

**GAO'S 2017 HIGH RISK REPORT: 34 PROGRAMS
IN PERIL**

HEARING

BEFORE THE

**COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES**

ONE HUNDRED FIFTEENTH CONGRESS

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GAO'S 2017 HIGH RISK REPORT: 34 PROGRAMS IN PERIL

Wednesday, February 15, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The committee met, pursuant to call, at 10:02 a.m., in Room 2154, Longworth House Office Building, Hon. Jason Chaffetz [chairman of the committee] presiding.

Present: Representatives Chaffetz, Duncan, Issa, Jordan, Amash, DesJarlais, Massie, Meadows, DeSantis, Ross, Walker, Blum, Hice, Grothman, Hurd, Palmer, Mitchell, Cummings, Maloney, Norton, Connolly, Kelly, Plaskett, Demings, Krishnamoorthi, Welch, Cartwright, and DeSaulnier.

Chairman CHAFFETZ. The Committee on Oversight and Government Reform will come to order. And without objection, the chair is authorized to declare a recess at any time.

Today, the committee will examine 34 Federal programs the Government Accountability Office has identified as high risk. Programs are selected, among other factors, for risks posed to public health or safety, national security, economic growth, and privacy or citizens' rights. With this hearing, we have an opportunity to better understand how to help agencies fully resolve the issues identified.

Regrettably, many of the areas identified in this year's high-risk list are of no surprise. It's been 2 years since the GAO last issued its high-risk report. They do it for each Congress. Since then, only one program was removed. Three programs have been added. More concerning, six areas have been listed by GAO as, quote, "high risk," end quote, since the report's inception 27 years ago. Twenty-seven years ago.

Members on this panel, we need to pay attention to this. These are good people doing a lot of good work. They're telling us, they're screaming at us to actually get something done and address these issues.

The six areas listed since 1990 are significant programs too such as Medicare, the DOD weapons system acquisition. These are big, weighty issues that need to be addressed. The agencies and these programs they administer must be doing better. And at a time when the national debt nears \$20 trillion, addressing high risk can also have a meaningful impact on the fiscal health of the Nation.

The GAO estimates the progress in high-risk areas during the past decade resulted in financial benefits totaling approximately \$240 billion. It's an average of roughly \$24 billion a year, but

there's much, much more to be done. And thankfully, progress is possible, and this year's report demonstrates that as well.

GAO is removing one key area from the high-risk list. First added in 2003, GAO is removing, quote, "interagency efforts to establish effective mechanisms for sharing and managing terrorism-related information," end quote, a very important topic that's important to all of our future.

Notable progress also occurred in the Department of Defense's supply chain management and with the National Oceanic and Atmospheric Administration closing data gaps in weather satellite data. This progress is welcome news, but I want all the items on the high-risk list to be fully resolved as soon as possible. There would be nothing better than to have Mr. Dodaro come here and say, well, there's nothing on the high-risk list. But I think you got some job security and the people behind you have some job security because we aren't anywhere close to that.

So there are literally billions of dollars that are wasted through poor management, slow response to emerging risks, and failure to prioritize.

I look forward to discussing with the Comptroller General how to make significant and sustained progress towards resolving these most critical issues.

And, Mr. Dodaro, we appreciate, you in particular have made yourself available at every turn, a great resource and understanding of how the government works and where it's not working.

And I also want to thank all the men and women who serve in this effort to make our country and make the government as efficient and as effective as possible. We really do rely upon you and your staff to take the time and effort that—and when you issue these reports and have that perspective, it's my goal, my intention, my commitment that, you know, we need to pay attention to that to help fix these problems. You're identifying them and you're pushing these departments and agencies, but we also play a role in Congress to actually put in place the legislation that's needed in order to solve many of these issues. So we really do appreciate you in particular and, again, the men and women who serve in the GAO. Very, very helpful.

I'd now like to recognize the ranking member, Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. And I thank you for having this hearing today.

Mr. Dodaro, thank you for this in-depth work that you and all the dedicated professionals at the GAO put into updating this high-risk report every Congress. And I join the chairman in thanking everybody, because I know that you don't do this by yourself. Federal employees are very dedicated, giving blood, sweat, and tears to make sure the government functions properly and that we maintain this democracy.

GAO reports, and I quote, "solutions to high-risk problems potentially save billions of dollars, improve service to the public, and strengthen government performance and accountability," end of quote. The work at GAO complements this committee's mission, and we are indeed grateful for it.

I was particularly pleased to see this year's report highlight that progress over the past decade has resulted in financial benefits to-

taling approximately \$240 billion. That's a lot of money. Real progress has been made and, indeed, it must continue. We can always do better. We cannot afford to go backwards. Unfortunately, I fear that we may be on the brink of doing just that.

Less than a month into office, the President's actions threaten to undermine many governmentwide recommendations the non-partisan experts at GAO have issued. Progress of three high-risk areas in particular are in jeopardy under President Trump's administration: Managing strategic human capital, modernizing the financial regulatory system, and managing fiscal exposure to the risks of climate change.

First, on January 23, 2017, President Trump issued an executive order freezing employee hiring. GAO has stated in the past that hiring freezes, quote, "disrupt agency operations and in some cases increase the cost to government," end of quote. In fact, this year's GAO report states, and I quote, "of the 34 high-risk areas listed, 15 areas had skill gaps, playing a contributory role," end quote.

A hiring freeze could hamstring the ability of agencies to address the needs of the American citizens, businesses, and consumers. As one who represents a lot of employees at Social Security, Mr. Dodaro, I hear over and over again where the lack of employees has made it so much more difficult for people to do their jobs. That's people who at one time there were four people doing the job, then they've got one. And at the same time, we in Capitol Hill, folks on this panel, we expect them to still be able to produce. And what's happening in those instances is that some people are leaving because they just cannot take it. It could exacerbate skill gaps at the Federal agencies, making them less productive and less effective.

Second, we owe it to the American public to continue implementing GAO's recommendations to modernize our financial regulatory system. That begins by protecting provisions of Dodd-Frank and shield American consumers, not by rolling back those provisions. That makes no sense. GAO recommends implementing the remaining Dodd-Frank regulatory rules to ensure the effective functioning of reforms to the United States financial regulatory system, and I wholeheartedly agree. We must continue to support this vital work, not undermine it.

Finally, in order to protect America from fiscal exposure to the risk of climate change, we must address this issue head on. How can we work together to solve a problem if President Trump and some congressional Republicans do not even acknowledge its existence? Duh. The generations yet unborn deserve better than to be burdened by the potentially catastrophic cost of climate change risk my colleagues across the aisle seem to ignore.

I implore my colleagues to fully consider the progress we have made on all of these issues and the harm that may be done if we go down the path of the current administration.

I look forward to GAO illuminating all that is at stake today. And, again, I want to thank all the employees of GAO for doing what you do every single day.

With that, Mr. Chairman, I yield back.
Chairman CHAFFETZ. Thank you.

I'll hold the record open for 5 legislative days for members who would like to submit a written statement.

I'd now like to recognize and welcome our witness for today at the hearing, the Honorable Gene Dodaro, who is Comptroller General of the United States Government Accountability Office.

There are a number of people that we're also going to swear in. As we found in the past experiences, as we had very specific questions, there are subject matter experts. But in order to testify, they too need to be sworn in. These include: Chris Mihm, managing director for Strategic Issues at GAO; Mark Gaffigan, not to be confused with Jim, the managing director for Natural Resources—I'm sure I'm the first one ever to use that line. He's the managing director for Natural Resources and Environment at the GAO. Barbara Bovbjerg, managing director for Education, Workforce, and Income Security at GAO; George Scott, managing director of Homeland Security and Justice. All of these are at the GAO. Dave Powner, director of Information Technology; Greg Wilshusen—I hope I pronounced that right—director of Information and Technology; Orice Williams Brown, managing director for Financial Markets and Community Investment; Nikki Clowers, managing director for Health Care; and Cathleen Berrick, managing director for Defense Capabilities and Management; Paul Francis, managing director for Acquisitions and Sourcing; and Kate Siggerud, who is managing director for Congressional Relations. Their expertise is needed in this hearing.

Pursuant to committee rules, all witnesses are to be sworn before they testify. So we need to do this en masse. If you can please all rise and raise your right hands.

Thank you.

Do you solemnly swear or affirm that the testimony you're about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Thank you. Let the record reflect that all the witnesses answered in the affirmative.

