



Testimony  
Before the Committee on the Budget,  
U.S. Senate

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**GOVERNMENT  
EFFICIENCY AND  
EFFECTIVENESS**

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

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Comptroller General of the United States

# GAO Highlights

Highlights of [GAO-15-440T](#), a testimony before the Committee on the Budget, U.S. Senate

## Why GAO Did This Study

As the fiscal pressures facing the government continue, so too does the need for executive branch agencies and Congress to improve the efficiency and effectiveness of government programs and activities. Such opportunities exist throughout the government. GAO reports annually to Congress on federal programs, agencies, offices, and initiatives (both within departments and government-wide) that are fragmented, overlapping, or duplicative as well as opportunities for cost savings or enhanced revenues. One area that GAO has highlighted as offering the potential for significant cost savings is improper payments, which are payments that should not have been made or were made in the incorrect amount.

This statement discusses the status of (1) actions taken and remaining opportunities to address fragmentation, overlap, and duplication issues, and achieve other financial benefits as identified in GAO's 2011-2014 annual reports; and (2) efforts to address government-wide improper payment issues. GAO reviewed and updated prior work and recommendations on issues of fragmentation, overlap, duplication, cost savings, and improper payments. GAO also reviewed reports of inspectors general and agency financial reports.

View [GAO-15-440T](#). For more information, contact Orice Williams Brown or A. Nicole Clowers at (202) 512-8678 or Beryl H. Davis at (202) 512-2623.

March 4, 2015

## GOVERNMENT EFFICIENCY AND EFFECTIVENESS

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

## What GAO Found

The executive branch and Congress have made progress in addressing the approximately 440 actions across 180 areas that GAO identified in its past annual reports. These issues span the range of government services and programs, from the Medicare and Medicaid programs to transportation programs to weapon systems acquisitions. As of November 19, 2014, 29 percent of these actions were addressed, 44 percent were partially addressed, and 22 percent were not addressed. Executive branch and congressional efforts to address these actions over the past 4 years resulted in over \$20 billion in financial benefits, with about \$80 billion more in financial benefits anticipated in future years. Although progress has been made, fully addressing all the remaining actions identified in GAO's annual reports could lead to tens of billions of dollars of additional savings, with significant opportunities for improved efficiencies, cost savings, or revenue enhancements in the areas of defense, information technology, education and training, health care, energy, and tax enforcement. Sustained leadership by Congress and the executive branch is necessary to achieve this goal.

**Table: Status of Actions Directed to Congress and the Executive Branch from GAO's 2011–2014 Annual Reports, as of November 19, 2014**

Status	Number of executive branch actions (percentage)	Number of congressional actions (percentage)	Total (percentage)
Addressed	116 (30%)	19 (26%)	135 (29%)
Partially addressed	189 (49)	13 (18)	202 (44)
Not addressed	66 (17)	37 (50)	103 (22)
Consolidated or other <sup>a</sup>	13 (3)	5 (7)	18 (4)

Source: GAO. | [GAO-15-440T](#).

<sup>a</sup>Actions and areas included in "consolidated or other" are not assessed due to additional work or other information GAO considered.

Efforts to reduce improper payments could result in significant cost savings. For the first time in recent years, the government-wide improper payment estimate significantly increased—to \$124.7 billion in fiscal year 2014, up from \$105.8 billion in fiscal year 2013. This increase of almost \$19 billion was primarily due to estimates for Medicare, Medicaid, and the Earned Income Tax Credit, which account for over 76 percent of the government-wide estimate. GAO has made numerous recommendations that, if effectively implemented, could improve program management and help reduce improper payments in these programs. Examples include improving the use of prepayment edits in Medicare and requiring states to audit Medicaid payments to and by managed care organizations. Recent laws and guidance have focused attention on the issue of improper payments. For example, the Improper Payments Elimination and Recovery Improvement Act of 2012 enacted into law elements of the Do Not Pay initiative, which is a web-based, centralized data matching service that could help prevent improper payments. However, agencies continue to face challenges, such as statutory limitations and compliance issues, in reducing improper payments.

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Chairman Enzi, Ranking Member Sanders, and Members of the Committee:

The federal government faces an unsustainable long-term fiscal path. Changing this path will require difficult fiscal policy decisions to alter both long-term federal spending and revenue. However, in the near-term, executive branch agencies and Congress can act to improve the efficiency and effectiveness of government programs and activities. Opportunities to take action exist in areas where federal programs or activities are fragmented, overlapping, or duplicative. We annually identify and report on these opportunities as well as those to achieve other cost savings or enhanced revenues.<sup>1</sup> One area that we have highlighted as offering the potential for significant cost savings is improper payments.<sup>2</sup> The federal government is accountable for how its agencies and grantees spend hundreds of billions of taxpayer dollars annually, including safeguarding against improper payments and establishing mechanisms to recover those funds when overpayments occur.

My testimony today describes (1) the status of actions taken by the administration and Congress to address the more than 400 recommendations we identified in our annual reports from 2011 through 2014 on fragmentation, overlap, duplication, cost savings, and revenue enhancement, and (2) actions needed to address government-wide improper payments, most recently estimated to be over \$124 billion. My comments are primarily based on our four annual reports and related testimonies, as well as our high-risk update and recent work on improper payments and analysis of agency financial reports and reports of inspectors general (IG).<sup>3</sup> These products include detailed explanations of

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<sup>1</sup>GAO is mandated to identify and report annually to Congress on federal programs, agencies, offices, and initiatives that have duplicative goals or activities. Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

<sup>2</sup>An improper payment is defined by statute 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.

<sup>3</sup>See Related GAO Products at the end of this testimony statement.

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the methods used to conduct our work. In February 2015, we also updated our work on programs noncompliant with reporting requirements for improper payments. We conducted the work that informs this testimony in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## **Sustained Attention Is Critical for Addressing Fragmentation, Overlap, and Duplication and Achieving Other Financial Benefits**

In our four annual reports issued from 2011 through 2014, we identified over 180 areas with approximately 440 actions that the executive branch and Congress could take to address fragmentation, overlap, and duplication; achieve other cost savings; or enhance revenue. Figure 1 outlines the definitions we use for fragmentation, overlap, and duplication. Although it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort, the instances of fragmentation, overlap, or duplication that we include in our annual reports are in areas where multiple programs and activities may be creating inefficiencies.

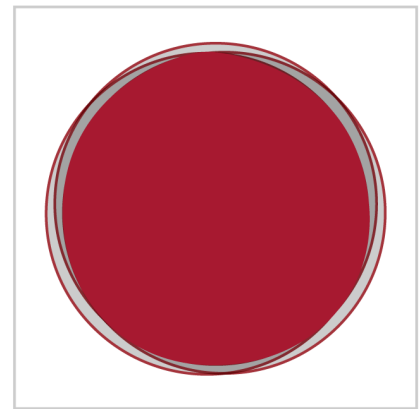
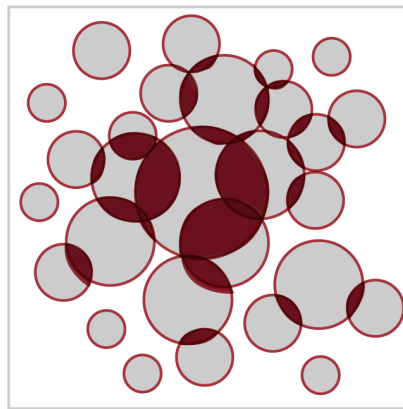
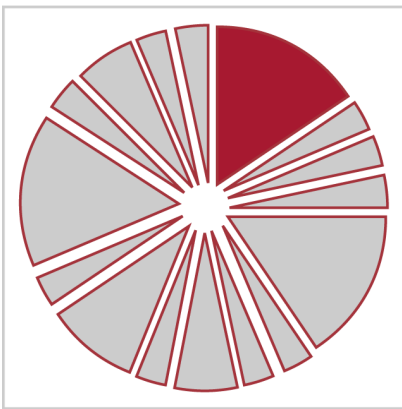
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**Figure 1: Definitions of Fragmentation, Overlap, and Duplication**

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

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

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



Source: GAO. | GAO-15-440T

We consider programs or activities to be fragmented when more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need, which may result in inefficiencies in how the government delivers services. We have identified fragmentation in multiple programs we reviewed. For example, in our 2014 annual report, we reported that the Department of Defense (DOD) does not have a consolidated agency-wide strategy to contract for health care professionals, resulting in a contracting approach that is largely fragmented. Although some of the military departments attempted to consolidate their health care staffing requirements through joint-use contracts, such contracts only accounted for approximately 8 percent of the \$1.14 billion in obligations for health care professionals in fiscal year 2011. Moreover, in May 2013 we identified several instances in which a single military department awarded numerous task orders for the same type of health care professional in the same area or facility. For example,

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we identified 24 separate task orders for contracted medical assistants at the same military treatment facility.<sup>4</sup> By not consolidating its requirements, this facility missed the opportunity to achieve potential cost savings and other efficiencies.

Fragmentation also can be a harbinger of overlap or duplication. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We found overlap among federal programs or initiatives in a variety of areas, including housing assistance. In particular, in our 2012 annual report, we reported that 20 different entities administered 160 programs, tax expenditures, and other tools that supported homeownership and rental housing in fiscal year 2010. In addition, we identified 39 programs, tax expenditures, and other tools that provided assistance for buying, selling, or financing a home and 8 programs and tax expenditures that provide assistance to rental property owners. We found overlap in products offered and markets served by the Department of Agriculture's (USDA) Rural Housing Service and the Department of Housing and Urban Development's Federal Housing Administration, among others. In August 2012, we questioned the need for maintaining separate programs for rural areas.<sup>5</sup>

In other areas, we found evidence of duplication, which occurs when two or more agencies or programs engage in the same activities or provide the same services to the same beneficiaries. For example, we reported in 2013 that a total of 31 federal departments and agencies invested billions of dollars to collect, maintain, and use geospatial information—information linked to specific geographic locations that supports many government functions, such as maintaining roads and responding to natural disasters. We found that federal agencies had not effectively implemented policies and procedures that would help them identify and coordinate geospatial data acquisitions across the government. As a result, we found that agencies made duplicative investments and risk missing opportunities to jointly acquire data and save millions of dollars.

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<sup>4</sup>GAO, *Defense Health Care: Department of Defense Needs a Strategic Approach to Contracting for Health Care Professionals*, [GAO-13-322](#) (Washington, D.C.: May 28, 2013).

<sup>5</sup>GAO, *Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation*, [GAO-12-554](#) (Washington, D.C.: Aug. 16, 2012).

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In addition, opportunities exist to reduce the cost of government operations or enhance revenue collections. For example, our body of work has raised questions about whether DOD's efforts to reduce headquarters overhead will result in meaningful savings. In 2013, the Secretary of Defense directed a 20 percent cut in management headquarters spending throughout DOD, to include the combatant commands and service component commands. However, our work found that mission and headquarters-support costs for the five geographic combatant commands and their service component commands we reviewed more than doubled from fiscal years 2007 through 2012, to about \$1.7 billion. We recommended that DOD more systematically evaluate the sizing and resourcing of its combatant commands. If the department applied the 20 percent reduction in management headquarters spending to the \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, we reported that DOD could achieve up to an estimated \$340 million in annual savings.

