



Testimony  
Before the Subcommittee on the  
Legislative Branch, Committee on  
Appropriations, U.S. Senate

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# FISCAL YEAR 2018 BUDGET REQUEST

## U.S. Government Accountability Office

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

Accessible Version

# GAO Highlights

Highlights of [GAO-17-604T](#), a testimony before the Subcommittee on the Legislative Branch, Committee on Appropriations, U. S. Senate

## Background

GAO's mission is to support Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. We provide nonpartisan, objective, and reliable information to Congress, federal agencies, and to the public, and recommend improvements across the full breadth and scope of the federal government's responsibilities.

GAO responded to requests from 95 percent of the standing full committees of the Congress in fiscal year 2016. GAO issued 697 reports, 2,071 new recommendations, and testified before congressional committees 119 times. Congress used our work extensively to inform its decisions on key fiscal year 2016 and 2017 legislation. Since fiscal year 2002, GAO's work has resulted in:

- over \$750 billion dollars in financial benefits; and
- about 19,200 program and operational benefits that helped

to change laws, improve public services, and promote sound management throughout government.

GAO remains an employer of choice in the public sector. The Partnership for Public Service announced that GAO is one of the top places to work in the federal government. We improved our scores in 2016, rising to second place among mid-size agencies. We are ranked first for diversity and inclusion.

View [GAO-17-604T](#). For more information, contact Gene L. Dodaro at (202) 512-5500 or [dodarog@gao.gov](mailto:dodarog@gao.gov).

June 2017

## FISCAL YEAR 2018 BUDGET REQUEST U.S. GOVERNMENT ACCOUNTABILITY OFFICE

In fiscal year 2016 GAO's work resulted in a return of \$112 for every dollar invested in GAO, generating over \$63 billion in financial benefits to the federal government. Implementation of GAO's recommendations led to 1,234 program and operational improvements across the federal government including many important contributions to enacted budget, appropriations and authorization legislation. GAO reports contained more than 2,000 recommendations across a vast array of areas to foster government efficiency, effectiveness, and responsiveness on high priority challenges facing Congress and the nation.

Congress used GAO's work to improve agency operations and generate billions in savings. These will result in improved program efficiencies and services through implementation of GAO's recommendations, including such areas as DOD acquisitions and financial management, services to veterans, management of IT systems, and fraud detection.

GAO also continues to draw attention to issues facing Congress and the nation by producing regular updates based on our bodies of work. In February 2017 we issued our biennial high risk report updating Congress on progress made on the 32 areas identified in 2015 and added 3 new areas: (1) Improving Federal Programs that Serve Tribes and their Members; (2) the 2020 Decennial Census; and (3) U.S. Government Environmental Liabilities. In April we issued our seventh annual report on fragmentation, overlap and duplication among federal programs and opportunities to reduce government operations costs or enhance revenues. It identified 79 new actions that Congress and executive branch agencies can take to improve government efficiency and effectiveness. Progress in addressing the 645 actions identified in the six previous years resulted in roughly \$136 billion in financial benefits.

GAO is requesting a fiscal year 2018 appropriation of \$618.2 million to continue to address congressional priorities, and fulfill our mission. This will support a staffing level of 3,100 full-time equivalents (FTE). We expect to offset our funding needs with \$27.5 million in reimbursements from program and financial audits, as well as rental income, resulting in a net appropriation request of \$590.7 million.

In planning fiscal year 2018 resources, GAO recognized several key areas that merit increased attention as additional staffing is made available. Focus in these areas will provide long term benefits to the nation. They include identifying strategies and actions agencies can take to reduce a growing amount, now over \$140 billion annually, of improper government payments; finding ways to close the yawning tax gap of over \$400 billion dollars annually between taxes owed to the government and total taxes paid; and helping the Congress determine policy implications of increasingly complex and rapidly evolving development of science and technology.

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Chairman Lankford, Ranking Member Murphy, and Members of the Subcommittee:

On behalf of the U.S. Government Accountability Office (GAO), thank you for the opportunity to discuss our fiscal year 2018 budget request. I also appreciate the confidence this subcommittee has shown in GAO by supporting our efforts to serve Congress and improve government performance, accountability, and transparency.

Since 2014, Congress has provided funding that has resulted in GAO's work achieving \$192.5 billion in financial benefits and 3,808 other improvements in government programs and operations. GAO also provided 357 testimonies to dozens of Congressional Committees over this time period. Even with this record of success, much work remains to be done to improve government performance and accountability and help Congress address its highest priorities. Our fiscal year 2018 budget submission was formulated keeping in mind the constrained budget environment in which the government operates.

GAO's fiscal year 2018 budget requests \$618.2 million in appropriated funds to enable GAO to bolster our staff capacity to better serve the Congress. With a return of \$112 for every dollar invested in GAO in fiscal year 2016, GAO is an exceptional investment. Last fiscal year alone, our work generated over \$63 billion in financial benefits and 1,234 program and operational improvements across government.

Our fiscal year 2018 budget request is focused on maintaining sufficient staff so that GAO will be better positioned to help Congress meet its oversight responsibilities. The funding requested will also enable us to make critical information technology investments that improve our productivity and work product.