Mr. Dodaro, you're a veteran in doing this. We'll give you as much time or latitude as you like. We do appreciate you being here, and we'll now turn the time to you.

STATEMENT OF GENE L. DODARO

Mr. DODARO. Thank you very much, Mr. Chairman.

Good morning to you, Ranking Member Cummings and members of the committee.

I appreciate the opportunity to discuss our latest edition of the high-risk list. As has been pointed out in both of your opening statements, there have been areas, many areas, where solid progress has been made. In fact, 23 of the 32 areas we had on the high-risk list in 2015 have either met or fully met the five criteria for coming off the list. Those criteria are leadership, the capacity, planning, monitoring, and actually demonstrating some progress, which is the most difficult criteria to meet.

That progress was achieved through a lot of hard work by the agency leaders and the staff in those agencies and by the Congress. I really want to compliment the Congress over this last 2-year period. Over a dozen pieces of legislation were passed to address indi-

vidual high-risk areas and some governmentwide issues as well. And Congress held over 250 hearings on subjects covered by the high-risk hearings.

And this committee in particular is to be commended, Mr. Chairman, Ranking Member Cummings, for the bipartisan approach that has been taken to address many of these issues, which is really needed. And so I look forward to working with you to help resolve all these areas.

I share your interest in getting as many areas off this list as possible. I made that a goal during my confirmation hearing. And, you know, we'll maintain our independence. We're not going to take anything off the list till it's ready, but we're trying to do what we can to be specific and get them off the list.

The one area you mentioned, managing information sharing of terrorism-related information, has really shown steady progress over the years, met all criteria, so it's coming off the list. But I want to assure this committee when something goes off the list, it's not out of sight. So we're still monitoring and we'll keep an eye on it to make sure we don't have any regression in that area.

On the other side, there's a number of areas that really need some substantial attention: Veterans' health care, which we put on the last update in 2015. DOD financial management, which we've talked about in the past, still needs substantial attention.

Protecting our information systems from cyber attacks and our critical infrastructure throughout the United States is important. We first put cybersecurity across the Federal Government on the high-risk list in 1997. So it's the 20th anniversary of us warning about this issue, and there's still a lot that needs to be done.

Information technology acquisitions and operations, which this committee has shown a lot of good oversight in a number of hearings. Two of the subcommittees in particular have been working together on that area, so I commend the committee in that regard.

And reforming housing finance in the Federal Government. Fannie and Freddie are still in conservatorship. They've been there since 2008. The Federal Government is assuming too much risk in the housing market, in my opinion, and things need to be done in that area as well.

We are—as you mentioned, we're adding three new areas this year. I'll quickly cover them in closing. Number one is Federal activities to work with tribes and their members. Wherever we look, if it's helping them with education, ensuring safety at schools, ensuring adequate health care for Indian tribes and their members, or allowing them to take energy resources off their land and put them into production so it can generate revenues. There is inadequate Federal oversight and support. We've made a number of recommendations, 41. Thirty-nine are still outstanding. This needs attention.

Secondly is the growth in environmental liability. This is to clean up nuclear weapons complex waste as well as disposing of civilian waste generated through nuclear power plants. This liability has grown. It's approaching one-half trillion dollars, and we don't believe that's even the total estimate yet that's accurate. The government's been spending tens of billions of dollars to try to clean up this activity over the past several years, but the liability keeps

growing. We've made a number of recommendations. We need a more risk-based approach in this area.

And then lastly, the decennial census, the 2020 census. If you look back on the high-risk list, the census is one we put on the 2010 census in 2008, and it needs attention. The cost exceeded \$12 billion for the 2020 census. This one's on track, if you use the old methods, to be close to \$18 billion. I'm sorry, I think I said trillion. It's \$12.3 billion. And on track to be close to that. But they're trying some innovative measures, which I can talk about in the Q and A. But those measures, such as using the internet for response and developing innovative ways not to do physical canvassing on street-walking all the communities introduces a lot of risk, and we think there's—much more needs to be done to manage that risk so we have a cost-effective and an effective census, which is very important.

So, Mr. Chairman, Ranking Member Cummings, I appreciate your comments about the GAO workforce. We have a very talented, dedicated group of people. We look forward to working with you to resolve all the areas on the high-risk list. So thank you for the opportunity to be here.

[Prepared statement of Mr. Dodaro follows:]



United States Government Accountability Office

Testimony
Before the Committee on Oversight and
Government Reform, House of
Representatives

For Release on Delivery
Expected at 10:00 a.m. ET
Wednesday, February 15, 2017

HIGH-RISK SERIES

Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others

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

GAO Highlights

Highlights of GAO-17-375T, a statement before the Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The federal government is one of the world's largest and most complex entities: about \$3.9 trillion in outlays in fiscal year 2016 funded a broad array of programs and operations. GAO's high-risk program identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.

This biennial update describes the status of high-risk areas listed in 2015 and actions that are still needed to assure further progress, and identifies new high-risk areas needing attention by Congress and the executive branch. Solutions to high-risk problems potentially save billions of dollars, improve service to the public, and strengthen government performance and accountability.

GAO uses five criteria to assess progress in addressing high-risk areas: (1) leadership commitment, (2) agency capacity, (3) an action plan, (4) monitoring efforts, and (5) demonstrated progress.

What GAO Recommends

This report contains GAO's views on progress made and what remains to be done to bring about lasting solutions for each high-risk area. Perseverance by the executive branch in implementing GAO's recommended solutions and continued oversight and action by Congress are essential to achieving greater progress.

View GAO-17-375T. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihm@gao.gov.

February 2017

HIGH-RISK SERIES

Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others

What GAO Found

Since GAO's last high-risk update, many of the 32 high-risk areas on the 2015 list have shown solid progress. Twenty-three high-risk areas, or two-thirds of all the areas, 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 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 1 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. Sufficient progress was made to remove segments of 2 areas related to supply chain management at the Department of Defense (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 is adding 3 areas to the High-Risk List, bringing the 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.
- 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.
- 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 (in 2020 dollars). The U.S. Census Bureau (Bureau) plans to implement several innovations—including IT systems—for the 2020 Census. Successfully implementing these innovations, along with other challenges, risk the 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.

GAO's 2017 High-Risk List

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

Source: GAO | GAO-17-317

*Legislation is likely to be necessary in order to effectively address this area.

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

Since the early 1990s, our high-risk program has focused attention on government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or that are in need of transformation to address economy, efficiency, or effectiveness challenges. This effort, supported by the Senate Committee on Homeland Security and Governmental Affairs and by the House of Representatives Committee on Oversight and Government Reform, has brought much-needed attention to problems impeding effective government and costing billions of dollars each year.

To help improve these high-risk operations, we have made hundreds of recommendations. Executive agencies either have addressed or are addressing many of them and, as a result, progress is being made in a number of areas. Congress also continues to take important actions. For example, Congress enacted over a dozen laws since our last report in February 2015 to help make progress on high-risk issues. Progress in high-risk areas over the past decade (fiscal year 2007 through fiscal year 2016) resulted in financial benefits totaling approximately \$240 billion or an average of about \$24 billion per year.¹

Our 2017 high-risk update, which is being released today, describes (1) progress made addressing high-risk areas and the reasons for that progress, and (2) actions that are still needed to assure further progress. It also identifies three new high-risk areas, which include the management of federal programs that serve tribes and their members, the federal government's environmental liabilities, and the 2020 Census.²

High-Risk Areas Making Progress

Since our last high-risk update, while progress has varied, many of the 32 high-risk areas on our 2015 list have shown solid progress. One area related to sharing and managing terrorism-related information is now being removed from the list.

¹Financial benefits are based on actions taken in response to our work, such as reducing government expenditures, increasing revenues, or reallocating funds to other areas.

²GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017).

Agencies can show progress by addressing our five criteria for removal from the list: leadership commitment, capacity, action plan, monitoring, and demonstrated progress.³ As shown in table 1, 23 high-risk areas, or two-thirds of all the areas, have met or partially met all five criteria for removal from our High-Risk List; 15 of these areas fully met at least one criterion. Compared with our last assessment, 11 high-risk areas showed progress in one or more of the five criteria. Two areas declined since 2015. These changes are indicated by the up and down arrows in table 1.

Table 1: 2015 High-Risk Areas Rated Against Five Criteria for Removal from GAO's High-Risk List

(↑ indicates one or more areas progressed; ↓ indicates one or more areas declined since 2015.)

