United States Government Accountability Office

Testimony

Before the Committee on the Budget, U.S. House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Wednesday, May 3, 2017

THE NATION'S FISCAL HEALTH

Action is Needed to Address the Federal Government's Fiscal Future

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

GAO-17-579T

Chairman Black, Ranking Member Yarmuth, and Members of the Committee:

Thank you for the opportunity to be here today to discuss our nation's fiscal health and opportunities to address long-term fiscal issues. The Congress and administration face serious economic, security, and social challenges that will require difficult policy choices in the short term about the level of federal spending and investments as well as ways to obtain needed resources. At the same time, the federal government is highly leveraged in debt by historical norms and on an unsustainable long-term fiscal path caused by a structural imbalance between revenue and spending absent a change in fiscal policy. At the end of fiscal year 2016, the debt held by the public as a share of gross domestic product (GDP) was at 77 percent; the highest it has been since 1950.[1] Since 1946 the debt-to-GDP ratio has averaged 44 percent. A sustainable policy is one where the debt-to-GDP ratio is stable or declining over the long term.

Decisions over the near term to enhance economic growth and address national policies need to be accompanied by a broader fiscal plan to put the government on a more sustainable long-term path. This is essential to ensure that the United States remains in a strong economic position to meet its security and social needs as well as to preserve flexibility in addressing unforeseen events.

In January 2017, we issued our first report on the nation's fiscal health.[2] The report illuminated the need for such a long-term fiscal plan by outlining the fiscal condition of the U.S. government and its future path based on current fiscal policies. Policymakers will need to have a plan that considers reductions in programmatic (non-interest) spending, increases in revenue, or more likely, a combination of the two in order to change the long-term fiscal path.

Today, I will discuss not only the federal government's unsustainable long-term outlook, the drivers of that outlook, and the need for a long-term plan to address the underlying and growing imbalance between spending and revenues but also opportunities Congress and executive branch

[1]Debt held by the public is federal debt held by all investors outside the government, including international investors, domestic private investors, the Federal Reserve, and state and local governments.

[2]GAO, *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*, GAO-17-237SP (Washington, D.C.: Jan. 17, 2017).

agencies have to take actions in the short term that will assist in addressing the government's fiscal condition. While addressing the long-term structural imbalance will require fiscal policy changes, in the near term opportunities exist in a number of areas to improve this situation, including addressing improper payments and the tax gap and where federal programs or activities are at high risk[3] or fragmented, overlapping, or duplicative. As you know, last week we released our 2017 annual report identifying actions and areas for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, and duplication and achieve other financial benefits.[4]

My statement is based upon on our report on the nation's fiscal health; our work on improper payments; the 2017 duplication, overlap, and fragmentation annual report; the 2017 High-Risk List; and other related work. These efforts are based upon work conducted in in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product. More details on the scope and methodology for our reports can be found in the full reports.[5]

[3]GAO, *High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017).

[4]GAO, *2017 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-17-491SP (Washington, D.C.: Apr. 26, 2017).

[5]See appendix I for related work in the areas discussed in this statement.

The Federal Government Is on an Unsustainable Fiscal Path

Growing Debt-to-GDP Ratio

Over the long term, the imbalance between spending and revenue that is built into current law and policy is projected to lead to continued growth of the deficit and debt held by the public as a share of GDP. This situation—in which debt grows faster than GDP—means the current federal fiscal path is unsustainable. Projections from the *2016 Financial Report of the United States* and the Congressional Budget Office (CBO), and simulations from GAO all show that, absent policy changes, the federal government's fiscal path is unsustainable.[6]

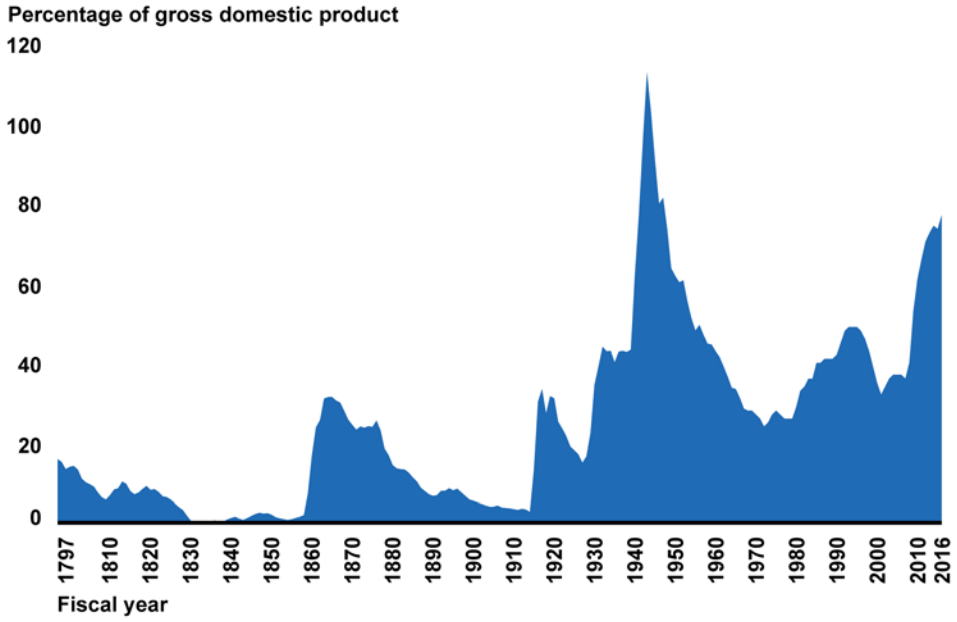
According to the *2016 Financial Report,* the federal deficit in fiscal year 2016 increased to $587 billion—up from $439 billion in fiscal year 2015. This marked a change from 6 years of declining deficits. The federal government's receipts (taxes and other collections) increased by $18.0 billion (0.6 percent), from $3,248.7 billion to $3,266.7 billion[7], but that was outweighed by a $166.5 billion increase in spending from $3,687.6 billion to $3,854.1 billion. Spending increases in 2016 were driven by Social Security (the Old-Age and Survivors Insurance and Disability Insurance programs), Medicare, Medicaid, and interest on debt held by the public (net interest).

[6]The *2016 Financial Report* includes sustainability financial statements—long-term fiscal projections for the government as a whole and for social insurance programs (e.g., Social Security and Medicare). See GAO, *Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government*, GAO-17-283R (Washington, D.C.: Jan. 12, 2017) for our audit report on the government's consolidated financial statements for fiscal years 2016 and 2015.

[7]The *2016 Financial Report* attributes the modest increase in receipts to the January 2015 expiration of numerous individual and corporation income tax preferences followed by their retroactive extension in the Consolidated Appropriations Act, 2016. The expiration boosted fiscal year 2015 collections, and the retroactive extension reduced fiscal year 2016 collections; absent these extensions, receipts would have grown more in fiscal year 2016.

Debt held by the public was 77 percent of GDP at the end of fiscal year 2016—an increase from 74 percent at the end of fiscal year 2015. Although the federal government has carried debt throughout virtually all of U.S. history, the *2016 Financial Report* shows that the current fiscal position is unusual in the nation's history and that debt as a share of the economy is the highest it has been since 1950. As shown in figure 1, debt as a share of GDP peaked as 106 percent just after World War II, but then fell rapidly. Since 1946 the debt-to-GDP ratio has averaged 44 percent.

Figure 1: Federal Debt Held by the Public as a Share of Gross Domestic Product, 1797-2016



Source: GAO analysis of *2016 Financial Report* and Congressional Budget Office data. | GAO-17-579T

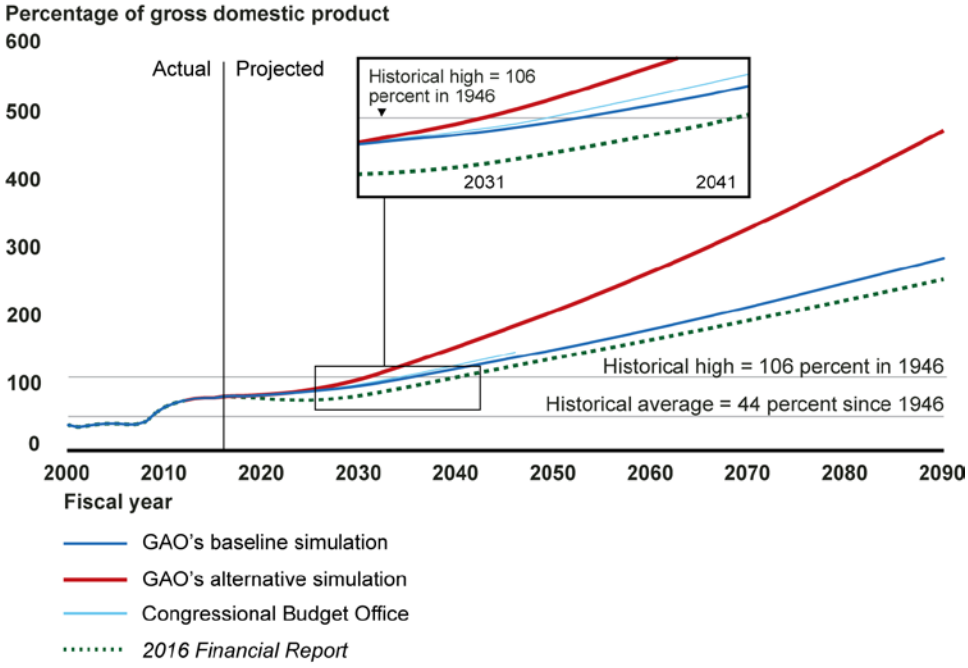
Note: For years 1797-1939, year refers to calendar year. For years 1940-2016, year refers to fiscal year. The Congressional Budget Office notes it estimated gross domestic product (GDP) from several sources. Data from 1929 onward reflect revisions to the estimates of GDP that the Bureau of Economic Analysis released in July 2013.

The long-term fiscal projections in the federal government's *2016 Financial Report* and those prepared annually by CBO and GAO each use somewhat different assumptions, but their results are the same: absent policy changes, the federal government's fiscal path is unsustainable with debt held by the public as a share of GDP projected to grow continuously.

Projections show that under current law it will grow to exceed the historical high of 106 percent in 15 to 25 years. (See figure 2.) Both the timing and pace of this growth depend on underlying assumptions made, especially about health care costs. Under GAO's alternative simulation debt held by the public as a share of GDP would surpass its historical high of 106 percent by 2032.[8] CBO's extended baseline shows debt held by the public surpassing that level by 2035 and the *2016 Financial Report* projections show debt held by the public surpassing 106 percent by 2041.

[8]GAO prepares both a baseline extended and an alternative simulation. Our two simulations are the baseline extended and the alternative. The baseline extended begins with a baseline using CBO estimates and generally assumes current law continues into the future; for example, tax provisions expire as scheduled. The alternative generally reflects historical trends; for example, tax expenditures scheduled to expire are extended. For a description of the methodologies of these simulations, see http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview#t=2. CBO discusses the impact of different assumptions on its extended baseline projection and shows the impact of different deficits over the next 10 years. CBO's long-term outlook goes out 30 years, while the *2016 Financial Report's* projections and GAO's simulations go out 75 years. GAO, *Fiscal Outlook: Federal Fiscal Outlook*, accessed April 27, 2017, http: www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview. CBO, The 2017 Long-Term Budget Outlook (Washington, D.C.: Mar. 30, 2017).

Figure 2: Debt Held by the Public Under Projections from the *2016 Financial Report*, the Congressional Budget Office, and GAO



Sources: GAO, Congressional Budget Office, and *2016 Financial Report*. | GAO-17-579T

Note: GAO's baseline extended simulation and the Congressional Budget Office's (CBO) long-term projection begin with a baseline using CBO estimates and generally assume current law continues into the future, such as the expiration of tax provisions as scheduled. One key difference between the results of the *2016 Financial Report* projections and GAO's baseline extended simulation is that the *2016 Financial Report* projections assume that individual income taxes increase gradually as real taxable incomes rise over time and an increasing share of total income is taxed at higher tax brackets, while GAO's baseline extended simulation assumes that revenue remains a constant share of gross domestic product. GAO's alternative simulation generally reflects historical trends, such as the extension of tax expenditures scheduled to expire, and incorporates the CMS Office of the Actuary's 2016 illustrative alternative assumptions for health care cost growth, which assume cost controls under the Patient Protection and Affordable Care Act and the Medicare Access and CHIP Reauthorization Act of 2015 are not maintained over the long term. As noted above, using the alternative assumptions, which are not included in the *2016 Financial Report* projections and GAO's baseline extended simulation, projected health care costs substantially increase.

Of further concern is the fact that none of these long-term projections include certain fiscal risks that create fiscal exposures that could affect the government's financial condition in the future.[9] Fiscal exposures are

[9]See GAO, *Fiscal Outlook: Federal Fiscal Outlook*, accessed on April 26, 2017, http://www.gao.gov/fiscal_outlook/federal_fiscal_outlook/overview#t=3. The *2016 Financial Report* discusses various contingencies where the government may face the need for additional spending.

responsibilities, programs, and activities that may legally commit or create expectations for future federal spending based on current policy, past practices, or other factors. Some examples of such fiscal risks include:

- The Pension Benefit Guaranty Corporation's (PBGC) financial future is uncertain because of long-term challenges related to PBGC's governance and funding structure. PBGC's liabilities exceeded its assets by over $79 billion as of the end of fiscal year 2016—an increase of over $3 billion from the end of fiscal year 2015 and of about $44 billion since 2013.[10] PBGC reported that it is subject to potential further losses of $243 billion if plan terminations occur that are considered reasonably possible.

- The U.S. Postal Service (USPS) continues to be in a serious financial crisis as it has reached its borrowing limit of $15 billion and finished fiscal year 2016 with a reported net loss of $5.6 billion. USPS's business model is not viable and cannot fund its current level of services, operations, and obligations. USPS's liabilities exceeded its assets by $56 billion as of the end of fiscal year 2016 and USPS reported an additional $39.5 billion in unfunded liabilities at that time for its retiree health and pension funds. USPS reported a total unfunded liability for its retiree health and pension funds of $73.4 billion, $33.9 billion of which relates to required prefunding payments for postal retirees' health benefits that have not been made and is included in the liabilities reported on its balance sheet.

