional Medicare, CMS generally analyzes diagnoses—numerically coded by providers into Medicare defined categories—on the claims that providers submit for payment. For beneficiaries enrolled in Medicare Advantage plans, which do not submit claims, CMS requires plans to submit diagnostic codes for each beneficiary. Analysis has shown that risk scores are higher for Medicare Advantage beneficiaries than for beneficiaries in traditional Medicare with the same characteristics.

  Medicare Advantage plans have a financial incentive to ensure that all relevant diagnoses are coded, as this can increase beneficiaries' risk scores and, ultimately, payments to the plans. Many traditional Medicare providers are paid for services rendered, and providers have less incentive to code all relevant diagnoses. Policymakers have expressed concern that risk scores for Medicare Advantage beneficiaries have grown at a faster rate than those for traditional Medicare, in part because of differences in coding diagnoses. In 2005, Congress directed CMS to analyze and adjust risk scores for differences in coding practices, and in 2010, CMS estimated that 3.41 percent of Medicare Advantage risk scores were due to differences in diagnostic coding practices. It reduced the scores by an equal percentage, thereby saving $2.7 billion.



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We identified shortcomings in CMS's method for adjusting Medicare Advantage payments to reflect differences in diagnostic coding practices between Medicare Advantage and traditional Medicare. CMS did not use the most recent risk score data for its estimates; account for the increasing annual impact of coding differences over time; or account for beneficiary characteristics beyond differences in age and mortality between the Medicare Advantage and traditional Medicare populations, such as sex, Medicaid enrollment status, and beneficiary residential location. We estimated that a revised methodology that addressed these shortcomings could have saved Medicare between $1.2 billion and $3.1 billion in 2010 in addition to the $2.7 billion in savings that CMS's 3.41 percent adjustment produced. We expect that savings in future years will be greater. In January 2012, we recommended that CMS take action to help ensure appropriate payments to Medicare Advantage plans and improve the accuracy of the adjustment made for differences in coding practices over time.[47] The Department of Health and Human Services characterized our results as similar to those obtained by CMS.

- *User fees*: User fees assign part or all of the costs of federal programs and activities—the cost of providing a benefit that is above and beyond what is normally available to the general public—to readily identifiable users of those programs and activities. Regularly reviewing federal user fees and charges can help Congress and federal agencies identify opportunities to address inconsistent federal funding approaches and enhance user financing, thereby reducing reliance on general fund appropriations.

  The Chief Financial Officers Act of 1990 (CFO Act) requires agencies to biennially review their fees and to recommend fee adjustments, as appropriate; additionally, OMB Circulars No. A-11 and No. A-25 direct agencies to discuss the results of these reviews and any resulting proposals, such as adjustments to fee rates, in the CFO annual report required by the CFO Act.[48] In 2011, we surveyed the 24 agencies covered by the CFO Act on their review of user fees. Twenty-one of the 23 agencies that responded reported charging more than 3,600 fees and

[47]GAO, *Medicare Advantage: CMS Should Improve the Accuracy of Risk Score Adjustments for Diagnostic Coding Practices*, GAO-12-51 (Washington, D.C.: Jan. 12, 2012).

[48]Pub. L. No. 101-576 (1990).



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collecting nearly $64 billion in fiscal year 2010, but agency responses indicated varying levels of adherence to the biennial review and reporting requirements. The survey responses indicated that for most fees, agencies (1) had not discussed fee review results in annual reports, and (2) had not reviewed the fees and were inconsistent in their ability to provide fee review documentation.

We found specific examples where a comprehensive review of user fees could lead to cost savings or enhanced revenues for the government. For example, reviewing and adjusting as needed the air passenger immigration inspection user fee to fully recover the cost of the air passenger immigration inspection activities could reduce general fund appropriations for those activities. International air passengers arriving in the United States are subject to an immigration inspection to ensure that they have legal entry and immigration documents. International air passengers pay the immigration inspection fee when they purchase their airline tickets, but the rate has not been adjusted since fiscal year 2002. In recent years, U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection, the agencies responsible for conducting inspection activities, have relied on general fund appropriations to help fund activities for which these agencies have statutory authority to fund with user fees. In fiscal year 2010, this amounted to over $120 million for the U.S. Customs and Border Protection alone. In September 2007, we recommended that the Secretary of Homeland Security report immigration inspection activity costs to ensure fees are divided between U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection according to their respective immigration inspection activity costs and to develop a legislative proposal to adjust the air passenger immigration inspection fee if it was found to not recover the costs of inspection activities. DHS agreed with our recommendations, but some of the recommendations remain unimplemented.[49] In February 2012, we suggested that Congress may wish to require the Secretary of Homeland Security to fully implement these recommendations which would serve to help to better align air passenger immigration inspection fee revenue with the costs of providing these services and achieve cost savings by reducing the reliance on general fund appropriations.

[49]GAO, *Federal User Fees: Key Aspects of International Air Passenger Inspection Fees Should Be Addressed Regardless of Whether Fees Are Consolidated*, GAO-07-1131 (Washington, D.C.: Sept. 24, 2007).



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Similarly, we identified options for adjusting the passenger aviation security fee, a uniform fee on passengers of U.S. and foreign air carriers originating at airports in the United States. Passenger aviation security fees collected offset amounts appropriated to the Transportation Security Administration for aviation security. In recent years, several options have been considered for increasing the passenger aviation security fee. However, the fee has not been increased since it was imposed in February 2002. We suggested that Congress may wish to consider increasing the passenger security fee. Such an increase could further offset the need for appropriated funds to support civil aviation security costs from about $2 billion to $10 billion over 5 years.

- *Tax gap*: The financing of the federal government depends largely on the IRS's ability to collect federal taxes every year, which totaled $2.34 trillion in 2010. For the most part, taxpayers voluntarily report and pay their taxes on time. However the size and persistence of the tax gap—estimated in 2012 for the 2006 tax year to be a $385 billion difference between the taxes owed and taxes IRS ultimately collected for that year—highlight the need to make progress in improving compliance by those taxpayers who do not voluntarily pay what they owe. Given that tax noncompliance ranges from simple math errors to willful tax evasion, no single approach is likely to fully and cost-effectively address the tax gap. A multifaceted approach to improving compliance that includes enhancing IRS's enforcement and service capabilities can help reduce the tax gap.

  One approach we have identified is the expansion of third-party information reporting, which improves taxpayer compliance and enhances IRS's enforcement capabilities. The tax gap is due predominantly to taxpayer underreporting and underpayment of taxes owed. At the same time, taxpayers are much more likely to report their income accurately when the income is also reported to IRS by a third party. By matching information received from third-party payers with what payees report on their tax returns, IRS can detect income underreporting, including the failure to file a tax return. Expanding information reporting to cover payments for services by all owners of rental real estate and to cover payments to corporations for services would improve payee compliance. The Joint Committee on Taxation estimated revenue increases of $5.9 billion over a 10-year period for just these two expansions.



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## Status of Actions Taken to Address the Areas Identified in 2011 Annual Report

In our 2011 annual report, we suggested a wide range of actions for Congress and the executive branch to consider such as developing strategies to better coordinate fragmented efforts, implementing executive initiatives to improve oversight and evaluation of overlapping programs, considering enactment of legislation to facilitate revenue collection and examining opportunities to eliminate potential duplication through streamlining, collocating, or consolidating efforts or administrative services. For our 2011 follow-up report, we assessed the extent to which Congress and the executive branch addressed the 81 areas—including a total of 176 actions—to reduce or eliminate unnecessary duplication, overlap, or fragmentation or achieve other potential financial benefits.