High-risk area	Change since 2015	Number of criteria		
		Met	Partially met	Not met
Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland	↑	5	0	0
NASA Acquisition Management		3	2	0
Strengthening Department of Homeland Security Management Functions	↑	3	2	0
Department of Defense (DOD) Supply Chain Management	↑	3	2	0
Mitigating Gaps in Weather Satellite Data	↑	3	2	0
Protecting Public Health through Enhanced Oversight of Medical Products	↓	1	4	0
DOD Contract Management		1	4	0
DOD Weapon Systems Acquisition		1	4	0
Medicare Program ^a		1	4	0
Enforcement of Tax Laws	↑	1	4	0
Managing Federal Real Property	↑	1	4	0
Transforming the Environmental Protection Agency's (EPA) Processes for Assessing and Controlling Toxic Chemicals	↑	1	4	0
Improving the Management of IT Acquisitions and Operations		1	4	0
Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information		1	4	0
DOD Approach to Business Transformation	↑	1	4	0
Strategic Human Capital Management	↑	1	3	1
DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management	↑	1	2	2
Management of Federal Oil and Gas Resources	↓	0	5	0
DOD Support Infrastructure Management		0	5	0

³Additional detail on our high-risk criteria and ratings is in appendix I of our report.

High-risk area	Change since 2015	Number of criteria		
		Met	Partially met	Not met
Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests		0	5	0
Improving and Modernizing Federal Disability Programs		0	5	0
Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance		0	5	0
National Flood Insurance Program		0	5	0
Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability		0	5	0
Medicaid Program ^a		0	5	0
Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks	↑	0	4	1
DOD Business Systems Modernization		0	4	1
DOD Financial Management		0	3	2
Improving Federal Oversight of Food Safety		0	3	2
Managing Risks and Improving VA Health Care		0	2	3
Funding the Nation's Surface Transportation System		N/A	N/A	N/A
Pension Benefit Guaranty Corporation Insurance Programs		N/A	N/A	N/A

Legend: N/A = Not applicable.

Source: GAO | GAO-17-317

Notes: Two high-risk areas received a "not applicable" rating because addressing them primarily involves congressional action (Funding the Nation's Surface Transportation System and Pension Benefit Guaranty Corporation Insurance Programs).

^aMedicare and Medicaid programs only refer to the Improper Payments programs and we did not rate other elements of the Medicare and Medicaid programs.

High-Risk Areas Showing Progress

Of the 11 high-risk areas showing progress between 2015 and 2017, sufficient progress was made in 1 area—Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland—to be removed from the list. In two other areas, enough progress was made that we removed a segment of the high-risk area—Mitigating Gaps in Weather Satellite Data and Department of Defense (DOD) Supply Chain Management. The other eight areas improved in at least one criterion rating by either moving from "not met" to "partially met" or from "partially met" to "met."

One High-Risk Designation Removed

We removed the area of Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland from the High-Risk List because the Program Manager for the Information Sharing Environment (ISE) and key departments and agencies have made significant progress to strengthen how intelligence on terrorism, homeland security, and law enforcement, as well as other information

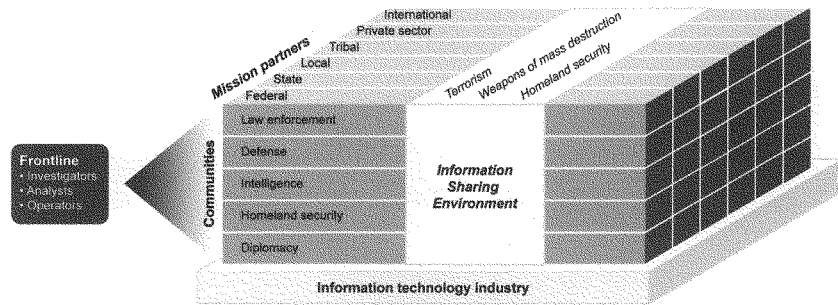
(collectively referred to in this section as terrorism-related information), is shared among federal, state, local, tribal, international, and private sector partners. As a result, the Program Manager and key stakeholders have met all five criteria for addressing our high-risk designation, and we are removing this issue from our High-Risk List. While this progress is commendable, it does not mean the government has eliminated all risk associated with sharing terrorism-related information. It remains imperative that the Program Manager and key departments and agencies continue their efforts to advance and sustain ISE. Continued oversight and attention is also warranted given the issue's direct relevance to homeland security as well as the constant evolution of terrorist threats and changing technology.

The Program Manager, the individual responsible for planning, overseeing, and managing ISE, along with the key departments and agencies—the Departments of Homeland Security (DHS), Justice (DOJ), State (State), and Defense (DOD), and the Office of the Director of National Intelligence (ODNI)—are critical to implementing and sustaining ISE.⁴ Following the terrorist attacks of 2001, Congress and the executive branch took numerous actions aimed explicitly at establishing a range of new measures to strengthen the nation's ability to identify, detect, and deter terrorism-related activities. For example, ISE was established in accordance with the Intelligence Reform and Terrorism Prevention Act of 2004 (Intelligence Reform Act) to facilitate the sharing of terrorism-related information.⁵ Figure 1 depicts the relationship between the various stakeholders and disciplines involved with the sharing and safeguarding of terrorism-related information through ISE.

⁴The Office of the Program Manager for ISE is situated within and funded through amounts appropriated to ODNI. Additional departments and agencies also participate in ISE, including Air Force Intelligence, Surveillance, and Reconnaissance; Central Intelligence Agency; the Departments of Commerce, Energy, Health and Human Services, the Interior, Transportation, and the Treasury; National Counterterrorism Center; National Geospatial-Intelligence Agency; and National Reconnaissance Office.

⁵See Pub. L. No. 108-458, § 1016, 118 Stat. 3638, 3664-70 (2004) at 6 U.S.C. § 485. See also 6 U.S.C. § 482 (requiring the establishment of procedures for the sharing of homeland security information).

Figure 1: Elements of the Information Sharing Environment



Source: Office of the Program Manager for the Information Sharing Environment. | GAO-17-317

The Program Manager and key departments and agencies met the leadership commitment and capacity criteria in 2015, and have subsequently sustained efforts in both these areas. For example, the Program Manager clearly articulated a vision for ISE that reflects the government's terrorism-related information sharing priorities. Key departments and agencies also continued to allocate resources to operations that improve information sharing, including developing better technical capabilities.

The Program Manager and key departments and agencies also developed, generally agreed upon, and executed the 2013 Strategic Implementation Plan (Implementation Plan), which includes the overall strategy and more specific planning steps to achieve ISE. Further, they have demonstrated that various information-sharing initiatives are being used across multiple agencies as well as state, local, and private-sector stakeholders. For example, the project manager has developed a comprehensive framework for managing enterprise architecture to help share and integrate terrorism-related information among multiple

stakeholders in ISE.⁶ Specifically, the Project Interoperability initiative includes technical resources and other guidance that promote greater information system compatibility and performance.⁷ Furthermore, the key departments and agencies have applied the concepts of the Project Interoperability Initiative to improve mission operations by better linking different law enforcement databases and facilitating better geospatial analysis, among other things.

In addition, the Program Manager and key departments and agencies have continued to devise and implement ways to measure the effect of ISE on information sharing to address terrorist and other threats to the homeland. They developed performance metrics for specific information-sharing initiatives (e.g., fusion centers) used by various stakeholders to receive and share information. The Program Manager and key departments and agencies have also documented mission-specific accomplishments (e.g., related to maritime domain awareness) where the Program Manager helped connect previously incompatible information systems. The Program Manager has also partnered with DHS to create an Information Sharing Measure Development Pilot that intends to better measure the effectiveness of information sharing across all levels of ISE.

Further, the Program Manager and key departments and agencies have used the Implementation Plan to track progress, address challenges, and substantially achieve the objectives in the National Strategy for

⁶An enterprise architecture, or modernization blueprint, is intended to provide a clear and comprehensive picture of an entity, whether it is an organization (e.g., federal department or agency) or a functional or mission area that cuts across more than one organization (e.g., financial management). This picture consists of snapshots of the enterprise's current and target operational and technological environments, and contains a road map for transitioning from the current to the target environment.

⁷Project Interoperability refers to a collection of policies and guidance related to information interoperability. Information interoperability is the ability to share and use information in a consistent, efficient way across multiple organizations and IT systems to accomplish operational missions. From a technical perspective, interoperability is developed in part by using common technical standards and definitions to manage information.