In our 2013 report, we reported that refining return-on-investment measures could improve how the Internal Revenue Service (IRS) allocates enforcement resources (subject to other considerations, such as minimizing compliance costs and ensuring equitable treatment of taxpayers). Our work illustrated that a small shift in existing resources—from examinations of less productive groups of tax returns to more productive groups—could potentially increase enforcement revenue by more than \$1 billion. In addition, in our 2011 annual report, we identified opportunities for improving the Department of the Interior's management of federal oil and gas resources. In particular, increasing the diligent development of federal lands and waters leased for oil and gas exploration and production and considering adjustments to Interior's royalty rates to a level that would ensure the government a fair return, among other actions, could result in approximately \$2 billion in revenues over 10 years.

## Executive Branch and Congress Continued to Make Progress in Addressing Previously Identified Issues

We found that the executive branch agencies and Congress have made progress in addressing the actions identified in our 2011–2014 annual reports. As shown in table 1, of the approximately 440 actions needed in these areas, 135 (29 percent) were addressed, 202 (44 percent) were partially addressed, and 103 (22 percent) were not addressed as of November 2014.<sup>6</sup>

**Table 1: Status of Actions Directed to Congress and the Executive Branch in Our 2011-2014 Annual Reports, as of November 19, 2014**

Status	Executive branch <sup>a</sup>		Congress <sup>b</sup>		Grand totals	
	Number of actions	Percentage	Number of actions	Percentage	Total number of actions	Overall percentage
Addressed	116	30%	19	26%	135	29%
Partially addressed	189	49	13	18	202	44
Not addressed	66	17	37	50	103	22
Consolidated or other	13	3	5	7	18	4

Source: GAO. | GAO-15-440T

Note: 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 was introduced. In assessing actions suggested for the executive branch, we applied the following criteria: “addressed” means implementation of the action needed was completed; “partially addressed” means the action needed was in development, or started but not yet completed; and “not addressed” means the administration, the agencies, or both made minimal or no progress toward implementing the action needed. Actions included in “consolidated or other” were not assessed due to additional work or other information we considered.

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

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

Examples of progress made include DOD and Congressional actions to reduce DOD’s fragmented approach for acquiring combat uniforms. In 2013, we found that DOD’s fragmented approach could lead to increased risk on the battlefield for military personnel and increased development and acquisition costs. In response, DOD developed and issued guidance on joint criteria that will help to ensure that future service-specific uniforms will provide equivalent levels of performance and protection. In

<sup>6</sup>Eighteen actions, or 4 percent, were consolidated into other areas and we did not assess them due to additional work or other information that we considered.



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addition, a provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces.<sup>7</sup> Subsequently, the Army chose not to introduce a new family of camouflage uniforms into its inventory, in part, because of this legislation, resulting in a cost avoidance of about \$4.2 billion over 5 years.

In addition, progress has been made in addressing the proliferation of certain programs. For example, the National Science and Technology Council's (NSTC) implemented our suggested actions to better manage overlap across science, technology, engineering, and mathematics (STEM) education programs. Specifically, NSTC released guidance to agencies on how to align their programs and budget submissions with the goals of NSTC's 5-Year strategic plan for STEM education and on developing evaluations for the programs. In addition, several programs were eliminated or consolidated into new programs, with the total number of STEM education programs dropping from 209 funded in fiscal year 2010 to 158 funded in 2012. The President's fiscal year 2016 budget proposes to further consolidate and eliminate 20 STEM programs across eight agencies. These efforts help agencies better target resources toward programs with positive outcomes and achieve the greatest impact in developing a pipeline of future workers in STEM fields. As another example, the Workforce Innovation and Opportunity Act, enacted in July 2014, includes provisions to strengthen the workforce development system under which a variety of employment and training services are provided to program participants. In particular, the law requires that states develop a unified state plan that covers all designated core programs to receive certain funding. States' implementation of the requirement may enable them to increase administrative efficiencies in employment and training programs—a key objective of our prior recommendations on employment and training programs.

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<sup>7</sup>Subject to certain exceptions, the provision also prohibits the military departments from adopting new pattern designs or uniform fabrics unless they will be adopted by all services or the uniform is already in use by another service. See Pub. L. No. 113-66, § 352(a), (b) (2013). In addition, DOD must issue implementing guidance requiring the military departments to, among other things, ensure that new uniforms meet commanders of combatant command's geographic and operational requirements and continually work together to assess and develop new uniform technologies to improve warfighter survivability. See § 352(f).

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We estimated that executive branch and congressional efforts to address suggested actions resulted in roughly \$20 billion in financial benefits from fiscal years 2011 through 2014, with another approximately \$80 billion in additional benefits projected to be accrued through 2023.<sup>8</sup> For example, in our 2011 annual report, we stated that the ethanol tax credit would cost about \$5 billion in forgone revenues in 2011 and that Congress could reduce annual revenue losses by addressing duplicative federal efforts directed at increasing domestic ethanol production. To reduce these revenue losses, we suggested that Congress consider whether revisions to the ethanol tax credit were needed and suggested options to consider, including allowing the credit for the volumetric ethanol excise tax (for fuel blenders that purchase and blend ethanol with gasoline) to expire at the end of 2011. Congress allowed the tax credit to expire at the end of 2011.

In our 2012 annual report, we presented options for adjusting the Transportation Security Administration's (TSA) passenger security fee—a uniform fee on passengers of U.S. and foreign air carriers originating at airports in the United States—to offset billions of dollars in civil aviation security costs. The Bipartisan Budget Act of 2013 modifies the passenger security fee from its current per enplanement structure (\$2.50 per enplanement with a maximum one-way-trip fee of \$5.00) to a structure that increases the passenger security fee to a flat \$5.60 per one-way-trip, effective July 1, 2014.<sup>9</sup> Specifically, this legislation identifies \$12.6 billion in fee collections that, over a 10-year period beginning in fiscal year 2014 and continuing through fiscal year 2023, will contribute to deficit reduction.<sup>10</sup> Fees collected beyond those identified for deficit reduction

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<sup>8</sup>In calculating these estimates, we relied on estimates from the Congressional Budget Office and the Joint Committee on Taxation, where possible. We also developed estimates based on agencies' data and used agencies' developed estimates. The totals reflect a summary of these estimates, which relied on different data sources and methodologies and considered different time periods. They represent a rough estimate of financial benefits and have been rounded down to the nearest \$5 billion.

<sup>9</sup>See Pub. L. No. 113-67, § 601(b), 127 Stat. at 1187 (amending 49 U.S.C. § 44940(c)). Pursuant to the act, collections under this modified fee structure will contribute to deficit reduction as well as to offsetting TSA's aviation security costs. In addition, the first \$250 million in fees collected each fiscal year are, consistent with existing law, to be deposited in the Aviation Security Capital Fund for use in supporting aviation security-related airport capital improvement projects or for other purposes specified in statute. See 49 U.S.C. §§ 44923(h), 44940(i).

<sup>10</sup>The Bipartisan Budget Act further revoked TSA's authority to collect the Aviation Security Infrastructure Fee, which TSA had been collecting from air carriers pursuant to 49 U.S.C. § 44940(a)(2). See Pub. L. No. 113-67, § 601(a), 127 Stat. 1165, 1187.

are available, consistent with existing law, to offset TSA's aviation security costs. This fee is expected to cover 43 percent of aviation security costs beginning in fiscal year 2014, compared with the approximately 30 percent offset under the previous fee structure.<sup>11</sup>

Table 2 outlines a number of addressed actions that resulted in or are expected to result in cost savings or enhanced revenue. We plan to release an update on the status of all actions presented in our 2011–2014 reports in conjunction with our next annual report in April 2015.<sup>12</sup>

**Table 2: Selected Addressed Actions with Associated Cost Savings and Enhanced Revenues, 2011–2014**

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

<sup>11</sup>In addition to the passenger security fee, TSA also currently imposes a fee on air carriers—the Aviation Security Infrastructure Fee—to further offset the costs of aviation security. See 49 U.S.C. § 44940(a)(2). Pursuant to the Bipartisan Budget Act, TSA's authority to collect this fee will expire effective October 1, 2014. See Pub. L. No. 113-67, § 601(a), 127 Stat. at 1187.

<sup>12</sup>To help maintain attention on these issues, in 2013, we launched *GAO's Action Tracker*, a publicly accessible, online website of the areas and actions presented in this series of annual reports. The *Action Tracker* includes progress updates and assessments of all the actions we suggested for Congress and executive branch agencies.

Annual report	Addressed actions
2012	<p><b>Passenger Aviation Security Fees</b> (Area 48): The Bipartisan Budget Act of 2013 modifies the passenger security fee from its current per enplanement structure (\$2.50 per enplanement with a maximum one-way-trip fee of \$5.00) to a structure that increases the passenger security fee to a flat \$5.60 per one-way-trip, effective July 1, 2014.<sup>a</sup> Pursuant to the act, collections under this modified fee structure will contribute to deficit reduction as well as to offsetting TSA's aviation security costs.<sup>b</sup> Specifically, the act identifies <b>\$12.6 billion</b> in fee collections that, over a 10-year period beginning in fiscal year 2014 and continuing through fiscal year 2023, should contribute to deficit reduction.<sup>c</sup> Fees collected beyond those identified for deficit reduction are available, consistent with existing law, to offset TSA's aviation security costs. According to the House of Representatives and Senate Committees on the Budget, and notwithstanding amounts dedicated for deficit reduction, collections under the modified fee structure will offset about 43 percent of aviation security costs, compared to the approximate 30 percent currently offset under the existing fee structure.<sup>d</sup></p>

Source: GAO. | GAO-15-440T

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

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

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

<sup>d</sup>The Bipartisan Budget Act further revoked TSA's authority to collect the Aviation Security Infrastructure Security Fee, which TSA had been collecting from air carriers pursuant 49 U.S.C. § 44940(a)(2). See Pub. L. No. 113-67, § 601(a), 127 Stat. at 1187 (2013).

## Leadership Attention Is Required to Continue Progress on Previously Identified Actions

The executive branch agencies and Congress have made progress in addressing some suggested actions, but many other actions require leadership attention to ensure that they will be fully addressed. More specifically, 68 percent of actions directed to Congress and 66 percent of actions directed to executive branch agencies identified in our 2011–2014 annual reports remain partially addressed or not addressed. As illustrated below, our work identified areas of fragmentation, overlap, or duplication that spanned the range of government activities, along with opportunities to address these issues. Without increased or renewed leadership focus, opportunities will be missed to improve the efficiency and effectiveness of programs and save taxpayer dollars.

### Fragmentation, Overlap, and Duplication Opportunities

#### Defense

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

**Defense Satellite Control Operations:** In our 2014 annual report, we reported that DOD has increasingly had deployed dedicated satellite control operations networks, as opposed to shared networks that support multiple kinds of satellites. For example, at one Air Force base in 2013,

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eight separate control centers operated satellites for 10 satellite programs. Furthermore, the Air Force alone funded about \$2.1 billion in fiscal year 2011 on satellite operations.<sup>13</sup> While dedicated networks can offer some benefits to programs, they also can be more costly to maintain and have led to fragmented and potentially duplicative networks that require more infrastructure and personnel to manage as compared with shared networks. We suggested that DOD take actions to improve its ability to identify and then assess the appropriateness of a shared versus dedicated satellite control system, which DOD has begun to address.

