



Testimony
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Government Reform, House of
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GOVERNMENT EFFICIENCY AND EFFECTIVENESS

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

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Accessible Version

GAO Highlights

Highlights of [GAO-16-579T](#), a testimony before the Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The federal government continues to face an unsustainable long-term fiscal path based on the imbalance between federal revenue and spending. As the fiscal pressures facing the government continue, so too does the need for the Congress and executive branch agencies to improve the efficiency and effectiveness of government programs and activities. Such opportunities exist throughout government.

To bring these opportunities to light, Congress included a provision in statute for GAO to annually identify federal programs, agencies, offices, and initiatives (both within departments and government-wide) that are duplicative. As part of this work, GAO also identifies areas that are fragmented or overlapping as well as additional opportunities to achieve cost savings or enhance revenue collection. GAO's 2016 annual report is its sixth in this series ([GAO-16-375SP](#)).

This statement discusses

- new issues GAO identifies in its 2016 report;
- the status of actions Congress and executive branch agencies have taken to address issues GAO identified in its 2011-2015 reports; and
- opportunities to achieve significant benefits from selected areas included in this year's and past annual reports.

To identify what actions exist to address these issues and take advantage of opportunities for cost savings and enhanced revenues, GAO reviewed and updated prior work, including recommendations for executive action and matters for congressional consideration.

View [GAO-16-579T](#). For more information, contact Orice Williams Brown at 202-512-8678 or williamsso@gao.gov or A. Nicole Clowers at clowersa@gao.gov or (202) 512-7114.

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What GAO Found

GAO's 2016 annual report identifies 92 new actions that Congress and executive branch agencies could take to improve the efficiency and effectiveness of government in 37 areas. GAO identifies 12 areas in which there is evidence of fragmentation, overlap, or duplication. For example, GAO found that the Internal Revenue Service could potentially collect billions of dollars in taxes owed and save resources by better managing fragmentation and overlap, improving communication, and streamlining processes within its nine public referral programs. GAO also identifies 25 areas where opportunities exist to reduce the cost of government operations or enhance revenue collections. For example, GAO found that Medicare could save billions of dollars if Congress were to equalize the rates Medicare pays for certain health care services, which often vary depending on where the service is performed.

Congress and executive branch agencies have made progress in addressing the 544 actions government-wide that GAO identified in its past annual reports. As of March 2, 2016, 41 percent of these actions were addressed, 34 percent were partially addressed, and 20 percent were not addressed. Congressional and executive branch efforts to address these actions over the past 5 years have resulted in roughly \$56 billion in financial benefits, with at least an additional \$69 billion in estimated benefits projected to be accrued through 2025. These estimates are based on a variety of sources that considered different time periods, assumptions, and methodologies.

Status of 2011-2015 Actions Directed to Congress and the Executive Branch, as of March 2, 2016

Status	Number of executive branch actions (percentage)	Number of congressional actions (percentage)	Total (percentage)
Addressed	197 (43%)	27 (32%)	224 (41%)
Partially addressed	175 (38)	10 (12)	185 (34)
Not addressed	68 (15)	43 (51)	111 (20)
Consolidated or other	19 (4)	5 (6)	24 (4)
Total	459 (100)	85 (100)	544 (99)

Source: GAO. | [GAO-16-579T](#).

Note: The total percentage does not add to 100 due to rounding.

While Congress and executive branch agencies have made progress toward addressing the actions GAO has identified, further steps are needed to fully address the remaining actions. GAO estimates that tens of billions of additional dollars would be saved should Congress and executive branch agencies fully address actions that are currently partially addressed or not addressed, including the new actions GAO identified in 2016. A substantial number of GAO's actions from the 2011-2016 annual reports fall within the areas of health care, defense, and revenues, and these areas have significant opportunities for cost savings or other financial benefits. For example, in the 2015 annual report, GAO reported that DOD could potentially achieve hundreds of millions of dollars in cost savings by re-evaluating its headquarters reductions efforts and conducting periodic reassessments of workforce requirements.

Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee:

I appreciate the opportunity to discuss our 2016 annual report, which presents 92 new actions for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, and duplication and achieve other financial benefits.¹ My testimony today describes (1) new issues identified in our 2016 annual report; (2) the status of actions taken by Congress and executive branch agencies to address the issues identified in our past annual reports;² and (3) opportunities to achieve significant benefits from selected areas included in this year's and past annual reports.

My comments are based upon our 2016 annual report, which is being released today, as well as our update on the progress made in implementing actions that we have suggested in our previous annual reports.³ These efforts are based upon work GAO conducted in accordance with generally accepted government auditing standards.⁴

¹GAO, *2016 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-16-375SP](#) (Washington, D.C.: Apr. 13, 2016).

²GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011); *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012); *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-13-279SP](#) (Washington, D.C.: Apr. 9, 2013); *2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-14-343SP](#) (Washington, D.C.: Apr. 8, 2014); and *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-15-404SP](#) (Washington, D.C.: Apr. 14, 2015).

³See [GAO's Action Tracker](#), a publicly available website that includes progress updates and assessments of the actions from this series of reports.

⁴Because our 2016 annual report is based on previously issued GAO products, in many cases we cite November 1999 internal control standards as criteria; see GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). When cited, these criteria were effective at the time of our review. However, new internal control standards for the federal government became effective beginning October 1, 2015; see GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014). Any corrective action that agencies plan to take should be in accordance with the new standards.

More details on our scope and methodology can be found in the full report.

Ninety-Two New Actions Identified to Improve Efficiency and Effectiveness across the Federal Government

Of the 92 new actions we identified in our 2016 annual report, 33 are directed at the 12 areas in which we found evidence of fragmentation, overlap, or duplication in government missions such as defense, economic development, health, homeland security, and information technology.⁵ As described in table 1, these 12 areas span a wide range of federal functions or missions.

Table 1. Fragmentation, Overlap, and Duplication Areas Identified in GAO’s 2016 Report, by Mission

Mission	Areas Identified
Defense	<p>DOD Commercial Satellite Communication Procurements: Enforcing existing acquisition policy and identifying opportunities to centralize the Department of Defense’s procurement of commercial satellite communications services could create opportunities to potentially save tens of millions of dollars annually.</p> <p>DOD’s Storage of Occupational and Environmental Health Surveillance Data: Inconsistencies among the policies of the Department of Defense and the military services have contributed to fragmented and duplicative efforts to store occupational and environmental health surveillance data needed to track and assess service-related health conditions of returning servicemembers and veterans.</p> <p>Weapon System Portfolio Management: By using portfolio management more effectively, the Department of Defense could help ensure that the more than \$100 billion it spends annually on weapon system acquisitions contributes to its strategic goals and could reduce the potential for overlapping and unnecessarily duplicative investments.</p>
Economic development	<p>Manufacturing Loan Guarantees: The Economic Development Administration could better ensure that the activities carried out under the Innovative Technologies in Manufacturing program do not duplicate the efforts of other federal loan guarantee programs by working with other agencies to identify and target capital access gaps not filled by other programs.</p>

⁵This does not include the six new actions that were added to existing areas we previously identified in our 2011-2015 annual reports.