Our assessment of progress made as of February 10, 2012, found that 4 (or 5 percent) of the 81 areas GAO identified were addressed; 60 (or 74 percent) were partially addressed; and 17 (or 21 percent) were not addressed. Appendix I presents GAO's assessment of the overall progress made in each area. In updating the actions we identified in the 2011 annual report, we asked the agencies involved and the Office of Management and Budget (OMB) for their review and incorporated comments as appropriate. We applied the following criteria in making these overall assessments for the 81 areas. We determined that an area was:

- "addressed" if all actions needed in that area were addressed;
- "partially addressed" if at least one action needed in that area showed some progress toward implementation, but not all actions were addressed; and
- "not addressed" if none of the actions in that area were addressed.

As of February 10, 2012, the majority of 176 actions needed within the 81 areas identified by GAO have been partially addressed. Specifically, 23 (or 13 percent) were addressed;[50] 99 (or 56 percent) were partially addressed; 54 (or 31 percent) were not addressed. We applied the following criteria in making these assessments.

[50]In one instance, the legislative action needed required Congress to consider several options, including allowing a tax credit to expire. Thus, because Congress did not renew the provision, the action was considered addressed.



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For legislative branch actions:

- "addressed," means relevant legislation is enacted and addresses all aspects of the action needed;[51]
- "partially addressed," means a relevant bill has passed a committee, the House or 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.

For executive branch actions:

- "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 and/or agencies have made minimal or no progress toward implementing the action needed.

In addition to the actions reported above, Congress has held a number of hearings and OMB has provided guidance to executive branch agencies on areas that we identified that could benefit from increased attention and ongoing oversight. Since the issuance of our March 2011 report, we have testified numerous times on our first annual report and on specific issues highlighted in the report. Further, OMB has instructed agencies to consider areas of duplication or overlap identified in our 2011 report and by others in their fiscal year 2013 budget submissions and management plans. The OMB guidance also advised agencies to take a number of other steps to enhance efficiency, such as identifying and including in their budget submissions cost-saving efforts that will improve operational efficiency and taxpayers' rate of return, including program integration,

[51]In situations where the action we identified as needed suggested that Congress should let a provision expire, we classified it as "addressed" if Congress permitted such expiration to happen.



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reorganizations within and between agency components, and resource realignment to improve public services.

In conclusion Mr. Chairman, Ranking Member Collins, and Members of the Committee, options exist for Congress and agencies to reexamine the federal government's structure and operations in order to improve its efficiency and effectives. A number of the issues are difficult to address and implementing many of the actions identified will take time and sustained leadership. This concludes my prepared statement. I would be pleased to answer any questions you may have. Thank you.

The information in this statement is based upon work conducted for completed GAO products and certain ongoing audits, which were conducted in accordance with generally accepted government auditing standards or with our Quality Assurance Framework as appropriate. For further information on this testimony, please contact Janet St. Laurent, Managing Director, Defense Capabilities and Management, who may be reached at (202) 512-4300, or StLaurentJ@gao.gov; and Zina Merritt, Director, Defense Capabilities and Management, who may be reached at (202) 512-4300, or MerrittZ@gao.gov. Specific questions about individual issues may be directed to the area contact listed at the end of each area summary in the reports. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.



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# Appendix I: Overall Progress Made in Each of the 81 Areas Identified in GAO's 2011 Annual Report

This appendix presents a summary of GAO's assessment of the overall progress made in each of the 81 areas that we identified in our March 2011 report[1] in which Congress and the executive branch could take actions to reduce or eliminate potential duplication, overlap, and fragmentation or achieve other potential financial benefits. For each of the 34 areas related to duplication, overlap, or fragmentation that GAO identified, table 3 presents GAO's assessment of the overall progress made in implementing the actions needed in that area. For each of the 47 areas where GAO identified cost saving or revenue enhancement opportunities, table 4 presents GAO's assessment of the overall progress made in implementing the actions GAO identified.

**Table 3: Overall Progress Made in Each of the GAO Identified Areas of Potential Duplication, Overlap, and Fragmentation, as of February 10, 2012**

| Mission | Areas identified | Assessment |
|---|---|---|
| Agriculture | 1. Fragmented **food safety** system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources | ◐ |
| 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 | ◐ |
| | 3. Opportunities exist for consolidation and increased efficiencies to maximize response to **warfighter urgent needs** | ◐ |
| | 4. Opportunities exist to avoid unnecessary redundancies and improve the coordination of **counter-improvised explosive device efforts** | ◐ |
| | 5. Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of **intelligence, surveillance,** and **reconnaissance** capabilities | ◐ |
| | 6. A departmentwide acquisition strategy could reduce DOD's risk of costly duplication in purchasing **Tactical Wheeled Vehicles** | ◐ |
| | 7. Improved joint oversight of DOD's **prepositioning programs** for equipment and supplies may reduce unnecessary duplication | ◐ |
| | 8. **DOD's business systems** modernization: opportunities exist for optimizing business operations and systems | ◐ |
| Economic development | 9. The efficiency and effectiveness of fragmented **economic development programs** are unclear | ◐ |
| | 10. The federal approach to **surface transportation** is fragmented, lacks clear goals, and is not accountable for results | ◐ |

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



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| Mission | Areas identified | Assessment |
|---|---|---|
| | 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 | ○ |
| **Energy** | 12. Resolving conflicting requirements could more effectively achieve **federal fleet energy goals** | ○ |
| | 13. Addressing duplicative federal efforts directed at increasing **domestic ethanol production** could reduce revenue losses by more than $5.7 billion annually | ● |
| **General government** | 14. **Enterprise architectures:** key mechanisms for identifying potential overlap and duplication | ◐ |
| | 15. Consolidating **federal data** centers provides opportunity to improve government efficiency | ◐ |
| | 16. Collecting improved data on **interagency contracting** to minimize duplication could help the government leverage its vast buying power | ◐ |
| | 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 | ○ |
| **Health** | 18. Opportunities exist for **DOD** and **VA** to jointly modernize their **electronic health record systems** | ◐ |
| | 19. **VA** and **DOD** need to control **drug** costs and increase **joint contracting** wherever it is cost-effective | ◐ |
| | 20. The Department of Health and Human Services needs an overall strategy to better integrate nationwide **public health information** systems | ○ |
| **Homeland security/ Law enforcement** | 21. Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against **biological threats** | ◐ |
| | 22. DHS oversight could help eliminate potential duplicating efforts of interagency forums in **securing** the **northern border** | ○ |
| | 23. The Department of Justice plans actions to reduce overlap in **explosives investigations**, but monitoring is needed to ensure successful implementation | ● |
| | 24. **The Transportation Security Administration's (TSA) security assessments** on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap | ◐ |
| | 25. DHS could streamline mechanisms for **sharing security-related information** with **public transit agencies** to help address overlapping information | ◐ |
| | 26. **FEMA** needs to improve its oversight of **grants** and establish a framework for assessing capabilities to identify gaps and prioritize investments | ◐ |
| **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** | ◐ |
| | 28. Despite restructuring, overlapping roles and functions still exist at the Department of State's **Arms Control** and **Nonproliferation Bureaus** | ● |
| **Social services** | 29. Actions needed to reduce administrative overlap among **domestic food assistance** programs | ○ |
| | 30. Better coordination of federal **homelessness** programs may minimize fragmentation and overlap | ◐ |



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| Mission | Areas identified | Assessment |
|---|---|---|
| | 31. Further steps needed to improve cost-effectiveness and enhance services for **transportation-disadvantaged** persons | ◐ |
| **Training, employment, and education** | 32. Multiple **employment** and **training** programs: providing information on collocating services and consolidating administrative structures could promote efficiencies | ◐ |
| | 33. **Teacher quality**: proliferation of programs complicates federal efforts to invest dollars effectively | ◐ |
| | 34. Fragmentation of **financial literacy** efforts makes coordination essential | ◐ |

Legend:

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

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

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

Source: GAO analysis.