- Some government insurance programs such as the National Flood Insurance Program do not have sufficient dedicated resources to cover expected costs.[11] The Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program, owed $24.6 billion as of March 2017 to the Department of the Treasury (Treasury) for money borrowed to pay claims and other expenses, including $1.6 billion borrowed following a series

[10]GAO-17-317.

[11]We have suggested an alternative way to record insurance commitments in the budget such that the federal government's commitment would be more fully recognized. See GAO, *Fiscal Exposures: Improving Cost Recognition in the Federal Budget*,GAO-14-28 (Washington, D.C.: Oct. 29, 2013).

of floods in 2016. FEMA is unlikely to collect enough in premiums to repay this debt.[12]

Citizens also look to the federal government for assistance when crises happen and immediate federal action is expected. This can take the form of expectations for additional and large amounts of federal spending. These crises often cannot be predicted and are very difficult to budget for. According to the Congressional Research Service, the federal budget does contain some funds for disaster response through the Disaster Relief Fund; however, this fund often is insufficient to respond to the number and scope of natural disasters, and it is not typically used as a funding source for other types of unforeseen events such as wars, financial crises, cyberattacks, or health pandemics.

Key Drivers of Long-Term Outlook

The growing gap between revenues and spending reflects three main trends: significant growth in spending for retirement and healthcare programs, rising interest payments on the government's debt, and modest growth in revenues. The size of the gap is such that both the spending and revenue side of the budget must be examined.

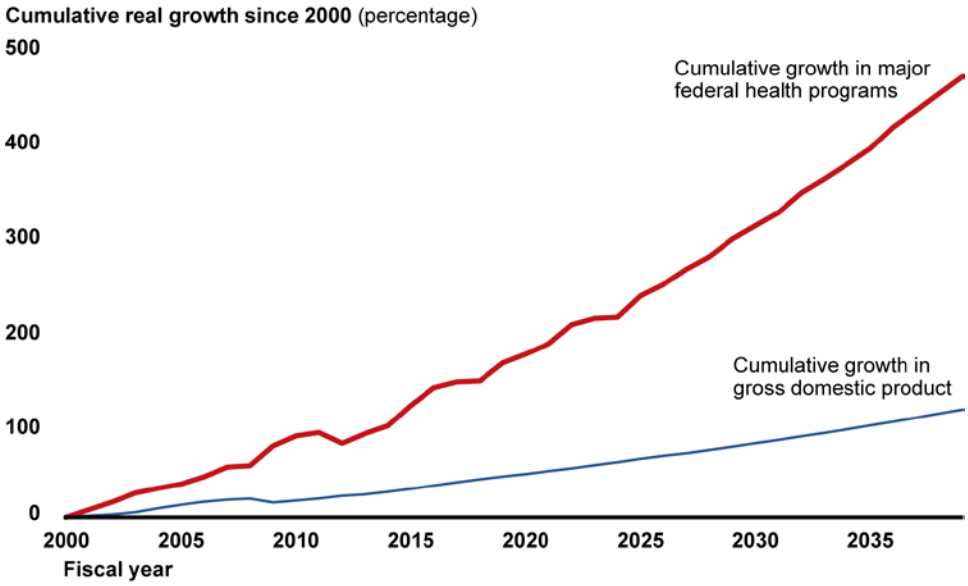
The *2016 Financial Report's* long-term fiscal projections, CBO's long-term projection, and GAO's long-term simulations all show that the key drivers on the spending side are health care programs and interest on debt held by the public (net interest). Social security also poses significant financial challenges.

Health Care Spending

Total health care spending (public and private) in the United States continues to grow faster than the economy. As figure 3 shows, growth in federal spending for health care programs has exceeded the growth of GDP historically and is projected to grow faster than the economy. These health care programs include Medicare, Medicaid, and the Children's Health Insurance Program, along with federal subsidies for health insurance purchased through the marketplaces established by the Patient Protection and Affordable Care Act (ACA) and related spending.

[12]GAO, *Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience*, GAO-17-425 (Washington, D.C.: Apr. 27, 2017).

Figure 3: Federal Spending on Major Health Care Programs Grows Faster than Gross Domestic Product

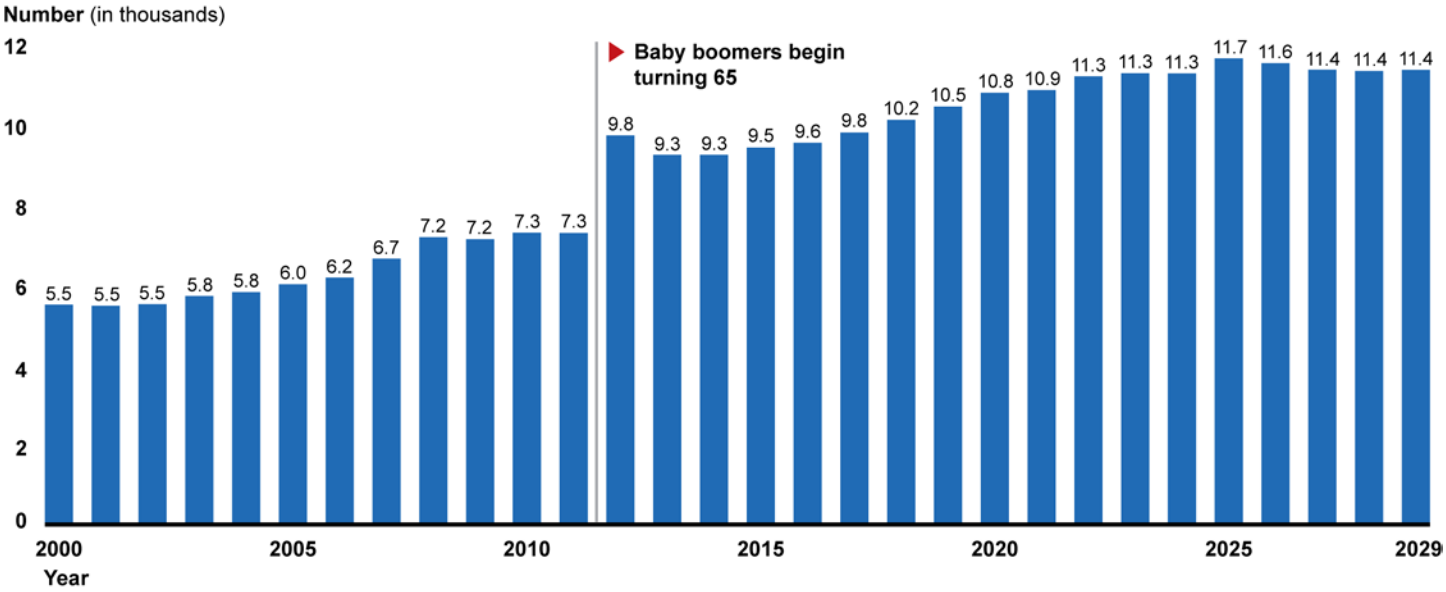


Source: GAO analysis of Congressional Budget Office data. | GAO-17-579T

Note: Cumulative growth in both gross domestic product (GDP) and federal spending on major health care programs has been adjusted for inflation. GDP is the value of all goods and services produced in a country in a given year. Major federal health programs include Medicare, Medicaid, the Children's Health Insurance Program, and federal subsidies for health insurance purchased through the marketplaces established by the Patient Protection and Affordable Care Act and related spending.

According to GAO's alternative simulation, federal spending on major health care programs is projected to increase from $993 billion in fiscal year 2016 to $2 trillion in fiscal year 2045 in 2016 dollars. Growth in federal spending on health care is driven, in part, by increasing enrollment in federal health care programs, stemming from both the aging of the population and the expansion of federal programs. As many members of the baby-boom generation age and as life expectancy continues to generally increase, the number of people 65 or older is expected to rise by more than one-third, thereby increasing the number of Medicare beneficiaries. (See figure 4.)

Figure 4: Daily Average Number of People Turning 65



Source: GAO analysis of U.S. Census Bureau information. | GAO-17-579T

Note: Census data estimates of population are as of July 1 in each year.

According to CBO, outlays for Medicaid in fiscal year 2016 rose by $18 billion (or 5.3 percent) compared with outlays in fiscal year 2015. The decision of more than half the states to expand eligibility for their Medicaid programs as provided by the ACA was the primary reasons for this growth. The growth in federal spending on health care can also be attributed to increases in health care spending per enrollee. Per beneficiary health care spending has historically risen faster than per capita economic output and is projected to do so in the future.

Net Interest

While health care spending is a key programmatic and policy driver of the long-term outlook on the spending side of the budget, eventually, spending on net interest becomes the largest category of spending in both the *2016 Financial Report's* long-term fiscal projections and GAO's simulations. Specifically, in GAO's alternative simulation, net interest increases from $248 billion in fiscal year 2016 to $1.4 trillion in fiscal year 2045 in 2016 dollars.

Growth in interest payments occurs for two main reasons:

- **Growing debt:** Even without any increase in interest rates, the cost of financing the debt grows as debt held by the public grows, resulting in greater interest payments than would otherwise exist with less debt. Spending on interest can absorb resources that could be used instead for other priorities.
- **Growth in interest rates:** In recent years interest rates on Treasury securities have remained low, lowering interest costs. However, CBO and others project those interest rates will rise in the long term, increasing the net interest costs on the debt. Marketable U.S. Treasury securities consist of bills, notes, and bonds. Treasury seeks to accomplish "lowest cost financing over time" in the way it manages debt issuance.[13]

Net interest costs will depend in part on the outstanding mix of Treasury securities. Treasury issues securities in a wide range of maturities to appeal to the broadest range of investors. Longer-term securities typically carry higher interest rates but offer the government the ability to "lock in" fixed interest payments over a longer period and reduce the amount of debt that Treasury needs to refinance in the short term. In contrast, shorter-term securities generally carry lower interest rates. They also play an important role in financial markets. For example, investors use Treasury bills to meet requirements to buy financial assets maturing in a year or less. However, shorter-term securities add uncertainty to the government's interest costs and require Treasury to conduct more frequent auctions to refinance maturing debt.

As of September 30, 2016, 58 percent of marketable Treasury securities held by the public were scheduled to mature and need to be refinanced in the next 4 years—potentially at higher interest rates.[14] As the *2016 Financial Report* notes, each year trillions of dollars of debt mature and new debt is issued in its place. In fiscal year 2016, new borrowings were $8.4 trillion, and repayments of maturing debt held by the public were $7.3 trillion.

[13]GAO, *Debt Management: Floating Rate Notes Can Help Treasury Meet Borrowing Goals, but Additional Actions Are Needed to Help Manage Risk*, GAO-14-535 (Washington, D.C.: June 16, 2014).

[14]GAO, *Financial Audit: Bureau of the Fiscal Service's Fiscal Years 2016 and 2015 Schedules of Federal Debt*, GAO-17-104 (Washington, D.C.: Nov. 10, 2016).

Social Security

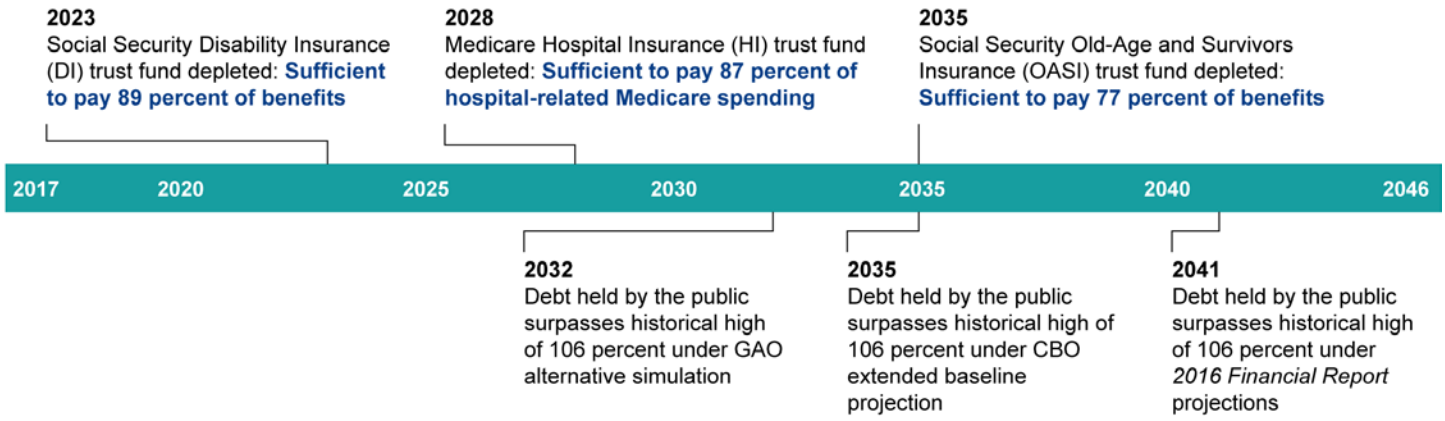
Social Security also poses significant financial challenges. It provides individuals with benefits that can help offset the loss of income due to retirement, death, or disability, and paid more than $905 billion in Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) program benefits in fiscal year 2016. However, demographic factors, such as an aging population and slower labor force growth, are straining Social Security programs and contributing to a gap between program costs and revenues. Absent any changes, it is projected that the Social Security trust funds will deplete their assets and that incoming revenues will not be sufficient to pay benefits in full on a timely basis.

Fiscal Pressures Growing

To change the long-term fiscal path, policymakers will need to consider policy changes to the entire range of federal activities: entitlement programs, other mandatory spending, discretionary spending, and revenue. The *2016 Financial Report,* CBO, and GAO all make the point that the longer action is delayed, the greater and more drastic the changes will have to be.

Medicare's Hospital Insurance trust fund, and Social Security's OASI and DI trust funds face financial challenges that add to the importance of beginning action soon. (See figure 5.) It is important to develop and begin to implement a long-term fiscal plan for returning to a sustainable path.