- **Electronic Warfare:** We reported in 2011 that all four military services in DOD had been separately developing and acquiring new airborne electronic attack systems and that spending on new and updated systems was projected to total more than \$17.6 billion during fiscal years 2007–2016. While the department has taken steps to better inform its investments in airborne electronic attack capabilities, it has yet to assess its plans for developing and acquiring two new expendable jamming decoys to determine if these initiatives should be merged.<sup>14</sup> For example, in fiscal year 2015 one DOD decoy system is already in production, while DOD defines performance requirements for another decoy system. Without an assessment for potential duplication, DOD may preclude the timely identification and prevention of unnecessary overlap between its systems.
- **Unmanned Aircraft Systems:** We reported in 2012 that DOD’s cost estimates for acquisition programs for unmanned aircraft systems (UAS) and related systems exceeded \$37.5 billion for fiscal years 2012–2016.<sup>15</sup> We found that military service-driven requirements, rather than an effective department-wide strategy, led to overlap in DOD’s UAS capabilities, resulting in programs and systems being pursued that have similar flight characteristics and mission

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<sup>13</sup>This total includes Research, Development, Test, and Evaluation; Operation and Maintenance (O&M); Personnel; and, Other Procurement funds. Air Force officials could provide data for only 1 fiscal year of funding for satellite operations.

<sup>14</sup>We examined the Air Force and Navy plans for developing and acquiring new expendable jamming decoys (specifically, the services’ Miniature Air Launched Decoy—Jammer (MALD-J) Increment II and Airborne Electronic Attack Expendable initiatives).

<sup>15</sup>The \$37.5 billion amount includes funding for development, procurement, sustainment, military construction and personnel, and war funding to support UAS activities in then-year dollars identified in the President’s 2012 budget submission.

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requirements. To reduce the likelihood of overlap and potential duplication in DOD's UAS portfolio, we suggested several actions to DOD that have not been fully implemented. The overlap in current UAS programs, as well as continued potential for overlap in future programs, shows that DOD must do more to implement these actions. Our analysis suggests that the potential for savings would be significant, and with DOD's continued commitment to UAS for meeting strategic requirements, action is all the more imperative.

More broadly, we identified multiple weaknesses in the way DOD acquires weapon systems and the actions that are needed to address these issues, which we recently highlighted in our high-risk series update.<sup>16</sup> For example, further progress must be made in tackling the incentives that drive the acquisition process and its behaviors, applying best practices, attracting and empowering acquisition personnel, reinforcing desirable principles at the beginning of programs, and improving the budget process to allow better alignment of programs and their risks and needs. Addressing these issues could help DOD improve the returns on its \$1.5 trillion investment in major weapon systems and find ways to deliver capabilities for less than it has in the past.

### **Information Technology**

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

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

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<sup>16</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015).

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implementing OMB's initiative, weaknesses existed in agencies' implementation of the initiative, such as limitations in the Chief Information Officers' authority. As noted in our recent high-risk update, we made more than 60 recommendations to improve OMB and agencies' implementation of PortfolioStat and provide greater assurance that agencies will realize the nearly \$6 billion in savings they estimated they would achieve through fiscal year 2015.

- **Federal Data Centers:** In 2014, we found that consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of about \$5.3 billion by fiscal year 2017. Although OMB has taken steps to identify data center consolidation opportunities across agencies, weaknesses exist in the execution and oversight of the consolidation efforts. For example, we previously reported that all 24 departments and agencies in the Federal Data Center Consolidation Initiative had not yet completed a data center inventory or the consolidation plans to implement their consolidation initiative. It will continue to be important for agencies to complete their inventories and implement their plans for consolidation to better ensure continued progress toward OMB's planned consolidation, optimization, and cost-savings goals.
- **DOD and Department of Veterans Affairs (VA) Electronic Health Records System:** DOD and VA abandoned their plans to develop a single electronic system for health records that both departments would share. Although the departments' 2008 study showed that over 97 percent of inpatient functional requirements were common to both DOD and VA, they decided to pursue separate electronic health record system modernization efforts. In February 2014, we reported that the departments had based this decision on the assertion that pursuing separate systems would be less expensive and faster than the single, shared-system approach. However, they had not supported this assertion with cost and schedule estimates that compared the separate efforts with estimates for the single-system approach. Through continued duplication of these efforts, the departments may be incurring unnecessary system development and operation costs and missing opportunities to support higher-quality health care for servicemembers and veterans. The departments plan to make the separate systems interoperable as required by law.

Given the federal government's continued experience with failed and troubled IT projects, coupled with the fact that OMB initiatives to help address such problems have not been fully implemented, we added improving the management of IT acquisitions and operations to our 2015

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high-risk list. The federal information technology acquisition reforms enacted in December 2014 reinforce a number of the actions that we have recommended to address IT management issues. For example, the law containing these reforms codifies federal data center consolidation, emphasizing annual reporting on cost savings and detailed metric reporting, and OMB's PortfolioStat process, focusing on reducing duplication, consolidation, and cost savings. If effectively implemented, this legislation should improve the transparency and management of IT acquisitions and operations across the government. Twenty-seven federal agencies plan to spend about \$58 billion—almost three-quarters of the overall \$79 billion budgeted for federal IT in fiscal year 2015—on the operations and maintenance of legacy (i.e., steady-state) investments. The significance of these numbers highlights the importance of ensuring that OMB's PortfolioStat and Data Center Consolidation initiatives meet their cost-savings goals.

### **Education and Training**

We identified several opportunities to help address the proliferation of certain education and training programs and improve the delivery of benefits, which the executive branch agencies and Congress have been working to address. However, additional opportunities remain to more effectively invest in education and training programs, including the following examples:

- **Teacher Quality:** Federal efforts to improve teacher quality led to the creation and expansion of a variety of programs across the federal government; however, there is no government-wide strategy to minimize fragmentation, overlap, or duplication among these programs. Specifically, in our 2011 annual report we identified 82 distinct programs designed to help improve teacher quality, either as a primary purpose or as an allowable activity. Many of these programs (administered across 10 federal agencies) shared similar goals. We suggested that Congress could enact legislation to eliminate teacher quality programs that are too small to evaluate cost-effectively or to combine programs serving smaller target groups into a larger program. In February 2015, the House Committee on Education and Workforce reported the Student Success Act, H.R. 5. According to House Report 114-24, H.R. 5 would consolidate most teacher quality programs into a new flexible grant program. In addition, we suggested that Congress could include legislative provisions to help the Department of Education reduce fragmentation, such as by giving broader discretion to the agency to move resources from certain



programs. In February 2015, the Senate Committee on Health, Education, Labor, and Pensions reported the Strengthening Education through Research Act, S. 227, which would authorize the Department of Education to reserve and consolidate funds from Elementary and Secondary Education Act programs to carry out high-quality evaluations and increase the usefulness of those evaluations. These bills, if enacted, could help eliminate some of the barriers to educational program alignment and help invest scarce resources more effectively.

- Employment for Persons with Disabilities:** In June 2012, we reported on 45 programs administered by nine federal agencies that supported employment for people with disabilities and found these programs were fragmented and often provided similar services to similar populations. OMB has worked with executive agencies to propose consolidating or eliminating some of these programs. In particular, three programs were eliminated in the Workforce Innovation and Opportunity Act: the Veterans’ Workforce Investment Program, administered by the Department of Labor, and the Migrant and Seasonal Farmworker Program and Projects with Industry, administered by the Department of Education. However, OMB has not yet systematically looked across all agencies and programs—beyond those already identified in the Departments of Education and Labor—for opportunities to streamline and improve service delivery, which could help achieve greater efficiency and effectiveness.

Table 3 outlines these and other examples of opportunities for consolidating or streamlining programs to better provide services.

**Table 3: Potential Streamlining or Consolidation Opportunities in Selected Areas Identified in Our 2011-2014 Annual Reports**

Area	Key finding(s)	Related recommendation(s)
Contracting for Defense Health Care Professionals	According to Department of Defense (DOD) data, joint-use contracts among military departments accounted for only about 8 percent of the \$1.14 billion in obligations for health care professionals in fiscal year 2011. Also, we identified several instances where numerous task orders were awarded by a single military department for the same type of provider in the same area or facility, such as 24 task orders in fiscal year 2011 for medical assistants, 16 for licensed practical nurses, 8 for clinical psychologists, and 6 for family practitioners—all at the same military treatment facility.	DOD should develop and implement a consolidated agency-wide strategy to contract for health care professionals to reduce fragmentation and achieve greater efficiencies.

<b>Area</b>	<b>Key finding(s)</b>	<b>Related recommendation(s)</b>
Electronic Warfare	We reported in 2012 that all four military services in DOD separately were acquiring new airborne electronic attack systems and that spending on new and updated airborne electronic attack systems was projected to total more than \$17.6 billion from fiscal year 2007 through 2016.	DOD should identify opportunities to consolidate its airborne electronic attack programs to reduce overlap and improve its return on acquisition investments.
Nuclear Nonproliferation	In December 2011, we identified 21 government programs and offices under five federal agencies that play a role in preventing and detecting smuggling of nuclear materials and illicit trafficking of related technologies overseas.	The Assistant to the President for National Security Affairs should conduct a comprehensive review to address strategic planning limitations and potential fragmentation and overlap concerns among programs combating nuclear smuggling overseas.
Department of Justice Grants	In 2010, the Department of Justice awarded over \$3 billion in grants through more than 253 grant solicitations. We found that more than 20 percent provided funds that could be used for victim assistance and related research.	The Attorney General of the U.S. should conduct an assessment to better understand the extent to which Justice grant programs overlap with one another and determine if grant programs may be consolidated.
Overseas Administrative Services	We reported in 2011 that the Department of State and other agencies operating overseas have made limited progress in reducing the cost of administrative support services overseas. Agencies continue to provide many services independently, despite economies of scale available through greater participation in the International Cooperative Administrative Support Services system (ICASS).	Congress may wish to consider requiring agencies to participate in the ICASS service unless they provide a business case to show that they can obtain these services outside of ICASS without increasing overall costs to the U.S. government or that their mission cannot be achieved within ICASS.
Housing Assistance	We identified 20 different entities that administered 160 programs, tax expenditures, and other tools that supported homeownership and rental housing in fiscal year 2010. Moreover, we identified overlap between products offered and markets served by Department of Housing and Urban Development's (HUD) Federal Housing Administration and the Department of Agriculture's (USDA) Rural Housing Service.	Congress could consider requiring HUD and USDA to examine the benefits and costs of merging the overlapping programs. To help inform Congress's decision-making process, the Secretaries of HUD, Treasury, and USDA along with VA should evaluate and report on the specific opportunities for consolidating similar housing programs, including those that would require statutory changes.
Employment for People with Disabilities	In 2012, we reported on 45 programs that supported employment for people with disabilities and found that the programs were fragmented and often provided similar services to similar populations.	The Office of Management and Budget (OMB) should work with agencies to determine whether program consolidation might result in administrative savings and more effective and efficient delivery of services.
Financial Literacy	In 2014, we identified 13 significant financial literacy programs or activities among 12 federal agencies.	The Department of the Treasury and the Consumer Financial Protection Bureau should develop clear recommendations on the allocation of federal financial literacy resources across programs and agencies, and identify options for consolidating federal financial literacy efforts.
Federal Data Centers	We reported that the number of federal data centers grew from 432 in 1998 to more than 9,658 as of May 2014. The data centers often housed similar types of equipment and provide similar processing and storage capabilities.	OMB should work with agencies to establish goals and targets for consolidation (both in terms of cost savings and fewer data centers), maintain strong oversight of the agencies' efforts, and look for consolidation opportunities across agencies.