Mission	Areas Identified
General government	<p>Financial Regulatory Structure: To reduce or better manage fragmentation and overlap, Congress should consider changes to the financial regulatory structure, and the Board of Governors of the Federal Reserve System and the Office of Financial Research should take steps to improve collaboration in monitoring systemic risk.</p> <p>IRS's Public Referral Programs: The Internal Revenue Service could potentially collect billions of dollars in tax underpayments through its nine public referral programs and save resources by better managing fragmentation and overlap, improving communication, and streamlining processes.</p>
Health	<p>Medicaid and Exchange Coordination: The Centers for Medicare & Medicaid Services should take actions to minimize the risk of duplicative federal spending on health insurance coverage for individuals transitioning between Medicaid and exchange coverage.</p>
Homeland security/law enforcement	<p>Department of Homeland Security's Human Resources Systems: To address issues related to fragmented systems and duplicative processes, the Department of Homeland Security should take steps to (1) ensure that its Human Resources Information Technology investment receives necessary oversight and attention from its steering committee and (2) evaluate and update the investment's strategic planning document.</p> <p>Security of Federal Facilities: The Federal Protective Service and General Services Administration need to improve collaboration in key areas to better manage fragmentation and enhance the agencies' ability to protect federal facilities.</p>
Information technology	<p>Tribal Internet Access: Greater coordination among the Federal Communications Commission's Universal Service Fund subsidy programs and the U.S. Department of Agriculture's Rural Utilities Service grant programs could result in more efficient and effective support of Internet access for tribal communities.</p>
International affairs	<p>U.S. Embassy Kabul Construction: A strategic facilities plan for construction projects in Kabul, Afghanistan, could enhance the planning and coordination among Department of State bureaus and reduce the likelihood of fragmented construction efforts and duplicative facilities.</p> <p>U.S.-Funded Development Innovation Programs: The U.S. Agency for International Development should establish a joint approach to collaboration among its Development Innovation Ventures program and other similar U.S.-funded programs in India to better manage overlap.</p>

Source: GAO. | GAO-16-579T

We consider programs or activities to be fragmented when more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and there may be opportunities to improve how the government delivers services. We identified fragmentation in multiple programs we reviewed. For example, in our 2016 annual report, we reported fragmentation in the Department of Defense's (DOD) procurement of commercial satellite communications services. We found that approximately 34 percent (about \$290 million) of fixed commercial satellite communications was procured outside the Defense Information System Agency, contrary to DOD policy, and that DOD had not performed an analysis to identify inefficiencies and opportunities to consolidate purchases. Among other things, we recommended that DOD conduct a spend analysis that identifies

procurement inefficiencies and opportunities to consolidate purchases in order to potentially save tens of millions of dollars annually. DOD agreed with our recommendations but had yet to fully address them as of March 2016.

Fragmentation can also be a harbinger for overlap or duplication. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We found overlap among federal programs or initiatives in a variety of areas, such as the Internal Revenue Service's (IRS) nine public referral programs. We found that IRS could potentially collect billions of additional dollars in taxes owed through these programs and save resources by better managing fragmentation and overlap, improving communication, and streamlining processes. We made several recommendations to IRS, including that it establish a coordination mechanism to communicate across the multiple referral programs, develop an online referral submission process, streamline the review process, and improve external communication. IRS agreed with our recommendations and plans to implement some of them by October 2016; however, it had not provided an action plan or time frames for other referral program recommendations as of March 2016.

In other aspects of our work, we found evidence of duplication or risk of duplication, which occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. An example of potentially duplicative federal efforts involves coordination between Medicaid and federally subsidized health insurance purchased through the exchanges created under the Patient Protection and Affordable Care Act.⁶ Although a limited amount of duplicate coverage may be expected—and is permitted under federal law—for individuals completing the transition from subsidized exchange to Medicaid coverage, we found that duplicate coverage was also occurring outside of this transitional period. While the Centers for Medicare & Medicaid Services (CMS)—within the Department of Health and Human Services (HHS)—has taken some steps to minimize the potential for duplicate coverage in states with federally facilitated exchanges, we found that its policies and procedures were not sufficient based on federal standards for internal control.

⁶Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010 (HCERA), Pub. L. No. 111-152, 124 Stat. 1029 (2010). For the purposes of this statement, references to the Patient Protection and Affordable Care Act include the amendments made by HCERA.

We recommended that CMS establish a schedule for regular checks for duplicate coverage in states with federally facilitated exchanges and develop a plan to routinely monitor the effectiveness of the checks and other planned procedures to minimize duplicate coverage. HHS agreed with our recommendations and as of March 2016, was in the process of refining these checks, but had not established a schedule for doing so. By implementing our recommendation, HHS could ultimately help protect the federal government from unnecessary and duplicative expenditures.

In addition to areas of fragmentation, overlap, and duplication, our 2016 report suggested 59 new actions in 25 areas that Congress and executive branch agencies can take to reduce the cost of government operations or enhance revenue collections for the U.S. Treasury. These 25 areas exist in a wide range of federal government missions (see table 2).

Table 2. Cost Savings and Revenue Enhancement Opportunities Identified in GAO’s 2016 Report, by Mission

Mission	Areas Identified
Defense	<p>Defense Excess Property Disposal: Federal civilian agencies could potentially achieve millions of dollars in cost savings if they were able to obtain more of the Department of Defense’s available excess personal property through the disposal process rather than purchasing similar property through a private sector supplier.</p> <p>DOD’s Eligibility Determinations for Living Quarters Allowance: The Department of Defense (DOD) could potentially achieve cost savings by monitoring its components’ reviews of eligibility determinations for the over \$500 million spent annually on living quarters allowance for civilian employees to better ensure that DOD components are not improperly providing this allowance.</p> <p>DOD Excess Ammunition: The Department of Defense could potentially reduce its storage, demilitarization, and disposal costs by hundreds of thousands of dollars by transferring excess serviceable conventional ammunition, including small arms ammunition, to federal, state, and local government agencies.</p> <p>DOD Leases and Use of Underutilized Space at Military Installations: The Department of Defense could potentially achieve millions of dollars in savings by identifying and implementing actions to increase use of underutilized facilities at its military installations, such as identifying opportunities to relocate some of its organizations currently in leased space to installations, communicating the availability of underutilized space to potential tenants, and seeking use by other federal agencies.</p>
Economic development	<p>Treasury’s Foreclosure Prevention Efforts: The Department of the Treasury could potentially achieve billions in financial benefits by reviewing the potential for unexpended balances for the Making Home Affordable Program and deobligating excess funds, which Congress could rescind and direct to other priorities.</p>

Mission	Areas Identified
General government	<p data-bbox="578 464 1521 569">Bridge Contracts: When bridge contracts—which include extensions to existing contracts and short-term noncompetitive contracts to avoid a gap in service—are used frequently or for prolonged periods of time, the government is at risk of paying more than it should for goods and services.</p> <p data-bbox="578 583 1521 659">Federal Supply Schedules: Agencies are paying insufficient attention to prices when using the Federal Supply Schedules program and may be missing opportunities for cost savings.</p> <p data-bbox="578 674 1521 770">Federally Leased Vehicles: The General Services Administration and selected agencies could potentially reduce costs by improving the processes for justifying the use of vehicles in the federal fleet and taking actions for any vehicles that may be underutilized.</p> <p data-bbox="578 785 1521 919">Financing of Improvements of Federally Leased Space: In order to achieve millions in potential cost savings, the General Services Administration should explore the benefits and risks of loaning unobligated Federal Buildings Fund balances to tenant agencies to cover the costs of improving newly leased space, which would otherwise be financed by private lessors at private-sector interest rates.</p> <p data-bbox="578 934 1521 1010">Identity Theft Refund Fraud: The Internal Revenue Service and Congress could potentially save billions of dollars in fraudulent refunds by improving the agency’s efforts to prevent refund fraud associated with identity theft.</p> <p data-bbox="578 1024 1521 1121">National Park Service Fees: The National Park Service could potentially increase revenues from the recreation fees it collects by millions of dollars annually if Congress were to amend the authorizing legislation for this program and if the agency required park units to periodically review these fees.</p> <p data-bbox="578 1136 1521 1255">Unobligated Balances: To help ensure effective use of federal funds, the Departments of Energy and State should develop and finalize strategies for reducing tens and hundreds of millions of dollars of excess unobligated balances, respectively, in two budget accounts.</p>
Health	<p data-bbox="578 1262 1521 1417">Distribution of Medicaid Supplemental Payments: The Centers for Medicare & Medicaid Services should provide written guidance to state Medicaid programs clarifying its policies that the distribution of Medicaid supplemental payments be linked to the provision of Medicaid-covered services, and that such payments not be made contingent on the availability of local funding for the nonfederal share—actions that could result in substantial cost savings.</p> <p data-bbox="578 1432 1521 1566">Eligibility of Medicare Providers and Suppliers: The Centers for Medicare & Medicaid Services could use better information to help prevent ineligible providers and suppliers from enrolling in the Medicare program and improperly obtaining Medicare funds, potentially reducing the billions of dollars in improper payments that the program has paid out in recent years.</p> <p data-bbox="578 1581 1521 1736">Medicaid Demonstration Approved Spending: The Secretary of Health and Human Services could potentially curtail spending growth of Medicaid demonstrations, which have resulted in the authorization of billions of dollars in federal spending, by establishing specific criteria for assessing whether demonstration spending furthers Medicaid objectives and taking other steps to improve the transparency and accountability of the approval process.</p> <p data-bbox="578 1751 1521 1837">Medicaid Eligibility Determinations: The Centers for Medicare & Medicaid Services should assess the accuracy of federal Medicaid eligibility determinations to minimize the risk of improper payments.</p>