Figure 5: Key Dates for Trust Funds and Future Debt



Sources: Trustees for Social Security and Medicare, Congressional Budget Office, GAO, and *2016 Financial Report*. | GAO-17-579T

Debt Limit Is Not a Control on Debt

As currently structured, the debt limit—a legal limit on the amount of federal debt that can be outstanding at one time—does not restrict Congress and the President's ability to enact spending and revenue legislation that affects the level of debt; nor does it otherwise constrain fiscal policy. The debt limit is an after-the-fact measure: the spending and tax laws that result in debt have already been enacted. In other words, the debt limit restricts Treasury's authority to borrow to finance the decisions already enacted by Congress and the President.[15]

I cannot overstate the importance of preserving confidence in "the full faith and credit" of the United States. Failure to increase (or suspend) the debt limit in a timely manner could have serious negative consequences for the Treasury market and increase borrowing costs. For those Treasury securities issued during the 2013 debt limit impasse, we estimated that the additional borrowing costs incurred through fiscal year 2014 were between $38 and $70 million depending on the assumptions used.

When delays in raising the debt limit occur, Treasury often must deviate from its normal debt management operations and take a number of extraordinary actions to avoid exceeding the debt limit.[16] The Bipartisan Budget Act of 2015 temporarily suspended the debt limit from November 2, 2015, through March 15, 2017.[17] Following the expiration of the debt limit suspension period, on March 16, 2017, Treasury began taking extraordinary actions to avoid exceeding the debt limit. These extraordinary actions included suspending investments to certain federal government accounts.

During the 2013 impasse, investors reported taking the unprecedented action of systematically avoiding certain Treasury securities—(i.e., those that would mature around the dates when Treasury projected it would exhaust the extraordinary actions it used to manage debt as it approached the debt limit). For these securities, the actions resulted in

[15]For more discussion of the federal debt and debt limit, see GAO, *Fiscal Outlook: Understanding the Federal Debt,* accessed April 29, 2017, http://www.gao.gov/fiscal_outlook/understanding_federal_debt/overview, and *Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs,* GAO-12-701 (Washington, D.C.: July 23, 2012).

[16]Actions that are not part of Treasury's normal cash and debt management operations are considered "extraordinary actions" by Treasury.

[17]Pub. L. No. 114-74, § 901, 129 Stat. 584, 620 (Nov. 2, 2015).

both a dramatic increase in interest rates and a decline in liquidity in the secondary market where securities are traded among investors.

To minimize disruptions to the Treasury market and to help inform fiscal policy debate in a timely way, we recommended that decisions about giving Treasury the authority to borrow be made when decisions about spending and revenues are made. In 2015, we conducted a forum with experts in the field to help identify options for Congress to delegate its borrowing authority and better align decisions about the level of debt with decisions on spending and revenue. All maintain Congressional control and oversight over federal borrowing.[18] Our report described the benefits and challenges presented by each of the options described below:

- **Option 1: Link Action on the Debt Limit to the Budget Resolution.** This is a variation of a previously used approach under which legislation raising the debt limit to the level envisioned in the Congressional Budget Resolution would be spun off and either be deemed to have passed or be voted on immediately thereafter.

- **Option 2: Provide the Administration with the Authority to Increase the Debt Limit, Subject to a Congressional Motion of Disapproval.** This is a variation of an approach contained in the Budget Control Act of 2011. Congress would give the administration the authority to propose a change in the debt limit, which would take effect absent enactment of a joint resolution of disapproval within a specified time frame.

- **Option 3: Delegating Broad Authority to the Administration to Borrow as Necessary to Fund Enacted Laws.** This is an approach used in some other countries: delegate to the administration the authority to borrow such sums as necessary to fund implementation of the laws duly enacted by Congress and the President. Since the laws that affect federal spending and revenue and so create the need for debt already require adoption by the Congress, Congress would still maintain control over the amount of federal borrowing.

[18]GAO, *Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches*, GAO-15-476 (Washington, D.C.: July 9, 2015).

We did not endorse a specific option but we did recommend that Congress consider alternative approaches that better link decisions about the debt limit with decisions about spending and revenue at the time those decisions are made.

Some of the experts also supported replacing the debt limit with a fiscal rule imposed on spending and revenue decisions. The federal government has enacted such fiscal rules in the past. For example, the Budget Control Act of 2011 enacted limits on discretionary spending, which are enforced by additional spending cuts if those limits are breached (known as a sequester). Congress could consider additional fiscal rules to frame and control the overall results of spending and revenue decisions. Such rules could limit spending or affect other areas of the budget such as overall debt or annual deficits. Other countries have also operated under such fiscal rules.

For example, the European Union's (EU) stability and growth pact allows for sanctions against member states that exceed certain target levels of debt or deficits defined as "excessive" by the EU. The pact is a set of rules designed to ensure that countries in the EU pursue sound public finances and coordinate their fiscal policies. The EU defines an excessive budget deficit as one greater than 3 percent of GDP. Public debt is considered excessive if it exceeds 60 percent of GDP without diminishing at an adequate rate (defined as a decrease of the excess debt by 5 percent per year on average for more than 3 years). That said, several nations have struggled to meet these targets in recent years. In general, budget experts and other observers have noted that the success of fiscal rules depends on effective enforcement and a sustained commitment by policymakers and the public.

Congress and Agencies Have Opportunities to Take Actions that Will Assist in Addressing the Government's Fiscal Condition

Achieving long-term fiscal sustainability will require examining revenues and the drivers of spending and enacting legislation to narrow the growing gap between spending and revenues. However, in our prior work we have also identified numerous actions Congress and agencies can take now to help improve the fiscal situation. It is important for agencies to act as stewards of federal resources. Although these actions alone cannot put the U.S. government on a sustainable fiscal path, they would improve both the fiscal situation and the federal government's operations.

Actions Needed to Address Improper Payments

Improper Payments Remain a Significant, Pervasive Government-Wide Issue

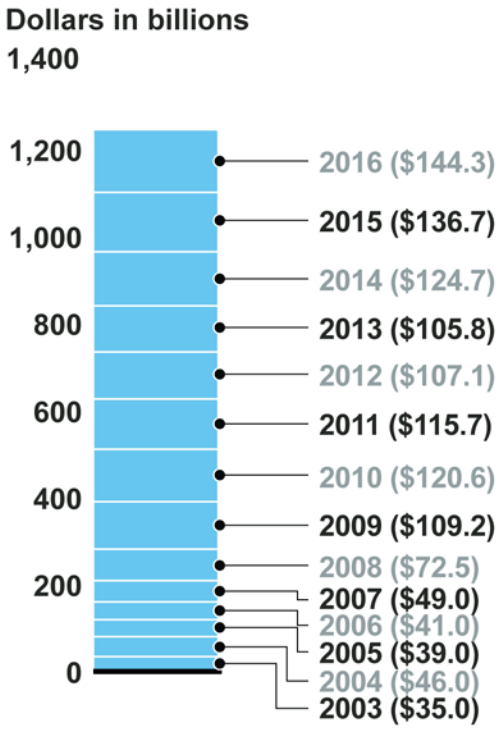
Improper payments remain a significant and pervasive government-wide issue.[19] For several years, we have reported improper payments as a material weakness in our audit reports on the consolidated financial statements of the U.S. government.[20] Since fiscal year 2003—when certain agencies began reporting improper payments as required by the Improper Payments Information Act of 2002 (IPIA)—cumulative reported improper payment estimates have totaled over $1.2 trillion, as shown in figure 6.[21]

[19]Under the Improper Payments Information Act of 2002, as amended, an improper payment is statutorily defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found.

[20]GAO-17-283R.

[21]IPIA—as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)—requires executive branch agencies to (1) review all programs and activities, (2) identify those that may be susceptible to significant improper payments, (3) estimate the annual amount of improper payments for those programs and activities, (4) implement actions to reduce improper payments and set reduction targets, and (5) report on the results of addressing the foregoing requirements. IPIA, Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *as amended by* IPERA, Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), *and* IPERIA, Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013), and *codified as amended at* 31 U.S.C. § 3321 note. IPIA, as amended, defines “significant improper payments” as gross annual improper payments in a program exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments during the fiscal year reported or (2) $100 million (regardless of the improper payment error rate).

Figure 6: Cumulative Reported Improper Payment Estimates for Fiscal Years 2003 through 2016



Source: GAO. | GAO-17-579T

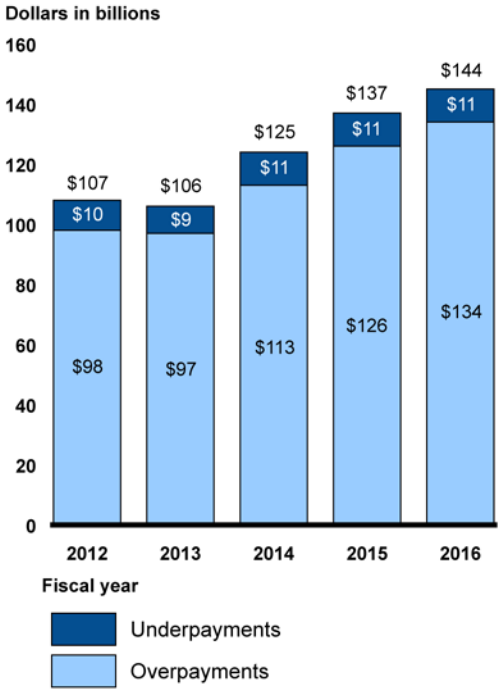
Note: Generally, the specific programs and total number of programs that constitute the government-wide improper payment estimate vary from year to year. In earlier years, the number of programs included in the government-wide estimate generally increased as programs reported improper payment estimates for the first time.

For fiscal year 2016, agencies reported improper payment estimates totaling $144.3 billion, an increase of over $7 billion from the prior year's estimate of $136.7 billion. The reported estimated government-wide improper payment error rate was 5.1 percent of related program outlays.[22] These figures do not include the Department of Defense's (DOD) Defense Finance and Accounting Service (DFAS) Commercial Pay program because of concerns regarding the reliability of the program's estimate, which I will discuss later in this statement. As shown in figures 7 and 8, the reported improper payment estimates—both dollar estimates

[22]Reported error rates reflect the estimated improper payments as a percentage of total program outlays.

and error rates—have been increasing over the past 3 years, largely because of increases in Medicaid's reported improper payment estimates.

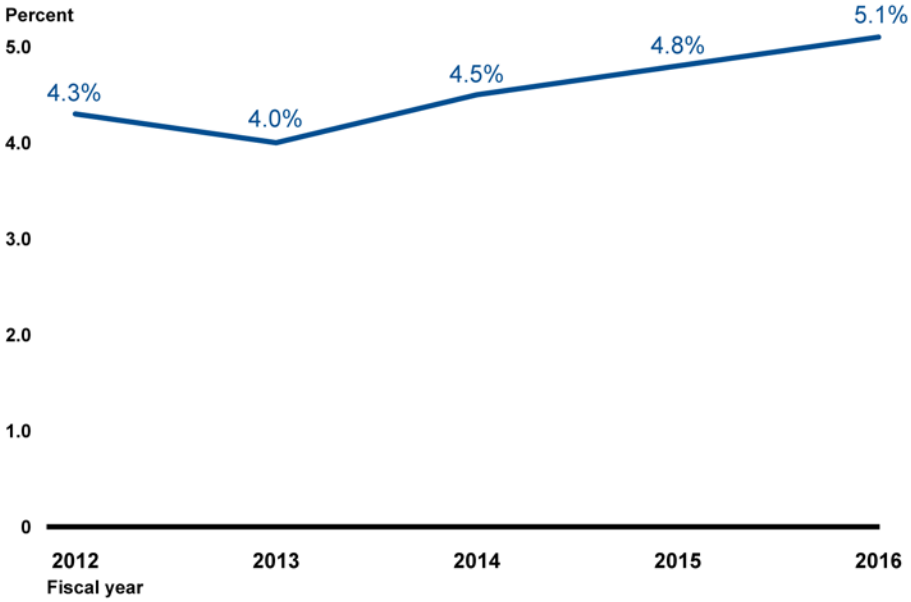
Figure 7: Reported Improper Payment Estimates for Fiscal Years 2012 through 2016



Source: GAO analysis of Office of Management and Budget data and *The Financial Report of the United States Government* for fiscal years 2013 through 2016. | GAO-17-579T

Note: Improper payment estimate amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial pay program because of issues related to the reliability of the program's estimate. Figures may not add up to totals due to rounding.

Figure 8: Reported Improper Payment Error Rates for Fiscal Years 2012 through 2016



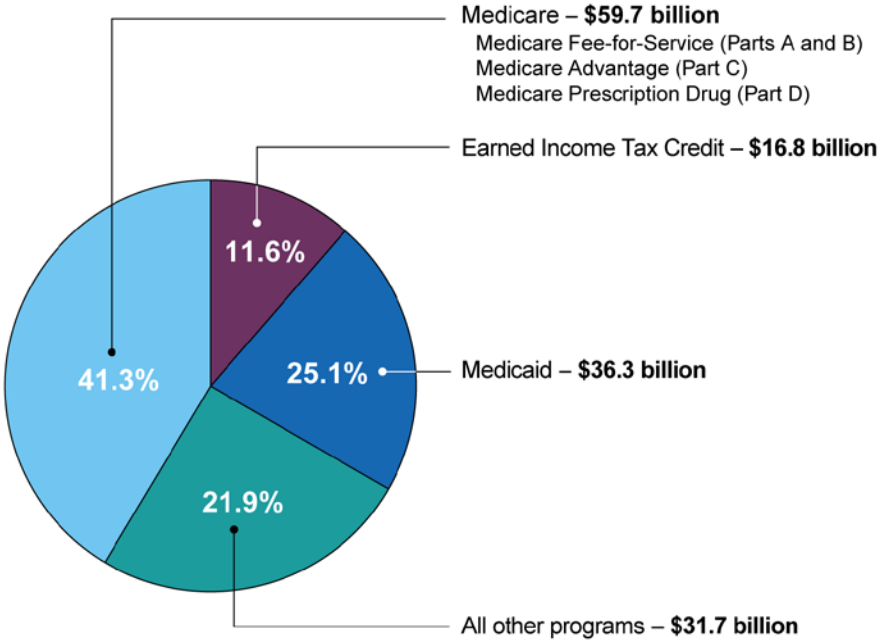
Source: *Financial Report of the United States Government* for fiscal years 2013 through 2016. | GAO-17-579T

Note: Improper payment estimate amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial pay program because of issues related to the reliability of the program's estimate.