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## Priority Areas for Resource Enhancement at GAO

While GAO always responds to the oversight and legislative priorities of the Congress, in fiscal year 2018 we would also propose to focus additional resources on certain areas as staffing is made available, including:

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**Growing Amounts of Improper Payments** – Payments that should not have been made or that were made in an incorrect amount are a growing government-wide issue. Since fiscal year 2003, when certain agencies were required by statute to begin reporting improper payments, cumulative improper payment estimates have totaled over \$1.2 trillion. The improper payments annual estimate in fiscal year 2016, attributable to 112 programs across 22 agencies, was over \$144 billion, up from almost \$137 billion in fiscal year 2015 and almost \$125 billion in fiscal year 2014.

Three large programs, Medicare, Medicaid, and the Earned Income Tax Credit, account for over 78 percent of the fiscal year 2016 government-wide improper payment estimate. Federal spending for Medicare and Medicaid is expected to increase significantly, so it is especially critical to take appropriate measures to reduce improper payments in these programs.

In fiscal year 2016, 14 federal programs had improper payment estimates greater than \$1 billion. Eleven programs had payment error rates that exceeded 10 percent. To address the issue of improper payments, agencies should first identify the root causes of improper payments and then implement internal controls aimed at both prevention and detection.

The government's ability to understand the scope of the issue is hindered by incomplete, unreliable, or under stated estimates; risk assessments that may not be accurate; and noncompliance with criteria listed in federal law. For example, 18 federal programs determined to be at risk for improper payments did not report estimates of improper payments in fiscal year 2016.

In addition, DOD lacks quality assurance procedures to ensure the completeness and accuracy of its estimates. Further, various Inspectors General reported deficiencies related to compliance with the criteria listed in the Improper Payments Elimination and Recovery Act of 2010 for fiscal year 2015 at their respective federal entities.

Our work identifies a number of strategies and specific actions agencies can take to reduce improper payments, which could yield significant savings and help better ensure that taxpayer funds are adequately safeguarded.

**yawning Tax Gap** – According to the 2016 Financial Report, the estimated size of the annual gross tax gap between taxes owed to the government and total taxes paid on time is \$458 billion. The tax gap

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arises when taxpayers, whether intentionally or inadvertently, fail to (1) accurately report tax liabilities on tax returns (underreporting); (2) pay taxes due from filed returns (underpayment); or (3) file a required tax return altogether or on time (nonfiling). Underreporting accounted for 84 percent of the tax gap across tax years 2008 to 2010.

This resulted in an annual net tax gap of \$406 billion. Given the size of the tax gap, increased attention to this area would yield significant financial benefits and help improve the government's fiscal position.

Addressing the tax gap requires strategies on multiple fronts. Key factors that contribute to the tax gap include limited third party reporting and tax code complexity. For example, the extent to which individual taxpayers accurately report their income is correlated with the extent to which the income is reported to them and the IRS by third parties.

Our work identifies a number of strategies and specific actions Congress and agencies can take to reduce the tax gap, including simplifying the tax code. Additional resources would enable us to expand our work in finding ways to further close the tax gap, thus improving the government's financial position.

**Science and Technology** – Science and technology developments influence almost every aspect of the American experience; they present great opportunities to improve the quality of life, the performance of the economy and the government, and the relationship of the government to its population. While information technology is a major technological force of this era, linking individuals, organizations, and economies around the world, other kinds of scientific and technological advances are also creating significant changes.

The increased development and use of new technologies challenge the government's and the Congress's ability to evaluate their potential and assess their program and policy implications in areas such as security, safety, privacy, and equity.

In fiscal year 2016 we reported on Zika virus as an emerging infectious disease, the continued need for effective oversight of high-containment laboratories, the status of bio forensic capabilities in the law enforcement and homeland security communities, the emergence of data analytics and its overall impact on society and the economy, and how municipalities can use technology to improve the efficiency of their water distribution systems and tap nontraditional sources to address water scarcity, among others.

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GAO has already issued two best practice guides, addressing capital acquisitions in the areas of lifecycle cost estimates and project scheduling. These best practice products are designed to assist federal managers in addressing major projects, and they also serve as a means by which GAO can evaluate such projects. Adding to these initial efforts, GAO's science and technology group issued a third best practice guide, this one addressing technology readiness assessment.

We expect this most recent work will be a means by which program managers can identify technologies and manage their risks throughout the development of technology-dependent projects. Given the persistent and growing demand for this technical work, GAO strives to continue to build our staff capacity in this growing area.

Additional resources would enable us to expand our work including the completion of key strategic technology reports on the Internet of Things, sustainable chemistry, rapid point-of-care medical diagnostics for detecting infectious diseases (e.g., Ebola), artificial intelligence systems, electromagnetic pulse threat mitigation technologies, oversight of biosafety labs, nuclear waste immobilization technologies, and emerging infectious diseases.

Based on interest expressed by various Committees of jurisdiction, potential future science and technology work could focus on antibiotic-resistant bacteria, freshwater conservation technologies for the agricultural sector, block chain technologies (financial technology), unmanned aerial systems, high-frequency trading technologies, and regenerative medicine, among others.

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## Information Technology Improvements

In fiscal year 2017, GAO requested funding to continue investments to enhance our management information systems, IT infrastructure and security, as well as our telecommunications capabilities. Fiscal year 2018 funding will seek to continue these efforts as well as make additional improvements in these areas. For fiscal year 2018 GAO is requesting funding needed to continue our efforts to improve and modernize GAO's technology infrastructure and services.