Information Sharing and Safeguarding.⁸ The Implementation Plan contains 16 priority objectives, and by the end of fiscal year 2016, 13 of the 16 priority objectives were completed. The Program Manager transferred the remaining three objectives, which were all underway, to other entities with the appropriate technical expertise to continue implementation through fiscal year 2019.

In our 2013 high-risk update, we listed nine action items that were critical for moving ISE forward. In that report, we determined that two of those action items—demonstrating that the leadership structure has the needed authority to leverage participating departments, and updating the vision for ISE—had been completed. In our 2015 update, we determined that the Program Manager and key departments had achieved four of the seven remaining action items—demonstrating that departments are defining incremental costs and funding; continuing to identify technological capabilities and services that can be shared collaboratively; demonstrating that initiatives within individual departments are, or will be, leveraged to benefit all stakeholders; and demonstrating that stakeholders generally agree with the strategy, plans, time frames, responsibilities, and activities for substantially achieving ISE.

For the 2017 update, we determined that the remaining three action items have been completed: establishing an enterprise architecture management capability; demonstrating that the federal government can show, or is more fully developing a set of metrics to measure, the extent to which sharing has improved under ISE; and demonstrating that established milestones and time frames are being used as baselines to track and monitor progress. Achieving all nine action items has, in effect, addressed our high-risk criteria.

While this demonstrates significant and important progress, sharing terrorism-related information remains a constantly evolving work in progress that requires continued effort and attention from the Program

⁸Office of the Program Manager for the Information Sharing Environment, *Strategic Implementation Plan for the National Strategy for Information Sharing and Safeguarding* (Washington, D.C.: December 2013). In December 2012, the President signed the National Strategy for Information Sharing and Safeguarding, which provides guidance on implementing policies, standards, and technologies that promote secure and responsible national security information sharing. This document builds on the 2010 National Security Strategy and the 2007 National Strategy for Information Sharing. The December 2012 national strategy identifies priority objectives, which have been incorporated into the Implementation Plan.

Manager, departments, and agencies. Although no longer a high-risk issue, sharing terrorism-related information remains an area with some risk, and continues to be vitally important to homeland security, requiring ongoing oversight as well as continuous improvement to identify and respond to changing threats and technology. Table 2 summarizes the Program Manager's and key departments' and agencies' progress in achieving the action items.

Table 2: Status of Action Items Required to Remove Terrorism-Related Information Sharing from GAO's High-Risk List

Action items	Action item status	High-risk category
Demonstrate that the Information Sharing and Access Interagency Policy Committee has needed authority, is leveraging participating departments, and is producing results.	Met ^a	Leadership Commitment
Update the vision for ISE—the information sharing capabilities and procedures that need to be in place to help ensure terrorism-related information is accessible and identifiable to relevant federal, state, local, private, and foreign partners.	Met ^a	Leadership Commitment
Demonstrate that departments are defining incremental costs and funding needed to complete the responsibilities and activities which substantially achieve ISE.	Met ^b	Capacity to resolve risk
Continue to identify technological capabilities and services that can be shared collaboratively within and across ISE, consistent with a federated architecture approach.	Met ^b	Capacity to resolve risk
Demonstrate that initiatives within individual departments are, or will be, leveraged to benefit all relevant federal, state, local, and private security stakeholders participating in ISE.	Met ^b	Action plans that provide corrective measures
Establish an enterprise architecture management capability and demonstrate that it will be used to guide selection of projects for substantially achieving ISE.	Met	Action plans that provide corrective measures
Demonstrate that stakeholders generally agree with the strategy, plans, time frames, their responsibilities, and their activities for substantially achieving ISE.	Met ^b	Action plans that provide corrective measures
Demonstrate that the federal government can show the extent to which sharing has improved under ISE, or can show it has actions underway to more fully develop a set of metrics and processes to measure results achieved, both from individual projects and activities, as well as from the overall ISE.	Met	Monitor and validate the effectiveness of corrective measures
Demonstrate that established milestones and time frames are being used as baselines to track and monitor progress on individual projects and in substantially achieving the overall ISE.	Met	Demonstrated Progress

Source: GAO analysis of Office of the Program Manager for the Information Sharing Environment and key department documents, interviews, and prior GAO reports | GAO-17-317

^aWe determined that these action items were complete in our 2013 high-risk update.

^bWe determined that these action items were complete in our 2015 high-risk update.

As we have with areas previously removed from the High-Risk List, we will continue to monitor this area, as appropriate, to ensure that the improvements we have noted are sustained. If significant problems again arise, we will consider reapplying the high-risk designation.

Additional Information on Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland is provided on page 653 of the report.

Two High-Risk Areas Narrowed

In the 2 years since our last high-risk update, sufficient progress has been made in two areas—DOD Supply Chain Management and Mitigating Gaps in Weather Satellite Data—that we are narrowing their scope.

DOD Supply Chain Management

DOD manages about 4.9 million secondary inventory items, such as spare parts, with a reported value of approximately \$91 billion as of September 2015. Since 1990, DOD's inventory management has been included on our High-Risk List due to the accumulation of excess inventory and weaknesses in demand forecasting for spare parts. In addition to DOD's inventory management, the supply chain management high-risk area focuses on materiel distribution and asset visibility within DOD. Based on DOD's leadership commitment and demonstrated progress to address weaknesses since 2010, we are removing the inventory management component from the supply chain management high-risk area. Specifically, DOD has taken the following actions:

- Implemented a congressionally mandated inventory management corrective action plan and institutionalized a performance management framework, including regular performance reviews and standardized metrics. DOD has also developed and begun implementing a follow-on improvement plan.⁹
- Reduced the percentage and value of its "on-order excess inventory" (i.e., items already purchased that may be excess due to subsequent changes in requirements) and "on-hand excess inventory" (i.e., items categorized for potential reuse or disposal). DOD's data show that the proportion of on-order excess inventory to the total amount of on-order inventory decreased from 9.5 percent at the end of fiscal year 2009 to 7 percent at the end of fiscal year 2015, the most recent fiscal year for which data are available. During these years, the value of on-

⁹The National Defense Authorization Act for Fiscal Year 2010 required the Secretary of Defense to submit to congressional defense committees a comprehensive plan for improving the inventory management systems of the military departments, and Defense Logistics Agency with the objective of reducing the acquisition and storage of secondary inventory that is excess to requirements. Pub. L. No. 111-84 § 328 (2009).

order excess inventory also decreased from \$1.3 billion to \$701 million. DOD's data show that the proportion of on-hand excess inventory to the total amount of on-hand inventory dropped from 9.4 percent at the end of fiscal year 2009 to 7.3 percent at the end of fiscal year 2015. The value of on-hand excess inventory also decreased during these years from \$8.8 billion to \$6.8 billion.

- Implemented numerous actions to improve demand forecasting and began tracking department-wide forecasting accuracy metrics in 2013, resulting in forecast accuracy improving from 46.7 percent in fiscal year 2013 to 57.4 percent in fiscal year 2015, the latest fiscal year for which complete data are available.
- Implemented 42 of our recommendations since 2006 and is taking actions to implement an additional 13 recommendations, which are focused generally on reassessing inventory goals, improving collaborative forecasting, and making changes to information technology (IT) systems used to manage inventory.

Additional information on DOD Supply Chain Management is provided on page 248 of the report.

Mitigating Gaps in Weather Satellite Data

The United States relies on two complementary types of satellite systems for weather observations and forecasts: (1) polar-orbiting satellites that provide a global perspective every morning and afternoon, and (2) geostationary satellites that maintain a fixed view of the United States. Both types of systems are critical to weather forecasters, climatologists, and the military, who map and monitor changes in weather, climate, the oceans, and the environment. Federal agencies are planning or executing major satellite acquisition programs to replace existing polar and geostationary satellite systems that are nearing or beyond the end of their expected life spans. The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) is responsible for the polar satellite program that crosses the equator in the afternoon and for the nation's geostationary weather satellite program; DOD is responsible for the polar satellite program that crosses the equator in the early morning orbit.

Over the last several years, we have reported on the potential for a gap in satellite data between the time that the current satellites are expected to reach the end of their lifespans and the time when the next satellites are expected to be in orbit and operational. We added this area to our High-Risk List in 2013. According to NOAA program officials, a satellite data

gap would result in less accurate and timely weather forecasts and warnings of extreme events—such as hurricanes, storm surges, and floods. Such degraded forecasts and warnings would endanger lives, property, and our nation's critical infrastructures. Similarly, according to DOD officials, a gap in space-based weather monitoring capabilities could affect the planning, execution, and sustainment of U.S. military operations around the world. In our prior high-risk updates, we reported on NOAA's efforts to mitigate the risk of a gap in its polar and geostationary satellite programs.