For fiscal year 2016, overpayments accounted for approximately 93 percent of the improper payment estimate, according to www.paymentaccuracy.gov, with underpayments accounting for the remaining 7 percent.

Although primarily concentrated in three areas (Medicare, Medicaid, and the Earned Income Tax Credit), the reported estimated improper payments for fiscal year 2016 were attributable to 112 programs spread among 22 agencies. (See figure 9.)

Figure 9: Reported Improper Payment Estimates Were Primarily Concentrated in Three Areas for Fiscal Year 2016



Source: GAO analysis of agencies' fiscal year 2016 data. | GAO-17-579T

Note: Improper payment estimate amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial Pay program because of issues related to the reliability of the program's estimate. Due to rounding, numbers may not add up to 100 percent or match the government-wide improper payment estimate ($144.3 billion).

Agencies reported improper payment estimates exceeding $1 billion for 14 programs, as shown in table 1, and error rates exceeding 10 percent for 11 programs. (See table 2.)

Table 1: Programs with Reported Improper Payment Estimates over $1 Billion for Fiscal Year 2016

		Fiscal year 2016 reported improper payment estimates	
Program	**Agency**	**Dollars (in billions)**	**Error rate (percentage of outlays)**
Medicare	Department of Health and Human Services (HHS)	59.7	--
Medicare Fee-for-Service	*HHS*	*41.1*	*11.0*
Medicare Advantage (Part C)	*HHS*	*16.2*	*10.0*
Medicare Prescription Drug Benefit (Part D)	*HHS*	*2.4*	*3.4*
Medicaid	HHS	36.3	10.5
Earned Income Tax Credit	Department of the Treasury	16.8	24.0
Supplemental Security Income	Social Security Administration (SSA)	4.2	7.4
Direct Loan	Department of Education (Education)	3.9	4.0
Unemployment Insurance	Department of Labor	3.9	11.7
Old Age, Survivors, and Disability Insurance	SSA	3.7	0.4
VA Community Care	Department of Veterans Affairs (VA)	3.6	75.9
Pell Grant	Education	2.2	7.9
National School Lunch Program	Department of Agriculture	1.8	15.2
Rental Housing Assistance Programs	Department of Housing and Urban Development	1.7	5.2
Purchased Long-Term Services and Support	VA	1.2	69.2

Source: GAO summary of agencies' data. | GAO-17-579T

Table 2: Programs with Reported Improper Payment Error Rates over 10 Percent for Fiscal Year 2016

Program	Agency	Reported error rate (percentage of outlays)
VA Community Care	Department of Veterans Affairs (VA)	75.9
Purchased Long-Term Services and Support	VA	69.2
Earned Income Tax Credit	Department of the Treasury	24.0
School Breakfast Program	Department of Agriculture (USDA)	22.5
National School Lunch Program	USDA	15.2
Livestock Indemnity Program	USDA	12.9
Unemployment Insurance	Department of Labor	11.7
Supplemental Revenue Assistance Payments	USDA	11.4
Medicare Fee-for-Service	Department of Health and Human Services (HHS)	11.0
Medicaid	HHS	10.5
Disbursements for Goods and Services	Small Business Administration	10.4

Source: GAO summary of agencies' data. | GAO-17-579T

Multiple Factors Hinder Efforts to Determine the Full Extent of and Reduce Improper Payments

In our audit report on the fiscal year 2016 consolidated financial statements of the U.S. government, we continued to report a material weakness in internal control related to improper payments because the federal government is unable to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them.[23] Challenges include potentially inaccurate risk assessments, programs that do not report any improper payment estimates or report unreliable or understated estimates, and noncompliance issues.

Potentially Inaccurate Risk Assessments

Agencies conduct risk assessments to determine which programs need to develop improper payment estimates. However, in Improper Payments Elimination and Recovery Act (IPERA) compliance reports for fiscal year 2015—the most current reports available—various inspectors general (IG) reported issues related to agencies' improper payment risk assessments. For example:

[23]GAO-17-283R.

- The IG for the General Services Administration reported that the agency's risk assessment was flawed because, among other things, the questionnaires in the assessment did not ask if programs actually experience improper payments and were distributed to individuals who did not have direct or specific knowledge of improper payments.[24] Further, the IG found that the agency did not evaluate relevant reports—such as IG or GAO reports—to identify relevant findings, and two of the six questionnaires that the IG reviewed included incomplete information.
- The IG for the Department of Housing and Urban Development found that the agency did not assess all of its programs on a 3-year cycle and did not consider all nine of the required risk factors in conducting its risk assessment.[25] The IG also noted instances in which the agency did not rate risk factors in accordance with the agency's own policy.

It is also important to note that nine of the Chief Financial Officer (CFO) Act agencies either reported no improper payment estimates or reported estimates for only disaster relief programs funded through the Disaster Relief Appropriations Act, 2013 for fiscal year 2016.[26] The nine agencies were:

- U.S. Agency for International Development
- Department of Energy
- Department of State
- National Science Foundation
- Nuclear Regulatory Commission
- Department of Commerce (disaster relief only)
- Department of the Interior (disaster relief only)
- Department of Justice (disaster relief only)

[24]General Services Administration Office of Inspector General, *GSA Did Not Fully Comply with the Improper Payments Acts in FY 2015*, A160018/B/5/F16002 (Washington, D.C.: May 11, 2016).

[25]Department of Housing and Urban Development Office of Inspector General, *Compliance with the Improper Payments Elimination and Recovery Act*, 2016-FO-0005 (Washington, D.C.: May 13, 2016).

[26]The Disaster Relief Appropriations Act, 2013, requires agencies to estimate improper payments for funds received under the act.

- National Aeronautics and Space Administration (disaster relief only).

Programs That Do Not Report Improper Payment Estimates

We found that not all agencies had developed improper payment estimates for all of the programs and activities they identified as susceptible to significant improper payments. Eight agencies did not report improper payment estimates for 18 risk-susceptible programs. (See table 3.)

Table 3: Agencies Did Not Report Improper Payment Estimates for Fiscal Year 2016 for 18 Risk-Susceptible Programs

Program	Agency
Supplemental Nutrition Assistance Program	Department of Agriculture (USDA)
Child and Adult Food Care Program	USDA
Temporary Assistance for Needy Families	Department of Health and Human Services (HHS)
Advance Premium Tax Credit	HHS
Cost-Sharing Reduction	HHS
Navy Commercial Bill Pay – Singapore	Department of Defense
Single Family Insurance Claims	Department of Housing and Urban Development (HUD)
Community Planning and Development Entitlement Grants	HUD
HOME Investments Program	HUD
Additional Child Tax Credit	Department of the Treasury (Treasury)
American Opportunity Tax Credit	Treasury
Premium Tax Credit	Treasury
Communications, Utilities, and Other Rent	Department of Veterans Affairs (VA)
Medical Care Contracts and Agreements	VA
Prosthetics	VA
VA Community Care Choice payments made from the Veterans Choice Fund	VA
Grants	Environmental Protection Agency
AmeriCorps	Corporation for National and Community Service

Source: GAO summary of agencies' fiscal year 2016 agency financial reports. | GAO-17-579T

Because agencies did not report improper payment estimates for these risk-susceptible programs, the government-wide improper payment estimate is understated and agencies are hindered in their efforts to reduce improper payments in these programs. For example, the Department of Health and Human Services (HHS) did not report an improper payment estimate for Temporary Assistance for Needy Families,

a program with outlays of over $15 billion for fiscal year 2016. HHS cited statutory limitations prohibiting the agency from requiring states to participate in an improper payment measurement for the program. Another example is U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program. Although USDA has reported improper payment estimates for this program in prior years, the agency did not report an estimate for fiscal year 2016.[27] In its fiscal year 2016 agency financial report, USDA stated that it was unable to validate data provided by 42 of the 53 state agencies that administer the program. USDA stated that it could not adjust for this unreliability and calculate a national error rate.

Potentially Unreliable or Understated Estimates

Improper payment estimates for certain programs may be unreliable or understated. For example, in May 2013 we reported that DOD had major deficiencies in its process for estimating fiscal year 2012 improper payments in the Defense Finance and Accounting Service (DFAS) Commercial Pay program, including deficiencies in identifying a complete and accurate population of payments.[28] The foundation of reliable statistical sampling estimates is a complete, accurate, and valid population from which to sample. As of October 2016, DOD was still developing key quality assurance procedures to ensure the completeness and accuracy of sampled populations. Therefore, DOD's fiscal year 2016 improper payment estimates, including its estimate for the DFAS Commercial Pay program, may not be reliable. DFAS Commercial Pay's reported program outlays are significant—approximately $249 billion for fiscal year 2016. Consequently, a small change in the program's estimated error rate could result in a significant change in the dollar value of its improper payment estimate.

Further, flexibility in how agencies are permitted to implement improper payment estimation requirements can contribute to inconsistent or understated estimates. For example, in February 2015, we reported that DOD uses a methodology for estimating TRICARE improper payments that is less comprehensive than the methodology the Centers for

[27]For fiscal year 2015, USDA reported an estimated $2.6 billion—or 3.7 percent of the $70.0 billion in related program outlays—in improper payments for SNAP.

[28]GAO, *DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements*, GAO-13-227 (Washington, D.C.: May 13, 2013).

Medicare & Medicaid Services (CMS) used for Medicare.[29] Though the programs are similar in that they pay providers on a fee-for-service basis and depend on contractors to process and pay claims, TRICARE's methodology does not examine the underlying medical record documentation to discern whether each sampled payment was supported or whether the services provided were medically necessary. On the other hand, Medicare's methodology more completely identifies improper payments beyond those resulting from claim processing errors, such as those related to provider noncompliance with coding, billing, and payment rules.

As a result, the estimated improper payment error rates for TRICARE and Medicare are not comparable, and TRICARE's error rate is likely understated. In addition, corrective actions for TRICARE improper payments do not address issues related to medical necessity errors—a significant contributor to Medicare improper payments. We recommended that DOD implement a more comprehensive TRICARE improper payment methodology and develop more robust corrective action plans that address the underlying causes of improper payments. In October 2016, DOD requested proposals for claim record reviews—including medical record reviews—to begin the process of incorporating medical record reviews in its methodology for calculating improper payment rates.

Increasing Reported Agency Noncompliance

Since fiscal year 2011, IPERA has required agencies' IGs to annually report on the respective agencies' compliance under the act.[30] IGs at 15 of the 24 CFO Act agencies found their respective agencies to be

[29]GAO, *Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews*, GAO-15-269 (Washington, D.C.: Feb. 18, 2015).

[30]IPERA established a requirement for entity inspectors general to report annually on entities' compliance with criteria listed in section 3 of IPERA. The six criteria are that the entity has (1) published an annual financial statement and accompanying materials in the form and content required by OMB for the most recent fiscal year and posted that report on the entity website; (2) conducted a risk assessment for each specific program or activity that conforms with IPIA, as amended; (3) published estimates of improper payments for all programs and activities identified as susceptible to significant improper payments under the entity's risk assessment; (4) published corrective action plans for programs and activities assessed to be at risk for significant improper payments; (5) published and met annual reduction targets for all programs and activities assessed to be at risk for significant improper payments; and (6) reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published.

noncompliant under IPERA for fiscal years 2014 and 2015, the highest total since IGs began their annual compliance reviews. Although noncompliance has occurred across all six of the criteria listed in IPERA, the most common issues are noncompliance related to reporting and meeting improper payment reduction targets or reporting an error rate below 10 percent. Continued noncompliance further highlights the need for additional efforts to reduce improper payments.

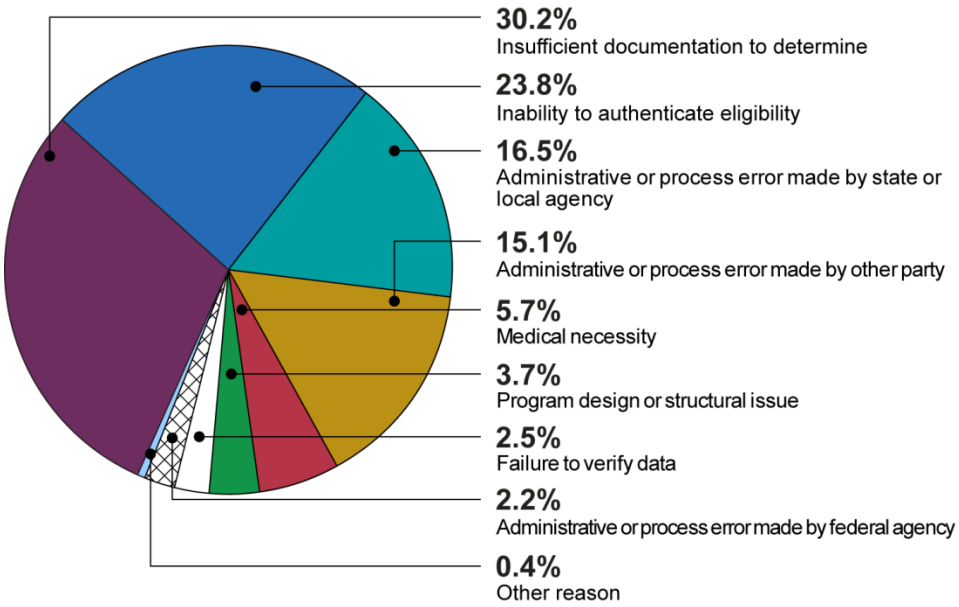
Strategies for Reducing Improper Payments

Agencies can use detailed root cause analysis and related corrective actions to implement preventive and detective controls to reduce improper payments. Collaboration with other relevant entities can also assist federal agencies in reducing improper payments.