As noted above, table 4 presents GAO's assessment of the overall progress made in addressing the 47 cost-saving and revenue-enhancing areas.

**Table 4: Overall Progress Made to Address GAO-Identified Cost-Saving and Revenue-Enhancing Areas, as of February 10, 2012**

| Mission | Areas identified | Assessment |
|---|---|---|
| **Agriculture** | 35. Reducing some **farm program payments** could result in savings from $800 million over 10 years to up to $5 billion annually | ○ |
| **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 | ◐ |
| | 37. Total compensation approach is needed to manage significant growth in **military personnel costs** | ◐ |
| | 38. Employing best management practices could help DOD save money on its **weapon systems acquisition programs** | ◐ |
| | 39. More efficient management could limit future costs of **DOD's spare parts** inventory | ◐ |
| | 40. More comprehensive and complete cost data can help DOD improve the cost-effectiveness of **sustaining weapon systems** | ◐ |
| | 41. Improved **corrosion prevention** and control practices could help DOD avoid billions in unnecessary costs over time | ◐ |
| **Economic development** | 42. Revising the **essential air service** program could improve efficiency | ◐ |
| | 43. Improved design and management of the **universal service fund** as it expands to support broadband could help avoid cost increases for consumers | ◐ |
| | 44. The **Corps of Engineers** should provide Congress with project-level information on **unobligated balances** | ◐ |



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| Mission | Areas identified | Assessment |
|---|---|---|
| Energy | 45. Improved management of federal **oil and gas resources** could result in approximately $1.8 billion over 10 years[a] | ◐ |
| General government | 46. Efforts to address **governmentwide improper payments** could result in significant cost savings | ◐ |
| | 47. Promoting **competition for** the over $500 billion in **federal contracts** could potentially save billions of dollars over time | ◐ |
| | 48. Applying **strategic sourcing** best practices throughout the federal procurement system could saves billions of dollars annually | ◐ |
| | 49. Adherence to new guidance on **award fee contracts** could improve agencies' use of award fees to produce savings | ◐ |
| | 50. Agencies could realize cost savings of at least $3 billion by continued disposal of **unneeded federal real property** | ◐ |
| | 51. Improved cost analyses used for making **federal facility ownership** and **leasing** decisions could save tens of millions of dollars | ◐ |
| | 52. OMB'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 | ◐ |
| | 53. Increasing **electronic filing** of individual income **tax returns** could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars | ◐ |
| | 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 $3.8 billion[b] | ◐ |
| | 55. Better management of **tax debt collection** may resolve cases faster with lower IRS costs and increase debt collected | ◐ |
| | 56. Broadening IRS's authority to correct **simple tax return errors** could facilitate correct tax payments and help IRS avoid costly, burdensome audits | ○ |
| | 57. Enhancing **mortgage interest information** reporting could improve tax compliance | ○ |
| | 58. More information on the types and uses of canceled debt could help IRS limit revenue losses of **forgiven mortgage debt** | ◐ |
| | 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** | ◐ |
| | 60. Revisions to content and use of **Form 1098-T** could help IRS enforce higher education requirements and increase revenues | ◐ |
| | 61. Many options could improve the tax compliance of **sole proprietors** and begin to reduce their $68 billion portion of the tax gap | ○ |
| | 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 | ◐ |
| | 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 | ◐ |
| | 64. IRS needs an agencywide approach for addressing tax evasion among the at least 1 million **networks of businesses** and related entities | ◐ |
| | 65. Opportunities exist to improve the targeting of the $6 billion **research tax credit** and reduce forgone revenue | ○ |



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| Mission | Areas identified | Assessment |
|---|---|---|
| | 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 | ○ |
| | 67. Limiting the tax-exempt status of certain **governmental bonds** could yield revenue | ○ |
| | 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 | ◐ |
| | 69. IRS may be able to systematically identify **nonresident aliens** reporting unallowed tax deductions or credits | ● |
| | 70. Tracking **undisbursed balances** in **expired grant accounts** could facilitate the reallocation of scarce resources or the return of funding to the Treasury | ○ |
| **Health** | 71. Preventing billions in **Medicaid improper payments** requires sustained attention and action by CMS | ◐ |
| | 72. Federal oversight over **Medicaid supplemental payments** needs improvement, which could lead to substantial cost savings | ○ |
| | 73. Better targeting of **Medicare's** claims review could reduce **improper payments** | ◐ |
| | 74. Potential savings in **Medicare's payment** for **health care** | ◐ |
| **Homeland security/ Law enforcement** | 75. **DHS's management of acquisitions** could be strengthened to reduce cost overruns and schedule and performance shortfalls | ◐ |
| | 76. Improvements in **managing research and development** could help reduce inefficiencies and costs for homeland security | ◐ |
| | 77. Validation of **TSA's behavior-based screening program** is needed to justify funding or expansion | ◐ |
| | 78. More efficient **baggage screening systems** could result in about $470 million in reduced TSA personnel costs over the next 5 years | ◐ |
| | 79. Clarifying availability of certain **customs fee collections** could produce a one-time savings of $640 million | ◐ |
| **Income security** | 80. **Social Security** needs data on pensions from noncovered earnings to better enforce **offsets** and ensure benefit fairness, estimated to result in $2.4-$2.9 billion savings over 10 years | ○ |
| **International affairs** | 81. Congress could pursue several options to improve collection of **antidumping** and **countervailing duties** | ○ |

Legend:

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

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

Source: GAO analysis.

[a]The Department of the Interior, Bureau of Land Management, updated the anticipated revenues from $1.75 billion to $1.8 billion in its fiscal year 2012 budget justification.

[b]The net tax gap was updated in 2012 and estimated to be $385 billion for the 2006 tax year. Thus, a 1 percent reduction would increase tax revenues by $3.8 billion.



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**Testimony of Daniel Werfel,**
**Controller,**
**Office of Management and Budget**

**Before the Committee on Homeland Security and Government Affairs, U.S. Senate**
**March 21, 2012**

Chairman Lieberman, Ranking Member Collins, and Members of the Committee, I appreciate the opportunity to testify on the Reforming and Consolidating Government Act of 2012. Mr. Chairman, I would like to thank you and Senator Warner for introducing the legislation. Also, I want to commend you and Senator Collins for your commitment as Chair and Ranking Member of the Committee to working to improve the effectiveness and efficiency of executive departments and agencies. The Administration looks forward to continuing to work with you on these efforts.

From the beginning of the Administration, the President has focused on making Government more efficient and accountable – getting rid of waste, saving money and making government services more responsive. The Administration continues to pursue a number of actions to cut waste, reduce duplication, and improve government performance through the annual appropriations process, executive actions, and, now, seeking legislative authority to reform and consolidate the Federal Government. The Administration firmly believes that passage of the Reforming and Consolidating Government Act of 2012 is crucial to creating a leaner and more effective Government.

Before discussing the legislation, I would like to highlight a few examples of the Administration's efforts.

In each of his three previous budgets, the President identified, on average, more than 150 terminations totaling $25 billion each year in reductions, consolidations, and savings from Federal programs and practices. The 2012 Budget proposed nearly $25 billion in discretionary terminations and reductions, and Congress enacted $23 billion of the requested reductions. In the 2013 Budget, the Administration is proposing cuts, consolidations, and savings across the Federal Government totaling more than $24 billion in the upcoming fiscal year.