Over the past few years GAO has undertaken the Engagement Management System (EMS) and New Blue initiatives to better leverage technology. These new systems will enhance our core business

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processes and enable GAO products to be created and distributed in the most efficient manner using currently supported technology.

GAO developed and deployed EMS to help manage the work throughout the agency. This new system has been rolled out across the agency and has allowed us to retire multiple legacy applications. New Blue will enable the end-to-end processing of GAO products from drafting through issuance to the Congress and posting on GAO's web site. New Blue will allow GAO to keep pace with the evolving methods of demand and consumption of information from our clients and stakeholders by supporting multiple formats and product types. Both EMS and New Blue have been planned and are being executed to ensure the quality and reliability of GAO products continues to be met at the highest levels allowing greater efficiency and flexibility in best supporting Congressional needs.

With funding requested for 2018, GAO will be able to meet key demands for technology upgrades, including:

- GAO needs funding to upgrade its data center and the infrastructure that supports GAO operations. GAO's data center requires 24/7 operational availability to adequately support staff located in headquarters and GAO's 11 field locations throughout the United States. GAO needs to improve data management operations and security to ensure adequate support and meet ongoing needs. As such, in fiscal year 2018, we will assess options to upgrade the equipment supporting the center to provide a modern computing environment, which could reduce costs and enhance security, capacity, and availability. We expect to initiate replacement of the equipment and support beginning in fiscal year 2018.
- GAO is looking to make strategic investments into cloud-based solutions to maximize efficiency, improve the security of our data and our ability to best combat cyber threats to our infrastructure, and position us to leverage technology opportunities in the future.
- Funding is also being sought to retire our aging telephone and video teleconferencing infrastructures and replace them with a state of the art communications platform. Given that collaboration is so vital to our mission, we are looking to invest in new technologies that will improve how our staff works and communicates when doing our work across geographic locations.
- Another key priority in fiscal year 2018 is our effort to replace our aging document management solution with a modern content management solution. A new solution will improve our capabilities to

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store and re-use the information and content we produce in support of core Agency work processes and products. A modern content management solution will enable GAO to more effectively and efficiently serve Congress and the American Public by providing new workflow management capabilities.

Cumulatively these technology improvements will help the GAO workforce deliver its analysis to the Congress in the most robust and modern manner and consistent with currently supported technology standards. We are consistently looking to improve our technology platforms to take advantage of technology advances that best enable GAO to deliver value to our clients while seeking cost saving opportunities. We sincerely appreciate the Committee's support to date and look forward to your support in fiscal year 2018 and beyond.

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## GAO's Current Environment

GAO operated at the Continuing Resolution (CR) level through the beginning of May. This had a significant impact on human resource and operations. We deferred or reduced staffing and curtailed spending on technology investments that are critical to our efforts to modernize GAO's infrastructure and business processes.

The fiscal year 2017 funding provided in the Omnibus will afford us an opportunity to address many of the staffing and operations challenges presented during the Continuing Resolution period.

The fiscal year 2018 budget request would enable GAO to bolster its staff capacity to 3,100 FTEs through a targeted recruitment program to help address succession planning and fill critical skill gaps. This funding level will also help ensure that GAO is able to recruit and retain a talented and diverse workforce as well as make progress towards an optimal staffing level of 3,250 FTEs.

We expect to offset our funding needs with \$27.5 million in reimbursements from program and financial audits and rental income, resulting in a net appropriation request of \$590.7 million.



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## Assisting Congress in Shaping Legislation

GAO continues to be recognized for its non-partisan, objective, fact-based, and professional analyses across the full breadth and scope of the federal government's responsibilities and the extensive interests of Congress. In fiscal year 2016, and to date in fiscal year 2017, Congress used GAO's work as the basis for a wide range of significant legislative decisions.

**The Consolidated Appropriations Act, 2017** – in many cases requires an agency to take action based on GAO findings and recommendations. For example, the act requires:

- Census to address shortcomings in its cost estimate, identified by GAO, for the 2020 Census;
- federal agencies to resolve duplication in programs identified by GAO, by identifying substantive challenges, legal barriers, and by making legislative recommendations;
- IRS to develop a customer service plan with specific goals, strategies and, resources; GAO recommended that IRS assess gaps between desired and actual customer service performance;
- GSA to improve its ability to account for federal property and its value; the management of federal real property has been on GAO's high risk list since 2015;
- Labor to finalize and implement regulations related to the Workforce Innovation and Opportunity Act; GAO found that limited guidance and regulations slowed the act's implementation; and
- Defense to
  - produce information clarifying the content, scope, and phasing of developments, and capabilities of Joint Strike Fighter components; GAO found current management of follow-on development potentially posed greater costs and schedule risk;
  - report on the cost, schedule, and obligations of the Defense Healthcare Systems Modernization program.

The act also cited GAO work on deficiencies in agencies' information technology systems and directed agencies to implement those recommendations. Among those agencies included were the Farm Service Agency, the IRS, Housing and Urban Development, and the Federal Emergency Management Agency.

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The Act also directed agencies to implement other GAO recommendations. For example, the act directs:

- Customs and Border Patrol to document the time unaccompanied children spend in custody, the care afforded them, and to develop a way to register, track and analyze complaints for trends.