Root Cause Analysis

Root cause analysis is key to understanding why improper payments occur and developing effective corrective actions to prevent them. In 2014, the Office of Management and Budget (OMB) established new guidance to assist agencies in better identifying the root causes of improper payments and assessing their relevant internal controls. Agencies across the federal government began reporting improper payments using these more detailed root cause categories for the first time in their fiscal year 2015 financial reports. Further identification of the true root causes of improper payments can help to determine the potential for fraud. Figure 10 shows the root causes of government-wide improper payments for fiscal year 2016, as reported by OMB. We will continue to focus on agencies' efforts to both identify the root causes and take appropriate actions to reduce improper payments.

Figure 10: Reported Root Causes of Improper Payments for Fiscal Year 2016



Source: *Fiscal Year 2016 Financial Report of the U.S. Government.* | GAO-17-579T

Preventive Controls

Implementing strong preventive controls can serve as the frontline defense against improper payments. When agencies proactively prevent improper payments, they increase public confidence in program administration and they avoid the difficulties associated with the "pay and chase" aspects of recovering overpayments.[31] Examples of preventive controls include up-front eligibility validation through data sharing, predictive analytic technologies, and program design review and refinement. For example, we have made the following recommendations and matters for congressional consideration to improve preventive controls in various programs.

- **Use of the Do Not Pay (DNP) working system.** Established by OMB and hosted by Treasury, the DNP working system is a web-based, centralized data-matching service that allows agencies to review multiple databases—such as data on deceased individuals and

[31]"Pay and chase" refers to the labor-intensive and time-consuming practice of trying to recover overpayments once they have already been made rather than preventing improper payments in the first place.

entities barred from receiving federal awards—before making payments. In October 2016, we found that the 10 agencies we reviewed used the DNP working system in limited ways, in part because OMB had not provided a clear strategy and guidance.[32] Only 2 of these 10 agencies used the DNP working system on a preaward or prepayment basis for certain types of payments. Because the DNP working system offers a single point of access to multiple databases, agencies may be able to streamline their existing data matching processes. Among other things, we recommended that OMB develop a strategy—and communicate it through guidance—for whether and how agencies should use the DNP working system to complement or streamline existing data matching processes. OMB generally agreed with the concept of developing a strategy and said it would explore the concept further.

Further, we found that the death records offered through the DNP working system do not include state-reported death data. The Social Security Administration (SSA) officials stated that sharing its full death file—which includes state-reported death data—would require an amendment to the Social Security Act. We suggested that Congress amend the Social Security Act to explicitly allow SSA to share its full death file with Treasury for use through the DNP working system. Sharing the full death file through the DNP working system would enhance efforts to identify and prevent improper payments.

- **Expanded error correction authority.** IRS has the authority to correct some calculation errors and check for other obvious noncompliance such as claims for a deduction or credit that exceed statutory limits. We have suggested to Congress that such authority be authorized on a broader basis rather than on a piecemeal basis and that controls may be needed to help ensure that this authority is used properly.[33] Also, Treasury has proposed expanding IRS's "math error" authority to "correctible error" authority to permit it to correct errors in cases where information provided by the taxpayer does not match information in government databases, among other things. Providing these authorities could help IRS correct additional errors—including some errors with Earned Income Tax Credit claims—and avoid burdensome audits and taxpayer penalties.

[32]GAO, *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended*, GAO-17-15 (Washington, D.C.: Oct. 14, 2016).

[33]GAO, *Recovery Act: IRS Quickly Implemented Tax Provisions, but Reporting and Enforcement Improvements Are Needed*, GAO-10-349 (Washington, D.C.: Feb. 10, 2010).

- **Additional prepayment reviews in Medicare fee-for-service.** In April 2016, we found that CMS could improve its claim review programs by conducting additional prepayment reviews.[34] Using prepayment reviews to deny improper claims and prevent overpayments is consistent with CMS's goal to pay claims correctly the first time. It can also better protect Medicare funds because not all overpayments can be collected. A recovery auditor (RA) is one type of claim review contractor that CMS uses, and in 2013 and 2014, 85 percent of RA claim reviews were postpayment. Because CMS is required by law to pay RAs contingency fees from recovered overpayments, the RAs can only conduct prepayment reviews under a demonstration.[35] From 2012 through 2014, CMS conducted a demonstration in which the RAs conducted prepayment reviews and were paid contingency fees based on claim denial amounts. CMS officials considered the demonstration a success. However, CMS has not requested legislation that would allow for RA prepayment reviews by amending existing payment requirements and thus may be missing an opportunity to better protect Medicare funds.

  We recommended that CMS seek legislative authority to allow RAs to conduct prepayment claim reviews. HHS did not concur with this recommendation, stating that CMS has implemented other programs as part of its efforts to move away from the "pay and chase" process of recovering overpayments. We continue to believe that seeking authority to allow RAs to conduct prepayment reviews is consistent with CMS's strategy to pay claims properly the first time.

Detective Controls

Although preventive controls remain the frontline defense against improper payments, effective detection techniques can help to quickly identify and recover those overpayments that do occur. Detective controls play a significant role not only in identifying improper payments but also in providing information on why these improper payments were made, highlighting areas that need stronger preventive controls. Examples of detective controls include data mining and recovery auditing. The

[34]GAO, *Medicare: Claim Review Programs Could Be Improved with Additional Prepayment Reviews and Better Data*, GAO-16-394 (Washington, D.C.: Apr. 13, 2016).

[35]CMS uses demonstrations to study the likely impact of new methods of service delivery, coverage of new types of service, and new payment approaches on beneficiaries, providers, health plans, states, and the Medicare Trust Funds.

following are examples of recommendations we have made to improve detective controls in various programs.

- **Improvements to recovery efforts in Medicare Advantage.** In April 2016, we reported that CMS needs to fundamentally improve its efforts to recover substantial amounts of improper payments in the Medicare Advantage program.[36] CMS conducts two types of risk adjustment data validation (RADV) audits to identify and correct Medicare Advantage improper payments: national RADV activities and contract-level RADV audits. Both types of audits determine whether the diagnosis codes submitted by Medicare Advantage organizations are supported by a beneficiary's medical record documentation. Contract-level RADV audits seek to identify and recover improper payments from Medicare Advantage organizations and thus to deter them from submitting inaccurate beneficiary diagnoses. However, we found that CMS does not focus its RADV audits on the contracts with the highest potential for improper payments and has not developed specific plans or a timetable for including recovery auditor contractors in the contract-level RADV audit process.

  We made several recommendations, including that CMS modify the selection of contracts for contract-level RADV audits to focus on those most likely to have high rates of improper payments and that CMS develop specific plans and a timetable for incorporating a recovery audit contractor in the Medicare Advantage program. In response to our report, HHS concurred with the recommendations and reaffirmed its commitment to identifying and correcting Medicare Advantage improper payments. By implementing our recommendations, CMS could recover hundreds of millions of dollars in improper payments by improving its processes for auditing payments to Medicare Advantage organizations.

- **Review of federal determinations of Medicaid eligibility.** In October 2015, we reported that additional efforts were needed to ensure that state spending is appropriately matched with federal funds in Medicaid.[37] States and the federal government share in the

[36]GAO, *Medicare Advantage: Fundamental Improvements Needed in CMS's Effort to Recover Substantial Amounts of Improper Payments*, GAO-16-76 (Washington, D.C.: Apr. 8, 2016).

[37]GAO, *Medicaid: Additional Efforts Needed to Ensure that State Spending is Appropriately Matches with Federal Funds*, GAO-16-53 (Washington, D.C.: Oct. 16, 2015).

financing of the Medicaid program, with the federal government matching most state expenditures for Medicaid services on the basis of a statutory formula. CMS has implemented interim measures to review the accuracy of state eligibility determinations and examine states' expenditures for different eligibility groups, for which states may receive multiple federal matching rates.

However, some states have delegated authority to the federal government to make Medicaid eligibility determinations through the federally facilitated exchange. CMS has excluded these states from the reviews. This creates a gap in efforts to ensure that only eligible individuals are enrolled into Medicaid and that state expenditures are correctly matched by the federal government. We recommended that CMS conduct reviews of federal Medicaid eligibility determinations to ascertain the accuracy of these determinations and institute corrective action plans where necessary.

HHS has taken some steps to improve the accuracy of Medicaid eligibility determinations, as we recommended, but has not conducted a systematic review of federal eligibility determinations. For example, in March 2017, HHS reported that it is reviewing federal determinations of Medicaid eligibility in two of the nine states that have delegated eligibility determination authority to the federal marketplace. Although the actions HHS has taken have value, they are not sufficient to identify erroneous eligibility determinations. Specifically, without a systematic review of federal eligibility determinations, the department lacks a mechanism to identify and correct errors and associated payments.

Collaboration with Other Entities

While federal agencies are responsible for reducing improper payments, agencies may consider collaboration with relevant entities—such as OMB, states, state auditors, and the IG community—to expand efforts to reduce improper payments. In November 2016, we held a discussion with various state auditors and federal agencies to identify potential opportunities to strengthen collaboration, focusing on federal and state initiatives related to improper payments. Further, in September 2015, we reported on the Recovery Operations Center's (ROC) significant analytical services, provided primarily to IGs to support antifraud and other activities.[38] While funding for the ROC ended in September 2015,

[38]GAO, *Federal Spending Accountability: Preserving Capabilities of the Recovery Operations Center Could Help Sustain Oversight of Federal Expenditures*, GAO-15-814 (Washington, D.C.: Sept. 14, 2015).

officials from some small- and medium-sized IGs stated that they do not have the capabilities to develop independent data analytics or pay for a similar service, thus foregoing the ROC's capabilities. We suggested that Congress may wish to consider directing the Council of the Inspectors General on Integrity and Efficiency to develop a legislative proposal to reconstitute the essential capabilities of the ROC to help ensure federal spending accountability.

Finally, I recently met with the Director of OMB to discuss improper payments, among other issues. This spring we are providing OMB a letter highlighting open priority recommendations related to important issues, including improper payments. Strengthened efforts and collaboration among relevant entities is important to reducing improper payments across the federal government.

Opportunities Exist to Improve Efficiency and Effectiveness of Government Programs

For the last 7 years, we have annually presented actions Congress or executive branch agencies could take to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue.[39] We also maintain our High-Risk List to bring attention to government operations that are at high risk of fraud, waste, abuse, and mismanagement, or that need broad-based transformation to address economy, efficiency, or effectiveness challenges of government operations.[40] Combined, these efforts have led to hundreds of billions of dollars in financial benefits over the last decade. Fully addressing the issues we raise in those reports could yield additional benefits, such as increased savings, better services to the public, and improved federal programs. For example, we estimate tens of billions more dollars could be saved by fully implementing our remaining open recommendations to address fragmentation, overlap, and duplication. While these issues span the government, a substantial number of them involve five agencies that made up 69 percent—$3.0 trillion—of federal outlays in fiscal year 2016: the Departments of Defense, Health and Human Services, and Veterans Affairs; the Social Security Administration; and the Office of Management Budget.

[39]GAO-17-491SP. In addition, our online *Action Tracker* allows Congress, executive branch agencies, and the public to track the progress the government is making in addressing the issues we have identified since 2011. To improve search functions, we have a downloadable spreadsheet of all actions listed in the *Action Tracke*r. (See http://www.gao.gov/duplication/action_tracker/all_areas.)

[40]GAO-17-317.

Department of Defense

DOD represented about 15 percent of federal spending in fiscal year 2016, with outlays totaling about $637.6 billion. In our 2011 to 2017 annual duplication reports, we directed 168 actions to DOD in areas that contribute to DOD's effectiveness. As of March 2017, 95 of these 168 actions remained open. DOD also bears responsibility, in whole or part, for half (17 of 34) of the areas we have designated as high risk. Our work suggests that effectively taking actions to address these issues would yield significant financial benefits, as discussed below.

- **DOD weapon systems acquisition.** DOD's portfolio of 78 major acquisition programs has a total estimated cost of $1.46 trillion. Over the past 4 fiscal years, our analyses of DOD's weapon system acquisitions have resulted in nearly $30 billion in savings. We have six open priority recommendations to improve DOD's management of three of DOD's most expensive programs, each of which is facing significant cost, schedule, and performance challenges—the F-35 Joint Strike Fighter, Littoral Combat Ship, and Ford Class Aircraft Carrier. We continue to encourage DOD and Congress to hold programs accountable by ensuring that they attain the required knowledge at key decision points—such as conducting systems engineering reviews and making sure technologies are fully mature before product development begins, and successfully completing testing—before committing resources to production. By acting on our open recommendations for F-35, LCS, and Ford Class, and applying the same knowledge-based approach across its portfolio, DOD could potentially achieve tens of billions of dollars more in cost savings or cost avoidance over the life of these programs.
- **DOD contract management.** DOD obligated $273.5 billion in fiscal year 2015 on contracts for goods and services, including major weapon systems, support for military bases, information technology, consulting services, and commercial items. As the federal government's largest procurement agency, DOD has opportunities to leverage its buying power to reduce prices, improve quality, and otherwise enhance supplier management and performance. We have found that leading commercial companies often manage 90 percent of their spending using strategic sourcing and generate 10 to 20 percent savings in doing so.

  In contrast, we have reported that DOD components (Navy, Air Force, and Army) managed between 10 and 27 percent of their $8.1 billion in spending on information technology services through their preferred strategic sourcing contracts in fiscal year 2013. By awarding hundreds

of potentially duplicative contracts, these components diminished the department's buying power.[41] Further, the low utilization rate of federal strategic sourcing initiatives contracts by DOD and other federal agencies resulted in missed opportunities to leverage buying power. In this case, the Federal Strategic Sourcing Initiatives reported an estimated savings of $470 million between fiscal years 2011 and 2015, an overall savings rate of about 25 percent. In fiscal year 2015, however, the seven large agencies that comprised the Leadership Council—a cohort of large federal agencies responsible for federal strategic sourcing initiatives—directed less than 10 percent of their spending on the types of goods and services offered under federal strategic sourcing initiatives in fiscal year 2015, resulting in a missed opportunity to potentially have saved over $1 billion.[42]

- **DOD headquarters reductions.** Since 2014, and in part to respond to congressional direction, DOD has undertaken initiatives intended to improve the efficiency of headquarters organizations and identify related cost savings, but it is unclear to what extent these initiatives will help the department achieve the potential savings it has identified. DOD has many organizations with multiple layers of headquarters management, and at times these organizations possess complex and overlapping relationships. To improve the management of DOD's headquarters-reduction efforts, we recommended that the Secretary of Defense
  - conduct systematic determinations of personnel requirements for the Office of the Secretary of Defense, Joint Staff, and military service secretariats and staffs;[43]
  - set a clearly defined and consistently applied starting point as a baseline for headquarters-reduction efforts and track reductions

[41]GAO, *Strategic Sourcing: Opportunities Exist to Better Manage Information Technology Services Spending,* GAO-15-549 (Washington, D.C.: Sept. 22, 2015).