Mission	Areas Identified
Health	<p>Medicaid Payments to Institutional Providers: The Centers for Medicare & Medicaid Services should take steps to improve the oversight of state Medicaid payments to institutional providers and better ensure that the federal government does not provide funds for excessive state payments made to certain providers, which could result in savings of hundreds of millions of dollars.</p> <p>Medicare Payments by Place of Service: Medicare could save billions of dollars if Congress were to equalize the rates Medicare pays for certain health care services, which often vary depending on where the service is performed.</p>
Income security	<p>Disability Insurance and Federal Workers' Compensation: The Social Security Administration should take steps to minimize overpayments from the Social Security Disability Insurance program to individuals who also received federal workers' compensation, which could help to achieve potential cost savings associated with millions of dollars of overpayments from the Social Security Disability Insurance program.</p> <p>Disability Insurance Overpayments: To help prevent the loss of billions of dollars, the Social Security Administration should take steps to prevent overpayments to beneficiaries of the Disability Insurance program and improper waivers of beneficiaries' overpayment debt.</p> <p>Disability Reviews: The Social Security Administration may increase federal savings realized as a result of disability reviews by further considering factors that affect individuals' expected lifetime benefits when prioritizing its reviews of Disability Insurance and Supplemental Security Income cases.</p> <p>VA's Individual Unemployability Benefit: To potentially achieve cost savings, the Department of Veterans Affairs should develop a plan to study whether age should be considered when deciding if veterans are unemployable due to service-connected disabilities. 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 retirement age to a Social Security retirement benefit. If the department were to determine that Total Disability Individual Unemployability benefits should be provided only to veterans younger than their full Social Security retirement age, it could achieve an estimated \$15 billion in savings from 2015 through 2023, according to the Congressional Budget Office.</p>
Information technology	<p>Federal Mobile Telecommunications: In order to achieve substantial government-wide savings, federal agencies should establish better controls on mobile device spending, and the Office of Management and Budget should monitor progress in achieving these savings.</p>
International affairs	<p>Cargo Preference for Food Aid: A clearer definition of "geographic area" in legislation on cargo preference for food aid could allow the U.S. Department of Agriculture to achieve financial savings by more fully utilizing the flexibility Congress granted when it lowered the statutory cargo preference requirement.</p>
Training, employment, and education	<p>Post 9/11 GI Bill Overpayments: The Department of Veterans Affairs could achieve substantial savings by developing guidance and controls to reduce the volume of annual Post-9/11 GI Bill overpayments—which amounted to over \$400 million in fiscal year 2014—and to improve the collection of overpayment debts, of which \$262 million was still outstanding as of November 2014.</p>

Source: GAO. | GAO-16-579T

Examples of areas with opportunities to reduce costs or enhance revenue collections from our 2016 annual report include Medicare Payments by Place of Service, Disability Insurance Overpayments, and National Park Service Fees.

- *Medicare Payments by Place of Service:* In fiscal year 2015, Medicare served about 55 million beneficiaries at a cost of \$634 billion. In December 2015, we found that the program could save billions of dollars annually if Congress were to equalize the rates Medicare pays for certain health care services, which often vary depending on where the service is performed. For example, Medicare spending on hospital outpatient department services was over \$40 billion in 2013 and is growing, in part because services that were typically performed in physician offices have shifted to more costly hospital settings. Following this shift, services once reimbursed at a lower total payment rate can be classified as hospital outpatient department services and reimbursed by Medicare at a higher rate, increasing program costs.

We recommended that Congress equalize payment rates between physician offices and hospital outpatient departments for certain services. While the Bipartisan Budget Act of 2015 addresses this payment differential for some new providers, many providers will continue to be paid more than necessary for certain services, such as office visits.

- *Disability Insurance Overpayments:* In fiscal year 2014, about 11 million individuals with disabilities and their dependents received approximately \$143 billion in Disability Insurance (DI) benefits, \$1.3 billion of which the Social Security Administration (SSA) identified as overpayments. Additionally, SSA permanently waived over \$2.4 billion in overpayment debt over the past 10 years. In our October 2015 report, we found that SSA's process for handling work reports by beneficiaries has internal control and other weaknesses that increase the risk of overpayments, even when DI beneficiaries follow program rules and report work and earnings. In addition, SSA's process for handling requests to waive overpayments lacks sufficient controls to help ensure appropriate decisions are made.

We made several recommendations to improve SSA's handling of overpayments, work reports, and waivers, including that SSA study automated reporting options and improve oversight of work

reports and waivers. SSA agreed with all of these except the recommendation to improve oversight of work reports. We clarified that oversight should help to ensure that staff are following proper procedures. As of March 2016, SSA has not fully addressed these recommendations. Until SSA takes these actions, it will likely continue to overpay beneficiaries and improperly waive overpayment debt, costing the federal government billions of dollars.

- *National Park Service Fees*: The Federal Lands Recreation Enhancement Act (FLREA) does not give the National Park Service (Park Service) and other agencies that charge recreation fees the authority to adjust the price of a lifetime senior pass, which has been \$10 since 1993.⁷ Without this authority, the Park Service is limited in its ability to increase revenue from this fee. In addition, the Park Service does not call for periodic reviews of recreation fees, even though federal policy on user fees instructs agencies to seek authority, if needed, to make changes warranted by their reviews⁸ and our guide on user fees states that federal agencies should regularly review fees and make changes if warranted.⁹

We suggested that Congress consider amending FLREA to give the agencies authority to adjust the price of a lifetime senior pass. A bill was introduced in September 2015 to increase the price of the senior pass to a one-time amount matching the price of the annual interagency pass, which is \$80, as of November 2015.¹⁰ If passed, this could generate millions of dollars in revenue annually. We also made recommendations to improve the Park Service's management of recreation fees. The Department of the Interior,

⁷Federal Lands Recreation Enhancement Act, Pub. L. No. 108-447, div. J. tit. VIII, 118 Stat. 3377 (2004) (codified as amended at 16 U.S.C. §§ 6801-6814 (2015)).

⁸Office of Management and Budget, OMB Circular A-25, *User Charges* (1993).

⁹GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

¹⁰National Park Service Centennial Act, H.R. 3556, 114th Cong. § 602 (2015). The annual interagency pass covers entrance fees and certain amenity fees for all federal recreational lands. The amount of additional revenue generated by adjusting the price of the senior pass could be lower if the amount of the price increase deters seniors from purchasing the pass.

which administers the Park Service, agreed with our recommendations and plans to begin addressing them in 2016. Improving the management of recreation fees could help the Park Service to better ensure that these fees are set at a reasonable level.