Area	Key finding(s)	Related recommendation(s)
Teacher Quality	We identified 82 distinct programs designed to help improve teacher quality, either as a primary purpose or as an allowable activity, administered across 10 federal agencies. Many of these programs share similar goals.	Congress may choose to eliminate programs that are too small to evaluate cost-effectively, combine programs serving smaller target groups into a larger program, or help the Department of Education reduce fragmentation, such as by giving broader discretion to the agency to move resources from certain programs.

Source: GAO. | GAO-15-440T

## Cost-Savings and Revenue Enhancement Opportunities

Opportunities also exist to achieve cost savings or enhance revenue collection. As with the opportunities to address fragmentation, overlap and duplication, fully achieving these opportunities will require sustained leadership by executive branch agencies and Congress. Examples of these actions include rescinding unobligated funds, improving fiscal oversight over Medicare and Medicaid, reducing contract spending through strategic sourcing, and increasing tax revenue collections.

### Rescinding Unobligated Funds

We reported in March 2013 that the Department of Energy (DOE) was not actively considering any applications under the Advanced Technology Vehicle Manufacturing loan program that was established to provide loans for projects to produce more fuel-efficient passenger vehicles and their components.<sup>17</sup> In our 2014 annual report, we suggested that unless DOE could demonstrate a demand for new loans and viable applications, Congress might wish to consider rescinding all or part of the remaining \$4.2 billion in credit subsidy appropriations made available under this program. Since our April 2014 annual report, DOE has not yet demonstrated a demand for these loans that would substantially use the remaining credit subsidy appropriations. The department received four complete applications seeking a total of \$945 million in loans, which represents 5.7 percent of the program's remaining \$16.6 billion in loan

<sup>17</sup>GAO, *Department of Energy: Status of Loan Programs*, [GAO-13-331R](#) (Washington, D.C.: Mar. 15, 2013).

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authority.<sup>18</sup> DOE officials stated that the program anticipated issuing conditional commitments for loans in fiscal year 2015.<sup>19</sup> In January 2015, the Savings, Accountability, Value, and Efficiency Act of 2015 was introduced in the House of Representatives, and includes a provision to rescind unobligated balances of funding for the program, including the remaining credit subsidy appropriations.<sup>20</sup>

### **Improving Fiscal Oversight of Medicare and Medicaid**

Over the years, we identified a number of actions that have the potential for sizable cost savings through improved fiscal oversight in the Medicare and Medicaid programs. For example, the Centers for Medicare & Medicaid Services (CMS), the agency in the Department of Health and Human Services (HHS) that is responsible for overseeing both programs, could save billions of dollars by improving the accuracy of its payments to Medicare Advantage programs, such as through methodology adjustments to account for diagnostic coding differences between Medicare Advantage and traditional Medicare.<sup>21</sup> In addition, we found that federal spending on Medicaid demonstrations could be reduced by billions of dollars if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending

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<sup>18</sup>The amount of credit subsidy appropriations needed for \$945 million in loans would depend on the estimated credit subsidy costs at the time the loans were made. Credit subsidy costs represent the estimated net long-term cost of extending or guaranteeing credit, in present value terms, over the entire period the loans are outstanding (not including administrative costs). The average credit subsidy cost rate from the previous five ATVM loans was about 25 percent. At that rate, the credit subsidy cost for \$945 million in loans would be about \$236 million, or 5.6 percent of the remaining \$4.2 billion in credit subsidy appropriations.

<sup>19</sup>A conditional commitment is a commitment by DOE to issue a loan if the applicant satisfies specific requirements. The Secretary of Energy has discretion to cancel a conditional commitment at any time for any reason before the issuance of a loan guarantee. Should conditional commitments for new loans occur, we would reassess the status of this action.

<sup>20</sup>See H.R. 614, 114<sup>th</sup> Cong. (2015).

<sup>21</sup>Medicare Advantage is the private plan alternative to the original Medicare program. Medicare Advantage plans are paid a fixed, per member, per month payment to provide all services covered under original Medicare. This payment does not vary on the basis of the services beneficiaries receive.

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limits approved for Medicaid demonstrations.<sup>22</sup> In particular, our work between 2002 and 2013 has shown that HHS approved several demonstrations without ensuring that they would be budget neutral to the federal government.

To address this issue, we suggested that Congress could require the Secretary of Health and Human Services to improve the Medicaid demonstration review process, through steps such as improving the review criteria, better ensuring that valid methods are used to demonstrate budget neutrality, and documenting and making clear the basis for the approved limits. In September 2014, the Chairman, House Committee on Energy and Commerce, and Ranking Member, Senate Committee on Finance, sent a letter to CMS asking for additional information on steps the agency was taking to improve the budget neutrality of demonstrations. Enhancing the process HHS uses to demonstrate budget neutrality of its demonstrations could save billions in federal expenditures.

### **Reducing Contract Spending through Strategic Sourcing**

In 2013, we reported that federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. In particular, we reported that a reduction of 1 percent in spending from large procurement agencies, such as DOD, would equate to over \$4 billion in savings. However, a lack of clear guidance on metrics for measuring success has hindered the management of ongoing strategic sourcing efforts across the federal government. Since our 2013 report, OMB has made progress by issuing guidance on calculating savings for government-wide strategic sourcing contracts and in December 2014 issued a memorandum on category management, which in part identifies federal spending categories suitable for strategic sourcing. These categories cover some of the government's largest spending categories,

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<sup>22</sup>Under Section 1115 of the Social Security Act, the Secretary of Health and Human Services can approve waivers of certain Medicaid requirements, and provide states with new spending authorities, for purposes of implementing Medicaid demonstration projects. The demonstrations under the law are for purposes of testing new ways to operate state programs and deliver services, and agency policy requires that the programs not increase federal spending.

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including IT and professional services. As part of this effort, OMB directed the General Services Administration to develop additional guidance and performance metrics. However, until OMB sets government-wide goals and establishes metrics, the government may miss opportunities for cost savings through strategic sourcing.

In addition, strategic sourcing could play a role in helping DOD acquire services more efficiently. In our recent high-risk work, we noted that DOD made some progress in acquiring services through strategic sourcing, but had more to do. For example, as of March 2014, DOD had identified some of high-spend categories as candidates for strategic sourcing, such as IT. Further, DOD appointed individuals within specified portfolios of major areas of DOD services spending to help coordinate strategic sourcing efforts. But according to DOD officials, DOD still is developing the roles, responsibilities and authorities for some of these offices. Additionally, the department has not yet issued guidance establishing goals and metrics to track progress.

### **Increasing Tax Revenue Collections**

IRS estimated that the gross tax gap—the difference between taxes owed and taxes paid on time—was \$450 billion for tax year 2006 (the most recent year for which data were available). IRS estimated that it eventually would recover about \$65 billion of this amount through late payments and enforcement actions, leaving a net tax gap of \$385 billion. Because of its magnitude, even a 1 percent improvement in net tax gap would generate almost \$4 billion in revenue collections annually.

Over the last 4 years, our work identified multiple opportunities for the government to increase revenue collections. For example, in 2014, we identified three actions that Congress could authorize and that could increase tax revenue collections from delinquent taxpayers by hundreds of millions of dollars over a 5-year period: limiting issuance of passports to applicants, levying payments to Medicaid providers, and identifying security clearance applicants. For example, Congress could consider requiring the Secretary of State to prevent individuals who owe federal taxes from receiving passports. We found that in fiscal year 2008, passports were issued to about 16 million individuals; about 1 percent of these collectively owed more than \$5.8 billion in unpaid federal taxes as of September 30, 2008. According to a 2012 Congressional Budget Office estimate, the federal government could save about \$500 million over a 5-year period by revoking or denying passports in cases of certain federal tax delinquencies.

Table 4 highlights these and other opportunities that could result in tens of billions of dollars in cost savings or enhanced revenue.

**Table 4: Selected Areas with Associated Cost-Savings and Revenue-Enhancement Opportunities from Our 2011-2014 Annual Reports**

Annual report	Areas identified
<b>Defense and Contracting</b>	
2011	<b>Tactical Wheeled Vehicles</b> (Area 6): A department-wide acquisition strategy could reduce the Department of Defense's (DOD) risk of costly duplication in purchasing Tactical Wheeled Vehicles. Reducing the number of joint light tactical vehicles DOD procures could result in <b>billions of dollars</b> in cost savings.
2011	<b>Weapon Systems Acquisition Programs</b> (Area 38): Employing best management practices could help DOD achieve significant cost savings on the \$1.5 trillion (fiscal year 2014 dollars) it expects to invest in the development and procurement of its portfolio of 80 major defense acquisition programs.
2014	<b>Combatant Command Headquarters Costs</b> (Area 12): If the department applied the 20 percent reduction in management headquarters spending to the \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, DOD could potentially achieve up to an estimated <b>\$340 million in annual savings</b> .
2013	<b>Agencies' Use of Strategic Sourcing</b> (Area 23): Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest-spending procurement categories—savings of 1 percent from selected agencies' procurement spending alone would equate to <b>over \$4 billion</b> .
2013	<b>Joint Basing</b> (Area 20): A plan to achieve the efficiencies and cost savings envisioned from joint bases, coupled with a reevaluation of associated goals and guidance, could lead to greater consolidation of installation services at joint bases and better position DOD to achieve its identified goals.
2012	<b>Military Health Care Costs</b> (Area 36): To help achieve significant projected cost savings and other performance goals, DOD needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives.
2011	<b>Military Personnel Costs</b> (Area 37): A total compensation approach would be needed to manage military personnel costs—which grew 31 percent from fiscal year 2001 to fiscal year 2014.
<b>Information Technology</b>	
2014	<b>Information Technology Investment Portfolio Management</b> (Area 24): The Office of Management and Budget and multiple agencies could help the federal government realize <b>billions of dollars</b> in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology (IT) investments.
2011	<b>Federal Data Centers</b> (Area 15): Consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of <b>about \$5.3 billion</b> by fiscal year 2017.
2013	<b>Information Technology Operations and Maintenance</b> (Area 30): Strengthening oversight of key federal agencies' major IT investments in operations and maintenance would provide an opportunity for <b>savings on billions</b> in IT investments.