In other cases, the Act required an agency to report on its progress implementing a GAO recommendation. For example, the act requires progress reports on the following:

- the State Department's efforts to utilize cost containment, risk assessment, and strategic planning for overseas facilities, such as embassies; and establish performance goals for programs meant to reduce global poverty and to collaborate with similar US programs; and
- Interior's actions to ensure the Bureau of Indian Education schools and facilities have effective management controls and comply with federal laws and regulations.

Finally, the act included reductions to budget requests, including to the Department of Defense's (DOD) fiscal year 2017 appropriations based on GAO work. For example, GAO found that DOD had overstated its fiscal year 2017 O&M budget request for fuel, resulting in \$1.1 billion in reductions.

**The FY 2017 Military Construction and Veterans Affairs, and Related Agencies Appropriations Act** – requires Veteran Affairs (VA) to clarify access and wait times for mental health services and how it manages appointments for these services. GAO found that the Veterans Health Administration calculations of veteran mental health wait times may not have always reflected the overall amount of time a veteran waited for care.

**The Bipartisan Budget Act of 2015** – the Congress used GAO's work to contribute to an agreement on spending caps in fiscal years 2016 and 2017 by identifying \$30 billion in offsets or revenue enhancements, including (1) making new provider-based off-campus hospital outpatient departments ineligible for inpatient reimbursements, saving \$9.3 billion; (2) streamlining and simplifying audit procedures for certain partnerships, increasing tax revenue by an estimated \$9.3 billion; and (3) requiring agencies to increase civil monetary penalties annually reflecting the consumer price index, generating \$1.3 billion.

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**The National Defense Authorization Act for Fiscal Year 2017 –** undertakes significant reform of military acquisition policy. Specifically, the Act requires DOD to improve reporting about the volume and types of defense services acquired, control costs, enhance access to supply chains, and take steps to reduce acquisition risks and encourage the development of new prototypes.

- These changes reflect GAO's body of work on military acquisition that concluded, among other things, that senior DOD leadership needed to be better positioned to make informed decisions about acquisition. Changing approaches to acquisition could result in significant savings. In addition, access to innovative technology could be improved.
- In addition to reforming acquisition, the Act requires DOD to report on rebuilding military readiness, specifically comprehensive readiness goals, implementation strategies, progress metrics, and related costs and other best practices. These requirements reflect GAO's finding that the lack of a comprehensive plan put DOD's readiness rebuilding efforts at risk.
- The Act did not fund the request for \$15,260,000 in funding to create a repository for defense nuclear waste, based on GAO's finding that DOE's cost estimates for its repository plan excluded billions of dollars in likely costs.
- Separately, the Act directs federal agencies to use paid administrative leave more judiciously, so leave does not exceed reasonable amounts. GAO had reported that federal agencies had inconsistent policies for the use and reporting of paid administrative leave and that 263 federal employees had used 1 to 3 years of leave during a 3 year period.

**The Fraud Reduction and Data Analytics Act of 2015 –** requires the Office of Management and Budget (OMB) to establish guidelines based on GAO's 2015 Framework for Managing Fraud Risks in Federal Programs to help prevent and respond to fraud and improper payments in federal programs.

The Framework identifies leading practices to help managers combat fraud and preserve integrity in government agencies and programs. The act should help agencies reduce their vulnerability to fraud by encouraging them to identify risks and vulnerabilities; implement financial and administrative controls; and by requiring transparency through reporting on these efforts.

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**The Frank R. Lautenberg Chemical Safety for the 21st Century Act –** GAO has had “Transforming EPA’s Process for Assessing and Controlling Toxic Chemicals” on our high-risk list since 2009 because EPA had not developed sufficient chemical assessment information to limit exposure to many chemicals that may pose substantial health risks. This act provides EPA with greater authority to address chemical risks.

**Program Management Improvement Accountability Act –** The act seeks to improve program and project management in federal agencies. Among other things, the act requires the Deputy Director of the Office of Management and Budget (OMB) to adopt and oversee implementation of government-wide standards, policies, and guidelines for program and project management in executive agencies.

The act elevates agencies’ attention to GAO’s high risk list by requiring the Deputy Director to address programs on our High-Risk List through portfolio reviews; creating an interagency forum to review programs on the High-Risk List and make recommendations to the Deputy Director or designee; and having GAO review the effectiveness of key efforts under the act.

**The No Veterans Crisis Line Call Should Go Unanswered Act –** requires Veterans Affairs to ensure that each telephone call, text message, or other communication that their crisis line receives is answered in a timely manner by a person. GAO found that VA did not meet its call response time goals for the Veterans Crisis Line and that some test text messages did not receive responses.

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## Financial Benefits to the Federal Government from GAO’s Work

GAO’s findings and recommendations produce measurable financial benefits for the federal government. Examples include financial benefits resulting from changes in business operations and activities, the restructuring of federal programs, or modifications to entitlements, taxes, or user fees.

In fiscal year 2016, we exceeded our target of \$50.0 billion in financial benefits by \$13.4 billion, reaching \$63.4 billion in benefits for the government. This is a return of about \$112 for every dollar invested in us. Key financial benefits arising from our work included:

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- reducing improper payments in the Medicare Advantage Program (about \$21.4 billion);
  - increasing the use of strategic sourcing by the VA to reduce procurement costs (about \$3.6 billion); and
  - improving cost estimates for the DOD's Bulk Fuel Operation and Maintenance budget (about \$2.3 billion).