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

In addition to the new actions identified in this year's annual report, we have continued to monitor the progress that Congress and executive branch agencies have made in addressing the issues we identified in our 2011-2015 reports. In response to our 2011-2015 annual reports, Congress and executive branch agencies have addressed a total of 224 actions, including 55 actions since April 2015.¹¹ We found that these efforts have resulted in roughly \$56 billion in financial benefits from fiscal years 2010 through 2015, with at least an additional \$69 billion in estimated benefits projected to be accrued through 2025.¹²

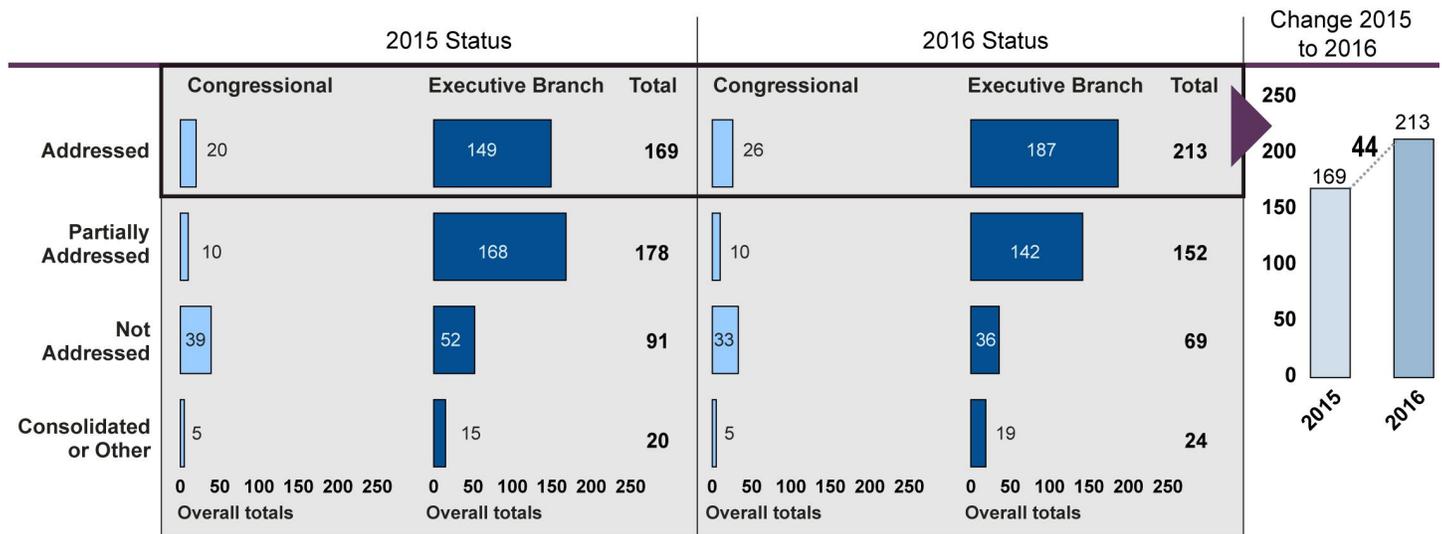
Progress toward Addressing Actions

Congress and executive branch agencies have addressed a total of 55 actions since our last report. Of these 55 addressed actions, 44 were identified in our 2011-2014 annual reports, bringing the total number of addressed actions for the 2011-2014 annual reports to 213 actions—47 percent of the 458 actions identified over that period (see fig. 1).

¹¹Actions were assessed as of March 2, 2016, the date we completed our audit work. In assessing actions suggested for Congress, we applied the following criteria: "addressed" means relevant legislation has been enacted and addresses all aspects of the action needed; "partially addressed" means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and "not addressed" means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. In assessing actions suggested for the executive branch, we applied the following criteria: "addressed" means implementation of the action needed has been completed; "partially addressed" means the action needed is in development, or started but not yet completed; and "not addressed" means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

¹²In calculating these totals, we relied on individual estimates from a variety of sources, which considered different time periods and utilized different data sources, assumptions, and methodologies. They represent a rough estimate of financial benefits and have been rounded down to the nearest \$1 billion.

Figure 1. Status of 2011-2014 Actions, as of 2015 and 2016



Source: GAO analysis. | GAO-16-579T

Data Table for Figure 1

	2015			2016		
	Congressional	Executive Branch	Total	Congressional	Executive Branch	Total
Addressed	20	149	169	26	187	213
Partially Addressed	10	168	178	10	142	152
Not Addressed	39	52	91	33	36	69
Consolidated or other	5	15	20	5	19	24

Note: Actions categorized as “consolidated or other” are no longer assessed. In most cases, the actions were replaced or subsumed by new actions based on additional audit work or other relevant information. For example, actions categorized as “consolidated or other” may have been consolidated into other actions that we track based on subsequent audit work or significant changes in agency circumstances, or they may have been redirected from a congressional to an executive branch action, or vice versa.

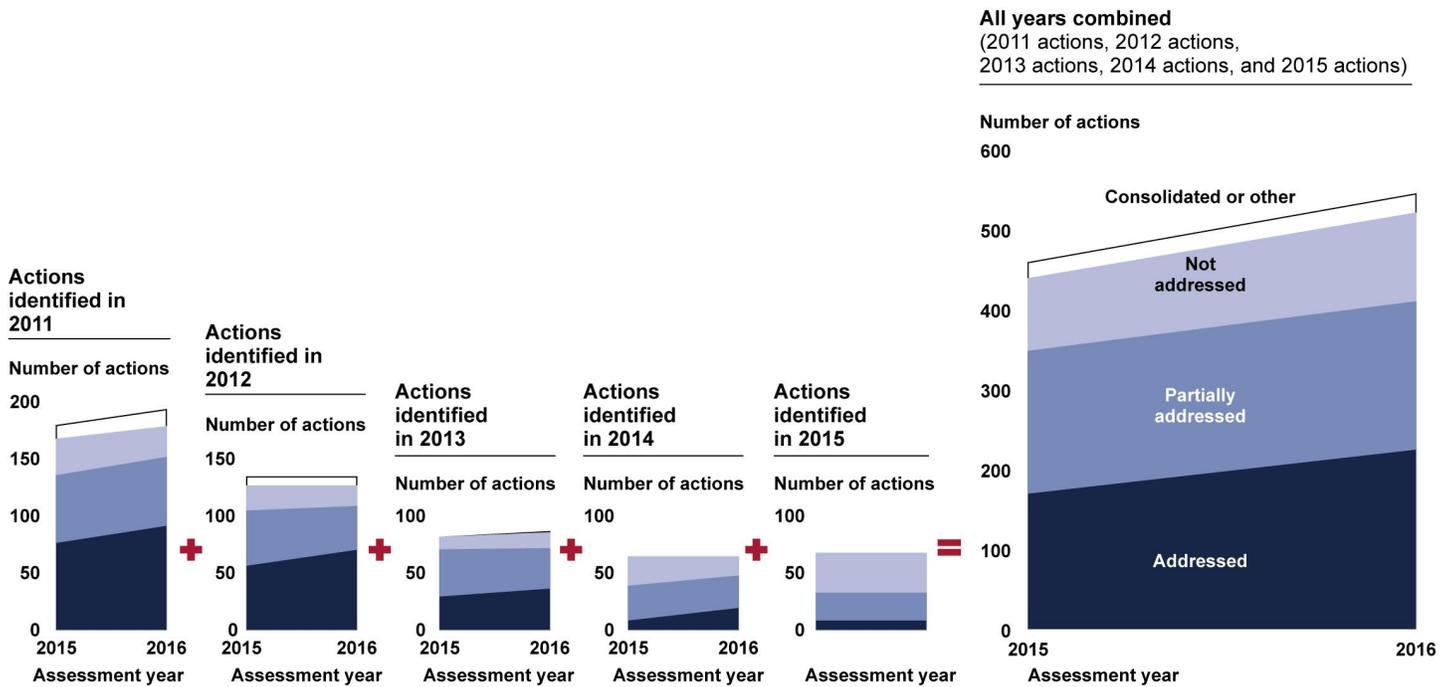
In our 2015 annual report, we identified 86 new actions for congressional or executive branch agency attention.¹³ As of March 2, 2016, we found that 11 (13 percent) of the new 2015 actions had been addressed and 33 (38 percent) had been partially addressed.