[42]GAO, *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed,* GAO-17-164 (Washington, D.C. Oct. 26, 2016).

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

against the baselines to provide reliable accounting of savings and reporting to Congress;[44] and

- conduct comprehensive, periodic evaluations of whether the combatant commands are sized and structured to efficiently meet assigned missions.[45]

By implementing these recommendations, DOD could yield billions in savings.

- **DOD commissaries.** DOD operates 238 commissaries worldwide to provide groceries and household goods at reduced prices as a benefit to military personnel, retirees, and their dependents. In our November 2016 and March 2017 reports, we found that DOD can more efficiently manage its commissaries and potentially achieve cost savings.[46] DOD could better position itself to meet its $2 billion target from fiscal years 2017 through 2021 by implementing our recommendation to develop a plan with assumptions, a methodology, cost estimates, and specific time frames for achieving alternative reductions to appropriations, to support DOD's efforts to ensure that DOD's cost savings target is feasible and accurate. DOD generally agreed with our recommendations.
- **DOD leases and use of underutilized spaces at military installations.** Overreliance on costly leasing is one of the major reasons that federal real property management remains on our high-risk list. Our prior work has shown that owning buildings often costs less than operating leases, especially where there are long-term needs for space. We analyzed all 5,566 lease records in DOD's real property database for fiscal year 2013 (the most recent year for which data were available) and found that there were 407 records for general administrative space. The total annual rent plus other costs for these leases was approximately $326 million for about 17.6 million square feet of leased space.

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

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

[46]GAO, *DOD Commissaries and Exchanges: Plan and Additional Information Needed on Cost Savings and Metrics for DOD Efforts to Achieve Budget Neutrality*, GAO-17-38 (Washington, D.C.: Nov. 10, 2016), and *Defense Commissaries: DOD Needs to Improve Business Processes to Ensure Patron Benefits and Achieve Operational Efficiencies*, GAO-17-80 (Washington, D.C.: Mar 23, 2017).

We recommended that DOD look for opportunities to relocate DOD organizations in leased space to installations that may have underutilized space because of force structure reductions or other indicators of potentially available space, where such relocation is cost-effective and does not interfere with the installation's ongoing military mission.[47] DOD did not agree with the recommendation and had not taken action, as of October 2016. These actions could potentially save millions of dollars each year in reduced or avoided rental costs.

Department of Health and Human Services

We have identified numerous opportunities within the Department of Health and Human Services (HHS) to achieve cost savings. HHS represented about 28 percent of the fiscal year 2016 federal budget, with outlays totaling about $1.2 trillion. HHS's largest mandatory programs are Medicare, which in fiscal year 2016 financed health services for over 57 million beneficiaries at an estimated cost of $696 billion, and Medicaid, which covered an estimated 72.2 million people in fiscal year 2016 at a cost of $575.9 billion.[48] Our work suggests that effectively implementing these actions, could yield substantial financial benefits.

Our work has identified opportunities for billions of dollars of savings and the need for improved federal oversight in multiple areas of traditional Medicare—also known as Medicare fee-for service (FFS)—and Medicare Advantage (MA), which provides health care coverage to Medicaid beneficiaries through private health plans.

- **Payments and provider incentives in traditional Medicare.** Medicare spending on hospital outpatient department services has grown rapidly in recent years—nearly $58 billion spent in 2015. In December 2015, we reported that some of this growth is because services that were typically performed in physician offices have shifted to hospital outpatient departments, resulting in higher reimbursement rates.[49] We recommended that Congress consider directing HHS to equalize payment rates between settings for certain services and

[47]GAO, *Defense Infrastructure: More Accurate Data Would Allow DOD to Improve the Tracking, Management, and Security of Its Leased Facilities*, GAO-16-101 (Washington, D.C.: Mar. 15, 2016).

[48]Medicare is the federal health-coverage program for the elderly and certain disabled individuals. Medicaid is the joint federal–state program for low-income and medically needy individuals. Of the $575.9 billion in Medicaid spending, $363.4 billion was financed by the federal government and the remainder by states.

[49]GAO, *Medicare: Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform*, GAO-16-189 (Washington, D.C.: Dec. 18, 2015).

return the associated savings to the Medicare program. Congress passed legislation to exclude services furnished by off-campus hospital outpatient departments from higher payment beginning in 2017; however, this exclusion does not apply to services furnished by providers billing as hospital outpatient departments or those meeting certain mid-build requirements prior to November 2, 2015. We maintain that Medicare could save billions of dollars annually if Congress were to equalize the rates for certain health care services, which often vary depending on where the service is performed.

The federal government spends about $50 billion annually to help hospitals with billions of dollars in costs incurred for uncompensated care—services hospitals provide to uninsured and low-income patients for which they are not fully compensated. Both Medicare and Medicaid make multiple types of payments that help offset hospital uncompensated care costs. In June 2016, we reported that Medicare Uncompensated Care payments are not well aligned with hospital uncompensated care costs, potentially resulting in relatively large amounts of available funding being distributed to hospitals where uncompensated care costs are likely declining.[50]

We recommended that the Centers for Medicare & Medicaid Services (CMS) instead base those payments on actual hospital uncompensated care costs and account for Medicaid payments made when making Medicare Uncompensated Care payments to individual hospitals. HHS concurred with the recommendations and indicated that the agency planned to implement them beginning in fiscal year 2021 to allow time for hospitals to collect and report reliable data. Implementing our recommendations could prevent more than $1 billion annually from going to hospitals that may not have any uncompensated care.

The Medicare prospective payment system (PPS) introduced better control over program spending and provided hospitals with an incentive for efficient resource use. Yet for decades, as required by law, Medicare has paid 11 cancer hospitals differently than PPS hospitals—specifically, these cancer hospitals are reimbursed largely based on their reported costs and as such have little incentive for containing costs. To help HHS better control Medicare spending and encourage efficient delivery of care, and to generate cost savings from any reductions in payments to cancer hospitals that are

[50]GAO, *Hospital Uncompensated Care: Federal Action Needed to Better Align Payments with Costs*, GAO-16-568 (Washington, D.C.: Jun. 30, 2016).

exempted from the PPS, we recommended that Congress consider requiring Medicare to pay these PPS-exempt cancer hospitals as it pays PPS teaching hospitals, or provide the Secretary of HHS with the authority to otherwise modify how Medicare pays PPS-exempt cancer hospitals, and provide that all forgone outpatient payment adjustment amounts be returned to the Supplementary Medical Insurance Trust Fund. The 21st Century Cures Act, enacted in December 2016, slightly reduces the additional payments cancer hospitals receive for outpatient services. However, the law keeps in place the payment system for outpatient services that differs from how Medicare pays PPS teaching hospitals. Moreover, the law does not change how PPS-exempt cancer hospitals are paid for inpatient services. Until Medicare pays PPS-exempt cancer hospitals in a way that encourages efficiency, rather than largely on the basis of reported costs, Medicare remains at risk for overspending almost $500 million per year.

- **Medicare Advantage and other Medicare health plans.** The number and percentage of Medicare beneficiaries enrolled in MA has grown steadily over the past several years, increasing from 8.1 million (20 percent of all Medicare beneficiaries) in 2007 to 17.5 million (32 percent of all Medicare beneficiaries) in 2015. We have identified opportunities for CMS to improve the accuracy of MA payments, to account for diagnostic coding differences between MA and FFS. We previously reported that shortcomings in CMS's adjustment resulted in excess payments to MA plans totaling an estimated $3.2 billion to $5.1 billion over a 3-year period from 2010 through 2012. In January 2012, we recommended that CMS take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices by, for example, accounting for additional beneficiary characteristics such as sex, health status, and Medicaid enrollment status, as well as including the most recent data available.[51]

  Although CMS has taken steps to improve the accuracy of the risk adjustment model and Congress has taken steps to increase the adjustment, CMS has not improved its methodology for calculating the diagnostic coding adjustment. Until CMS shows the sufficiency of the diagnostic coding adjustment or implements an adjustment based on analysis using an updated methodology, payments to MA plans may not accurately account for differences in diagnostic coding between

[51]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).

these plans and traditional Medicare providers. CMS could achieve billions of dollars in additional savings by better adjusting for differences between MA plans and traditional Medicare providers in the reporting of beneficiary diagnoses.

We have also found that improved federal oversight is needed in multiple areas of Medicaid, including in the area of financing transparency and oversight and oversight of Medicaid demonstrations.

- **Growing expenditures for and oversight of large Medicaid demonstrations.** Medicaid demonstrations have become a significant proportion of Medicaid expenditures, growing steadily from about $50 billion, or about 14 percent of total Medicaid expenditures in fiscal year 2005, to $165 billion, or close to one-third of total Medicaid expenditures in fiscal year 2015.[52] Between 2002 and 2014, we reviewed several states' approved comprehensive demonstrations and found that HHS had not ensured that all of the demonstrations would be budget neutral to the federal government. We recommended that HHS improve the process for reviewing and approving Medicaid demonstrations and, in January 2008, we elevated this matter for consideration by Congress.[53] Legislation was introduced in the 114th Congress but not enacted to require HHS to improve the Medicaid demonstration review process consistent with our recommendations.

  In October 2016, CMS officials told us that they had established new budget neutrality policies to reduce demonstration spending limits and they are implementing the policies over time. However, these new policies do not address all of the problematic budget neutrality methodologies that we identified. We maintain that improving the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations could potentially save billions of dollars.

- **Financing and provider payment transparency and oversight.** To effectively oversee state Medicaid programs, CMS needs complete and accurate information on payments to individual providers. We have raised concerns about states making large Medicaid supplemental payments—payments in addition to the regular, claims-based payments made to providers for services they provided—to

[52]Expenditures include the federal and state share and are adjusted for inflation to 2015 dollars using the gross domestic product price index and exclude administrative costs.

[53]GAO, *Medicaid Demonstration Waivers: Recent HHS Approvals Continue to Raise Cost and Oversight Concerns, GAO-08-87* (Washington, D.C.: Jan. 31, 2008).

institutional providers, such as hospitals and nursing facilities. In fiscal year 2015, these payments totaled about $55 billion. In April 2015, we concluded that federal oversight of Medicaid payments is limited in part by insufficient federal information on payments.[54] Oversight is also limited because CMS does not have a policy and process for determining that payments are economical and efficient. As a result, CMS may not identify or examine excessive payments states make to individual providers.

We recommended that CMS ensure that states report accurate provider-specific payment data for all payments, develop a policy establishing criteria to determine when provider-specific payments are economical and efficient, and develop a process for identifying and reviewing payments to individual providers to determine if they meet the established criteria. CMS planned to publish a proposed rule for public comment in fall 2016 to improve the oversight of supplemental payments made to individual providers, but as of March 2017, the proposed rule had not been published. CMS could save hundreds of millions of dollars by taking steps to implement our recommendations.

Department of Veterans Affairs

We have identified numerous opportunities for the Department of Veterans Affairs (VA) to more effectively and efficiently achieve its mission to promote the health, welfare, and dignity of all veterans by ensuring that they receive medical care, benefits, and social services. In fiscal year 2016, VA spent about $179.6 billion—about 4 percent of federal outlays—for veterans' benefits and services. Our work suggests that effectively implementing these actions could yield cost savings and efficiencies that would improve the delivery of services.

- **VA health care.** Since designating VA health care as a high-risk area in 2015, we continue to be concerned about VA's ability to ensure its resources are being used cost-effectively and efficiently to improve veterans' timely access to health care, and to ensure the quality and safety of that care. VA operates one of the largest health care delivery systems in the nation, with 168 medical centers and more than 1,000 outpatient facilities organized into regional networks. VA has faced a growing demand by veterans for its health care services. To help address veterans' health care needs, VA's budgetary resources have more than doubled since 2006 to $91.2 billion in fiscal year 2016.

[54]GAO, *Medicaid: CMS Oversight of Provider Payments Is Hampered by Limited Data and Unclear Policy*, GAO-15-322 (Washington, D.C.: Apr. 10, 2015).

Despite these increased resources, there have been numerous reports in this same period—by us, VA's Office of the Inspector General, and others—of VA facilities failing to provide timely health care. In some cases, veterans have reportedly been harmed by the delays in care or VA's failure to provide care at all.

Among the concerns we have raised in these reports is the lack of reliability, transparency and consistency of VA's budget estimates and tracking obligations. These concerns were evident in June 2015, when VA requested additional funds from Congress because agency officials projected a funding gap in fiscal year 2015 of about $3 billion in its medical services appropriation account. The projected funding gap was largely due to administrative weaknesses, which slowed the utilization of the Veterans Choice Program in fiscal year 2015 and resulted in higher-than-expected demand for VA's previously established VA community care programs. To better align cost estimates for community care services with associated obligations, in June 2016, we reported that VA was examining options for replacing its outdated financial information technology systems and VA has since established a projected completion date of fiscal year 2020 for that effort.[55] However, VA continues to underestimate the resources it needs to provide health care services efficiently and effectively. For example, in February 2017, a VA official told us that VA would need to request additional funding for fiscal year 2018 above already appropriated funding for that year.