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## Program Benefits

Many other benefits resulting from our work cannot be measured in dollars, but lead to program and operational improvements. In fiscal year 2016, agencies and Congress implemented 1,234 of these other benefits. For example, our work on public safety and security:

- prompted DOT to enhance its oversight of roadside safety hardware (e.g., guardrails), including a new process to verify third-party crash-test results;
- led the Consumer Financial Protection Bureau (CFPB) to issue a comprehensive data privacy protection plan and develop procedures to mitigate privacy risks and remove personally identifiable information from the consumer data that it collects;
- induced the Army to complete a mission risk assessment on planned support unit force reductions, and assess options to minimize such risks;
- prompted the Federal Bureau of Investigation to (1) conduct audits to ensure that staff who submit face image searches comply with privacy laws and (2) undertake an operational review of its face recognition technology to see if it is meeting law enforcement user needs; and
- led the Department of State to enhance its management of transportation-related security risks to better protect U.S. diplomatic personnel and their families when posted overseas.

Similarly, our work related to vulnerable populations:

- addressed protection of children including: identifying (1) safety and health issues at Indian school facilities and the need for better federal coordination to assist K-12 schools with emergency preparedness, (2) the need for better use of data to help agencies identify disparities in K-12 education, and (3) the importance of further assisting states to keep foster children in family based care;

- prompted the Federal Trade Commission and CFPB to issue consumer advisories to reduce the exploitation of vulnerable people regarding pension advances;
- prompted VA to improve the accuracy of the data collected on veteran suicides across its medical centers to better inform suicide prevention efforts; and
- led the Department of Education to enhance assistance for homeless youth in planning for college, navigating the admissions process, and applying for federal student aid.

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## Testimonies and Digital Media

In fiscal year 2016 senior GAO officials testified 119 times before 69 separate committees or subcommittees on issues that touched virtually all major federal agencies.

We also engaged key stakeholders on social and digital media. Our testimonies, reports, and legal decisions appeared in nearly 40,000 twitter feeds. Watch Blog, which provides context about our work, has been viewed more than 165,000 times. Table 1 shows examples of topics we testified on in fiscal year 2016, by strategic goal.

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**Table 1: Selected GAO fiscal year 2016 Testimonies**

**Goal 1: Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People**

- Addressing Improper Payments in the Supplemental Nutrition Assistance Program
- Safeguarding Transport of Spent Nuclear Fuel
- Improving Oversight of the Small Business Administration’s HUB Zone Program
- US Postal Service Management Challenges
- Timely Handling of Veterans’ Health Care Claims
- Overseeing the Nuclear Security Enterprise
- Controls for Preventing Human Trafficking
- Commercial Space Industry Developments and FAA Challenges

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- Reforming Regulation of Scientific Research
  - Improving Medicaid's Allocation to States
  - Ensuring Safety and Health at Indian Schools
  - Managing and Leasing Federal Real Property
  - Managing Federal Agencies' Vehicle Fleets

**Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence**

- Addressing NASA's Management Challenges for Major Acquisition Projects
- Improving DOD's Whistleblower Protections
- Meeting Pilot Workforce Needs for Unmanned Aerial Systems
- Implementing SEC's Conflict Minerals Rule
- Addressing Acquisition Shortfalls with the Ford Class Aircraft Carrier
- Combatting Nuclear Smuggling
- Reducing Migration of Unaccompanied Children from Central America
- Addressing IT Security and Identity Theft
- Oversight of Humanitarian Aid to Syria
- Providing Data on Proposed Assistance to Palau
- Future Access and Capabilities Challenges for Trusted Defense Microelectronics
- Enhancing National BioSurveillance Capacity
- Addressing Southwest Border Security

**Goal 3: Help Transform the Federal Government to Address National Challenges**

- DATA Act Implementation Challenges
- Oversight at High Containment Laboratories
- Observations on the Zika Virus Outbreak
- Addressing Numerous IT Challenges at the VA
- Improving Enrollment Controls for Medicare Providers and Suppliers
- Addressing Government-Wide Improper Payments and the Tax Gap

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- Reducing Fragmentation, Overlap, and Duplication in Federal Programs
  - Improving Oversight of DHS' Human Resources IT
  - Addressing Cyber-based Risks to Federal Systems
  - Recruiting and Retaining Millennial Employees in the Federal Workforce
  - Modernizing Federal IT Systems
  - Improving Management of IT for the 2020 Census
  - Improving Integration of VA and DOD Electronic Health Records
  - Improving Federal Financial Management
  - Improving IRS's Efforts to Protect Taxpayer data and Combat Identity Theft Refund Fraud

Source: GAO | [GAO-17-1SP](#) | [GAO-17-604T](#)

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## High-Risk Program Update

Every two years GAO publishes our high-risk list that highlights federal programs and operations that are especially vulnerable to waste, fraud, abuse and mismanagement, or that need transformative change.

GAO's 2017 edition reported that many of the 32 high-risk areas on the 2015 list have shown solid progress (Enclosure I). Twenty-three high-risk areas, or two-thirds, have met or partially met all five criteria for removal from the High-Risk List; 15 of these areas fully met at least one criterion. Progress in high risk areas over the past decade resulted in financial benefits totaling approximately \$240 billion, or an average of \$24 billion per year.