In total, of the 544 total actions we identified in our 2011-2015 annual reports, we found that 224 (41 percent) were addressed, 185 (34 percent) were partially addressed, and 111 (20 percent) were not addressed.¹⁴ As figure 2 shows, many of the actions that have been addressed were identified in our 2013 or earlier reports—which suggests that it frequently takes multiple years for actions to be fully addressed.

¹³In addition to the new actions identified in our 2015 annual report, we also added 19 new actions to existing areas that we previously identified in our 2011-2014 reports.

¹⁴Percentages do not add to 100 due to rounding. In addition, this year, 4 actions were categorized as “consolidated or other” for a total of 24 actions (4 percent) in this category from 2011-2015. Actions categorized as “consolidated or other” are no longer assessed. In most cases, the actions were replaced or subsumed by new actions based on additional audit work or other relevant information. For example, actions categorized as “consolidated or other” may have been consolidated into other actions that we track based on subsequent audit work or significant changes in agency circumstances, or they may have been redirected from a congressional to an executive branch action, or vice versa.

Figure 2. Progress in Addressing 2011-2015 Actions, as of 2015 and 2016



Source: GAO analysis. | GAO-16-579T

Data Tables

2011 Actions

Assessment	2015 Assessment	2016 Assessment
Addressed	76	91
Partially Addressed	59	60
Not Addressed	32	27
Consolidated or other	12	15

2012 Actions

Assessment	2015 Assessment	2016 Assessment
Addressed	56	70
Partially Addressed	48	38
Not Addressed	22	18
Consolidated or other	8	8

2013 Actions

Assessment	2015 Assessment	2016 Assessment
Addressed	29	36
Partially Addressed	41	35

Assessment	2015 Assessment	2016 Assessment
Not Addressed	11	14
Consolidated or other	0	1

2014 Actions

Assessment	2015 Assessment	2016 Assessment
Addressed	8	19
Partially Addressed	30	28
Not Addressed	26	17
Consolidated or other	0	0

2015 Actions

Assessment	2015 Assessment	2016 Assessment
Addressed	N/A	8
Partially Addressed		24
Not Addressed		35
Consolidated or other		0

Overall Actions

Assessment	2015 Assessment	2016 Assessment
Addressed	169	224
Partially Addressed	178	185
Not Addressed	91	111
Consolidated or other	20	24

Note: Actions categorized as “consolidated or other” are no longer assessed. In most cases, the actions were replaced or subsumed by new actions based on additional audit work or other relevant information. For example, actions categorized as “consolidated or other” may have been consolidated into other actions that we track based on subsequent audit work or significant changes in agency circumstances, or they may have been redirected from a congressional to an executive branch action, or vice versa. Additionally, actions identified in 2015 were not assessed in 2015 because that was the year that the actions were identified.

Financial Benefits Related to Actions Taken by Congress and Executive Branch Agencies

The progress Congress and executive branch agencies have made as of March 2, 2016, to address the actions we identified will result in approximately \$125 billion in financial benefits from 2010 through 2025.¹⁵ Table 3 outlines examples of our addressed actions that have resulted in or are expected to result in cost savings or enhanced revenue.

Table 3: Examples of Addressed Actions with Associated Cost Savings and Revenue Enhancements, 2010-2025

Annual Report	Area Identified
2011	Domestic Ethanol Production (Area 13): Congress allowed the Volumetric Ethanol Excise Tax Credit to expire at the end of 2011, which eliminated duplicative federal efforts directed at increasing domestic ethanol production and reduced revenue losses by \$29 billion in fiscal year 2012 to fiscal year 2016.
2011	Farm Program Payments (Area 35): The Agricultural Act of 2014 eliminated direct payments to farmers and should save approximately \$44 billion from fiscal year 2015 through fiscal year 2023, of which \$5 billion has accrued and \$39 billion is expected to accrue in fiscal year 2016 or later, according to the Congressional Budget Office.
2014	Real Estate-Owned Properties (Area 18): GAO estimated that the Department of Housing and Urban Development saved as much as \$2.8 billion from July 2013 through June 2015 by implementing improvements to its property custody approach including reducing the number of foreclosed properties that it acquires by using other means of resolving troubled mortgages.
2015	Tax Policies and Enforcement (Area 17): Congress amended the audit procedures applicable to certain large partnerships to require that they pay audit adjustments at the partnership level. This should raise \$9.3 billion from fiscal years 2019 to 2025, according to the Joint Committee on Taxation.
2013	Combat Uniforms (Area 2): Consistent with our recommendation to avoid fragmentation, the Army chose not to introduce a new family of camouflage uniforms into its inventory, resulting in a cost avoidance of about \$4.2 billion over 5 years, of which \$1.7 billion has accrued since fiscal year 2014 and \$2.5 billion is expected to accrue in fiscal year 2016 or later.
2011	Federal Emergency Management Agency (FEMA) Grants (Area 26): GAO estimated savings of \$2.55 billion from fiscal years 2011 through 2013 due to Congress limiting preparedness grant funding until FEMA completes a national preparedness assessment of capability gaps.
2012	Overseas Defense Posture (Area 37): The United States Forces Korea conducted a series of consultations with the military services to evaluate the costs and benefits associated with tour normalization and decided not to move forward with the full tour normalization initiative because it was not affordable. The Department of Defense's (DOD) decision to not move forward with this initiative saved an estimated \$3.1 billion from fiscal years 2012 through 2016, of which \$2.5 billion has accrued through fiscal year 2015 and \$615 million is expected to accrue in fiscal year 2016.
2011	Overseas Military Presence (Area 36): In January 2015, DOD estimated that it would save \$1.2 billion annually by closing, consolidating, or realigning European installations after a comprehensive study of posture, as we had recommended.

¹⁵In calculating these totals, we relied on individual estimates from a variety of sources, which considered different time periods and utilized different data sources, assumptions, and methodologies. These totals represent a rough estimate of financial benefits and have been rounded down to the nearest \$1 billion.

Annual Report	Area Identified
2011	Medicare Health Care Payments (Area 74): Congress and the Centers for Medicare & Medicaid Services took several actions to improve the efficiencies of some Medicare payments for health care services, resulting in significant savings.

Source: GAO. | GAO-16-579T

Note: The estimates in our 2016 annual report, [GAO-16-375SP](#), are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. The Tax Policies and Enforcement action (area 17) is newly addressed since GAO's 2015 report. Some estimates have been updated to reflect more recent analysis.

Congress also has taken a number of additional steps to address actions we have identified to achieve financial benefits or improve efficiency and effectiveness. For example, in our 2015 report we found the Department of Energy (DOE) could potentially realize savings by re-examining the appropriate size of the Strategic Petroleum Reserve (SPR)—which was valued at about \$22 billion as of January 2016—and depending on the outcome of the analysis, selling crude oil from the reserve and using the proceeds to fund other national priorities. In 2015, Congress required DOE to complete a long-range strategic review of the SPR and also authorized the sale of 124 million barrels of SPR oil. The Congressional Budget Office estimated potential savings to be \$8 billion from 2018 through 2025.

In another example, in our 2011 annual report we found that a proliferation of programs to improve teacher quality complicated federal efforts to invest dollars effectively. We verified that legislation passed by Congress in December 2015 did not include authorization for 19 overlapping programs that were on our 2011 list of 82 distinct programs designed to improve teacher quality.¹⁶ Using Department of Education (Education) data, GAO estimated the decision to not reauthorize saved approximately \$800 million based on fiscal year 2016 appropriations for these programs. In addition, Congress included language in appropriations acts that eliminated some barriers to educational program alignment and passed legislation to give Education broader discretion to realign program resources.

In other instances, Congress and executive branch agencies took steps to address issues that we identified during the course of our work that could also result in financial benefits. For example, in August 2014, we reported that the wage information that employers report on Form W-2

¹⁶Every Student Succeeds Act, Pub. L. No. 114-95 (Dec. 10, 2015).

was not available to IRS until after it issued most refunds. We found that if IRS had access to W-2 data earlier, it could match such information to taxpayers' returns and identify discrepancies before issuing billions of dollars of fraudulent identity theft refunds. The Consolidated Appropriations Act, 2016, enacted in December 2015, amended the tax code to accelerate W-2 filing deadlines to January 31.¹⁷ According to IRS, a program that would match W-2 data to tax returns before refunds are issued would save revenue by protecting a substantial part of the billions currently paid to fraudsters.