Through executive actions, the Administration has taken a variety of steps to eliminate overlap, cut expenses, and deliver better value for the American people. In the area of Federal real estate, for example, the President issued a memorandum entitled "Disposing of Unneeded Federal Real Estate" that directed agencies to accelerate efforts to identify and eliminate excess properties. Agencies have made substantial progress in implementing that memorandum and plan to exceed the President's goal of $3 billion in cost savings by the end of this fiscal year.

The Administration is also aggressively pursuing efforts to reduce improper payments, and recover improper payments when they do occur. When the President took office, improper payments were on a steady rise. By taking tough new steps to fight waste, fraud and abuse in high-error programs, we have avoided over $20 billion in improper payments over the past two years, and



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recaptured nearly $2 billion in overpayments. And we have brought the error rate down by nearly a full percentage point government-wide.

Changing the way Washington works is a priority for the President. This commitment is reflected in the proposal before this Committee to reinstate Presidential authority to reorganize and consolidate Federal agencies. The Federal Government needs to be leaner, smarter, and more consumer-friendly to continue giving our communities, businesses, and workers the tools they need to thrive and strengthen American competitiveness and innovation. The Reforming and Consolidating Government Act would reinstate an authority granted to past Presidents to streamline and reform the Executive Branch subject to an expedited up or down vote by Congress. The legislation would enable the President, with the consent of Congress, to streamline the Federal Government to maximize effectiveness, cut duplication, and better serve the American people. This is the same sort of authority that every business owner has to make sure that his or her company keeps pace with the times. And the President has made clear that he will only use this authority for reforms that result in more efficiency, better service, and a leaner Government.

**The Reforming and Consolidating Government Act of 2012**

For almost the entire period from 1932 through 1984, Presidents had the authority to submit proposals to Congress to reorganize the Executive Branch via a fast-track procedure. The authority created a route for efficient reorganizations of the Executive Branch to meet the changing needs of the American people by enabling the President to submit a reorganization proposal to Congress for an up or down vote.

First granted to Presidents as a means to achieve economy and efficiency in Government during the Great Depression, Congress renewed this reorganization authority 14 times. Under this authority, Presidential reorganization proposals generally went into effect automatically after 60 days unless either chamber of Congress passed a resolution of disapproval. Presidents used the authority to submit more than 100 proposals, over 80 percent of which went into effect.

Since the expiration of this authority, the vast majority of reorganizations proposed by the President, Members of Congress, or independent commissions have either not been taken up by Congress or have failed to be passed. We need to reverse this trend if we are to give the American people an efficient, effective Government that works for them.

And the issue is not just how the Government is structured, but how well it works. The Government is filled with talented, dedicated, public-minded employees. But their best efforts can be undermined by outdated and inefficient bureaucratic structures. And Americans who deal with the Government on a regular basis will tell you the same – Government is too complicated, making it is too hard to access relevant services. That is why the President proposed the Reforming and Consolidating Government Act of 2012.

The Reforming and Consolidating Government Act of 2012 would reinstate the 1984 Executive Reorganization authority with limited, but notable, amendments. The most notable amendment to the 1984 authority is the new requirement that any reorganization plan either reduce the



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number of agencies, or result in cost savings in performing the functions that the subject of the plan.

Specifically, the Reforming and Consolidating Government Act of 2012 would:

- permit the President to submit a proposal for the creation, abolition, consolidation, transfer, or renaming of an executive agency or department if the proposed reorganization would reduce the overall number of agencies or achieve cost savings;
- maintain the procedures from the 1984 authority which provide that a reorganization plan will only go into effect if approved by both Houses of Congress pursuant to an up-or-down vote under an established fast-track procedure;
- include standard provisions that preclude reorganization plans from covering more than one logically consistent subject matter, allow no more than three plans to be pending before Congress at one time, and permit the President to make amendments to a plan pending in committee to accommodate feedback; and,
- provide that the authority sunsets after two years, thereby allowing the Congress to regularly reconsider its authorization.

The proposed legislation would also require that the President's message transmitting a reorganization plan include estimated reductions in expenditures and describe improvements in the efficiency and delivery of Government services that would result from the proposed reorganization. The message must also include an implementation section detailing the actions necessary to conduct the proposed reorganization and a projected timetable for completion.

Too often, agencies and programs have been added without rationalizing the result, leading to duplication and overlap that make it more difficult for the American people to navigate their Government. Yet they have only rarely been streamlined or consolidated. If we were starting from scratch today, we all agree that we would likely wind up with a very different mix of agencies and departments.

In the private sector, companies are constantly evaluating their performance and changing their practices to improve their products and boost their bottom line. They are constantly restructuring to operate more efficiently and provide better customer service. The Government needs to have similar flexibility to make changes when needed. The Reforming and Consolidating Government Act is a critical next step in our efforts to continue to streamline Government, save money, improve the effectiveness of Federal programs, and enhance customer service.

**Proposed Reorganization of Trade and Competitiveness Agencies**

If Congress grants the President the authority to reorganize the Federal Government, his first proposal would be to consolidate a number of agencies and programs into a single new department with a mission to foster economic growth and spur job creation. The President has outlined a framework for consolidating six agencies focused primarily on business and trade, as well as other related programs, into a new integrated department dedicated to promoting competitiveness, exports, and American business. The Administration would consult with Members of Congress, Federal employees, American businesses and workers, and other



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stakeholders to develop a concrete legislative proposal that would most effectively consolidate agencies and programs into this new department.

As envisioned by the President, the new department would possess the necessary tools to strategically and efficiently coordinate government resources to help America's businesses succeed and create jobs in the 21st century global economy, with one Cabinet Secretary responsible to the President and Congress for results. The proposal outlined by the President would consolidate six agencies into one, integrating the Department of Commerce's core business and trade functions, the Small Business Administration, the Office of the U.S. Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency. It would also incorporate related programs from a number of other departments. The U.S. Trade Representative would continue to be the President's principal trade advisor with the rank of Ambassador, and would remain a member of the Cabinet with a direct reporting line to the President.

The proposed new Department would integrate programs into four divisions: small business; trade and investment; technology and innovation; and statistics. This consolidation would serve the American people more efficiently and effectively while saving $3 billion over 10 years by cutting waste; eliminating duplication, overlap, and unnecessary overhead costs; and reducing the size of Government.

The proposed new Department would be a one-stop shop for businesses, eliminating confusion and duplication and saving entrepreneurs countless frustrating hours. Despite the best efforts of a succession of Administrations, we hear over and over again from small businesses that interacting with the Federal Government is too difficult. While they are complimentary of the individual agency employees they interact with, they simply do not have the time or resources to navigate the maze of Federal programs and agencies created over the years. Even the most seasoned entrepreneurs often do not know how to take full advantage of the range of Federal programs and services available to them, and the dispersion of overlapping programs across agencies does not maximize their effectiveness.

By bringing together resources from across the Government and consolidating key areas of overlap and duplication, we would make it easier for businesses to access the services they need to expand and export.

With a one-stop shop for everything from financing and export promotion to patent protection and help commercializing innovative discoveries, small business owners would for the first time be able to reach out to just one Department in order to access the core Government services that will help them compete, grow, and hire. The new Department would provide small businesses with access to a broader range of services than any current agency can provide, to help businesses at every stage of their development.

The Department would have the tools necessary to develop, implement and enforce an integrated Government-wide trade strategy. The current diffusion of responsibility for trade, exports and business growth inhibits Government-wide strategic focus. With consolidated resources, the new Department would be able to respond more quickly and effectively to challenges such as



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helping American businesses compete in China or enter and compete in emerging markets, thereby facilitating business growth and achievement of the President's goal under his National Export Initiative of doubling exports by the end of 2014 to support millions of jobs here at home.