Annual report	Areas identified
2011	<b>Enterprise Architecture</b> (Area 14): Well-defined and implemented enterprise architectures in federal agencies can lead to consolidation and reuse of shared services and elimination of antiquated and redundant mission operations, which can result in significant cost savings. For example, the Department of the Interior demonstrated that it had used enterprise architecture to modernize agency IT operations and avoid costs through enterprise software license agreements and hardware procurement consolidation, resulting in financial savings of <b>at least \$80 million</b> . In addition, the Department of Health and Human Services (HHS) will achieve savings and cost avoidance of <b>over \$150 million</b> during fiscal years 2011–2015 by leveraging its enterprise architecture to improve its telecommunications infrastructure.
<b>Energy and Agriculture</b>	
2011	<b>Oil and Gas Resources</b> (Area 45): Improved management of federal oil and gas resources could result in approximately <b>\$2 billion in additional revenue over 10 years</b> .
2014	<b>Advanced Technology Vehicles Manufacturing Loan Program</b> (Area 13): Unless the Department of Energy can demonstrate demand for new Advanced Technology Vehicles Manufacturing loans and viable applications, Congress may wish to consider rescinding all or part of the remaining <b>\$4.2 billion</b> in credit subsidy appropriations.
2013	<b>Crop Insurance</b> (Area 19): To achieve <b>up to \$1.2 billion per year in cost savings</b> in the crop insurance program, Congress could consider limiting the subsidy for premiums that are provided on behalf of individual farmers, reducing the subsidy for all or high-income farmers participating in the program, or some combination of limiting and reducing these subsidies.
<b>Health Care</b>	
2014	<b>Medicaid Demonstration Waivers</b> (Area 21): Federal spending on Medicaid demonstrations could be reduced if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. We estimated the federal share of savings could have been <b>up to \$21 billion over 5 years</b> for two states' recent demonstrations that we reviewed.
2012	<b>Medicare and Medicaid Fraud Detection Systems</b> (Area 46): The Centers for Medicare & Medicaid Services would need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the <b>\$21 billion</b> in financial benefits that the agency projected as a result of implementing these systems.
<b>Taxes</b>	
2014	<b>Collection of Unpaid Federal Taxes</b> (Area 15): The federal government could increase tax revenue collections by <b>\$500 million over a 5-year time period</b> , according to a 2012 Congressional Budget Office estimate, by identifying and taking actions to limit issuance of passports to applicants with unpaid federal taxes.
2013	<b>Tobacco Taxes</b> (Area 31): Federal revenue losses ranged from as much as <b>\$615 million to \$1.1 billion between April 2009 and 2011</b> because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.
2011	<b>Simple Tax Return Error</b> (Area 56): Congress could grant the Internal Revenue Service (IRS) broader authority, with appropriate safeguards against misuse of that authority, to correct math errors during tax return processing. In April 2014, the Joint Committee on Taxation estimated that this change could result in <b>\$161 million in savings</b> .



Annual report	Areas identified
<b>Fees</b>	
2013	<b>Agricultural Quarantine Inspection Fees</b> (Area 18): The United States Department of Agriculture’s Animal and Plant Health Inspection Service could have achieved as much as <b>\$325 million in savings</b> (based on fiscal year 2011 data, as reported) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection’s annual Salaries and Expenses appropriations used for agricultural inspection services.
2012	<b>Immigration Inspection Fee</b> (Area 49): The user fee for immigration inspection of air and sea passengers should be reviewed and adjusted to fully recover the cost of the air and sea passenger immigration inspection activities conducted by the Department of Homeland Security’s U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than relying on general fund appropriations; in 2012 this could have resulted in reduced reliance on general fund appropriations used for inspection services by about \$175 million.
<b>Homeland Security</b>	
2012	<b>Domestic Disaster Assistance</b> (Area 51): The Federal Emergency Management Agency (FEMA) could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state’s capacity to respond without federal assistance. For fiscal years 2004 through 2011, had FEMA adjusted the indicator for increases in inflation or personal income since 1986, fewer jurisdictions would have met the eligibility criteria for federal assistance and federal costs could have been <b>as much as \$3.59 billion lower</b> .
2013	Checked Baggage Screening (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration (TSA) applies to agreements that finance modification projects related to the installation of checked baggage screening systems at airport facilities, TSA could, if a reduced cost share were deemed appropriate, achieve cost efficiencies of <b>up to \$300 million by 2030</b> and be positioned to install a greater number of optimal baggage screening systems than currently anticipated.
<b>Income Security</b>	
2011	<b>Social Security Offsets</b> (Area 80): Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, which could result in an estimated <b>\$2.4 billion–2.9 billion in savings over 10 years</b> .
2014	<b>Disability and Unemployment Benefits</b> (Area 8): Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save <b>\$1.2 billion over 10 years</b> in the Social Security Disability Insurance program according to the Congressional Budget Office.
2014	<b>Veterans’ and Survivors’ Benefits</b> (Area 23): The Department of Veterans Affairs’ direct spending could be reduced—by an average of <b>about \$4 million annually</b> , according to the Congressional Budget Office—if new statutory provisions were enacted, namely, a look-back review and penalty period for claimants who transfer assets for less than fair market value before applying for pension benefits that are available to low-income wartime veterans who are at least 65 years old or have disabilities unrelated to their military service.

Source: GAO. | GAO-15-440T

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## Tools Exist to Help Address Issues of Fragmentation, Overlap, and Duplication

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

- GPRAMA establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of GPRAMA could help clarify desired outcomes, address program performance spanning multiple organizations, and facilitate future actions to reduce, eliminate, or better manage fragmentation, overlap, and duplication.<sup>23</sup>
- The DATA Act requires actions that would help make spending data comparable across programs, allowing executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments. As we have previously reported, better data and a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts.

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<sup>23</sup>In one example of how GPRAMA could help facilitate a more crosscutting approach focused on results, the act requires OMB to coordinate with executive branch agencies to establish crosscutting priority goals and develop a federal government performance plan that defines the level of performance needed to achieve them. In March 2014, OMB released an updated list of cross-agency priority goals and plans to track progress in achieving these goals on a quarterly basis on Performance.gov. The crosscutting approach required by the act will provide a much-needed basis for more fully integrating a wide array of federal activities as well as a cohesive perspective on the long-term goals of the federal government that is focused on priority policy areas. It also could be a valuable tool for re-examining existing programs government-wide and for considering proposals for new programs.

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We are committed to monitoring the implementation of these acts to improve budget and performance information and help executive branch agencies and Congress address fragmentation, overlap, and duplication.

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## Addressing Improper Payments Could Help Achieve Cost Savings

Reducing improper payments could result in significant cost savings. The Improper Payments Information Act of 2002 (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.<sup>24</sup>

For the first time in recent years, the government-wide improper payment estimate increased in fiscal year 2014, primarily due to significant increases in the improper payment estimates for Medicare, Medicaid, and the Earned Income Tax Credit (EITC). These programs combined account for over 76 percent of the government-wide estimate. We have made numerous recommendations that if effectively implemented, could help improve program management, reduce improper payments in these programs, and achieve cost savings. While recent laws and guidance have focused attention on the issue, agencies continue to face challenges in reducing improper payments, such as statutory limitations and compliance issues.

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## Improper Payments Remain a Government-Wide Issue

Agency improper payment estimates totaled \$124.7 billion in fiscal year 2014, a significant increase (\$19 billion) from the prior year's estimate of \$105.8 billion. The estimated improper payments for fiscal year 2014 were attributable to 124 programs spread among 22 agencies. Table 5 shows the 12 programs with reported improper payment estimates

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<sup>24</sup>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. For fiscal year 2014 and beyond, IPIA, as amended, defines "significant improper payments" as gross annual improper payments in the 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).

exceeding \$1 billion for fiscal year 2014, which accounted for approximately 93 percent of the government-wide estimate.

**Table 5: Programs with Improper Payment Estimates Exceeding \$1 Billion in Fiscal Year 2014**

Program	Agency	Fiscal year 2014 reported improper payment estimates	
		Dollars (in millions)	Error rate (percentage of outlays)
Medicare	Department of Health and Human Services (HHS)	\$59,914	—
<i>Medicare Fee-for-Service (Parts A and B)</i>	<i>HHS</i>	<i>45,754</i>	<i>12.7%</i>
<i>Medicare Advantage (Part C)</i>	<i>HHS</i>	<i>12,229</i>	<i>9.0%</i>
<i>Medicare Prescription Drug (Part D)</i>	<i>HHS</i>	<i>1,931</i>	<i>3.3%</i>
Earned Income Tax Credit	Department of the Treasury	17,700	27.2%
Medicaid	HHS	17,492	6.7%
Unemployment Insurance	Department of Labor	5,604	11.6%
Supplemental Security Income	Social Security Administration (SSA)	5,107	9.2%
Old Age, Survivors, and Disability Insurance	SSA	3,000	0.4%
Supplemental Nutrition Assistance Program	Department of Agriculture (USDA)	2,437	3.2%
School Lunch	USDA	1,748	15.3%
Direct Loan	Department of Education	1,532	1.5%
Public Housing / Rental Assistance	Department of Housing and Urban Development	1,029	3.2%

Source: GAO summary of agencies' data. | GAO-15-440T

When excluding DOD's Defense Finance and Accounting Service Commercial Pay program, the reported government-wide error rate was 4.5 percent of program outlays in fiscal year 2014 compared to 4.0

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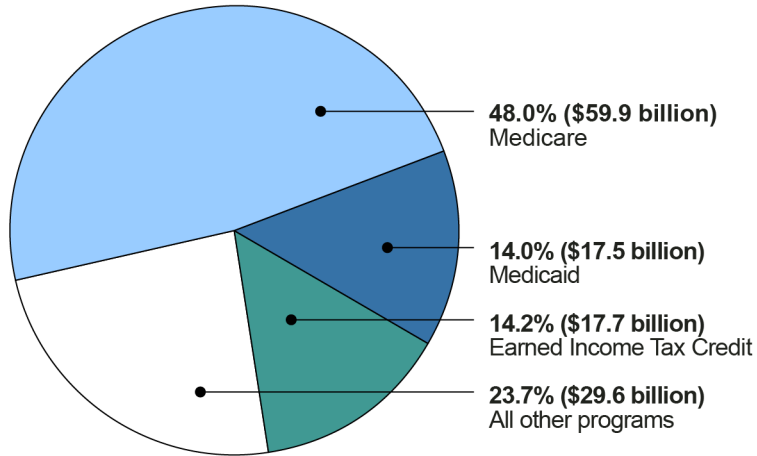
percent reported in fiscal year 2013.<sup>25</sup> The increase in the 2014 estimate is attributed primarily to increased error rates in three major programs: HHS's Medicare Fee-for-Service, HHS's Medicaid, and Treasury's Earned Income Tax Credit. As shown in figure 2, improper payment estimates for Medicare, Medicaid, and the Earned Income Tax Credit accounted for approximately 76 percent of the government-wide estimate for fiscal year 2014.<sup>26</sup>

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<sup>25</sup>In February 2015, we reported concerns that the fiscal year 2014 improper payment estimate for DOD's Defense Finance and Accounting Service (DFAS) Commercial Pay program may not be reliable. The foundation of reliable statistical sampling estimates is a complete, accurate, and valid population from which to sample. Because of long-standing financial management weaknesses, DOD reported in its fiscal year 2014 agency financial report that it could not demonstrate that all payments subject to improper payment estimation requirements were included in the population of payments for review. Therefore, the fiscal year 2014 improper payment estimate for the DFAS Commercial Pay program may not be reliable. When including the DFAS Commercial Pay program, the government-wide improper payment error rate was 4.0 percent of program outlays in fiscal year 2014, an increase from 3.5 percent in fiscal year 2013. See GAO, *Financial Audit: U.S. Government's Fiscal Years 2014 and 2013 Consolidated Financial Statements*, [GAO-15-341R](#) (Washington, D.C.: Feb. 26, 2015).