Progress has been possible through the concerted efforts of Congress and leadership and staff in agencies. For example, Congress enacted over a dozen laws since GAO's last report in February 2015 to help address high-risk issues.

GAO removed one high-risk area on managing terrorism related information, because significant progress had been made to strengthen how intelligence on terrorism, homeland security, and law enforcement is shared among federal, state, local, tribal, international, and private sector partners.



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Sufficient progress was made to remove segments of two areas related to supply chain management at DOD and gaps in geostationary weather satellite data.

Two high-risk areas expanded: DOD's polar-orbiting weather satellites and the Department of the Interior's restructuring of offshore oil and gas oversight. Several other areas need substantive attention including VA health care, DOD financial management, ensuring the security of federal information systems and cyber critical infrastructure, resolving the federal role in housing finance, and improving the management of IT acquisitions and operations.

GAO added three areas to the High-Risk List, bringing the 2017 total to 34:

- **Management of Federal Programs That Serve Tribes and Their Members.** GAO has reported that federal agencies, including the Department of the Interior's Bureaus of Indian Education and Indian Affairs and the Department of Health and Human Services' Indian Health Service, have ineffectively administered Indian education and health care programs and inefficiently developed Indian energy resources. Thirty-nine of 41 GAO recommendations on this issue remain unimplemented.
- **The 2020 Decennial Census.** The cost of the census has been escalating over the last several decennials; the 2010 Census was the costliest U.S. Census in history at about \$12.3 billion, about 31 percent more than the 2000 Census. The U.S. Census Bureau plans to implement several innovations including IT systems for the 2020 Census. Successfully implementing these innovations, along with other challenges, would minimize risks to the Census Bureau's ability to conduct a cost-effective census. Since 2014, GAO has made 30 recommendations related to this area; however, only 6 have been fully implemented.
- **U.S. Government's Environmental Liabilities.** In fiscal year 2016 this liability was estimated at \$447 billion (up from \$212 billion in 1997). The Department of Energy is responsible for 83 percent of these liabilities and DOD for 14 percent. Agencies spend billions each year on environmental cleanup efforts, but the estimated environmental liability continues to rise. Since 1994, GAO has made at least 28 recommendations related to this area; 13 are unimplemented.

Details on each high-risk area can be found at <http://www.gao.gov/highrisk/overview>.

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## Opportunities to Reduce Fragmentation, Overlap, and Duplication

Since 2011, we have reported on federal programs, agencies, offices, and initiatives that have duplicative goals or activities as well as opportunities to achieve greater efficiency and effectiveness that result in cost savings or enhanced revenue collection.

GAO's 2017 annual report, our seventh, identifies 79 new actions that Congress and executive branch agencies can take to improve the efficiency and effectiveness of government in 29 new areas. Of these, GAO identified 15 areas in which there is evidence of fragmentation, overlap, or duplication.

For example, GAO found that the Army and Air Force need to improve the management of their virtual training programs to avoid fragmentation and better acquire and integrate virtual devices into training to potentially save tens of millions of dollars.

GAO also identified 14 areas to reduce the cost of government operations or enhance revenues. For example, GAO found that the Department of Energy could potentially save tens of billions of dollars by improving its analysis of options for storing defense and commercial high-level nuclear waste and fuel.

Congress and executive branch agencies have made progress in addressing the 645 actions that GAO identified from 2011 to 2016. Congressional and executive branch efforts to address these actions over the past 6 years have resulted in roughly \$136 billion in financial benefits, of which \$75 billion has accrued and at least an additional \$61 billion in estimated benefits is projected to accrue in future years.

To manage our congressional workload, we continue to take steps to ensure our work supports the highest congressional legislative and oversight priorities while focusing on areas with the greatest potential for results, such as cost savings and improved government performance.

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## Managing Workload by Focusing Resources on Congressional Priorities

We actively coordinate with congressional committees in advance of new statutory mandates<sup>1</sup> by identifying mandates in real time as bills are introduced, participating in ongoing discussions with congressional staff, and collaborating to ensure that the work is properly scoped and consistent with the committees' highest priorities.

In fiscal year 2016, we devoted 97 percent of our engagement resources to work requested or mandated by the Congress. The remaining 3 percent was initiated under the Comptroller General's authority.

Chairs and Ranking Members of committees and subcommittees are regularly consulted for feedback on our performance. Their priorities ensure we maximize the return on your investment in us.

We continue to collaborate with the Congress to revise or repeal mandated reporting requirements which have, over time, lost relevance or usefulness. For example, we worked with the armed services committees to have three mandates repealed or revised in the 2017 National Defense Authorization Act (PL 114-328). In addition, in December, 2016, Congress passed the GAO Mandates Revision Act of 2016, which revised or repealed eight statutory reporting requirements (PL 114-301).

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## GAO's Strategic Plan

GAO's Strategic Plan provides a comprehensive roadmap for how our audit work will support the most important priorities of Congress and the American people. "Serving the Congress and the Nation 2014-2019 ([GAO-14-1SP](#))" describes our goals and strategies for supporting Congress and the nation.

The Strategic Plan Framework (Enclosure II) summarizes the global trends affecting government and society, as well as the strategic goals and objectives that guide our work. We will issue the next update to our strategic plan in 2018.

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<sup>1</sup>Congressional mandates include requirements directed by statutes, congressional resolutions, conference reports, and committee reports.