- **VA benefits.** VA provides billions of dollars in monthly disability compensation to veterans with disabling conditions caused or aggravated by their military service. In recognition of cases where the benefit does not adequately compensate veterans who are unable to maintain substantially gainful employment, VA may provide supplemental compensation through its Total Disability Individual Unemployability (TDIU) benefit. We found that 54 percent of disabled veterans receiving TDIU benefits in fiscal year 2013 were 65 years or older. By comparison, other benefit programs, such as Social Security Disability Insurance, consider retirement age a cause for ineligibility and convert benefits for those reaching their full retirement age to a Social Security retirement benefit. We recommended that VA develop a plan to study whether age should be considered when deciding if veterans are unemployable. VA concurred with our recommendation

[55]GAO, *VA's Health Care Budget: In Response to a Projected Funding Gap in Fiscal Year 2015, VA Has Made Efforts to Better Manage Future Budgets,* GAO-16-584 (Washington, D.C.: Jun. 3, 2016).

and began reviewing disability eligibility policies and procedures in April 2015, including consideration of age in claim decisions. The review was on going as of February 2017. If it were determined that TDIU benefits should only be provided to those veterans younger than their full Social Security retirement age, VA could achieve significant cost savings—$15 billion from 2015 through 2023, according to a CBO estimate.

Social Security Administration

In fiscal year 2016, the Social Security Administration (SSA) spent about $979.7 billion, roughly 23 percent of federal outlays. We have identified a number of opportunities for SSA to improve the integrity of its programs and achieve cost savings. Its two largest programs—Old-Age and Survivors Insurance (OASI), which provides retirement benefits, and Disability Insurance (DI), which provides benefits to individuals who cannot work because of a disability—together paid out more than $905 billion in fiscal year 2016.

Benefits provided under these programs are subject to several provisions that offset benefits for individuals who receive both Social Security benefits and similar benefits under another program, such as state and local pensions or workers' compensation. In some of these cases, SSA is required to offset or reduce the amount it pays to account for these other benefits. We have reported that SSA could take additional steps to better enforce these rules and avoid paying duplicative benefits.

- **Social Security offsets.** SSA needs accurate information from state and local governments on retirees who receive pensions from employment not covered under Social Security. SSA needs this information to fairly and accurately apply the Government Pension Offset (GPO), which generally applies to spouse and survivor benefits, and the Windfall Elimination Provision (WEP), which applies to retirement and disability benefits. Congress could consider giving IRS the authority to collect the information that SSA needs on government pension income to administer the GPO and the WEP accurately and fairly. Implementing this action could save $2.4 billion to $7.9 billion over 10 years, if enforced both retrospectively and prospectively, based on estimates from CBO and SSA. The estimated savings would be less if SSA only enforced the offsets prospectively as it would not reduce benefits already received.
- **Disability and unemployment benefits.** Current law does not preclude the receipt of overlapping DI and Unemployment Insurance (UI) benefits. We previously found that 117,000 individuals received concurrent cash benefit payments, in fiscal year 2010, from these

programs totaling more than $850 million. In 2014, we reported that Congress should consider passing legislation to require SSA to offset DI benefits for any UI benefits received in the same period. As of March 2017, legislation had not been enacted. Several bills, including the Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act, were introduced in the 114th Congress that would have prevented concurrent receipt of SSA DI and UI benefits, as we suggested in our 2014 report. If new legislation is introduced in the 115th Congress and enacted, the change could save $1.9 billion over 10 years in the DI program, according to CBO.

SSA's DI program requires beneficiaries to meet certain medical and financial requirements in order to maintain eligibility for benefits. We have identified a number of opportunities for SSA to save money by improving its ability to determine whether beneficiaries have regained the ability to work, and if working, gather information on wages to avoid improper payments to beneficiaries earning above program limits.

- **Disability Insurance overpayments.** DI overpayments often result when a beneficiary returns to work and starts earning income above a certain level, but the earnings activity is not properly reported to or processed by SSA. We estimated that SSA overpaid individuals $11.5 billion during fiscal years 2005 through 2014 because their work activity resulted in earnings that exceeded program limits. SSA may waive overpayments under some circumstances, in which case collection of the debt is terminated, and allows flexibility to administratively waive low dollar amounts.[56]

  In October 2015, we identified several weaknesses in SSA's process for handling work reports and waivers, and we made several recommendations—including that SSA study the costs and benefits of automated reporting options to enhance the ease and integrity of the work reporting process and take additional steps to ensure compliance with waiver policies, including updating its Debt Management System to ensure waivers over $1,000 are not improperly waived. SSA agreed with this recommendation. Regarding

[56]A beneficiary may request a waiver of an overpayment that is not in dispute, and SSA may grant that waiver request if two conditions are met: (1) the agency finds that the beneficiary was not at fault, and (2) recovery of adjustment would either defeat the purpose of the program or be against equity and good conscience, as determined by SSA. For overpayment amounts under $1,000, administrative waivers may be granted on the sole basis that the beneficiary was not at fault, with minimal documentation requirements. Waivers of debts under $2,000 do not require supervisory review.

work reporting, SSA was drafting business processes as of March 2017 to (1) build an Internet and telephone wage reporting system for DI beneficiaries and (2) contract with third-party payroll providers to receive monthly earnings data that will allow SSA to automatically make benefit adjustments. Until these new processes are implemented, the incidence of overpayments will likely remain high due to the lack of convenient reporting options for beneficiaries, failure of beneficiaries to self-report, and SSA processing errors. Regarding waivers, SSA had not updated its Debt Management System as of March 2017, and commented that it lacks the funds to do so. Fully implementing these recommendations would help prevent the loss of billions of dollars, by preventing overpayments in the first place, as well as improper waivers of overpayments, once they occur.

- **Disability reviews.** SSA is generally required to conduct continuing disability reviews (CDR) to determine whether DI and Supplemental Security Income recipients remain eligible for benefits based on their medical condition and ability to work. In February 2016, we reported that SSA's process for targeting CDRs does not maximize potential savings for the government. We recommended that SSA further consider cost savings when prioritizing reviews. SSA partially agreed with our recommendation, stating that, although it could do more to increase the return on its CDRs, the agency's statistical models and prioritization process already do much of what was recommended. However, we believe that SSA could refine its prioritization process by factoring in actuarial considerations in addition to its existing statistical models. SSA had not taken action as of February 2017. If SSA further incorporates cost savings into its process for prioritizing CDRs to conduct, the agency could realize greater savings by targeting cases with the highest average potential savings among those with the highest likelihood of benefit cessation.

Office of Management and Budget

Many of the results the federal government seeks to achieve require the coordinated effort of more than one federal agency, level of government, or sector. OMB manages and coordinates many government-wide efforts and its involvement is critical in continuing to make progress in improving efficiency and effectiveness of government programs. OMB also plays a critical role in the management of improper payments, tax expenditures, and the Digital Accountability and Transparency Act of 2014 (DATA Act).

- **Reducing acquisition costs.** Between fiscal years 2011 through 2015, federal agencies spent almost $2 billion through OMB's federal strategic sourcing initiatives and achieved an estimated $470 million in savings. Implementing our recommendations related to federal acquisitions would help agencies achieve significant savings. In 2016,

we found that OMB and the General Services Administration needed to take actions to hold federal agencies more accountable for the results of federal strategic sourcing initiatives.[57] For example, the seven largest federal agencies that comprised the Leadership Council—a cohort of large federal agencies responsible for federal strategic sourcing initiatives governance—directed less than 10 percent of their spending on the types of goods and services offered under the federal strategic sourcing initiatives in fiscal year 2015. As a result, they missed the opportunity to potentially have saved $1 billion. OMB generally agreed with these recommendations. It is important that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings.

- **Information technology investment portfolio management.** Federal agencies spend billions of dollars each year to meet their increasing demand for information technology (IT). In March 2012, OMB launched an initiative, referred to as PortfolioStat, to maximize the return on IT investments across the government's portfolio. PortfolioStat is designed to assist agencies in assessing the current maturity of their IT investment management process, making decisions on eliminating duplicative investments, and moving to shared solutions (such as cloud computing) within and across agencies.

  In 2013, we made several recommendations to OMB regarding the PortfolioStat initiative. For example, we recommended that OMB direct the Federal Chief Information Officer to improve transparency of and accountability for PortfolioStat by publicly disclosing planned and actual data consolidation efforts and related cost savings by agency.[58] While OMB disagreed with the recommendation, as of March 2017, OMB had taken steps to improve transparency of and accountability for PortfolioStat by displaying actual data consolidation savings data on the federal information technology dashboard. However, OMB stated that it does not track planned cost savings and cost avoidance figures and did not provide any plans to do so. OMB's continued attention in addressing this recommendation and our government-wide high-risk area *Improving the Management of IT Acquisitions and Operations* is essential to enabling agencies to demonstrate progress

[57]GAO-17-164.

[58]GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

in improving their portfolios of IT investments. Improving the transparency and accountability for PortfolioStat by publicly disclosing both planned and actual data consolidation efforts and related cost savings by agency would provide stakeholders, including Congress and the public, a means to monitor agencies' progress and hold them accountable for reducing duplication and achieving cost savings. Fully implementing the actions in this area could result in billions of dollars in additional savings.

- **Federal data center consolidation.** Over time, the federal government's increasing demand for IT has led to a dramatic rise in the number of federal data centers (defined as data processing and storage facilities over 500 square feet with strict availability requirements) and a corresponding increase in operational costs. In 2011, we identified the need for OMB to work with agencies to establish goals and targets for consolidation (both in terms of cost savings and reduced data centers), maintain strong oversight of the agencies' efforts, and look for consolidation opportunities across agencies. Since 2011, OMB has taken steps to look for data center consolidation opportunities across agencies; however, continued evidence of agencies not fully reporting their savings demonstrates the importance of OMB's continued oversight.

  As of March 2017, agencies collectively reported having 10,058 data centers, of which 4,679 were reported closed. Agencies also reported that they planned to close another 1,358 data centers—for a total of 6,037 closed—by the end of fiscal year 2019. The agencies reported achieving approximately $2.8 billion in cost savings or avoidances from their data center consolidation and optimization efforts from fiscal year 2012 through 2016. Further, as of December 2016, agencies were planning a total of approximately $378 million in cost savings between fiscal years 2016 and 2018—significantly less than OMB's $2.7 billion cost savings goal for agencies to achieve by the end of fiscal year 2018. Of the recommendations that we made to 10 agencies in March 2016 to complete their planned data center cost savings targets for fiscal years 2016 through 2018, all remain open.[59] Going forward, it will be important for OMB to continue to implement its oversight of agencies' data center consolidation efforts to better ensure that the consolidation and optimization efforts are meeting their established objectives.

[59]GAO, *Data Center Consolidation: Agencies Making Progress, but Planned Savings Goals Need to Be Established*, GAO-16-323 (Washington, D.C.: Mar. 3, 2016).

- **Geospatial investments.** The federal government collects, maintains, and uses geospatial information linked to specific geographic locations to help in decision making and to support many functions, including national security, law enforcement, health care, and environmental protection. Many activities, such as maintaining roads and responding to natural disasters can depend on critical analysis of geospatial information. Further, multiple federal agencies may provide services at the same geographic locations and may independently collect similar geospatial information about those locations.

  In 2012, we recommended that OMB develop a mechanism, or modify existing mechanisms, to identify and report annually on all geospatial-related investments, including dollars invested and the nature of the investment.[60] In responding to the recommendation at the time of the report, OMB noted that it developed new analysis tools and updated its models to improve its ability to identify and report on geospatial-related investments. As of March 2017, OMB has made progress in developing a way to identify and report annually on all geospatial-related investments, but has not completed its efforts. Better coordination by agencies and better oversight by OMB could help to reduce duplication of geospatial investments, providing the opportunity for potential savings of millions of dollars on the estimated billions of dollars spent annually on geospatial information technology.

- **Ensuring the security of federal information systems and cyber critical infrastructure and protecting the security of personally identifiable information.** Federal agencies and our nation's critical infrastructures—such as energy, transportation systems, communications, and financial services—are dependent on computerized (cyber) information systems and electronic data to carry out operations and to process, maintain, and report essential information.[61] The security of these systems and data is vital to public confidence and the nation's safety, prosperity, and well-being.

[60]GAO, *Geospatial Information: OMB and Agencies Need to Make Coordination a Priority to Reduce Duplication*, GAO-13-94 (Washington, D.C.: Nov. 26, 2012).

[61]Critical infrastructure includes systems and assets so vital to the United States that incapacitating or destroying them would have a debilitating effect on national security. These critical infrastructures are grouped by the following industries or "sectors": chemical; commercial facilities; communications; critical manufacturing; dams; defense industrial base; emergency services; energy; financial services; food and agriculture; government facilities; health care and public health; information technology (IT); nuclear reactors, materials, and waste; transportation systems; and water and wastewater systems.

Protecting the privacy of personally identifiable information (PII) that is collected, maintained, and shared by both federal and nonfederal entities is also critical. Regarding PII, advancements in technology, such as new search technology and data analytics software for searching and collecting information, lower data storage costs, and ubiquitous Internet and cellular connectivity have made it easier for individuals and organizations to correlate data and track it across large and numerous databases. These advances—combined with the increasing sophistication of hackers and others with malicious intent, and the extent to which both federal agencies and private companies collect sensitive information about individuals—have increased the risk of PII being exposed and compromised.

Actions initiated by OMB and the Federal Chief Information Officer, such as the 30-Day Cybersecurity Sprint and the October 30, 2015, cybersecurity strategy and implementation plan, reflect an increased level of attention by OMB to the security of federal networks, systems, and data at civilian agencies. Consistent with our 2015 recommendations for developing a federal cybersecurity strategy, OMB's strategy identifies key actions, responsibilities, and timeframes for implementation as well as mechanisms for tracking progress and holding individuals accountable.[62] These actions should help federal agencies stem the rising tide of information security incidents. In addition, OMB should continue to focus its attention on implementing our recommendations to (1) address agency cyber incident response practices in its oversight of agency information security programs and (2) collaborate with stakeholders to enhance reporting guidance for the inspector general community. Doing so will enable federal agencies to better respond to cyber attacks and will provide for more consistent and useful reporting to the Congress.