<sup>26</sup>Medicare consists of four parts. Parts A and B are known as Medicare Fee-for-Service. Part A covers hospital and other inpatient stays, and Part B covers hospital outpatient, physician, and other services. Part C, also known as Medicare Advantage, is the private plan alternative to Medicare Fee-for-Service under which beneficiaries receive benefits through private health plans. Part D is the outpatient prescription drug benefit.

**Figure 2: Government-Wide Improper Payment Estimates by Program for Fiscal Year 2014**



Source: GAO analysis of agencies' data. | GAO-15-440T

## Additional Efforts Are Needed to Reduce Medicare, Medicaid, and Earned Income Tax Credit Improper Payments

Improper payment estimates for Medicare, Medicaid, and the EITC are among the highest estimates government-wide, and federal spending in Medicare and Medicaid is expected to significantly increase.<sup>27</sup> Consequently, it is critical that actions are taken to reduce improper payments in these programs. Over the past several years, we made numerous recommendations that, if effectively implemented, could improve program management, help reduce improper payments in these programs, and achieve cost savings.

### Medicare

In fiscal year 2014, Medicare financed health services for approximately 54 million elderly and disabled beneficiaries at a cost of \$603 billion and reported an estimated \$60 billion in improper payments. Medicare spending generally has grown faster than the economy, and in the coming years, continued growth in the number of Medicare beneficiaries and in program spending will create increased challenges for the federal government. CMS, which administers Medicare, has demonstrated strong

<sup>27</sup> Based on projections reported in HHS's fiscal year 2014 agency financial report, total outlays for the Medicare and Medicaid programs are expected to increase, on average, by 8.6 percent per year over the next 3 years.

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commitment to reducing improper payments, particularly through its dedicated Center for Program Integrity. For example, CMS centralized the development and implementation of automated edits—prepayment controls used to deny Medicare claims that should not be paid—which will help ensure greater consistency in paying only those claims that align with national policies. Additionally, CMS awarded a contract to a Federal Bureau of Investigation-approved contractor that will enable the agency to conduct fingerprint-based criminal history checks of high-risk providers and suppliers.

Nevertheless, in our February 2015 update to our high-risk series, we reported that while CMS has demonstrated efforts to reduce improper payments in the Medicare program, improper payment rates have remained unacceptably high.<sup>28</sup> To achieve and demonstrate reductions in the amount of Medicare improper payments, CMS should fully exercise its authority related to strengthening its provider and supplier enrollment provisions and address our open recommendations related to prepayment and postpayment claims review activities. Table 6 summarizes recommendations we made that are still open and procedures authorized by the Patient Protection and Affordable Care Act (PPACA) that CMS should implement to help reduce Medicare improper payments.<sup>29</sup>

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**Table 6: Actions That Could Help Reduce Medicare Improper Payments**

GAO report	Recommendation
<a href="#">GAO-14-474</a>	Monitor the database used to track recovery audit activities to ensure that all postpayment review contractors submit required data and that the data in the database are accurate and complete.
<a href="#">GAO-14-111</a>	Develop performance measures for the Zone Program Integrity Contractors who explicitly link their work to the agency's Medicare Fee-for-Service program integrity performance measures and improper payment reduction goals. <sup>a</sup>

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<sup>28</sup>[GAO-15-290](#).

<sup>29</sup>Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010). In this statement, references to “PPACA” include amendments made by the Health Care and Education Reconciliation Act of 2010.

GAO report	Recommendation
<a href="#">GAO-13-761</a>	Efficiently and cost-effectively identify, design, develop, and implement an information technology solution that addresses the removal of Social Security numbers from the health insurance cards of Medicare beneficiaries.
<a href="#">GAO-13-522</a>	Reduce differences between contractor postpayment review requirements, when possible.
<a href="#">GAO-13-102</a>	Improve automated edits that assess all quantities provided to the same beneficiary by the same provider on the same day, so providers cannot avoid claim denials by billing for services on multiple claim lines or multiple claims.
<a href="#">GAO-13-102</a>	Require Medicare administrative contractors to share information about the underlying policies and savings related to their most effective edits.
Source	Action
PPACA	Require a surety bond for certain types of at-risk providers and suppliers.
PPACA	Publish a proposed rule for increased disclosures of prior actions taken against providers and suppliers enrolling or revalidating enrollment in Medicare, such as whether the provider or supplier has been subject to a payment suspension from a federal health care program.
PPACA	Establish core elements of compliance programs for providers and suppliers.

Legend: PPACA = Patient Protection and Affordable Care Act.

Source: GAO summary of prior GAO reports. | GAO-15-440T

<sup>a</sup>Zone Program Integrity Contractors are responsible for identifying potential fraud, investigating it thoroughly and in a timely manner, and taking swift action—such as working to revoke suspect providers' Medicare billing privileges or referring such providers to law enforcement.

Specifically, the following actions could help reduce Medicare improper payments.

- **Improving use of automated edits.** To help ensure that payments are made properly, CMS uses controls called edits that are programmed into claims processing systems to compare claims data with Medicare requirements in order to approve or deny claims or flag them for further review. In November 2012, we reported that use of prepayment edits saved Medicare at least \$1.76 billion in fiscal year 2010, but savings could have been greater if prepayment edits had been more widely used.<sup>30</sup> To promote greater use of effective prepayment edits and better ensure that payments are made properly, we recommended that CMS require Medicare administrative

<sup>30</sup>GAO, *Medicare Program Integrity: Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment*, [GAO-13-102](#) (Washington, D.C.: Nov. 13, 2012).



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contractors to (1) share information about the underlying policies and savings related to their most effective edits; and (2) improve automated edits that assess all quantities provided to the same beneficiary by the same provider on the same day, so providers cannot avoid claim denials by billing for services on multiple claim lines or multiple claims.

- **Monitoring postpayment claims reviews.** CMS uses four types of contractors to conduct postpayment claims reviews to identify improper payments. In July 2013, we found that although postpayment claims reviews involved the same general process regardless of which type of contractor conducted them, CMS had different requirements for many aspects of the process across the four contractor types.<sup>31</sup> Some of these differences might impede efficiency and effectiveness of claims reviews by increasing administrative burden for providers. Furthermore, in July 2014, we reported that while CMS had taken steps to prevent its contractors from conducting certain duplicative postpayment claims reviews, CMS did not have reliable data or provide sufficient oversight and guidance to measure and fully prevent duplication.<sup>32</sup> To improve the efficiency and effectiveness of Medicare program integrity efforts, we recommended that CMS reduce differences between contractor postpayment review requirements, when possible, and monitor the database used to track recovery audit activities to ensure that all data were submitted, accurate, and complete.
- **Removing Social Security numbers from Medicare cards.** The health insurance claims number on Medicare beneficiaries' cards includes as one component the Social Security number of the beneficiary (or other eligible person's, such as a spouse). This introduces risks that the beneficiaries' personal information could be obtained and used to commit identity theft. In September 2013, we reported that CMS had not taken needed steps that would result in selecting and implementing a technical solution for removing Social

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<sup>31</sup>GAO, *Medicare Program Integrity: Increasing Consistency of Contractor Requirements May Improve Administrative Efficiency*, [GAO-13-522](#) (Washington, D.C.: July 23, 2013).

<sup>32</sup>GAO, *Medicare Program Integrity: Increased Oversight and Guidance Could Improve Effectiveness and Efficiency of Postpayment Claims Reviews*, [GAO-14-474](#) (Washington, D.C.: July 18, 2014).

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Security numbers from Medicare cards.<sup>33</sup> To better position the agency to efficiently and cost-effectively identify, design, develop, and implement a solution to address this issue, we recommended that CMS direct the initiation of an IT project for identifying, developing, and implementing changes that would have to be made to CMS's affected systems.

- **Implementing actions authorized by PPACA.** In addition to provisions to expand health insurance coverage, PPACA provides CMS with certain authorities to combat fraud, waste, and abuse in Medicare. We reported in our February 2015 update to our high-risk series that CMS should fully exercise its PPACA authority related to strengthening its provider and supplier enrollment provisions.<sup>34</sup> For example, CMS should require surety bonds—a three-party agreement in which a company, known as a surety, agrees to compensate the bondholder if the bond purchaser failed to keep a specified promise—for certain providers and suppliers.

## Medicaid

In fiscal year 2014, the federal share of estimated Medicaid outlays was \$304 billion, and HHS reported approximately \$17.5 billion in estimated Medicaid improper payments. The size and diversity of the Medicaid program make it particularly vulnerable to improper payments—including payments made for people not eligible for Medicaid or for services not actually provided. CMS has an important role in overseeing and supporting state efforts to reduce and recover improper payments and has demonstrated some leadership commitment in this area. For example, CMS issued guidance to improve corrective actions taken by states. CMS also established the Medicaid Integrity Institute, which provides training and technical assistance to states on approaches to prevent improper payments and guidance on program integrity issues.

In our February 2015 high-risk update, we reported that while CMS had taken these positive steps in recent years, in several areas, CMS had still to address issues and recommendations that had not been fully implemented.<sup>35</sup> These issues include improving the completeness and

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<sup>33</sup>GAO, *Medicare Information Technology: Centers for Medicare and Medicaid Services Needs to Pursue a Solution for Removing Social Security Numbers from Cards*, [GAO-13-761](#) (Washington, D.C.: Sept. 10, 2013).

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

<sup>35</sup>[GAO-15-290](#).

reliability of key data needed for ensuring effective oversight, implementing effective program integrity processes for managed care, ensuring clear reporting of overpayment recoveries, and refocusing efforts on approaches that are cost-effective. Table 7 summarizes recommendations we made that remain open and that CMS should implement to help reduce Medicaid improper payments.

**Table 7: Actions That Could Help Reduce Medicaid Improper Payments**

GAO report	Recommendations to CMS
<a href="#">GAO-15-208</a>	Oversee and support state third-party liability efforts to routinely monitor and share across all states information regarding key third-party liability efforts and challenges.
<a href="#">GAO-15-208</a>	Oversee and support state third-party liability efforts to provide guidance to states on oversight of third-party liability efforts conducted by Medicaid managed care plans.
<a href="#">GAO-14-341</a>	Hold states accountable for Medicaid managed care program integrity by requiring states to conduct audits of payments to and by managed care organizations.
<a href="#">GAO-14-341</a>	Update Medicaid managed care guidance on program integrity practices and effective handling of managed care organization recoveries.
<a href="#">GAO-14-341</a>	Provide the states with additional support in overseeing Medicaid managed care program integrity, such as the option to obtain audit assistance from existing Medicaid integrity contractors.
<a href="#">GAO-13-50</a>	Use the knowledge gained from the comprehensive reviews as a criterion for focusing audit resources toward states that have structural or data analysis vulnerabilities.
<a href="#">GAO-13-50</a>	Reevaluate the agency's methodology for calculating a return on investment for the Medicaid Integrity Program, including reporting and sharing its methodology with Congress and the states.
<a href="#">GAO-13-50</a>	Increase the agency's efforts to hold states accountable for reliably reporting program integrity recoveries as a part of their quarterly expenditure reporting.