Also in August 2014, we reported that IRS had not fully assessed the costs and benefits of having available W-2 information for pre-refund matching, which could involve challenges such as a potential increase in W-2s that need to be corrected and required upgrades to IRS's information technology systems, among others. In response to our recommendation, in September 2015, IRS provided us with a report discussing (1) adjustments to IRS systems and work processes needed to use accelerated W-2 information, (2) potential impacts on internal and external stakeholders, and (3) other changes needed to match Form W-2 data to tax returns prior to issuing refunds. This report should help IRS determine how best to implement pre-refund W-2 matching, given the new January 31 deadline for filing W-2s.

Action in Several Remaining Areas Could Yield Significant Additional Benefits

While Congress and executive branch agencies have made progress toward addressing the actions we have identified, further steps are needed to fully address the remaining actions, as shown in table 4. More specifically, 53 percent of the actions (243 of 459) directed to executive branch agencies and 62 percent of the actions (53 of 85) directed to Congress that were identified in our 2011-2015 reports remain partially or not addressed. In addition, we identified 92 new actions in 2016. We estimate that tens of billions of additional dollars would be saved should Congress and executive branch agencies address our actions that are

¹⁷Pub. L. No. 114-113, div. Q, § 201, 129 Stat. 2242 (Dec. 18, 2015). This change goes into effect for W-2s reporting payments made in 2016 and filed in 2017.

partially addressed and not addressed, including the new ones we identified in 2016.¹⁸

Table 4: Status of 2011-2015 Actions Directed to Congress and the Executive Branch, as of March 2, 2016

Status	Executive branch ^a		Congress ^b		Grand totals	
	Number of actions	Percentage	Number of actions	Percentage	Total number of actions	Overall percentage ^c
Addressed	197	43%	27	32%	224	41%
Partially addressed	175	38	10	12	185	34
Not Addressed	68	15	43	51	111	20
Consolidated or other	19	4	5	6	24	4
Total	459	100	85	100	544	99

Source: GAO Analysis. | GAO-16-579T

Notes: This year, 4 actions were categorized as “consolidated or other” for a total of 24 actions in this category from 2011-2015. Actions categorized as “consolidated or other” are no longer assessed. In most cases, these actions were replaced or subsumed by new actions based on additional audit work or other relevant information. For example, actions categorized as “consolidated or other” may have been consolidated into other actions that we track based on subsequent audit work or significant changes in agency circumstances, or they may have been redirected from a congressional to an executive branch action, or vice versa.

^aExecutive branch agencies took steps that addressed five actions directed to Congress.

^bCongress took steps that fully addressed one action and partially addressed another action directed to executive branch agencies.

^cNumbers do not add to 100 percent due to rounding.

Our suggested actions that remain open span the government.¹⁹ We have directed actions to all 15 cabinet-level executive departments and at least 17 other federal entities. In particular, a substantial number of our actions are directed to three departments that make up 55 percent of federal obligations in fiscal year 2015—HHS, DOD, and the Department of the Treasury (Treasury).²⁰ Specifically, we have directed a total of 82 actions

¹⁸In calculating this estimate, we relied on individual estimates from a variety of sources, which considered different time periods, and utilized different data sources, assumptions, and methodologies. These individual estimates are subject to increased uncertainty, depending on whether, how, and when they are addressed. This amount represents a rough estimate of financial benefits.

¹⁹In some cases, these actions may be included in areas that have other actions with no associated cost savings or revenue enhancements.

²⁰HHS includes Medicaid and Medicare. DOD includes the Office of the Secretary of Defense, military services, and defense agencies. Treasury consists of 10 bureaus, the largest of which is IRS.

to HHS, 152 actions to DOD, and 112 actions to Treasury since 2011. Given the amount of federal dollars represented and number of unaddressed actions in the health care, defense, and tax areas, significant opportunities for cost savings and revenue enhancement exist in these three areas.

Improving the Efficiency of Health Care Programs

According to CBO, gross federal outlays for Medicare, Medicaid, and other major health care programs totaled \$1 trillion in 2015, equaling 5.8 percent of the gross domestic product (GDP).²¹ CBO estimates that gross federal outlays for those programs will jump to \$1.1 trillion, or 6.2 percent of GDP, in 2016.²² CBO further estimates that such spending will grow robustly, nearly doubling in dollar terms between 2016 and 2026, reaching \$2.0 trillion, or 7.4 percent of GDP, by the end of that period. This level of spending contributes to the fiscal challenges facing the nation.

In our 2011-2015 annual reports, we directed 64 actions to HHS to improve the efficiency and effectiveness of health care programs, among other areas. In addition, we directed 18 new actions to HHS in this year's annual report. Fifty-five of the 82 (67 percent) total actions we directed to HHS remain partially addressed or not addressed.²³ Many of these actions are directed at the Medicare and Medicaid programs, which had a combined total of over \$900 billion in federal outlays in 2015, representing 27 percent of total federal outlays.²⁴ Effectively implementing these actions would result in significant cost savings or revenue enhancement, including the examples shown in table 5.

²¹Due to their size, complexity, and susceptibility to mismanagement and improper payments, we designated Medicare and Medicaid as high-risk programs in 1990 and 2003, respectively. See GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Feb. 11, 2015).

²²Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026* (Washington, D.C.: January 2016).

²³This includes new actions identified in our 2016 annual report. In addition, actions directed to multiple agencies are not assessed as addressed until all agencies have made necessary progress.

²⁴This figure represents gross Medicare and Medicaid outlays. Net Medicare and Medicaid outlays represent 24 percent of total federal outlays.

Table 5: Examples of Health Care Areas in 2011-2016 Annual Reports with Actions Remaining to Be Addressed

Annual report	Medicare (Click area name for more information)
2011/2013	Program Integrity (Areas 73/25): To help prevent billions of dollars in improper payments, the Centers for Medicare & Medicaid Services (CMS) should better target its claims review by requiring its contractors to develop thresholds for unexplained increases in billing and use them to develop automated prepayment controls, and by requiring that physicians receive a statement of home health services that beneficiaries received based on the physicians' certification.
2012	Medicare Advantage Payments (Area 45): To help ensure appropriate payments to Medicare Advantage plans, CMS should take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices between Medicare Advantage plans and traditional Medicare providers. We previously reported that these shortcomings in CMS's adjustment resulted in excess payments to Medicare Advantage plans totaling an estimated \$3.2 billion to \$5.1 billion over a 3-year period from 2010 through 2012.
2015	Medicare Payments to Certain Cancer Hospitals (Area 19): To achieve almost \$500 million per year in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals.
2016	Medicare Payments by Place of Service (Area 30): Medicare could save billions of dollars if Congress were to equalize the rates Medicare pays for certain health care services, which often vary depending on where the service is performed.
2016	Eligibility of Medicare Providers and Suppliers (Area 26): CMS could use better information to help prevent ineligible providers and suppliers from enrolling in the Medicare program and improperly obtaining Medicare funds, potentially reducing the billions of dollars in improper payments that the program has paid out in recent years.
Annual report	Medicaid (Click area name for more information)
2013/2016	Supplemental Payments (Areas 26/25): To save Medicaid hundreds of millions of dollars , (1) Congress should consider requiring CMS to take steps that would facilitate the agency's ability to oversee these payments, including identifying payments that are not used for Medicaid purposes or are otherwise inconsistent with Medicaid payment principles, and (2) CMS should clarify its requirement that supplemental payments be linked to the provision of Medicaid-covered services, and that such payments not be made contingent on the availability of local funding for the nonfederal share.
2014/2016	Demonstration Spending (Areas 21/27): To save billions of dollars , (1) Congress should consider requiring the Department of Health and Human Services (HHS) to improve the process for reviewing, approving, and making transparent the basis for approving spending limits, including ensuring that valid methods are used to demonstrate budget neutrality and (2) HHS should establish specific criteria for assessing whether demonstration spending furthers Medicaid objectives and take other steps to improve the transparency and accountability of the approval process.
2015	State Sources of Funds (Area 20): To potentially save hundreds of millions of dollars , CMS should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states' financing arrangements that can increase costs for the federal government.
2016	Medicaid and Exchange Coordination (Area 7): CMS should take actions to minimize the risk of duplicative federal spending on health insurance coverage for individuals transitioning between Medicaid and exchange coverage.
2016	Payments to Institutional Providers (Area 29): CMS should take steps to improve the oversight of state Medicaid payments to institutional providers and better ensure that the federal government does not provide funds for excessive state payments made to certain providers, which could result in savings of hundreds of millions of dollars .