With strong congressional support and oversight, NOAA has made significant progress in its efforts to mitigate the potential for gaps in weather satellite data on its geostationary weather satellite program. Specifically, the agency demonstrated strong leadership commitment to mitigating potential gaps in geostationary satellite data by revising and improving its gap mitigation/contingency plans. Previously, in December 2014, we reported on shortfalls in the satellite program's gap mitigation/contingency plans and made recommendations to NOAA to address these shortfalls.¹⁰ For example, we noted that the plan did not sufficiently address

- strategies for preventing a launch delay,
- timelines and triggers to prevent a launch delay, and
- whether any of its mitigation strategies would meet minimum performance levels.

NOAA agreed with these recommendations and released a new version of its geostationary satellite contingency plan in February 2015 that addressed the recommendations, thereby meeting the criterion for having an action plan.

We rated capacity as partially met in our 2015 report due to concerns about NOAA's ability to complete critical testing activities because it was already conducting testing on a round-the-clock, accelerated schedule. Since then, NOAA adjusted its launch schedule to allow time to complete critical integration and testing activities. In doing so, the agency demonstrated that it met the capacity criterion.

¹⁰GAO, *Geostationary Weather Satellites: Launch Date Nears, but Remaining Schedule Risks Need to be Addressed*, GAO-15-60 (Washington, D.C.: Dec. 16, 2014).

NOAA has also met the criterion for demonstrating progress by mitigating schedule risks and successfully launching the satellite. In September 2013, we reported that the agency had weaknesses in its schedule-management practices on its core ground system and spacecraft. We made recommendations to address those weaknesses, which included sequencing all activities, ensuring there are adequate resources for the activities, and analyzing schedule risks. NOAA agreed with the recommendations and the Geostationary Operational Environmental Satellite-R series (GOES-R) program improved its schedule management practices. By early 2016, the program had improved the links between remaining activities on the spacecraft schedule, included needed schedule logic for a greater number of activities on the ground schedule, and included indications on the ground schedule that the results of a schedule risk analysis were used in calculating its durations. In addition, the program successfully launched the GOES-R satellite in November 2016.

Oversight by Congress has been instrumental in reducing the risk of geostationary weather satellite gaps. For example, Subcommittees of the House Science, Space, and Technology Committee held multiple hearings to provide oversight of the satellite acquisition and the risk of gaps in satellite coverage.

As a result, the agency now has a robust constellation of operational and backup satellites in orbit and has made significant progress in addressing the risk of a gap in geostationary data coverage. Accordingly, there is sufficient progress to remove this segment from the high-risk area.¹¹

Additional information on Mitigating Gaps in Weather Satellite Data is provided on pages 19 and 430 of the high-risk report.

Progress in Other Areas

Below are selected examples of areas where progress has been made.

- **Strengthening Department of Homeland Security Management Functions.** The Department of Homeland Security (DHS) continues to strengthen and integrate its management functions and progressed from partially met to met for the monitoring criterion. Since our 2015 high-risk update, DHS has strengthened its monitoring efforts for financial system modernization programs by entering into a contract

¹¹While we removed this segment from the High-Risk List, we added another segment in this area—*DOD's Polar-Orbiting Weather Satellites*. See page 19 of this statement.

for independent verification and validation services to help ensure that the modernization projects meet key requirements. These programs are key to effectively supporting the department's financial management operations.

Additionally, DHS continued to meet the criteria for leadership commitment and a corrective action plan. DHS's top leadership has demonstrated exemplary support and a continued focus on addressing the department's management challenges by, among other things, issuing 10 updated versions of DHS's initial January 2011 *Integrated Strategy for High Risk Management*.

The National Defense Authorization Act for Fiscal Year 2017 reinforces this focus with the inclusion of a mandate that the DHS Under Secretary for Management report to us every 6 months to demonstrate measurable, sustainable progress made in implementing DHS's corrective action plans to address the high-risk area until we submit written notification of the area's removal from the High-Risk List to the appropriate congressional committees.¹² Similar provisions were included in the DHS Headquarters Reform and Improvement Act of 2015,¹³ the DHS Accountability Act of 2016,¹⁴ and the DHS Reform and Improvement Act.¹⁵ Additional information on this high-risk area is provided on page 354 of the report.

- **Strategic Human Capital Management.** This area progressed from partially met to met on leadership commitment. The Office of Personnel Management (OPM), agencies, and Congress have taken actions to improve efforts to address mission critical skills gaps. Specifically, OPM has demonstrated leadership commitment by publishing revisions to its human capital regulations in December 2016 that require agencies to, among other things, implement human capital policies and programs that address and monitor government-wide and agency-specific skills gaps. This initiative has increased the likelihood that skills gaps with the greatest operational effect will be addressed in future efforts.

¹²Pub. L. No. 114-328, § 1903(b) *codified at* 6 U.S.C. § 341(a)(11).

¹³H.R. 3572, 114th Cong. (as passed by House, Oct. 20, 2015).

¹⁴S. 2976, 114th Cong. § 101(b) (as reported by S. Comm. on Homeland Sec. and Gov'tal Affairs, June 28, 2016).

¹⁵H.R. 6381, 114th Cong. (2016).

At the same time, Congress has provided agencies with authorities and flexibilities to manage the federal workforce and make the federal government a more accountable employer. For example, Congress included a provision in the National Defense Authorization Act for Fiscal Year 2016 to extend the probationary period for newly-hired civilian DOD employees from 1 to 2 years.¹⁶ This action is consistent with our 2015 reporting that better use of probationary periods gives agencies the ability to ensure an employee's skills are a good fit for all critical areas of a particular job. Additional information on this high-risk area is provided on page 61 of the report.

- **Transforming the Environmental Protection Agency's Processes for Assessing and Controlling Toxic Chemicals.** Overall, this high-risk area progressed from not met to partially met on two criteria—capacity and demonstrated progress—and continued to partially meet the criterion for monitoring due to progress in one program area. The Environmental Protection Agency's (EPA) ability to effectively implement its mission of protecting public health and the environment is critically dependent on assessing the risks posed by chemicals in a credible and timely manner. EPA assesses these risks under a variety of actions, including the Integrated Risk Information System (IRIS) program and EPA's Toxic Substances Control Act (TSCA) program. The IRIS program has made some progress on the capacity, monitoring, and demonstrated progress criteria. In terms of IRIS capacity, EPA has partially met this criterion by finalizing a Multi-Year Agenda to better assess how many people and resources should be dedicated to the IRIS program. In terms of IRIS monitoring, EPA has met this criterion in part by using a Chemical Assessment Advisory Committee to review IRIS assessments, among other actions. In terms of IRIS demonstrated progress, EPA has partially met this criterion as of January 2017 by issuing five assessments since fiscal year 2015.

The Frank R. Lautenberg Chemical Safety for the 21st Century Act amended TSCA and was enacted on June 22, 2016.¹⁷ Passing TSCA reform may facilitate EPA's effort to improve its processes for assessing and controlling toxic chemicals in the years ahead. The new law provides EPA with greater authority and the ability to take actions that could help EPA implement its mission of protecting

¹⁶Pub. L. No. 114-92, div. A, title XI, § 1105, 129 Stat. 726, 1023-1024, *codified at* 10 U.S.C. § 1599e.

¹⁷Pub. L. No. 114-182, 130 Stat. 448.

human health and the environment. EPA officials stated that the agency is better positioned to take action to require chemical companies to report chemical toxicity and exposure data. Officials also stated that the new law gives the agency additional authorities, including the authority to require companies to develop new information relating to a chemical as necessary for prioritization and risk evaluation.

Using both new and previously existing TSCA authorities should enhance the agency's ability to gather new information as necessary to evaluate hazard and exposure risks. Continued leadership commitment from EPA officials and Congress will be needed to fully implement reforms. Additional work will also be needed to issue a workload analysis to demonstrate capacity, complete a corrective action plan, and demonstrate progress implementing the new legislation. Additional information on this high-risk area is provided on page 417 of the report.