- **Better coordination among programs that support employment for people with disabilities.** In 2010, an estimated one in six working-age Americans reported having a disability, and the federal government obligated more than $4 billion in fiscal year 2010 for employment-related supports for people with disabilities. Lack of coordination is, in part, why federal disability programs have remained on our high-risk list since 2003. Meanwhile, SSA paid out almost $196 billion in fiscal year 2015 in income supports for people with disabilities who cannot work, and historically, people with disabilities

[62]GAO, *Federal Information Security: Agencies Need to Correct Weaknesses and Fully Implement Security Programs*, GAO-15-714 (Washington, D.C.: Sept. 29, 2015).

have experienced higher unemployment and poverty rates than those without disabilities.[63]

In 2012, we found overlap and limited coordination among 45 programs in nine federal agencies that support employment for people with disabilities—programs that have been created or have evolved over time to address barriers in employment for people with disabilities, resulting in a fragmented system of supports. To improve coordination and spur more efficient and economical service delivery in overlapping program areas, OMB should consider establishing measurable, governmentwide goals for employment of people with disabilities, and agencies should establish related measures and indicators and collect additional data to ensure goals are being met. Establishing such goals and related measures could further enhance coordination and help improve employment outcomes for people with disabilities, including finding or maintaining employment outside of the federal government.

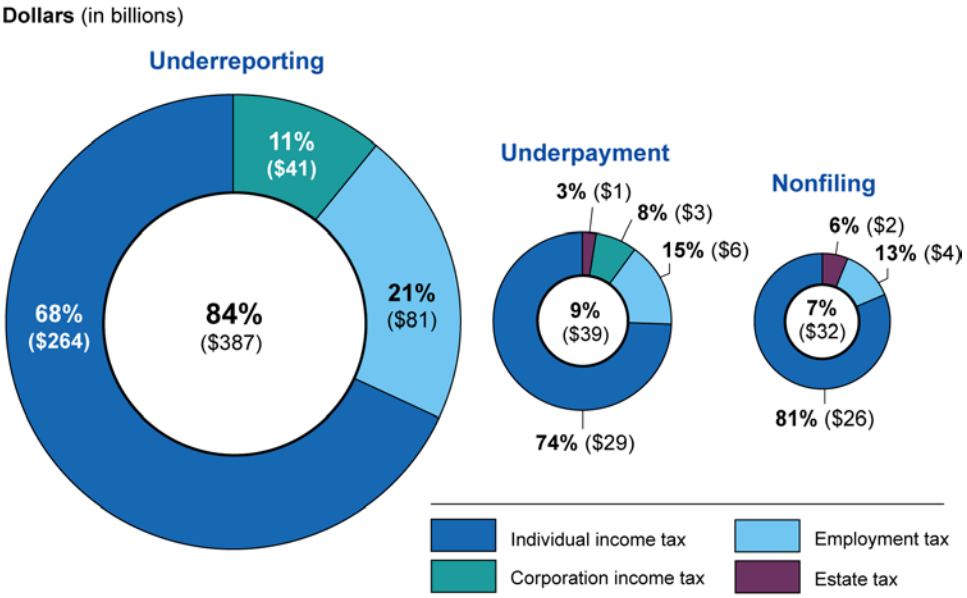
Multiple Strategies Needed to Address the Persistent Tax Gap

The tax gap—the difference between taxes owed to the government and total taxes paid on time—has been a persistent problem for decades despite the Internal Revenue Service's (IRS) efforts to improve voluntary compliance. In 2016, IRS estimated that for tax years 2008 to 2010, the voluntary compliance rate averaged 81.7 percent of taxes owed, resulting in an average annual gross tax gap of $458 billion. After accounting for an estimated $52 billion in late payments and payments resulting from IRS enforcement actions, the net compliance rate averaged 83.7 percent of taxes owed, resulting in an annual average net tax gap of $406 billion for those years.

The largest part of the tax gap is from underreporting, when taxpayers inaccurately report tax liabilities on tax returns. (See figure 11.) Other forms of noncompliance are underpayment, when taxpayers fail to pay taxes due from filed returns, or nonfiling, when they fail to file a required tax return altogether or on time.

[63]In particular, SSA's Disability Insurance and Supplemental Security Income programs dispensed $143.4 and $52.3 billion respectively in cash benefits in fiscal year 2015, while grappling with large workloads and struggling to make timely decisions on who is eligible for cash benefits.

Figure 11: Underreporting of Individual Income Tax Accounts for the Largest Share of the Average Annual Gross Tax Gap, Tax Years 2008-2010



Source: GAO analysis of Internal Revenue Service information. | GAO-17-579T

Note: Individual income tax includes individual business income tax. Estate tax underreporting noncompliance is not shown in this graphic because it represents less than one-half percent of total underreporting noncompliance. Excise tax is not shown in this graphic because the Internal Revenue Service (IRS) does not have excise tax underreporting noncompliance or nonfiling noncompliance estimates, and its estimate for excise tax underpayment noncompliance represents less than one-half percent of total underpayment noncompliance. In addition, IRS does not have a corporation income tax estimate for nonfiling noncompliance.

We have identified actions IRS and Congress can take to reduce the tax gap.[64] For example, we recommended that IRS collect more data on noncompliance and determine resource allocation strategies for its enforcement efforts, such as for partnerships; strengthen referral programs so whistleblowers can more easily submit information to IRS about tax noncompliance; and enhance taxpayer services, such as by developing a long-term strategy for providing web-based services to taxpayers.

Likewise, Congress could help address the tax gap by expanding third-party information reporting requirements, requiring additional taxpayers to file tax and information returns electronically, regulating paid tax return

[64]GAO-17-317.

preparers, and, as previously discussed, providing IRS with broad authority to correct errors where there are inconsistencies within a taxpayer's tax return.

Action Needed to Improve Information on Programs and Fiscal Operations

In many cases, agencies also need to take action to provide decision makers with additional or improved information on the performance and costs of policies or programs. In particular, decision making could be improved by strengthening internal controls over financial reporting to ensure the statements are fully auditable, increasing attention to tax expenditures, and effectively implementing the DATA Act.

- **Ensuring the federal government's financial statements are fully auditable.** Eliminating these weaknesses would improve the reliability of financial information and improve financial decision making.[65] The U.S. government's consolidated financial statements are intended to present the results of operations and the financial position of the federal government as if the government were a single enterprise. Since the federal government began preparing consolidated financial statements 20 years ago, three major impediments have continued to prevent us from rendering an opinion on the federal government's accrual-based consolidated financial statements over this period: (1) serious financial management problems at DOD that have prevented its financial statements from being auditable, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) the federal government's ineffective process for preparing the consolidated financial statements.[66]

  Over the years, we have made a number of recommendations to OMB, Treasury, and DOD to address these issues. Generally, these entities have taken or plan to take actions to address these recommendations. The material weaknesses in internal control underlying these three major impediments continued to (1) hamper

[65]A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[66]GAO-17-283R.

the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; (2) affect the federal government's ability to reliably measure the full cost, as well as the financial and nonfinancial performance of certain programs and activities; (3) impair the federal government's ability to adequately safeguard significant assets and properly record various transactions; and (4) hinder the federal government from having reliable financial information to operate in an efficient and effective manner.

- **Increased attention to tax expenditures.** Tax expenditures are sometimes used to provide economic relief to selected groups of taxpayers or to encourage certain behavior or to accomplish other goals. The goals they seek to advance may be similar to the goals of mandatory or discretionary spending programs. According to Treasury, in fiscal year 2016 there were 167 tax expenditures. These tax expenditures represented an estimated total of $1.4 trillion in forgone tax revenue.[67]

  However, despite their use as a policy tool, tax expenditures are not regularly reviewed, and their outcomes are not measured as closely as those from spending programs. We recommended that OMB take actions to develop a framework for evaluating tax expenditure performance and to regularly review tax expenditures in executive branch budget and performance review processes. However, OMB has not developed a systematic approach for conducting such reviews and has not reported progress on addressing data availability and analytical challenges in evaluating tax expenditures since the President's fiscal year 2012 budget.

  In July 2016 we recommended that OMB work with agencies to identify which tax expenditures contribute to agency goals, and OMB generally agreed with the recommendation.[68] Absent such analysis, policymakers have little way of knowing whether these tax provisions support achieving the intended federal outcomes and lack information to compare their cost and efficacy with other policy tools.

- **Effective implementation of the DATA Act.** We have reported that the DATA Act holds great promise for improving the transparency and

[67]Summing tax expenditure estimates provides a sense of size but does not take into account possible interactions among individual tax expenditures and within the tax code. Total change in tax revenues from repealing all tax expenditures could differ from the sum of the estimates.

[68]GAO, *Tax Expenditures: Opportunities Exist to Use Budgeting and Agency Performance Processes to Increase Oversight*, GAO-16-622 (Washington, D.C.: July 7, 2016).

accountability of federal spending data. Full and effective implementation of the act would enable—for the first time—the federal government as a whole to report on funds at multiple points in the federal spending lifecycle and significantly increase the types and transparency of data available to Congress, agencies, and the general public. OMB and Treasury have taken significant steps toward implementing the DATA Act's various requirements, but agencies have reported that they continue to face challenges, including issues involving systems integration, lack of resources, evolving and complex reporting requirements, and inadequate guidance.[69]

As agencies begin to report data required by the act in May 2017, attention will increasingly focus on the quality of the data being produced. Prior agency financial audits and inspectors general reviews have identified material weaknesses and significant deficiencies that present risks to agencies' ability to submit quality data.[70] We also identified challenges with guidance that will impact data quality and limitations with the processes to provide and communicate needed quality assurances to users. Moving forward, OMB and Treasury need to continue to address issues that we identified in our previous work as well as our open recommendations related to implementation of the act and data transparency.[71]

The government must act soon to change the long-term fiscal path or risk significant disruption to individuals and the economy. Congress will need to discuss the entire range of federal activities and spending—entitlement programs, other mandatory spending, discretionary spending, and revenue. Moving forward, the federal government will need to make tough choices in setting priorities and ensuring that spending leads to positive results. Having a broader fiscal plan to put the federal government on a more sustainable long-term path would help with these tough decisions.

[69]GAO, DATA Act: *OMB and Treasury Have Issued Additional Guidance and Have Improved Pilot Design but Implementation Challenges Remain*, GAO-17-156 (Washington, D.C.: Dec. 8, 2016) and *DATA Act: Implementation Progresses but Challenges Remain,* GAO-17-282T (Washington, D.C.: Dec. 8, 2016).

[70]A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. For more information, see GAO, *DATA Act: As Reporting Deadline Nears, Challenges Remain that Will Affect Data Quality,* GAO-17-496 (Washington, D.C.: Apr. 28, 2017).

[71]See GAO-17-496, appendix II for a list of our previous recommendations relating to the DATA Act and their implementation status.

Thank you, Chairman Black, Ranking Member Yarmuth, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer questions.

GAO Contacts

For further information on this testimony, please contact Susan J. Irving, Director of Federal Budget Analysis, Strategic Issues, who may be reached at (202) 512-6806 or irvings@gao.gov, and J. Christopher Mihm, Managing Director, Strategic Issues, who may be reached at (202) 512-6806 or mihmj@gao.gov. Contact points for the individual areas listed in our 2017 Fragmentation, Overlap, and Duplication annual report can be found on the first page of each area in GAO-17-491SP. Contact points for the individual high-risk areas are listed in GAO-17-317 and on our high-risk website. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

Appendix I: Related GAO Work

Long-Term Fiscal Outlook

- *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*. GAO-17-237SP. Washington, D.C.: January 17, 2017.
- GAO, *Fiscal Outlook & The Debt* Key Issues Page, accessed April 28, 2017, http://www.gao.gov/fiscal_outlook/overview.
- *Fiscal Outlook: Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position.* GAO-16-92T. Washington, D.C.: October 1, 2015.
- *Social Security's Future: Answers to Key Questions.* GAO-16-75SP. Washington, D.C.: October 27, 2015.

Improper Payments

- *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*. GAO-16-55. Washington, D.C.: June 30, 2016.
- *Improper Payments: Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals*. GAO-15-482T. Washington, D.C.: March 16, 2015.
- *Disaster Relief: Agencies Need to Improve Policies and Procedures for Estimating Improper Payments*. GAO-15-209. Washington, D.C.: February 27, 2015.
- *Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews*. GAO-15-269. Washington, D.C.: February 18, 2015.
- *Improper Payments: DOE's Risk Assessments Should Be Strengthened*. GAO-15-36. Washington, D.C.: December 23, 2017.
- *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act*. GAO-15-87R. Washington, D.C.: December 9, 2014.
- *Improper Payments: Government-Wide Estimates and Reduction Strategies*. GAO-14-737T. Washington, D.C.: July 9, 2014.

Tax Gap

- *Partnerships and S Corporations: IRS Needs to Improve Information to Address Tax Noncompliance.* GAO-14-453. Washington, D.C.: May 14, 2014.
- *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors.* GAO-14-467T. Washington, D.C.: April 8, 2014.

- *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources.* GAO-13-151. Washington, D.C.: December 5, 2012.
- *Tax Gap: Sources of Noncompliance and Strategies to Reduce It*. GAO-12-651T. Washington, D.C.: April 19, 2012.

Debt Limit

- *Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches*. GAO-15-476. Washington, D.C.: July 9, 2015.
- *Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs*. GAO-12-701. Washington, D.C.: July 23, 2012.
- *The Effects of Delays in Increasing the Debt Limit* Podcast, accessed April 28, 2017, http://www.gao.gov/multimedia/podcasts/592827.
- *Debt Limit Alternative Approaches* Podcast, accessed April 28, 2017, http://www.gao.gov/multimedia/podcasts/670669.

Consolidated Financial Statement

- *Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government*. GAO-17-283R. Washington, D.C.: January 12, 2017.
- *Understanding the Primary Components of the Annual Financial Report of the United States Government*. GAO-09-946SP. Washington, D.C.: September 25, 2009.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (http://www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to http://www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, LinkedIn, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at www.gao.gov and read The Watchblog.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: http://www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814, Washington, DC 20548

Please Print on Recycled Paper.