Annual report**Medicaid
(Click area name for more information)**

2016

Medicaid Eligibility Determinations (Area 28): CMS should assess the accuracy of federal Medicaid eligibility determinations to minimize the risk of improper payments.

Source: GAO. | GAO-16-579T

Note: The estimates in our 2016 annual report, [GAO-16-375SP](#), are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated to reflect more recent analysis.

More Effectively Targeting Defense Resources

Defense outlays represented about 17 percent²⁵ of the government's 2015 total outlays and were the largest component—almost half—of the federal government's \$1.2 trillion discretionary spending in that year.²⁶ Avoiding fragmented, overlapping, and duplicative investments could help ensure more efficient and effective use of resources.

In our 2011-2015 annual reports, we directed 130 actions to DOD, and in this year's annual report, we direct an additional 22 actions.²⁷ Ninety-five of the 152 (63 percent) total actions we identified remain partially addressed or not addressed.²⁸ Many of the actions fall within a few key areas, including acquisitions and contract management, support infrastructure, and headquarters management. Our work suggests that effectively implementing these actions, such as the examples in table 6, would yield significant financial benefits.

²⁵This figure represents net defense outlays from which offsetting collections have been deducted.

²⁶Discretionary spending refers to outlays from budget authority that is provided in and controlled by appropriations acts. The Department of Defense program management has been on our High Risk List since 1990. See [GAO-15-290](#).

²⁷The 22 new actions include 19 actions in new defense-related areas and 3 actions added to an existing area from our 2013 annual report. See appendix III of [GAO-16-375SP](#) for more information on actions added to existing areas in 2016.

²⁸This includes new actions identified in our 2016 annual report. In addition, actions directed to multiple agencies are not assessed as addressed until all agencies have made necessary progress.

Table 6: Examples of Defense Areas in 2011-2016 Annual Reports with Actions Remaining to Be Addressed

Annual report	Area identified (Click area name for more information)
2013	Agencies' Use of Strategic Sourcing (Area 23): The Department of Defense (DOD) and other selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest-spending procurement categories. GAO estimated that savings of 1 percent from selected agencies' procurement spending alone would equate to over \$4 billion .
2013	Joint Basing (Area 20): DOD needs an implementation plan to guide joint bases to achieve \$2.3 billion dollars in cost savings over a 20-year period and efficiencies anticipated from combining support services at 26 installations located close to one another.
2015	Defense Facilities Consolidation and Disposal (Area 13): DOD should ensure that data on the utilization of DOD facilities—which were collectively valued at around \$880 billion in fiscal year 2014—are complete and accurate in order to identify opportunities for saving costs by consolidating or disposing of unutilized or underutilized facilities.
2015	DOD Headquarters Reductions (Area 14): DOD could potentially achieve hundreds of millions of dollars in cost savings and help ensure that headquarters organizations are sized properly to meet their assigned mission by re-evaluating its headquarters reductions efforts and conducting periodic reassessments of workforce requirements.
2015	Department of Defense US Family Health Plan (Area 6): To potentially save millions of dollars and eliminate duplication within DOD's health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other DOD health care contractors. GAO estimates this action could save \$189 million from fiscal years 2017 to 2022.
2016	DOD Commercial Satellite Communication Procurement (Area 1): Enforcing existing acquisition policy and identifying opportunities to centralize DOD's procurement of commercial satellite communications services could create opportunities to potentially save tens of millions of dollars annually .
2016	DOD Excess Ammunition (Area 15): DOD could potentially reduce its storage, demilitarization, and disposal costs by hundreds of thousands of dollars by transferring excess serviceable conventional ammunition, including small arms ammunition, to federal, state, and local government agencies.
2016	DOD Leases and Use of Underutilized Space at Military Installations (Area 16): DOD could potentially achieve millions of dollars in savings by identifying and implementing actions to increase use of underutilized facilities at its military installations, such as identifying opportunities to relocate some of its organizations currently in leased space to installations, communicating the availability of underutilized space to potential tenants, and seeking use by other federal agencies.
2016	Defense Excess Property Disposal (Area 13): Federal civilian agencies could potentially achieve millions of dollars in cost savings if they were able to obtain more of DOD's available excess personal property through the disposal process rather than purchasing similar property through a private sector supplier.
2016	DOD's Eligibility Determinations for Living Quarters Allowance (Area 14): DOD could potentially achieve cost savings by monitoring its components' reviews of eligibility determinations for the over \$500 million spent annually on living quarters allowance for civilian employees to better ensure that DOD components are not improperly providing this allowance.

Source: GAO analysis. | GAO-16-579T

Note: The estimates in our 2016 annual report, [GAO-16-375SP](#), are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated to reflect more recent analysis.

Addressing Challenges in Collecting Tax Revenue and Reducing the Tax Gap

IRS collected \$3.3 trillion in gross taxes, or 93 percent of federal receipts, in fiscal year 2015. Among the challenges IRS faces in collecting this money are combatting tax refund fraud associated with identity theft, addressing factors that contribute to the \$385 billion net tax gap (the difference between taxes owed and those ultimately collected), and reducing the causes of Earned Income Tax Credit improper payments.²⁹

In our 2011-2015 annual reports, we directed 99 actions to the Department of the Treasury, and we include 13 additional actions in this year's report. Seventy of the 112 (63 percent) total actions we identified remain open.³⁰ Effectively implementing our open recommendations, including the examples in table 7, would increase revenues or reduce costs.

Table 7: Examples of Tax Areas in 2011-2016 Annual Reports with Actions Remaining to Be Addressed

Annual report	Area identified (Click area name for more information)
2011	Real Estate Tax Deductions (Area 59) : Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated real estate tax deductions. ^a
2011	Simple Tax Return Errors (Area 56) : Broadening the Internal Revenue Service's (IRS) authority to correct simple tax return errors could facilitate correct tax payments and help IRS avoid costly, burdensome audits. The Joint Committee on Taxation estimated this action could raise \$274 million from fiscal years 2018 through 2026.
2013/2015	Tax Policy and Enforcement (Areas 22/17) : By using more rigorous analyses to allocate enforcement resources and using data to improve management of enforcement programs such as large partnership and correspondence audits, among other things, IRS can increase revenue collections by billions of dollars .
2014	Online Taxpayer Services (Area 17) : IRS could potentially realize hundreds of millions of dollars in cost savings and increased revenues by enhancing its online services, which would improve service to taxpayers and encourage greater tax law compliance.
2016	IRS's Public Referral Programs (Area 6) : IRS could potentially collect billions of dollars in tax underpayments through its nine public referral programs and save resources by better managing fragmentation and overlap, improving communication, and streamlining processes.

²⁹The tax gap does not include taxes due from illegally derived income or various forms of fraud. For example, in general, refund fraud related to identity theft would not be included in the tax gap estimate because it does not involve evading a tax liability. In 2012, IRS estimated the net tax gap to be \$385 billion and the gross tax gap—the difference between taxes owed and taxes paid on time—to be \$450 billion based on data from tax year 2006. IRS plans to release an updated tax gap estimate in 2016, which will be based on tax years 2008, 2009, and 2010.

³⁰This includes new actions identified in our 2016 annual report. Actions directed to multiple agencies are not assessed as addressed until all agencies have made necessary progress.