**Conclusion**

The Reforming and Consolidating Government Act of 2012 would enable the President, in consultation with Congress, to further streamline the Federal Government to maximize effectiveness, cut duplication, and better serve the American people. If Congress passes the President's proposal to provide consolidation authority, we would cut billions of dollars in Federal spending by integrating, streamlining, and better managing agencies and programs across the Government.

The proposed authority is essential to creating a 21st century Government that works more efficiently and effectively for the American people, and helps make America more competitive. Winning the future will take a Government that wisely allocates scarce Federal resources to maximize its efficiency and effectiveness so that it can best support American competitiveness and innovation. Now is the time to act to consolidate and reorganize the Executive Branch of the Federal Government in a way that best serves this goal.

The Administration urges prompt and favorable consideration of the Reforming and Consolidating Government Act of 2012. We look forward to working with you on this legislation.



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Statement Submitted for the Record

**U.S. Senate**
**Committee on Homeland Security and Governmental Affairs**

The Honorable John Engler
President
Business Roundtable

March 21, 2012
Hearing on

**"Retooling Government for the 21st Century**
**The President's Reorganization Plan and Reducing Duplication"**

Chairman Lieberman, I commend you, Ranking Member Collins, and the other members of this Committee for holding this hearing. In these times of economic fragility and spiraling deficits, it is vital that the federal government work to increase accountability and trim excess. It also must provide smarter and better services for the American people and America's businesses. The Business Roundtable (BRT) believes the Reforming and Consolidating Government Act of 2012 proposed by the President and introduced by Chairman Lieberman as S.2129 can help accomplish these purposes.

BRT is an association of chief executive officers of leading U.S. companies with over $6 trillion in annual revenues and more than 14 million employees. BRT member companies comprise nearly a third of the total value of the U.S. stock market and invest more than $150 billion annually in research and development—nearly half of all private U.S. research and development spending. BRT companies pay $163 billion in dividends to shareholders and generate an estimated $420 billion in sales for small- and medium-sized businesses annually.

There is widespread agreement that our government faces rapidly building fiscal pressures. These pressures jeopardize our future by stymying economic investment and increasing our crippling debt burden. At the same time, our government is bloated and hamstrung with unnecessary duplication and fragmentation. Overlapping programs waste tax dollars and slow job creation, forcing businesses to muddle through layers of regulation and inefficiencies to access the services they need to grow and export.

BRT believes the federal government can help curtail out-of-control federal spending and fuel economic recovery by turning to organizational efficiencies and new technologies to reduce expenditures and increase accountability. In particular, BRT believes the government can free billions of taxpayer funds for investment and job creation by streamlining the operations of its many departments and agencies.

The Government Accountability Office (GAO) agrees. In a recent report, GAO identified 34 areas spanning multiple organizations where the government could modernize and reduce inefficiencies. *See* GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Mar. 2011). These areas highlight numerous instances of counterproductive regulations and poor resource usage, including the proliferation of over 2,000 federal data centers that are hardly used and yet cost hundreds of millions of dollars. *See id.* at 5–7, 66–68.

I also know firsthand, from my time as Governor of Michigan, that government efficiency is a highly desirable goal, and that progress requires a dedicated leader and the cooperative efforts of both the legislative and executive branches of government. My own experience has shown it is possible to both improve performance and reduce costs if government functions are properly consolidated, organized, and managed.

Unfortunately, the routine methods available for pursuing greater government efficiencies often are not capable of making the reforms our government needs. Bureaucracies



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grow faster than reforms take hold, and limited cost-reduction and consolidation initiatives cannot stem the challenges of fragmentation. Congressional efforts to improve results and enforce meaningful oversight also are frequently hampered by ideological splits and partisan gridlock. Our government and citizens need new tools for saving money and bringing change.

That is why the Business Roundtable proposed legislation late last year to give the President the power to rearrange government and make it more efficient. Reorganization authority is not a new idea, but it is perhaps needed more now than at any time before. When I spoke late last year to Members of Congress and Administration officials about BRT's proposal, the reception was warm and energetic. And I was very pleased that the President proposed reorganization authority legislation in January.

Mr. Chairman, your bill, the Reforming and Consolidating Government Act of 2012, which is very similar to the legislation BRT proposed, would provide the President with the tools he needs to run the government more like a successful business. Your bill caters to no special interests, promising only to make the federal government leaner and more consumer-friendly. The bill specifically is modeled after the Reorganization Acts of 1977 and 1984 (5 U.S.C. § 901, *et seq.*), which Presidents Carter and Reagan had available to use to reform various agencies and reduce government largess. *See* CRS Report RL30876. With similar authority, the President today could take great strides toward reforming our outdated bureaucracy so that it can provide the high levels both of service and efficiency to which a 21st Century government should aspire. Moreover, by permitting the elimination of wasteful programs and practices, the bill would help restore responsibility for what we spend and accountability for how we spend it. As the President has explained, the bill would provide the "same sort of authority that every business owner has to make sure that his or her company keeps pace with the times." White House, *President Obama Announces Proposal To Reform, Reorganize and Consolidate Government* (Jan. 13, 2012).

The Reforming and Consolidating Government Act of 2012 contains a number of key provisions:

First, the bill would give the President broad authority to restructure the executive bureaucracy through congressionally approved reorganization plans. These plans may create, abolish, transfer, or rename executive agencies and departments to achieve results. Furthermore, unlike past iterations of reorganization legislation, the bill requires that any plan proposed by the President decrease the number of federal agencies and departments or save costs. This change will ensure that the bill has meaningful results.

Second, as did prior reorganization authorities, the bill would allow the President to submit multiple plans to Congress for expedited consideration. It also would let the President amend those plans after submitting them to accommodate congressional concerns and suggestions. In this way, the bill would permit the President to work ambitiously with Congress to change the Executive Branch to pursue efficiencies.



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Third, the bill would provide for an up-or-down vote of Congress on every reorganization plan. Through its two-year sunset date, the bill also would allow Congress to reconsider or recalibrate its grant of reorganization authority to the President after seeing real results. This formulation means that a reorganization plan would not take effect without affirmative, congressional approval. BRT believes this system could work, but we would prefer a somewhat different approach. Under the BRT proposal, a reorganization plan would go into effect unless Congress enacted a joint resolution of disapproval. In this way, each reorganization plan would not require congressional approval; but, at the same time, Congress's prerogative to reject a reorganization plan would be preserved.

When government and business work hand-in-hand, we see a constant evolution of efficiencies that translate into path-breaking improvements in the quality of Americans' daily lives. Burgeoning government deficits and bureaucratic inefficiencies lately have limited the benefits of this traditional relationship, harming American competitiveness and slowing job creation. But BRT believes that good-government initiatives like the Reforming and Consolidating Government Act of 2012 hold the promise to restore fiscal and operational soundness to our government, reinvigorate its relationship with business, and keep America working. It is for this reason that we urge the prompt and favorable consideration of this bill.

Mr. Chairman and members of the Committee, we thank you for the opportunity to share our views. We look forward to working with the Committee to improve our government and spur economic recovery.