- **Managing Federal Real Property.** The federal government continued to meet the criteria for leadership commitment, now partially meets the criterion for demonstrated progress, and made some progress in each of the other high-risk criteria. The Office of Management and Budget (OMB) issued the National Strategy for the Efficient Use of Real Property (National Strategy) on March 25, 2015, which directs Chief Financial Officer (CFO) Act agencies to take actions to reduce the size of the federal real property portfolio, as we recommended in 2012. In addition, in December 2016, two real property reform bills were enacted that could address the long-standing problem of federal excess and underutilized property. The Federal Assets Sale and Transfer Act of 2016 may help address stakeholder influence by establishing an independent board to identify and recommend five high-value civilian federal buildings for disposal within 180 days after the board members are appointed, as well as develop recommendations to dispose and redevelop federal civilian real properties.¹⁸

Additionally, the Federal Property Management Reform Act of 2016 codified the Federal Real Property Council (FRPC) for the purpose of ensuring efficient and effective real property management while reducing costs to the federal government.¹⁹ FRPC is required to

¹⁸Pub. L. No. 114-287, 130 Stat. 1463. The act excludes properties on military installations among other types of properties.

¹⁹Pub. L. No. 114-318, 130 Stat. 1608.

establish a real property management plan template, which must include performance measures, and strategies and government-wide goals to reduce surplus property or to achieve better utilization of underutilized property. In addition, federal agencies are required to annually provide FRPC a report on all excess and underutilized property, and identify leased space that is not fully used or occupied.

In addressing our 2016 recommendation to improve the reliability of real property data, GSA conducted an in-depth survey that focused on key real property data elements maintained in the Federal Real Property Profile, formed a working group of CFO Act agencies to analyze the survey results and reach consensus on reforms, and issued a memorandum to CFO Act agencies designed to improve the consistency and quality of real property data. The Federal Protective Service, which protects about 9,500 federal facilities, implemented our recommendation aimed at improving physical security by issuing a plan that identifies goals and describes resources that support its risk management approach. In addition, the Interagency Security Committee, a DHS-chaired organization, issued new guidance intended to make the most effective use of physical security resources. Additional information on this high-risk area is provided on page 77 of the report.

- **Enforcement of Tax Laws.** The Internal Revenue Service's (IRS) continued efforts to enforce tax laws and address identity theft refund fraud (IDT) have resulted in the agency meeting one criterion for removal from the High-Risk List (leadership commitment) and partially meeting the remaining four criteria (capacity, action plan, monitoring, and demonstrating progress). IDT is a persistent and evolving threat that burdens legitimate taxpayers who are victims of the crime. It cost the U.S. Treasury an estimated minimum of \$2.2 billion during the 2015 tax year.

Congress and IRS have taken steps to address this challenge. IRS has deployed new tools and increased resources dedicated to identifying and combating IDT refund fraud. In addition, the Consolidated Appropriations Act, 2016, amended the tax code to accelerate Wage and Tax Statement (W-2) filing deadlines to January 31.²⁰ We had previously reported that the wage information that employers report on Form W-2 was not available to IRS until after it issues most refunds. With earlier access to W-2 wage data, IRS could

²⁰Pub. L. No. 114-113, div. Q, § 201, 129 Stat. 2242, 3076 (2015). This change went into effect for W-2s reporting payments made in 2016 and filed in 2017.

match such information to taxpayers' returns and identify discrepancies before issuing billions of dollars of fraudulent IDT refunds. Such matching could also provide potential benefits for other IRS enforcement programs, such as preventing improper payments via the Earned Income Tax Credit. Additional information on this high-risk area is provided on page 500 of the report.

Congressional Action Aided Progress on Government-wide High-Risk Issues

In addition to being instrumental in supporting progress in individual high-risk areas, Congress also has taken actions to enact various statutes that, if implemented effectively, will help foster progress on high-risk issues government-wide. These include the following:

- **Program Management Improvement Accountability Act:**²¹ Enacted in December 2016, 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 also requires the Deputy Director to conduct portfolio reviews to address programs on our High-Risk List. It further creates a Program Management Policy Council to act as an interagency forum for improving practices related to program and project management. The Council is to review programs on the High-Risk List and make recommendations to the Deputy Director or designee. We are to review the effectiveness of key efforts under the act to improve federal program management.
- **Fraud Reduction and Data Analytics Act of 2015 (FRDA):**²² FRDA, enacted in June 2016, is intended to strengthen federal anti-fraud controls, while also addressing improper payments.²³ FRDA requires OMB to use our Fraud Risk Framework to create guidelines for federal agencies to identify and assess fraud risks, and then design and implement control activities to prevent, detect, and respond to

²¹Pub. L. No. 114-264, 130 Stat. 1371 (2016).

²²Pub. L. No. 114-186, 130 Stat. 546 (2016).

²³It is important to note that while all fraud involving a federal payment is considered an improper payment, not all improper payments are fraud. However, minimizing fraud risks in federal agency programs can help reduce improper payments and enhance program integrity.

fraud.²⁴ Agencies, as part of their annual financial reports beginning in fiscal year 2017, are further required to report on their fraud risks and their implementation of fraud reduction strategies, which should help Congress monitor agencies' progress in addressing and reducing fraud risks. To aid federal agencies in better analyzing fraud risks, FRDA requires OMB to establish a working group tasked with developing a plan for the creation of an interagency library of data analytics and data sets to facilitate the detection of fraud and the recovery of improper payments. This working group and the library should help agencies to coordinate their fraud detection efforts and improve their ability to use data analytics to monitor databases for potential improper payments. The billions of dollars of improper payments are a central part of the Medicare Program, Medicaid Program, and Enforcement of Tax Laws (Earned Income Tax Credit) high-risk areas.

- **IT Acquisition Reform, Legislation known as the Federal Information Technology Acquisition Reform Act (FITARA):**²⁵ FITARA, enacted in December 2014, was intended to improve how agencies acquire IT and enable Congress to monitor agencies' progress and hold them accountable for reducing duplication and achieving cost savings. FITARA includes specific requirements related to seven areas: the federal data center consolidation initiative, enhanced transparency and improved risk management, agency Chief Information Officer authority enhancements, portfolio review, expansion of training and use of IT acquisition cadres, government-wide software purchasing, and maximizing the benefit of the federal strategic sourcing initiative. Effective implementation of FITARA is central to making progress in the Improving the Management of IT Acquisitions and Operations government-wide area we added to the High-Risk List in 2015.

²⁴To help managers combat fraud and preserve integrity in government agencies and programs, we identified leading practices for managing fraud risks and organized them into a conceptual framework. GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 28, 2015).

²⁵FITARA was enacted into law a part of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291 (2014), div. A, title VIII, subtitle D, §§ 831-837, 128 Stat. 3292, 3438-3450.

**High-Risk Areas
Highlighted for
Significant Attention**

In the 2 years since the last high-risk update, two areas—Mitigating Gaps in Weather Satellite Data and Management of Federal Oil and Gas Resources—have expanded in scope because of emerging challenges related to these overall high-risk areas. In addition, while progress is needed across all high-risk areas, particular areas need significant attention.

**Expanding High-Risk
Area: Mitigating Gaps in
DOD Weather Satellite
Data****DOD's Polar-Orbiting Weather
Satellites**

While NOAA has made significant progress, as described earlier, in its geostationary weather satellite program, DOD has made limited progress in meeting its requirements for the polar satellite program. In 2010, when the Executive Office of the President decided to disband a tri-agency polar weather satellite program, DOD was given responsibility for providing polar-orbiting weather satellite capabilities in the early morning orbit. This information is used to provide updated information for weather observations and models. However, the department was slow to develop plans to replace the existing satellites that provide this coverage. Because DOD delayed establishing plans for its next generation of weather satellites, there is a risk of a satellite data gap in the early morning orbit.

The last satellite that the department launched in 2014 called Defense Meteorological Satellite Program (DMSP)-19, stopped providing recorded data used in weather models in February 2016. A prior satellite, called DMSP-17, is now the primary satellite operating in the early morning orbit. However, this satellite, which was launched in 2006, is operating with limitations due to the age of its instruments. DOD had developed another satellite, called DMSP-20, but plans to launch that satellite were canceled after the department did not certify that it would launch the satellite by the end of calendar year 2016.

The department conducted a requirements review and analysis of alternatives from February 2012 through September 2014 to determine the best way forward for providing needed polar-orbiting satellite environmental capabilities in the early morning orbit. In October 2016, DOD approved plans for its next generation of weather satellites, called the Weather System Follow-on—Microwave program, which will meet the

department's needs for satellite information on oceanic wind speed and direction to protect ships on the ocean's surface. The department plans to launch a demonstration satellite in 2017 and to launch its first operational satellite developed under this program in 2022. However, DOD's plans for the early morning orbit are not comprehensive.