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To effectively assist the Congress, we perform not only oversight and insight work, but also foresight work to identify and explore the emerging issues that present both opportunities and significant risks for our nation. Building further foresight capabilities, including the ability to understand evolving trends and plan in a dynamic external environment, is an essential component to our support of Congress.

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## Internal Improvements

The hard work and dedication of our professional, diverse, multidisciplinary staff positioned GAO to achieve a 94 percent on-time delivery of our products in 2016. Our fiscal year 2016 performance continues to indicate that we provide staff with the necessary support to produce high-quality work.

We met our annual target for retention rate without retirements and exceeded our annual targets for the remaining six people measures, staff development, and staff utilization, effective leadership by supervisors, organizational climate, new hire rate, and retention rate with retirements.

In fiscal year 2016, we continued efforts to support and maximize our value by enabling quality, timely service to the Congress and being a leading practices federal agency. We made progress addressing our four internal management challenges, human capital management, engagement efficiency, information security, and telework.

We remain an employer of choice in the public sector. The Partnership for Public Service announced that we are one of the top places to work in the federal government. We improved our scores in 2016, rising to second place among mid-size agencies. We are ranked first for diversity and inclusion. Our ranking is a result of the dedicated efforts of the entire GAO team and our leaders' commitment to make our organization a great place to work.

We value our high-performing workforce. Management remains committed to work with our unions (IFPTE, Local 1921), the Employee Advisory Council, and the Diversity Advisory Council to make GAO a preferred place to work. We continue to monitor and address critical human capital management challenges, including the pending retirements of key subject matter experts, senior executives, and other key leaders. By the end of fiscal year 2017, 41 percent of our senior executives and more than 25 percent of our supervisory analysts will be eligible to retire.

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## Center for Audit Excellence

Public Law 113-235 authorized GAO to establish a Center for Audit Excellence (Center) to provide fee-based training, technical assistance and other products and services to domestic and international accountability organizations to promote good governance and enhance their capacity.

During fiscal year 2016, the Center's first year of operation, the Center provided fee-based training classes and audit-related technical assistance services to 10 federal, state, local and non-profit organizations. The Center helped to enhance the capacity of these organizations by providing training on topics such as internal control, performance auditing, audit planning, report writing, and statistical sampling and analysis. Also, in April 2016, the Center entered into a Memorandum of Agreement with the U.S. Agency for International Development (USAID) that provides a broad framework for collaborative efforts to strengthen the capacity of accountability organizations in developing countries that receive U.S. foreign assistance.

During fiscal year 2017, the Center has experienced increased demand for training and technical assistance services from both domestic and international accountability organizations. The Center has signed agreements and/or provided training classes to nine federal, state, and local government organizations thus far this fiscal year, including a package of five one-week training classes valued at \$157,000 for one organization. Agreements with other domestic organizations are also under negotiation. Internationally, the Center is executing an agreement with the country of Georgia's Supreme Audit Office for \$95,000 in training and technical assistance services to enhance the office's capability to conduct information technology audits. Finally, the Center is in the process of negotiating agreements with USAID and other donors to provide technical assistance services to other Supreme Audit Institutions.

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## Concluding Remarks

We value the opportunity to provide Congress and the nation with timely, insightful analysis on the challenges facing the country. Our fiscal year 2018 budget requests the resources to ensure that we can continue to address the highest priorities of the Congress.

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Our request will allow us to continue building our staffing level and provide our employees with the appropriate resources and support needed to effectively serve the Congress. This funding level will also allow us to continue efforts to promote operational efficiency and address long-deferred investments and maintenance. We will also continue to explore opportunities to generate revenue to help offset our costs.

I appreciate, as always, your careful consideration of our budget and your continued support. I look forward to discussing our fiscal year 2018 budget with you.