Annual report	Area identified (Click area name for more information)
2016	Identity Theft Refund Fraud (Area 22) : IRS and Congress could potentially save billions of dollars in fraudulent refunds by improving the agency's efforts to prevent refund fraud associated with identity theft.

Source: GAO analysis. | GAO-16-579T

Note: The estimates in our 2016 annual report, [GAO-16-375SP](#), are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated to reflect more recent analysis.

⁹As part of its outreach efforts to date, IRS has distributed guidance to local jurisdictions that provides examples of what is and is not deductible.

Additional Areas with Significant Open Actions

In addition to the health care, defense, and tax areas, we have suggested a number of other actions that, if addressed, would result in significant cost savings or revenue enhancement across the government.³¹ Table 8 summarizes examples where additional leadership attention could promote progress.

Table 8: Examples of Areas in 2011-2016 Annual Reports with Actions Remaining to Be Addressed

Annual report	Area identified (Click area name for more information)
Energy and agriculture	2011 Oil and Gas Resources (Area 45) : Improved management of federal oil and gas resources could result in \$1.7 billion of additional revenue over 10 years, according to the Department of the Interior.
	2012 Excess Uranium Inventories (Area 40) : Marketing the Department of Energy's excess uranium could provide substantial revenue for the government. In 2014, GAO estimated that actions in this area could increase revenue by about \$1 billion .
	2013 Crop Insurance (Area 19) : To achieve up to \$2 billion annually in cost savings in the crop insurance program, Congress could consider limiting the subsidy for premiums that are provided on behalf of individual farmers, reducing the subsidy, or some combination of limiting and reducing these subsidies.
	2015 U.S. Enrichment Corporation (USEC) Fund (Area 16) : Congress may wish to permanently rescind the entire \$1.6 billion balance of the USEC fund—a revolving fund in the U.S. Treasury—because its purposes have been fulfilled.
General government	2016 National Park Service Fees (Area 23) : The National Park Service could potentially increase revenues from the recreation fees it collects by millions of dollars annually if Congress were to amend the authorizing legislation for this program and if the agency required park units to periodically review these fees.
	2016 Financing of Improvements to Federally Leased Space (Area 21) : In order to achieve millions in potential cost savings, the General Services Administration should explore the benefits and risks of loaning unobligated Federal Buildings Fund balances to tenant agencies to cover the costs of improving newly leased space, which would otherwise be financed by private lessors at private-sector interest rates.

³¹In some cases, these actions may be included in areas that have other actions with no associated cost savings or revenue enhancements.

	Annual report	Area identified (Click area name for more information)
	2016	Unobligated Balances (Area 24): To help ensure effective use of federal funds, the Departments of Energy and State should develop and finalize strategies for reducing tens and hundreds of millions of dollars of excess unobligated balances, respectively, in two budget accounts.
Homeland security/law enforcement	2012	Immigration Inspection Fee (Area 49): The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than using general fund appropriations. GAO estimated this action could increase revenue by almost \$175 million .
	2013	Checked Baggage Screening (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates. More efficient baggage screening systems could result in roughly \$234 million in cost savings from 2015 through 2027, according to the Transportation Security Agency.
Income security	2011	Social Security Offsets (Area 80): Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness. This action could result in estimated savings of \$2.4 billion to \$7.9 billion over 10 years if enforced both retrospectively and prospectively, according to the Congressional Budget Office and the Social Security Administration. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received.
	2014	Veterans' and Survivors' Benefits (Area 23): The Department of Veterans Affairs' direct spending could be reduced—by an average of about \$4 million annually , according to the Congressional Budget Office—if new statutory provisions were enacted, namely, a look-back review and penalty period for claimants who transfer assets for less than fair market value before applying for pension benefits that are available to low-income wartime veterans who are at least 65 years old or have disabilities unrelated to their military service.
	2014	Disability and Unemployment Benefits (Area 8): Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save \$1.9 billion from fiscal years 2016 through 2025, according to the Congressional Budget Office.
	2015	Children's Disability Reviews (Area 21): To prevent an estimated \$3.1 billion in potential overpayments over 5 years, the Social Security Administration needs to conduct timely disability reviews to better ensure that only eligible children receive cash benefits from the Supplemental Security Income program.
	2016	VA's Individual Unemployability Benefit (Area 34): To potentially achieve cost savings, the Department of Veterans Affairs should develop a plan to study whether age should be considered when deciding if veterans are unemployable due to service-connected disabilities. 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 retirement age to a Social Security retirement benefit. If the department were to determine that Total Disability Individual Unemployability benefits should be provided only to veterans younger than their full Social Security retirement age, it could achieve an estimated \$15 billion in savings from 2015 through 2023, according to the Congressional Budget Office.
	2016	Disability Insurance and Federal Workers' Compensation (Area 31): The Social Security Administration should take steps to minimize overpayments from the Social Security Disability Insurance program to individuals who also received federal workers' compensation, which could help to achieve potential cost savings associated with millions of dollars of overpayments from the Social Security Disability Insurance program.

Annual report	Area identified (Click area name for more information)	
2016	Disability Insurance Overpayments (Area 32) : To help prevent the loss of billions of dollars, the Social Security Administration should take steps to prevent overpayments to beneficiaries of the Disability Insurance program and improper waivers of beneficiaries' overpayment debt.	
2016	Disability Reviews (Area 33) : The Social Security Administration may increase federal savings realized as a result of disability reviews by further considering factors that affect individuals' expected lifetime benefits when prioritizing its reviews of Disability Insurance and Supplemental Security Income cases.	
Information technology	2011	Federal Data Centers (Area 15) : Consolidating federal data centers would provide an opportunity to improve government efficiency. Action in this area could potentially achieve cost savings and avoidances of \$8.2 billion through fiscal year 2019, of which \$2.8 billion has accrued from actions already taken and \$5.4 billion could potentially accrue if further action is taken, according to GAO's analysis of data from 24 agencies involved in the Federal Data Center Consolidation Initiative.
	2013	Cloud Computing (Area 29) : Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars .
	2013	Information Technology Operations and Maintenance (Area 30) : Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance would provide an opportunity for savings on billions in information technology investments.
	2014	Information Technology Investment Portfolio Management (Area 24) : The Office of Management and Budget and multiple agencies could help the federal government realize billions of dollars in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology investments.
International affairs	2016	Cargo Preference for Food Aid (Area 36) : A clearer definition of "geographic area" in legislation on cargo preference for food aid could allow the U.S. Department of Agriculture to achieve financial savings by more fully utilizing the flexibility Congress granted when it lowered the statutory cargo preference requirement.
Training, employment, and education	2016	Post 9/11 GI Bill Overpayments (Area 37) : The Department of Veterans Affairs could achieve substantial savings by developing guidance and controls to reduce the volume of annual Post-9/11 GI Bill overpayments—which amounted to over \$400 million in fiscal year 2014—and to improve the collection of overpayment debts, of which \$262 million was still outstanding as of November 2014.

Source: GAO analysis. | GAO-16-579T

Note: The estimates in our 2016 annual report, [GAO-16-375SP](#), are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, and the Joint Committee on Taxation. Some estimates have been updated to reflect more recent analysis.

We will continue to conduct further analysis to look for additional or emerging instances of fragmentation, overlap, and duplication and opportunities for cost savings or revenue enhancement. Likewise, we will continue to monitor developments in the areas we have already identified in this series. We stand ready to assist this and other committees in further analyzing the issues we have identified and evaluating potential solutions.

Chairman Chaffetz, Ranking Member Cummings, 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 or our April 13, 2016, report, please contact Orice Williams Brown, Managing Director, Financial Markets and Community Investment, who may be reached at (202) 512-8678 or williamso@gao.gov, and A. Nicole Clowers, Managing Director, Health Care, who may be reached at (202) 512-7114 or clowersa@gao.gov. Contact points for the individual areas listed in our 2016 annual report can be found at the end of each area at [GAO-16-375SP](#). Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

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