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**Post-Hearing Questions for the Record**
**Submitted to Patricia A. Dalton**
**From Senator Carl Levin**

**"Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication"**
**March 21, 2012**

1. **Recently, legislation was introduced to require the Congressional Research Service (CRS) to include in each report accompanying the introduction of new legislation an analysis indicating whether the legislation "creates any new Federal program, office or initiative that would duplicate or overlap any existing Federal program, office, or initiative." Since GAO recently completed its second report on government duplication, it has first-hand knowledge of the complexities inherent in this type of analysis. Current legislation would require this analysis for every House and Senate bill introduced. Approximately how many reports would be required each year? If the analysis were performed only for bills reported by a committee, approximately how many reports would be required each year?**

   Regarding a potential requirement to conduct such an analysis for duplication and overlap for every bill introduced in Congress or reported out of committee, the table below presents data for the 11-year period (January 2001 through December 2011) covering the 107th Congress through the end of the first session of the 112th Congress.[1] Specifically, during this period, 67,277 bills and resolutions were introduced in the House and Senate combined. This represents the introduction of an average of 6,116 bills and resolutions per year. Also during this period, 14,864 bills and resolutions were reported out of House and Senate committees. This represents the reporting of an average of 1,351 bills and resolutions per year, or about 22 percent of all the bills introduced.

| CONGRESS | BILLS AND RESOLUTIONS INTRODUCED | REPORTED/PLACED ON CALENDAR | REPORTED AS % OF INTRODUCED |
|---|---|---|---|
| 112TH (1ST SESSION ONLY) | 5,017 | 1,036 | 21 % |
| 111TH | 13,675 | 2,997 | 22 |
| 110TH | 14,042 | 3,496 | 25 |
| 109TH | 13,074 | 2,625 | 20 |
| 108TH | 10,670 | 2,552 | 24 |
| 107TH | 10,799 | 2,158 | 20 |
| TOTAL | **67,277** | **14,864** | **22 %** |

Source: GAO analyses of CQ/Roll Call data (compiled from relevant vendor databases).

Notes: Covers calendar years 2001 through 2011 (1st session of 112th Congress). Represents aggregate data for House and Senate—bills and resolutions introduced. Available search functions could not parse between bills and resolutions.

[1] Each year coincides with a session of Congress.

**2. How difficult would it be to determine whether a bill creates a new Federal "program, office or initiative" that overlaps with any other Federal "program, office or initiative?" Please include in your discussion analysis of lengthy or complex bills such as the annual defense authorization bill, an omnibus appropriations bill, or tax legislation, and for bills brought to the floor without committee action. How long does GAO estimate that each such review would take to prepare?**

Based on experience, determining whether a Federal program, office or initiative overlaps with any other Federal program, office or initiative is extremely challenging and resource intensive. Overlap occurs when programs have similar goals, devise similar strategies and activities to achieve those goals, or target similar users. In our prior work we found that overlap can be difficult to identify due to the current lack of data on many existing federal programs and activities. For example, many agencies lack a complete list of programs. Also, annual budget requests often do not include sufficient detail to identify a comprehensive list of programs, activities and initiatives. In addition, reviewing complex bills such as the defense authorization bill, omnibus appropriations bills, or tax legislation would pose many challenges because they are complex and involve a multitude of activities that can span over numerous offices within an agency and, in some cases, multiple agencies. Specific challenges include:

- In some cases, the funding associated with specific programs, offices or initiatives cannot be readily identified because it may be aggregated within certain budget items.
- Reviewing proposed tax legislation would be resource intensive and time consuming because it would be necessary to not only review existing tax provisions but also determine the extent to which proposed revisions to the tax code may overlap with direct spending programs.
- Bills are subject to numerous revisions and amendments between introduction and enactment which would require that GAO constantly monitor changes to the bills. This would be especially challenging in reviewing the omnibus appropriations bills which often include last minute compromises.

As identified in our response to question 1, there are over 6,000 bills on average introduced each year. Because of these challenges, it could take several months to over a year to undertake a review to determine if potential new programs, offices, or initiatives overlap with existing ones. See question 3 response below for additional information regarding GAO resources and workload.

**3. If GAO were to perform this analysis instead of CRS, could it perform the needed analysis using current resources? If not, what additional resources would be needed on an annual basis?**

GAO could not perform reviews of draft legislation as envisioned in this question without severely curtailing our ongoing work to support the Congress. GAO generally receives 900-1,000 mandates (studies required in law, conference or committee reports) and requests from Congress per year, and in response issues around 900 products per year, including 174 testimony statements in fiscal year 2011. During this period, we also provided assistance to every standing committee of Congress and about 70 percent of subcommittees. These products and assistance support the Congress in carrying out its investigation, oversight, and audit responsibilities and our reports include key actionable recommendations to improve federal programs and produce savings of tens of billions of dollars of net federal benefits each year. In fiscal year 2011, through cost savings attributable to GAO's work, we returned $81 for every dollar of our budget, but GAO's ability to continue producing this level of results already has been reduced. GAO staff resources have declined in the past two years due to reduced budgets and GAO currently has its lowest number of staff since 1935. While we have worked closely with Congressional and Committee Leadership to prioritize our responses to mandates and requests, GAO continues to have a backlog because the demand for our work exceeds available staff resources.

As we outlined in our response to question 2, identifying overlap among federal programs, offices and initiatives is challenging and requires significant research and review. Our experience indicates that these reviews would require substantial time and resources. We are concerned that if GAO were required to review upwards of 6,000 pieces of legislation per year (introduced) or even 1,000 pieces of draft legislation per year (reported), as outlined in our response to question 1, our ability to provide the Congress with continuing oversight support would suffer in the breadth of support, timeliness, and impact. However, due to uncertainties over the volume of legislation that would need to be reviewed and complexities associated with the reviews, we cannot estimate the level of additional resources that would be necessary.

**Post-Hearing Questions for the Record**
**Submitted to Patricia A. Dalton**
**From Senator Scott P. Brown**

**"Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication"**
**March 21, 2012**

1. Please describe the systems that the U.S. Mint has in place to ensure the integrity of the circulating $1 coin?

GAO Response: We do not know of any U.S. Mint program to ensure the integrity of the circulating $1 coin. The Federal Reserve processes circulating coins and notes. When coins and notes are returned by commercial banks as deposits to Federal Reserve banks, each note is processed to determine its quality and authenticity. We reported in March 2011 that the Federal Reserve does not have a comparable program to test the authenticity or fitness of coins.[1]

2. Why did the GAO choose to exclude the societal costs (e.g., impact on small businesses) of the Dollar Coin from its analyses, despite a request from the Federal Reserve to include those costs?

GAO Response: We have acknowledged in our published reports that societal costs are important considerations, but we did not include them in our economic model because we found no quantitative estimates of the cost of replacing the $1 note with a $1 coin to the private sector that could be evaluated or modeled.

3. Did GAO calculate the costs of storing 1.5 billion $1 coins in the Federal Reserve vaults? If so, what is your estimate of the annual cost?

GAO Response: We did not calculate the costs of storing $1 coins. However, we reported in March 2008 that about 61 percent of the Federal Reserve banks' total coin inventory is stored in coin terminals operated by armored carrier companies and that the companies store the coins at no charge.[2]

4. The price of metals is notoriously volatile, particularly in foreign markets. Did GAO account for this volatility? Is the domestic metal source sufficient to produce the requisite number of

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[1]GAO, *U.S. Coins: Replacing the $1 Note with a $1 Coin Would Provide a Financial Benefit to the Government*, GAO-11-281 (Washington, D.C.: Mar.4, 2011).
[2]GAO, *U.S. Coins: The Federal Reserve Banks Are Fulfilling Coin Demand, but Optimal Inventory Ranges Are Undefined*, GAO-08-401 (Washington, D.C.: Mar. 21, 2008).



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$1 coins, or would it contribute to a net trade deficit?

GAO Response: No, we did not account for this volatility. Our model assumes that the cost of producing the $1 coin remains constant in real dollars. We did examine projections of future metal prices and did not see a consistent, upward trend. We do not know what percentage of the metal would be domestically sourced; however, it may be worth noting that additional demand for metals to produce the $1 coins would be a small part of the total demand for metals.