Source: GAO summary of prior GAO reports. | GAO-15-440T

Specifically, we recommended the following actions to help reduce Medicaid improper payments and improve program integrity.

- Improving third-party liability efforts.** Congress generally established Medicaid as the health care payer of last resort, meaning that if enrollees have another source of health care coverage—such as private insurance—that source should pay, to the extent of its liability, before Medicaid does. This is referred to as third-party liability. However, there are known challenges to ensuring that

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Medicaid is the payer of last resort. For example, states have reported challenges working with private insurers, including willingness to release coverage information to states and denying claims for procedural reasons. While CMS has issued guidance to states, we recommended additional actions that could help to improve cost-saving efforts in this area, such as monitoring and sharing information on third-party liability efforts and challenges across all states and providing guidance to states on oversight of third-party liability efforts related to Medicaid managed care plans.<sup>36</sup>

- **Increasing oversight of managed care.** Medicaid finances the delivery of health care services to beneficiaries through fee-for-service payments to participating providers and capitated payments to managed care organizations.<sup>37</sup> Most Medicaid beneficiaries are in managed care, and managed care expenditures have been growing at a faster rate than fee-for-service expenditures. In May 2014, we reported that most state and federal program integrity officials we interviewed told us that they did not closely examine managed care payments, focusing on fee-for-service claims instead.<sup>38</sup> To help improve the efficiency and effectiveness of program integrity efforts, we recommended that CMS require states to conduct audits of payments to and by managed care organizations, update managed care guidance on program integrity practices, and provide states with additional support in overseeing managed care program integrity.
- **Strengthening program integrity.** CMS has taken positive steps to oversee program integrity efforts in Medicaid, including implementing certain recommendations we made.<sup>39</sup> CMS needs to take action to address issues and recommendations that have not been fully

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<sup>36</sup>GAO, *Medicaid: Additional Federal Action Needed to Further Improve Third-Party Liability Efforts*, [GAO-15-208](#) (Washington, D.C.: Jan. 28, 2015).

<sup>37</sup>Under a fee-for-service system, health care providers claim reimbursement from state Medicaid programs for services rendered to Medicaid beneficiaries. Under a Medicaid managed care system, states contract with managed care organizations to provide or arrange for medical services and prospectively pay the organizations a per person, or capitated, payment.

<sup>38</sup>GAO, *Medicaid Program Integrity: Increased Oversight Needed to Ensure Integrity of Growing Managed Care Expenditures*, [GAO-14-341](#) (Washington, D.C.: May 19, 2014).

<sup>39</sup>GAO, *Medicaid Integrity Program: CMS Should Take Steps to Eliminate Duplication and Improve Efficiency*, [GAO-13-50](#) (Washington, D.C.: Nov. 13, 2012).

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## Earned Income Tax Credit

implemented, such as improving reporting of key data, strengthening its efforts to calculate return on investment for its program integrity efforts, and using knowledge gained from its comprehensive reviews of states to better focus audit resources and improve recovery of improper payments.

In fiscal year 2014, IRS reported program payments of \$65.2 billion for the EITC.<sup>40</sup> According to IRS, an estimated 27.2 percent, or \$17.7 billion, of these program payments were improper.<sup>41</sup> The estimated improper payment rate for EITC has remained relatively unchanged since fiscal year 2003 (the first year IRS had to report estimates of these payments to Congress), but the amount of improper EITC payments increased from an estimated \$10.5 billion in fiscal year 2003 to nearly \$18 billion in fiscal year 2014.

We have highlighted the persistent problems with improper EITC payments for years, and it is a factor underlying our continued designation of IRS Enforcement of Tax Laws as a high-risk area.<sup>42</sup> As we have reported, a root cause of EITC noncompliance is the self-determination of eligibility by taxpayers (or their preparer) combined with IRS's limited ability to verify eligibility before payments (refunds) are issued. According to Treasury, EITC improper payments can be divided into two categories—authentication and verification.<sup>43</sup> Authentication errors include errors associated with IRS's inability to validate qualifying

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<sup>40</sup>Congress established EITC in 1975. It is used to (1) offset the impact of Social Security taxes on low-income families and (2) encourage low-income families to seek employment rather than public assistance. EITC eligibility depends on an individual's earned income. Credit amounts depend on the number of qualifying children who meet age, relationship, and residency tests. The credit gradually increases with income (the phase-in range), plateaus at a maximum amount (the plateau range), and then gradually decreases until it reaches zero (the phase-out range). For EITC, program payments include tax expenditures (a tax credit that offsets income taxes) and outlays (a refund if the credit exceeds the amount of taxes owed).

<sup>41</sup>EITC overpayments are the difference between the EITC amount claimed by the taxpayer on his or her return and the amount the taxpayer should have claimed. EITC underpayments are defined as the amount of EITC disallowed by IRS in processing that should have been allowed.

<sup>42</sup>[GAO-15-290](#).

<sup>43</sup>Treasury Inspector General for Tax Administration, *Existing Compliance Processes Will Not Reduce the Billions of Dollars in Improper Earned Income Tax Credit and Additional Child Tax Credit Payments*, Reference Number 2014-40-093 (Washington, D.C.: Sept. 29, 2014).

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child requirements, taxpayers' filing status, and EITC claims associated with complex or nontraditional living situations. Verification errors relate to IRS's inability to identify individuals improperly reporting income to erroneously claim EITC amounts to which they are not entitled. Verification errors include underreporting and overreporting of income by wage earners as well as taxpayers who report that they are self-employed. Although the EITC program has been modified a number of times since its enactment in 1975 to reduce complexity and help improve the program's administration, complexity has remained a key factor contributing to improper payments in the program.

IRS has undertaken a number of compliance and enforcement activities to reduce EITC improper payments, and in fiscal year 2014 it protected an estimated \$3.5 billion in federal revenue.<sup>44</sup> Among other things, IRS uses audits to help identify EITC improper payments, and in June 2014, we reported that about 45 percent of correspondence audits (audits done by mail) that closed in fiscal year 2013 focused on EITC issues.<sup>45</sup> IRS has reported that tax returns with EITC claims were twice as likely to be audited as other tax returns. However, we found that the effectiveness of these audits may be limited because of regular backlogs in responding to taxpayers since 2011 and unclear correspondence that generated additional work for IRS, such as telephone calls to IRS examiners. These issues have imposed unnecessary burdens on taxpayers and costs for IRS. IRS acknowledged these concerns and the limitations faced in significantly reducing EITC improper payments using the traditional audit process. Consequently, IRS initiated several programs to address EITC improper payments, such as increasing outreach and education to taxpayers and return preparers.

Legislative action and significant changes in IRS compliance processes likely would be necessary to make any meaningful reduction in improper payments. Recently, we recommended matters for congressional consideration or executive actions that if effectively implemented, could help to reduce EITC improper payments.

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<sup>44</sup>Protected revenue refers to the total value of erroneous payments prevented or recovered through compliance activities.

<sup>45</sup>GAO, *IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden*, [GAO-14-479](#) (Washington, D.C.: June 5, 2014).

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- **Regulating paid tax preparers.** In August 2014, IRS reported that 68 percent of all tax returns claiming the EITC in tax years 2006 and 2007 were prepared by paid tax preparers—most of whom were not subject to any IRS regulation—and that from 43–50 percent of the returns overclaimed the credit.<sup>46</sup> Similarly, in our undercover visits to randomly selected tax preparers, a sample that cannot be generalized, we found errors in EITC claims, resulting in significant overstatement of refunds.<sup>47</sup> Establishing requirements for paid tax return preparers could improve the accuracy of the tax returns they prepare. Based in part on our recommendation, in 2010 IRS initiated steps to regulate certain preparers through testing and education requirements. However, the courts ruled that IRS lacked such regulatory authority. Although IRS began a voluntary program to recognize preparers who complete continuing education and testing requirements, mandating these requirements could have a greater impact on tax compliance. In 2014, we suggested that Congress consider granting IRS the authority to regulate paid tax preparers, if it agrees that significant paid preparer errors exist.
  - **Accelerating W-2 filing deadlines.** IRS estimates that it paid \$5.8 billion in fraudulent identity theft refunds during the 2013 filing season.<sup>48</sup> While we do not know the extent to which invalid EITC payments are the result of identity theft, IRS has reported that improper payments are a mix of unintentional mistakes and fraud. A common EITC error is misreporting income. IRS issues most refunds months before receiving and matching information returns, such as the W-2 “Wage and Tax Statement,” to tax returns. Treasury recently proposed to Congress that the W-2 deadlines be moved to January 31 to facilitate the use of earnings information in the detection of

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<sup>46</sup>Internal Revenue Service, *Compliance Estimates for the Earned Income Tax Credit Claimed on 2006- 2008 Returns*, Publication 5162 (8-2014) (Washington, D.C.: August 2014).

<sup>47</sup>GAO, *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors*, [GAO-14-467T](#) (Washington, D.C.: Apr. 8, 2014), and *Paid Tax Return Preparers: In a Limited Study, Chain Preparers Made Significant Errors*, [GAO-06-563T](#) (Washington, D.C.: Apr. 4, 2006).

<sup>48</sup>GAO, *Identity and Tax Fraud: Enhanced Authentication Could Combat Refund Fraud, but IRS Lacks an Estimate of Costs, Benefits and Risks*, [GAO-15-119](#) (Washington, D.C.: Jan. 20, 2015).

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noncompliance.<sup>49</sup> In August 2014, we recommended that IRS estimate the cost and benefits of options to implement pre-refund matching using W-2 data.<sup>50</sup> Because any change could impose burdens on employers and taxpayers as well as create additional costs to IRS for systems and process changes, Congress and other stakeholders would need information on this impact to fully assess any potential changes.

- **Broadening math error authority.** IRS has statutory authority—called math error authority—to correct certain errors, such as calculation mistakes or omitted or inconsistent entries, during tax return processing of EITC claims. According to the Treasury Inspector General for Tax Administration, IRS has math error authority to address some erroneous claims, but additional authority to systematically disallow certain erroneous EITC claims with unsupported wages could reduce improper payments.<sup>51</sup> Treasury has proposed expanding IRS authority to permit it to correct errors in cases where information provided by the taxpayer does not match information in government databases among other things. Expanding such authority—which at various times we have suggested Congress consider—could help IRS correct additional errors and avoid burdensome audits and taxpayer penalties.

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## Recent Efforts Focused Attention on Improper Payments, but Challenges Remain in Estimating and Reducing Them

IPERIA is the latest in a series of laws aimed at reducing improper payments. IPERIA directs OMB to annually identify a list of high-priority programs for greater levels of oversight and review, including establishing annual targets and semi-annual or quarterly actions for reducing improper payments. IPERIA also enacted into law a Do Not Pay initiative, elements of which already were being developed under executive branch authority. The Do Not Pay initiative is a web-based, centralized data-matching service that allows agencies to review multiple databases to determine a recipient's award or payment eligibility prior to making payments.