## Enclosure I: GAO's 2017 High Risk List

### GAO's High-Risk as of September 30, 2016

	High Risk Area	Year Designated
<b>Strengthening the Foundation for Efficiency and Effectiveness</b>	<ul style="list-style-type: none"> <li>▪ Improving Federal Programs that Serve Tribes and their Members (<i>new</i>)<sup>a</sup></li> </ul>	2017
	<ul style="list-style-type: none"> <li>▪ 2020 Decennial Census (<i>new</i>)</li> </ul>	2017
	<ul style="list-style-type: none"> <li>▪ U.S. Government Environmental Liabilities (<i>new</i>)<sup>a</sup></li> </ul>	2017
	<ul style="list-style-type: none"> <li>▪ Improving the Management of IT Acquisitions and Operations</li> </ul>	2015
	<ul style="list-style-type: none"> <li>▪ Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risk</li> </ul>	2013
	<ul style="list-style-type: none"> <li>▪ Management of Federal Oil and Gas Resources</li> </ul>	2011
	<ul style="list-style-type: none"> <li>▪ Modernizing the US Financial Regulatory System and the Federal Role in Housing Finance<sup>a</sup></li> </ul>	2009
	<ul style="list-style-type: none"> <li>▪ Restructuring the US Postal Service to Achieve Sustainable Financial Viability<sup>a</sup></li> </ul>	2006
	<ul style="list-style-type: none"> <li>▪ Funding the Nations Surface Transportation System<sup>a</sup></li> </ul>	2007
	<ul style="list-style-type: none"> <li>▪ Managing Federal Real Property</li> </ul>	2003
	<ul style="list-style-type: none"> <li>▪ Strategic Human Capital Management<sup>a</sup></li> </ul>	2001
<b>Transforming Defense Department Program Management</b>	<ul style="list-style-type: none"> <li>▪ DOD Approach to Business Transformation</li> </ul>	2005
	<ul style="list-style-type: none"> <li>▪ DOD Support Infrastructure Management<sup>a</sup></li> </ul>	1997
	<ul style="list-style-type: none"> <li>▪ DOD Business Systems Modernization</li> </ul>	1995
	<ul style="list-style-type: none"> <li>▪ DOD Financial Management</li> </ul>	1995
	<ul style="list-style-type: none"> <li>▪ DOD Supply Chain Management</li> </ul>	1990
	<ul style="list-style-type: none"> <li>▪ DOD Weapon Systems Acquisitions</li> </ul>	1990
<b>Ensuring Public Safety and Security</b>	<ul style="list-style-type: none"> <li>▪ Mitigating Gaps in Weather Satellite Data</li> </ul>	2013
	<ul style="list-style-type: none"> <li>▪ Protecting Public Health through Enhanced Oversight of Medical Products</li> </ul>	2009
	<ul style="list-style-type: none"> <li>▪ Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals</li> </ul>	2009
	<ul style="list-style-type: none"> <li>▪ Ensuring the Effective Protection of Technologies Critical to US Nations Security Interests<sup>a</sup></li> </ul>	2007
	<ul style="list-style-type: none"> <li>▪ Improving Federal Oversight of Food Safety</li> </ul>	2007
	<ul style="list-style-type: none"> <li>▪ Strengthening Department of Homeland Security Management Functions<sup>a</sup></li> </ul>	2003
	<ul style="list-style-type: none"> <li>▪ Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information</li> </ul>	1997
<b>Managing Federal Contracting More Effectively</b>	<ul style="list-style-type: none"> <li>▪ DOD Contract Management<sup>a</sup></li> </ul>	1992
	<ul style="list-style-type: none"> <li>▪ DOE's Contract Management for the National Nuclear Security Administration and the Office of Environmental</li> </ul>	1990
	<ul style="list-style-type: none"> <li>▪ NASA Acquisition Management</li> </ul>	1990
<b>Assessing the Efficiency and Effectiveness of Tax Law Administration</b>	<ul style="list-style-type: none"> <li>▪ Enforcement of Tax Laws<sup>a</sup></li> </ul>	1990
<b>Modernizing and Safeguarding Insurance and Benefit Programs</b>	<ul style="list-style-type: none"> <li>▪ Managing Risks and Improving VA Health Care<sup>a</sup></li> </ul>	2015
	<ul style="list-style-type: none"> <li>▪ National Flood Insurance Program</li> </ul>	2006
	<ul style="list-style-type: none"> <li>▪ Improving and Modernizing Federal Disability Programs</li> </ul>	2003
	<ul style="list-style-type: none"> <li>▪ Pension Benefit Guaranty Corporation Insurance Programs<sup>a</sup></li> </ul>	2003
	<ul style="list-style-type: none"> <li>▪ Medicaid Program<sup>a</sup></li> </ul>	2003
	<ul style="list-style-type: none"> <li>▪ Medicare Program<sup>a</sup></li> </ul>	1990

<sup>a</sup> Legislation is likely to be necessary to effectively address this high risk area

Source: GAO | GAO-17-317 | GAO-17-604T

# Enclosure II: GAO's Strategic Plan Framework



## MISSION

**GAO** exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

## Trends Shaping the United States and Its Place in the World

National Security Trends	Fiscal Sustainability and Debt Challenges	Global Interdependence	Science and Technology Trends	Communications Networks and Information Technologies	Shifts in Governance and Government	Demographic and Societal Change
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Goals	Objectives
<p><b>Provide Timely, Quality Service to the Congress and the Federal Government to...</b></p> <p>Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...</p> <p>Respond to Changing Security Threats and the Challenges of Global Interdependence involving...</p>	<ul style="list-style-type: none"> <li>Health care needs</li> <li>Lifelong learning</li> <li>Challenges facing an aging population</li> <li>Effective system of justice</li> <li>Housing finance and viable communities</li> <li>Stable financial system and consumer protection</li> <li>Natural resources and the environment</li> <li>National infrastructure</li> <li>Benefits and protections for workers, families, and children</li> </ul>
<p><b>Help Transform the Federal Government to Address National Challenges by assessing...</b></p>	<ul style="list-style-type: none"> <li>Homeland security</li> <li>Military capabilities and readiness</li> <li>Government's fiscal position and approaches to address current and projected fiscal gaps</li> <li>Federal government audit and internal control standards</li> <li>Foreign policy and international economic interests</li> <li>Major management challenges and program risks</li> <li>Fraud, waste, and abuse, and improvements in internal controls</li> </ul>
<p><b>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency by focusing on...</b></p>	<ul style="list-style-type: none"> <li>Efficiency, effectiveness, and quality</li> <li>Diverse workforce and inclusive work environment</li> <li>Networks, collaborations and partnerships</li> <li>Human, information, fiscal, technological, and physical resources</li> </ul>

## CORE VALUES

Accountability	Integrity	Reliability
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Source: GAO.

GAO Strategic Plan 2014-2019



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## GAO's Mission

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

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