**5.** What is the estimated cost to the Government of removing the $1 bill from circulation?

GAO Response: There would be no additional cost to the government of removing the $1 note from circulation. In our model, we assume that notes would continue to attrite from circulation at the same rate. This attrition comes from notes that are lost or destroyed by the public, as well as ones that are removed from circulation because the Federal Reserve considers them too damaged to be used. We assume these forces will continue to naturally decrease the number of notes in circulation and that no additional cost will be incurred.

**6.** The $1 coin has failed to perform well in the marketplace despite millions of dollars in private- and taxpayer-funded advertising over the course of nearly 40 years. Does the GAO believe that Americans have demonstrated a sustained preference for the $1 bill? Does GAO expect the $1 coin to achieve higher consumer usage rates in the absence of legislation removing the popular $1 bill from circulation?

GAO Response: For more than 20 years, we have reported on the benefits to the federal government of switching to the $1 coin, but we have also reported that the public favors the $1 note and that acceptance of the $1 coin requires production of the $1 note to cease.[3] Efforts undertaken by the U.S. Mint to achieve higher consumer usage of the $1 coin as it co-circulates with the $1 note have shown modest success. In 2008, the U.S. Mint conducted a pilot program in four cities to increase public acceptance of the $1 coin. With the support of national and local retailers, the U.S. Mint carried out an advertising campaign in which it promoted the $1 coin as recyclable, lasting for decades, and saving the nation money. Data from that program showed modest increases in the public's use of $1 coins in three of the four target markets.

**7.** In preparing its analyses on $1 coins, did GAO rely on any case studies from other nations that could provide confidence about the accuracy of long-term (multi-decade) seigniorage estimates relating to changes in currency media?

GAO Response: As part of our work, we interviewed officials from the United Kingdom and Canada about their experiences replacing a low denomination note with a coin. We asked whether the relevant governments had performed an *ex post* evaluation of the benefits of the switch. However, they were not able to provide us with any such analysis. We did use these examples and their experience on issues like the replacement ratio, which is a key driver of seigniorage, informed our model.

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[3]GAO-11-281.



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**8.** In preparing its seigniorage analyses on $1 coins, did GAO take into consideration the rapid increase in electronic payments, especially in transactions traditionally completed with cash? In GAO's model, does the displacement of cash transactions by electronic transactions increase or decrease your expected seigniorage benefits from a $1 coin?

GAO Response: Yes, we did consider this issue. In two unpublished sensitivity analyses performed for our 2011 report, we examined how decreasing demand for currency might affect the net benefits to the government. In the first scenario, we assumed that demand for currency would grow for 9 years, hold steady for 10 and then decrease for 11 years at a 2 percent rate. In the second, we assumed that demand would grow for 6 years, hold steady for 7 and then decrease for 17 years at a 5 percent rate. The first scenario would reduce benefits by about 8 percent and the second by about 12 percent.

In appendix II of our March 2011 report, we show the results of another alternative scenario in which the switch to the $1 coin causes a decrease in the growth of demand for physical currency. Specifically, we assumed that if there were no replacement, the demand for $1 notes would grow at 3.3 percent but under a replacement the demand for $1 coins would only grow at 2.6 percent because we assumed that a switch to coins would lead to an acceleration of electronic purchases. Under these assumptions, net benefits to the government are reduced from $5.5 billion to $4.5 billion over 30 years.

These alternative analyses represent a few of many possible scenarios and we acknowledge that there are several unknowns about the use of currency in the future. In general, a large displacement of cash by electronic transactions is likely to reduce the net benefits to the government of switching to a coin. It may be worth noting, however, that the number of $1 notes in circulation has grown roughly along with the economy over the last decade. So far, electronic payments do not appear to have reduced the growth in the demand for currency.

**9.** Given the low usage rate for the $1 coin, was GAO able to identify any obstacles to the market's adoption of the $1 coin (excluding the availability of the $1 bill)? Did GAO identify any areas in which the Government was not meeting its statutory obligation to remove obstacles to use of the $1 coin?

GAO Response: We have identified the widespread use of the $1 note as the foremost obstacle to the public's use of the $1 coin. In 2002, we conducted a nationwide public opinion survey and also found that the public was not using the $1 coin because people were familiar with the $1 note, the $1 coin was not widely available, and people did not want to carry around more coins.[4] We have not assessed whether the government was meeting its statutory obligation to remove obstacles to the use of the $1 coin.

[4]GAO, *U.S. Coins: Public Views on Changing Coin Design*, GAO-03-206 (Washington, D.C.: Dec. 17, 2002).



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**Post-Hearing Questions for the Record**
**Submitted to the Honorable Daniel I. Werfel**
**From Senator Carl Levin**

**"Retooling Government for the 21st Century: The President's Reorganization Plan and Reducing Duplication"**
**March 21, 2012**

**Question:**
The President has indicated on numerous occasions that should fast-track reorganization authority be reinstated, his first action would be the submission of a plan to consolidate the six business and trade-related agencies into one agency. The new agency would encompass: the Commerce Department's core business and trade functions; the Small Business Administration; the Office of the U.S. Trade Representative; the Export Import Bank; the Overseas Private Investment Corporation; and, the U.S. Trade and Development Agency.

Given the specificity of the President's plan, why is it necessary to grant the Administration broad reorganization authority rather than simply submit the reorganization plan to Congress for deliberation and action?

***Answer:***
*The President outlined his proposed framework for consolidating trade and business agencies and programs as the first example of how he would use reorganization authority. The President is seeking reinstatement of reorganization authority so that he can work with Congress to tackle duplication and inefficiencies all across the government, and propose additional consolidations that will streamline complementary and overlapping programs; provide more effective and efficient programs and services; better serve the American public; and save money by cutting unnecessary overhead and programmatic expenses.*

*The proposed reorganization authority sets out an instrumental process for expedited review of proposals. Recent history demonstrates that efforts to consolidate and reorganize the executive branch are generally stymied by competing stakeholders and special interests that seek to preserve the status quo. Reorganization authority would enable a President to propose specific changes for expedited consideration by Congress, lessening the possibility that good ideas fall prey to narrow considerations from competing stakeholders, while ensuring that Congress has a critical role in evaluating them and that proposals can only go forward through affirmative action by Congress.*

*Presidents had such authority for almost the entire period from 1932 through 1984. During that time, Presidents submitted more than 100 proposals, over 80 percent of which went into effect. In the end, a reorganization proposal needs broad support in both houses of Congress for passage, and the Administration intends to treat Congress as a full partner in this exercise.*

*Reorganization authority is essential if we are to enact reforms that break down long-standing silos that no longer make sense and hinder U.S. competitiveness, and create a government of the*



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*21st Century that quickly and deftly serves America's people and businesses.*

**Post-Hearing Questions for the Record**
**Submitted to the Honorable Daniel Werfel**
**From Senator Claire McCaskill**

**Question:** As you know, even if Congress grants the President expedited authority to reorganize executive agencies, that is no guarantee that the reorganization will lead to more efficient government. How would the Administration ensure its reorganization proposals actually would lead to long-term efficiencies, and how do such estimates incorporate the full costs of the reorganization itself?