The department did not thoroughly assess options for providing its two highest-priority capabilities, cloud descriptions and area-specific weather imagery. These capabilities were not addressed due to an incorrect assumption about the capabilities that would be provided by international partners. The Weather System Follow-on—Microwave program does not address these two highest-priority capabilities and the department has not yet determined its long-term plans for providing these capabilities. As a result, the department will need to continue to rely on the older DMSP-17 satellite until its new satellite becomes operational in 2022, and it establishes and implements plans to address the high-priority capabilities that the new satellite will not address. Given the age of the DMSP-17 satellite and uncertainty on how much longer it will last, the department could face a gap in critical satellite data.

In August 2016, DOD reported to Congress its near-term plans to address potential satellite data gaps. These plans include a greater reliance on international partner capabilities, exploring options to move a geostationary satellite over an affected region, and plans to explore options for acquiring and fielding new equipment, such as satellites and satellite components to provide the capabilities. In addition, the department anticipates that the demonstration satellite to be developed as a precursor to the Weather System Follow-on—Microwave program could help mitigate a potential gap by providing some useable data. However, these proposed solutions may not be available in time or be comprehensive enough to avoid near-term coverage gaps. Such a gap could negatively affect military operations that depend on weather data, such as long-range strike capabilities and aerial refueling.

DOD needs to demonstrate progress on its new Weather Satellite Follow-on—Microwave program and to establish and implement plans to address the high-priority capabilities that are not included in the program. Additional information on Mitigating Gaps in Weather Satellite Data is provided on page 430 of the high-risk report.

**Expanding High-Risk
Area: Management of
Federal Oil and Gas
Resources****Restructuring of Offshore Oil
and Gas Oversight**

On April 20, 2010, the Deepwater Horizon drilling rig exploded in the Gulf of Mexico, resulting in 11 deaths, serious injuries, and the largest marine oil spill in U.S. history. In response, in May 2010, the Department of the Interior (Interior) first reorganized its offshore oil and gas management activities into separate offices for revenue collection, under the Office of Natural Resources Revenue, and energy development and regulatory oversight, under the Bureau of Ocean Energy Management, Regulation and Enforcement. Later, in October 2011, Interior further reorganized its energy development and regulatory oversight activities when it established two new bureaus to oversee offshore resources and operational compliance with environmental and safety requirements. The new Bureau of Ocean Energy Management (BOEM) is responsible for leasing and approving offshore development plans while the new Bureau of Safety and Environmental Enforcement (BSEE) is responsible for lease operations, safety, and enforcement.

In 2011, we added Interior's management of federal oil and gas resources to the High-Risk List based on three concerns: (1) Interior did not have reasonable assurance that it was collecting its share of billions of dollars of revenue from federal oil and gas resources; (2) Interior continued to experience problems hiring, training, and retaining sufficient staff to oversee and manage federal oil and gas resources; and (3) Interior was engaged in restructuring its oil and gas program, which is inherently challenging, and there were questions about whether Interior had the capacity to reorganize while carrying out its range of responsibilities, especially in a constrained resource environment.

Immediately after reorganizing, Interior developed memorandums and standard operating procedures to define roles and responsibilities, and facilitate and formalize coordination between BOEM and BSEE. Interior also revised policies intended to improve its oversight of offshore oil and gas activities, such as new requirements designed to mitigate the risk of a subsea well blowout or spill. In 2013, we determined that progress had been made, because Interior had fundamentally completed reorganizing its oversight of offshore oil and gas activities. As a result, in 2013, we removed the reorganization segment from this high-risk area.

However, in February 2016, we reported that BSEE had undertaken various reform efforts since its creation in 2011, but had not fully addressed deficiencies in its investigative, environmental compliance, and enforcement capabilities identified by investigations after the Deepwater Horizon incident.

BSEE's ongoing restructuring has made limited progress enhancing the bureau's investigative capabilities. BSEE continues to use pre-Deepwater Horizon incident policies and procedures. Specifically, BSEE has not completed a policy outlining investigative responsibilities or updated procedures for investigating incidents—among the goals of BSEE's restructuring, according to restructuring planning documents, and consistent with federal standards for internal control. The use of outdated investigative policies and procedures is a long-standing deficiency. Post-Deepwater Horizon incident investigations found that Interior's policies and procedures did not require it to plan investigations, gather and document evidence, and ensure quality control, and determined that continuing to use them posed a risk to the effectiveness of bureau investigations. Without completing and updating its investigative policies and procedures, BSEE continues to face this risk.

BSEE's ongoing restructuring of its environmental compliance program reverses actions taken to address post-Deepwater Horizon incident concerns, and risks weakening the bureau's environmental compliance oversight capabilities. In 2011, in response to two post-Deepwater Horizon incident investigations that found that BSEE's predecessor's focus on oil and gas development might have been at the expense of protecting the environment, BSEE created an environmental oversight division with region-based staff reporting directly to the headquarters-based division chief instead of regional management. This reporting structure was to help ensure that environmental issues received appropriate weight and consideration within the bureau.

Under the restructuring, since February 2015, field-based environmental compliance staff again report to their regional directors. BSEE's rationale for this action is unclear, as it was not documented or analyzed as part of the bureau's restructuring planning. Under federal standards for internal control, management is to assess the risks posed by external and internal sources and decide what actions to take to mitigate them. Without assessing the risk of reversing its reporting structure, Interior cannot be sure that BSEE will have reasonable assurance that environmental issues are receiving the appropriate weight and consideration, as called for by post-Deepwater Horizon incident investigations.

When we reviewed BSEE's environmental compliance program, we found that the interagency agreements between Interior and EPA designed to coordinate water quality monitoring under the National Pollutant Discharge Elimination System were decades old. According to BSEE annual environmental compliance activity reports, the agreements may not reflect the agency's current resources and needs. For example, a 1989 agreement stipulates that Interior shall inspect no more than 50 facilities on behalf of EPA per year, and shall not conduct water sampling on behalf of EPA. Almost 30 years later, after numerous changes in drilling practices and technologies, it is unclear whether inspecting no more than 50 facilities per year is sufficient to monitor water quality.

Nevertheless, senior BSEE officials told us that the bureau has no plans to update its agreements with EPA, and some officials said that a previous headquarters-led effort to update the agreements was not completed because it did not sufficiently describe the bureau's offshore oil and gas responsibilities. According to Standards for Internal Control in the Federal Government, as programs change and agencies strive to improve operational processes and adopt new technologies, management officials must continually assess and evaluate internal controls to ensure that control activities are effective and updated when necessary.

BSEE's ongoing restructuring has made limited progress in enhancing its enforcement capabilities. In particular, BSEE has not developed procedures with criteria to guide how it uses enforcement tools—such as warnings and fines—which are among the goals of BSEE's restructuring, according to planning documents, and consistent with federal standards for internal control. BSEE restructuring plans state that the current lack of criteria causes BSEE to act inconsistently, which makes oil and gas industry operators uncertain about BSEE's oversight approach and expectations. The absence of enforcement climate criteria is a long-standing deficiency. For example, post-Deepwater Horizon incident investigations recommended BSEE assess its enforcement tools and how to employ them to deter safety and environmental violations. Without developing procedures with defined criteria for taking enforcement actions, BSEE continues to face risks to the effectiveness of its enforcement capabilities.

To enhance Interior's oversight of oil and gas development, we recommended in February 2016 that the Secretary of the Interior direct

the Director of BSEE to take the following nine actions as it continues to restructure.²⁶

- To address risks to the effectiveness of BSEE's investigations, environmental compliance, and enforcement capabilities, we recommended that BSEE complete policies outlining the responsibilities of investigations, environmental compliance, and enforcement programs, and update and develop procedures to guide them.
- To enhance its investigative capabilities, we recommended that BSEE
 - establish a capability to review investigation policy and collect and analyze incidents to identify trends in safety and environmental hazards;
 - develop a plan with milestones for implementing the case management system for investigations;
 - clearly communicate the purpose of BSEE's investigations program to industry operators; and
 - clarify policies and procedures for assigning panel investigation membership and referring cases of suspected criminal wrongdoing to the Inspector General.
- To enhance its environmental compliance capabilities, we recommended that BSEE
 - conduct and document a risk analysis of the regional-based reporting structure of its Environmental Compliance Division, including actions to mitigate any identified risks;
 - coordinate with the Administrator of the Environmental Protection Agency to consider the relevance of existing interagency agreements for monitoring operator compliance with National Pollutant Discharge Elimination System permits on the Outer Continental Shelf and, if necessary, update agreements to reflect current oversight needs; and
 - develop a plan to address documented environmental oversight staffing needs.