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<sup>49</sup>By law, employers have until February 28 to file W-2 information on paper and until March 31 to file W-2 information electronically, except when those deadlines fall on a weekend or federal holiday. In that case, the deadline is the next federal business day.

<sup>50</sup>GAO, *Identity Theft: Additional Actions Could Help IRS Combat the Large, Evolving Threat of Refund Fraud*, [GAO-14-633](#) (Washington, D.C.: Aug. 20, 2014).

<sup>51</sup>Treasury Inspector General for Tax Administration, *Existing Compliance Processes Will Not Reduce the Billions of Dollars in Improper Earned Income Tax Credit and Additional Child Tax Credit Payments*.



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Similarly, the DATA Act calls on Treasury to establish a data analysis center, or to expand an existing service, to provide data, analytic tools, and data-management techniques for preventing or reducing improper payments.<sup>52</sup> Effective implementation of the DATA Act and the use of data analytic tools could help agencies to detect, reduce, and prevent improper payments.

In addition to these legislative initiatives, OMB has continued to play a key role in the oversight of government-wide improper payments. OMB established guidance for federal agencies on reporting, reducing, and recovering improper payments as required by IPIA, as amended, and on protecting privacy while reducing improper payments with the Do Not Pay initiative.<sup>53</sup> For example, the most recent revision to OMB's guidance for estimating improper payments directs agencies to report on the causes of improper payments using more detailed categories than previously required, such as program design issues or administrative errors at the federal, state, or local agency level. As we previously reported, detailed analysis of the root causes of improper payments can help agencies to identify and implement targeted corrective actions.<sup>54</sup>

While these efforts are a positive step toward estimating and reducing improper payments, agencies continue to face challenges in these areas. In our report on the Fiscal Year 2014 Financial Report of the United States Government, we identified the issue of improper payments as a material weakness in internal control 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.<sup>55</sup> We found that not all agencies have developed improper payment

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<sup>52</sup>Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014) (*codified at* 31 U.S.C. § 6101 Note). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006.

<sup>53</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum M-15-02 (Washington, D.C.: Oct. 20, 2014); Revised, *Financial Reporting Requirements*, OMB Circular No. A-136 (revised 2014); and *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative*, OMB Memorandum M-13-20 (Washington, D.C.: Aug. 16, 2013).

<sup>54</sup>GAO, *Improper Payments: Government-Wide Estimates and Reduction Strategies*, [GAO-14-737T](#) (Washington, D.C.: July 9, 2014).

<sup>55</sup>[GAO-15-341R](#).

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estimates for all of the programs and activities they identified as susceptible to significant improper payments. Specifically, two federal agencies did not report estimated improper payment amounts for four risk-susceptible programs. For example, HHS did not report an improper payment estimate in fiscal year 2014 for its Temporary Assistance for Needy Families (TANF) program, which had program outlays of about \$16.3 billion.<sup>56</sup>

Furthermore, IPERA established a requirement for agency IGs to report annually on agencies' compliance with the criteria contained in IPERA. Under OMB implementing guidance, these reports should be completed within 180 days of the publication of the federal agencies' annual performance and accountability reports (PAR) or agency financial reports (AFR).<sup>57</sup> According to IPERA, if a program is found to be noncompliant

- in a fiscal year, the agency must submit a plan to Congress describing the actions that the agency will take to bring the program into compliance;
- for 2 consecutive fiscal years, and if OMB determines that additional funding would help the agency improve, the agency and OMB may take steps to transfer or request additional funding for intensified compliance efforts; and
- for 3 consecutive years, the agency must submit to Congress a reauthorization proposal for each noncompliant program or activity or any proposed statutory changes the agency deems necessary to bring the program or activity into compliance.

In December 2014, we reported on agency compliance with the criteria contained in IPERA for fiscal year 2013, as reported by IGs.<sup>58</sup> We found

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<sup>56</sup>The three remaining risk-susceptible programs that did not report an improper payment estimate for fiscal year 2014 were in DHS—the Customs and Border Protection Administratively Uncontrollable Overtime, Port Security Grant, and Federal Emergency Management Agency Vendor Pay (non-Disaster Relief Fund) programs. DHS plans to report improper payment estimates for these programs in fiscal year 2015.

<sup>57</sup>Generally, agencies must issue their PARs or AFRs by November 15. Fiscal year 2013 was the third year for which IGs were required to issue annual reports on agencies' compliance with criteria listed in IPERA. IG reports on fiscal year 2014 compliance with the criteria listed in IPERA are generally expected to be issued by May 2015.

<sup>58</sup>GAO, *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act*, [GAO-15-87R](#) (Washington, D.C.: Dec. 9, 2014).

that the most common instances of noncompliance as reported by the IGs related to two criteria: (1) publishing and meeting improper payment reduction targets and (2) reporting improper payment estimates below 10 percent.<sup>59</sup> For fiscal years 2012 through 2014, we also analyzed IG reports and agency PARs or AFRs and identified five programs with improper payment estimates greater than \$1 billion that have been noncompliant with at least one of these criteria for 3 consecutive years, as show in table 8.<sup>60</sup> These five programs accounted for approximately \$75.9 billion, or 61 percent of the fiscal year 2014 government-wide improper payment estimate.

**Table 8: Major Programs Noncompliant with Improper Payment Requirements for 3 Consecutive Years**

Program	Agency	Did not publish or meet reduction target			Reported error rate greater than 10 percent		
		2012	2013	2014	2012	2013	2014
Medicare Fee-for-Service	Department of Health and Human Services	X	X	X		X	X
Earned Income Tax Credit	Department of the Treasury	X <sup>a</sup>	X <sup>a</sup>		X	X	X
Unemployment Insurance	Department of Labor	X	X	X <sup>b</sup>	X	<sup>c</sup>	X
Supplemental Security Income	Social Security Administration	X	X	X			
School Lunch	Department of Agriculture		X		X	X	X

Source: GAO analysis of agency financial reports and inspectors general reports. | GAO-15-440T

<sup>a</sup>The Department of the Treasury did not set improper payment reduction targets for the Earned Income Tax Credit for fiscal years 2012 or 2013.

<sup>b</sup>The Department of Labor did not set a reduction target for fiscal year 2014 for the Unemployment Insurance program in its fiscal year 2013 agency financial report. However, according to

<sup>59</sup>IPERA contains six criteria for compliance. 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.

<sup>60</sup>It is important to note that additional programs may have been noncompliant for 3 consecutive years when factoring in the remaining four criteria contained in IPERA.

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Paymentaccuracy.gov—the federal website for improper payment information—the fiscal year 2014 reduction target for the Unemployment Insurance program was 10 percent, which the department did not meet.

<sup>c</sup>According to its Office of Inspector General, the Department of Labor used a methodology that reduced the improper payments by the amount of subsequent improper payment recoveries for fiscal year 2013. Without netting the subsequent recoveries, the error rate would have been 11.5 percent, exceeding 10 percent.

In addition to the legislative criteria, various IGs reported deficiencies in their most recent annual compliance reports, including risk assessments that may not accurately assess the risk of improper payments and estimation methodologies that may not produce reliable estimates. Similarly, we recently reported on weaknesses in improper payment risk assessments at the Department of Energy and in the estimating methodology for DOD's TRICARE program.<sup>61</sup>

In addition to the challenges that we and the IGs reported, some agencies reported in their fiscal year 2014 AFRs that program design issues could hinder efforts to estimate or recapture improper payments.

- **Coordination with states.** HHS cited statutory limitations for its state-administered TANF program, which prohibited it from requiring states to participate in developing an improper payment estimate for the program.<sup>62</sup> Despite these limitations, HHS reported that it had taken actions to assist states in reducing improper payments, such as working with states to analyze noncompliance findings from audits related to TANF and requiring more accurate information about the ways states used TANF block grants.
- **Recovery auditing.** USDA reported that section 281 of the Department of Agriculture Reorganization Act of 1994 precluded the use of recovery auditing techniques. Specifically, the agency reported that section 281 provides that 90 days after the decision of a state, a county, or an area committee is final, no action may be taken to recover the amounts found to have been erroneously disbursed as a

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<sup>61</sup>GAO, *Improper Payments: DOE's Risk Assessments Should Be Strengthened*, [GAO-15-36](#) (Washington, D.C.: Dec. 23, 2014), and *Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews*, [GAO-15-269](#) (Washington, D.C.: Feb. 18, 2015). TRICARE is a health care program for military servicemembers, retirees, and their families.

<sup>62</sup>The term state-administered refers to federal programs that are managed on a day-to-day basis at the state level to carry out program objectives.

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result of the decision, unless the participant had reason to believe that the decision was erroneous. This statute is commonly referred to as the Finality Rule, and according to USDA, it affects the Farm Service Agency's ability to recover overpayments.

With outlays for major programs, such as Medicare and Medicaid, expected to increase over the next few years, it is critical that actions are taken to reduce improper payments. In addition to agencies' efforts, legislation, OMB guidance, and auditor oversight of agency spending and related internal controls have been important factors in addressing improper payments. There is considerable opportunity here to achieve cost savings without reducing or detrimentally affecting the valuable programs that serve our citizens. For this reason, we will continue to focus attention on improper payments to assist Congress in ensuring that taxpayer dollars are adequately safeguarded and used for their intended purposes.

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Chairman Enzi, Ranking Member Sanders, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer questions.

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## GAO Contacts

For further information on issues of fragmentation, overlap, duplication or cost savings, please contact Orice Williams Brown, Managing Director, Financial Markets and Community Investment, who may be reached at (202) 512-8678 or [williamso@gao.gov](mailto:williamso@gao.gov); or A. Nicole Clowers, Director, Financial Markets and Community Investment, who may be reached at (202) 512-8678 or [clowersa@gao.gov](mailto:clowersa@gao.gov). For information on improper payment issues, please contact Beryl H. Davis, Director, Financial Management and Assurance at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov). Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

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*Medicaid: Additional Federal Action Needed to Further Improve Third-Party Liability Efforts.* [GAO-15-208](#). Washington, D.C.: January 28, 2015.

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

*Improper Payments: DOE's Risk Assessments Should Be Strengthened.* [GAO-15-36](#). Washington, D.C.: December 23, 2014.

*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.

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

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

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

*Improper Payments: Government-Wide Estimates and Reduction Strategies.* [GAO-14-737T](#). Washington, D.C.: July 9, 2014.

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

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

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*2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits.* [GAO-14-343SP](#). Washington, D.C.: April 8, 2014.

*Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors.* [GAO-14-467T](#). Washington, D.C.: April 8, 2014.

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

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

*2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits.* [GAO-13-279SP](#). Washington, D.C.: April 9, 2013.

*Medicaid Integrity Program: CMS Should Take Steps to Eliminate Duplication and Improve Efficiency.* [GAO-13-50](#). Washington, D.C.: November 13, 2012.

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

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

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

*Paid Tax Return Preparers: In a Limited Study, Chain Preparers Made Significant Errors.* [GAO-06-563T](#). Washington, D.C.: April 4, 2006.

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