***Answer:***
*The President has made clear that we need a 21st century government to address 21st century challenges. We must organize the government so that it serves the American public as efficiently and effectively as possible, and that will entail a concerted focus on streamlining the government. Unlike the reorganization authorities of the past, the reorganization authority legislation proposed by the Obama Administration requires that any proposal under the authority must cut costs or reduce the number of agencies. Under the proposed legislation, the Office of Management and Budget must determine that a proposed reorganization will reduce the number of agencies and departments or achieve cost savings; only such "efficiency-enhancing plans" may be submitted under the proposed legislation. The proposed legislation would also reinstate the requirement that the President's message transmitting a reorganization plan estimate reductions in expenditures and describe improvements in the efficiency and delivery of government services that will result from the proposed reorganization. Such an analysis would take into account the full costs of the reorganization, including transition costs, and Congress will be able to evaluate the reductions.*

*The President has demonstrated his commitment to cost-cutting and creating efficiencies. In each of his three previous budgets, he identified, on average, more than 150 terminations totaling $25 billion each year in reductions, consolidations, and savings from Federal programs and practices. The 2012 Budget proposed nearly $25 billion in discretionary terminations and reductions, of which Congress enacted $23 billion. The President's proposed 2013 Budget includes proposed cuts, consolidations, and savings across the Federal Government totaling more than $24 billion.*

**Question:** Bureaucratic reorganization often brings its own inefficiencies as agencies, offices, and individual employees move and adapt to new responsibilities and new ways of doing business. For example, though it has made great strides in recent years, the Department of Homeland Security still struggles to streamline certain operations roughly nine years after its creation. There is some risk that bureaucratic reorganization intended to reduce inefficiencies may create new inefficiencies of its own.

How can the frictions or costs of reorganization be measured and mitigated? Would each



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reorganization proposal be accompanied by a clear implementation or transition plan?

***Answer:***
*Sound implementation and transition planning are imperative to realizing the benefits and gains associated with reorganizations. The proposed legislation requires that the President's message transmitting a reorganization plan include an implementation section detailing actions to complete the reorganization and a projected timetable for completion.*

*To be successful, any reorganization must include a detailed plan for integrating the agencies, with a senior leadership team comprised of representatives of the impacted agencies driving implementation. The action plan would include stakeholder input and have clear goals, objectives, performance measures, and timelines.*

**Question**:
One of the problems that the GAO reports on duplications point out is that, when there is a trendy initiative, Congress and the executive agencies tend to set up several programs to address the initiative. Several agencies now have financial literacy programs, for instance. While financial literacy is a worthy goal, in the near future, the federal government will have an interagency Financial Literacy and Education Commission, as well as an Office of Financial Education in the Consumer Financial Protection Bureau (CFPB). The CFPB will also have an Office of Service Member Affairs, which will overlap to some degree with programs in the Department of Defense and the Veterans Administration.

Does OMB consider the impact of existing programs when it advises the President or provides input to Congress on the creation of new programs? Should Congress and the President be more focused on eliminating existing programs when it creates new ones to address similar problems? Will this administration commit to more focus on that problem?

***Answer:***
*The President is committed to reducing overlap and duplication in Federal programs. For example, in his Fiscal Year 2013 budget proposal, he details 210 cuts, consolidations, and savings measures that total more than $24 billion in 2013, and $520 billion through 2022.*

*However, the President wants to do more, which is why he is asking Congress to reinstate Presidential authority to submit to Congress, for expedited review, proposals to reorganize and consolidate the Federal government to make it work better for the American people while eliminating duplication, waste, and inefficiencies.*

*This authority would better allow the President to tackle many of the areas in need of improvement that have been identified by GAO and reorganize the Federal government to consolidate and streamline duplicative or overlapping programs, thereby enhancing their efficiency and effectiveness. For example, the President's first proposed use of that authority would be to consolidate six Federal agencies focused primarily on business and trade along with other related programs into a single, more efficient department to promote competitiveness, exports, and American business. More than half of the 80 economic development programs*



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*identified by GAO in its March 2011 report "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue" would be consolidated into the new department under the Administration's proposal.*

**Question:**
In some instances, several federal programs in a certain area are all administered by the same entity at a local level. For instance, in the workforce system, local One-Stop Centers (Career Centers in Missouri) administer the Wagner-Peyser Program, the WIA Dislocated Workers Program, the WIA Youth Activities Program, the WIA Adult Program, Trade Adjustment Assistance, local veterans programs, and others. In instances like this, does it make sense to maintain so many streams of funding, which may only add to the administrative burden of local partners who actually run the programs?

***Answer:***
*In a number of areas, Congress and the Administration have seen discrete problems and designed programs aimed at solving them. Over the years, these efforts have sometimes led to multiple funding streams and programs with overlapping missions. The Administration is analyzing these situations and, where logical and beneficial, proposing solutions. In the area of job training and employment services, one way the Administration has sought to address these concerns is by creating a Workforce Innovation Fund, which brings together various funding streams to jointly support states and localities that are developing creative strategies to align service delivery across multiple programs and improve outcomes for workers.*

**Question:** In contrast to programs under the workforce system, programs in other areas can be Balkanized. As a result, navigating the different programs can be difficult for intended recipients, "retail consumers" of programs, for lack of a better term. In Missouri, our university system has made a valiant effort to create a central portal to access technical assistance, loans, grants, and other support available to small business. However, the sheer number of program options offered, and links to different agencies may make the website overwhelming for a small business that is not already familiar with government programs.

What emphasis is OMB putting on the experience of the "retail customer" who is attempting to access assistance? Does OMB see any opportunity to improve the customer experience by consolidating programs so that they are easier to access at a local or individual level? Does OMB consider, study, or review the "customer experience" of a small business, for example, that is trying to navigate through several federal programs?

***Answer:***
*The President believes that improving the experience of the "retail customer" accessing federally funded programs and services is paramount. As part of the work leading up to the request to reinstate reorganization authority and the proposed consolidation of six business and trade agencies to drive American competitiveness, the Administration interviewed well over 100 owners of businesses of various sizes and types, asking them what's working, what isn't, and what the government could be doing better. Despite the best efforts of a succession of Administrations, we heard over and over again from small businesses that interacting with the Federal government is too difficult. They simply do not have the time or resources to navigate*



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*the full maze of Federal programs and agencies created over the years. Even the most seasoned entrepreneurs often do not know how to take full advantage of the range of Federal programs and services available to them, and the dispersion of overlapping small business programs across agencies does not maximize their effectiveness. For too long, dozens of Federal websites, toll-free numbers, and customer service centers have each offered different forms of assistance, with none providing the comprehensive assistance small businesses need.*

*These conversations with business owners led directly to the President's proposal to consolidate the six primary business and trade departments and agencies into one department. That new department would eliminate the confusing maze of agencies, programs, websites, toll-free numbers, and customer service centers, and create a one-stop shop for small businesses looking for government services that will enable them to grow, hire, export, and thrive.*

*The President also took immediate action to do what he could in the absence of legislation to make it easier for businesses to access government programs and services. On October 28, 2011, he issued a challenge to government agencies to think beyond their organizational boundaries in the best interest of serving America's business community, and start thinking and acting more like the businesses they serve. The result was BusinessUSA.gov, a centralized, one-stop platform that makes it easier than ever for businesses to access services to help them grow and hire from the day they need technical assistance to start a business; to the day they start building a product and need financing; to the day they are ready to export and need help breaking into new markets overseas. BusinessUSA implements a "no wrong door" approach for small businesses and exporters by using technology to quickly connect businesses to the services and information relevant to them, regardless of where the information is located or which agency's website, call center, or office they go to for help.*

*To ensure that it is designed with the customer in mind, BusinessUSA was built with the active feedback of U.S. businesses and relevant online communities, and we are encouraging businesses to continue giving us feedback that we will incorporate as we refine the site. The BusinessUSA website provides an easy-to-use mechanism to provide feedback directly to us and we will use that information to make the site even better. For example, as we move forward, we will integrate related state and local government services, as well as those of private sector partners.*



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