²⁶GAO, *Oil and Gas Management: Interior's Bureau of Safety and Environmental Enforcement Restructuring Has Not Addressed Long-Standing Oversight Deficiencies*, GAO-16-245 (Washington, D.C.: Feb. 10, 2016).

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- To enhance its enforcement capabilities, we recommended that BSEE develop a mechanism to ensure that it reviews the maximum daily civil penalty and adjusts it to reflect changes in the Consumer Price Index within the time frames established by statute.

In its written comments, Interior agreed that additional reforms—such as documented policies and procedures—are needed to address offshore oil and gas oversight deficiencies, but Interior neither agreed nor disagreed with our specific recommendations. Additional information on Management of Federal Oil and Gas Resources is provided on page 136 of the high-risk report.

**Additional High-Risk Areas
Needing Significant
Attention**

- Managing Risks and Improving VA Health Care.** Since we added Department of Veterans Affairs (VA) health care to our High-Risk List in 2015, VA has acknowledged the significant scope of the work that lies ahead in each of the five areas of concern we identified: (1) ambiguous policies and inconsistent processes; (2) inadequate oversight and accountability; (3) information technology (IT) challenges; (4) inadequate training for VA staff; and (5) unclear resource needs and allocation priorities. It is imperative that VA maintain strong leadership support, and as the new administration sets its priorities, VA will need to integrate those priorities with its high-risk related actions.

VA developed an action plan for addressing its high-risk designation, but the plan describes many planned outcomes with overly ambitious deadlines for completion. We are concerned about the lack of root cause analyses for most areas of concern, and the lack of clear metrics and needed resources for achieving stated outcomes. In addition, with the increased use of community care programs, it is imperative that VA's action plan discuss the role of community care in decisions related to policies, oversight, IT, training, and resource needs.

Finally, to help address its high-risk designation, VA should continue to implement our recommendations, as well as recommendations from others. While VA's leadership has increased its focus on implementing our recommendations in the last 2 years, additional work is needed. We made 66 VA health care-related recommendations in products issued since the VA health care high-risk designation in February 2015, for a total of 244 recommendations from January 1, 2010, through December 31, 2016. VA has implemented 122 (about 50 percent) of the 244 recommendations, but over 100 recommendations remain open as of December 31, 2016.

(with about 25 percent being open for 3 or more years). It is critical that VA implement our recommendations in a timely manner.

Additional information on Managing Risks and Improving VA Health Care is provided on page 627 of the report.

- **DOD Financial Management.** The effects of DOD's financial management problems extend beyond financial reporting and negatively affect DOD's ability to manage the department and make sound decisions on mission and operations. In addition, DOD remains one of the few federal entities that cannot demonstrate its ability to accurately account for and reliably report its spending or assets. DOD's financial management problems continue as one of three major impediments preventing us from expressing an opinion on the consolidated financial statements of the federal government.

Sustained leadership commitment will be critical to DOD's success in achieving financial accountability, and in providing reliable information for day-to-day management decision making as well as financial audit readiness. DOD needs to assure the sustained involvement of leadership at all levels of the department in addressing financial management reform and business transformation. In addition, further action is needed in the areas of capacity and action planning. Specifically, DOD needs to

- continue building a workforce with the level of training and experience needed to support and sustain sound financial management;
- continue to develop and deploy enterprise resource planning systems as a critical component of DOD's financial improvement and audit readiness strategy, as well as strengthen automated controls or design manual workarounds for the remaining legacy systems to satisfy audit requirements and improve data used for day-to-day decision making; and
- effectively implement its Financial Improvement and Audit Readiness Plan and related guidance to focus on strengthening processes, controls, and systems to improve the accuracy, reliability, and reporting for its priority areas, including budgetary information and mission-critical assets.

Further, DOD needs to monitor and assess the progress the department is making to remediate its internal control deficiencies. DOD should (1) require the military services to improve their policies and procedures for monitoring their corrective action plans for financial management-related findings and recommendations, and (2) improve its process for monitoring the military services' audit

remediation efforts by preparing a consolidated management summary that provides a comprehensive picture of the status of corrective actions throughout the department. DOD is continuing to work toward undergoing a full financial statement audit by fiscal year 2018; however, it expects to receive disclaimers of opinion on its financial statements for a number of years.

A lack of comprehensive information on the corrective action plans limits the ability of DOD and Congress to evaluate DOD's progress toward achieving audit readiness, especially given the short amount of time remaining before DOD is required to undergo an audit of the department-wide financial statements for fiscal year 2018. Being able to demonstrate progress in remediating its financial management deficiencies will be useful as the department works toward implementing lasting financial management reform to ensure that it can generate reliable, useful, and timely information for financial reporting as well as for decision making and effective operations. Moreover, stronger financial management would show DOD's accountability for funds and would help it operate more efficiently.

Additional information on DOD Financial Management is provided on page 280 of the high-risk report.

- **Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance.** Resolving the role of the federal government in housing finance will require leadership commitment and action by Congress and the administration. The federal government has directly or indirectly supported more than two-thirds of the value of new mortgage originations in the single-family housing market since the beginning of the 2007-2009 financial crisis.²⁷ Mortgages with federal support include those backed by Fannie Mae and Freddie Mac, two large government-sponsored enterprises (the enterprises). Out of concern that their deteriorating financial condition threatened the stability of financial markets, the Federal Housing Finance Agency (FHFA) placed the enterprises into federal conservatorship in 2008, creating an explicit fiscal exposure for the federal government. As of September 2016, the Department of the Treasury (Treasury) had provided about \$187.5 billion in funds as capital support to the enterprises, with an additional \$258.1 billion available to the enterprises should they need further assistance. In accordance with the terms of agreements with Treasury, the

²⁷This figure is based on data from Inside Mortgage Finance.

enterprises had paid dividends to Treasury totaling about \$250.5 billion through September 2016.

More than 8 years after entering conservatorship, the enterprises' futures remain uncertain and billions of federal dollars remain at risk. The enterprises have a reduced capacity to absorb future losses due to a capital reserve amount that falls to \$0 by 2018. Without a capital reserve, any quarterly losses—including those due to market fluctuations and not necessarily to economic conditions—would require the enterprises to draw additional funds from Treasury. Additionally, prolonged conservatorships and a change in leadership at FHFA could shift priorities for the conservatorships, which in turn could send mixed messages and create uncertainties for market participants and hinder the development of the broader secondary mortgage market. For this reason, we said in November 2016 that Congress should consider legislation establishing objectives for the future federal role in housing finance, including the structure of the enterprises, and a transition plan to a reformed housing finance system that enables the enterprises to exit conservatorship.²⁸

The federal government also supports mortgages through insurance or guarantee programs, the largest of which is administered by the Department of Housing and Urban Development's Federal Housing Administration (FHA). During the financial crisis, FHA served its traditional role of helping to stabilize the housing market, but also experienced financial difficulties from which it only recently recovered. Maintaining FHA's long-term financial health and defining its future role also will be critical to any effort to overhaul the housing finance system.

We previously recommended that Congress or FHA specify the economic conditions that FHA's Mutual Mortgage Insurance Fund would be expected to withstand without requiring supplemental funds. As evidenced by the \$1.68 billion FHA received in 2013, the current 2 percent capital requirement for FHA's fund may not always be adequate to avoid the need for supplemental funds under severe stress scenarios. Implementing our recommendation would be an important step not only in addressing FHA's long-term financial viability, but also in clarifying FHA's role.

²⁸GAO, *Federal Housing Finance Agency: Objectives Needed for the Future of Fannie Mae and Freddie Mac After Conservatorships*, GAO-17-92 (Washington, D.C.: Nov. 17, 2016).

Additional information on Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance is provided on page 107 of the report.

- **Pension Benefit Guaranty Corporation Insurance Programs.** The Pension Benefit Guaranty Corporation (PBGC) is responsible for insuring the defined benefit pension plans of nearly 40 million American workers and retirees who participate in nearly 24,000 private sector plans. PBGC faces an uncertain financial future due, in part, to a long-term decline in the number of traditional defined benefit plans and the collective financial risk of the many underfunded pension plans that PBGC insures. PBGC's financial portfolio is one of the largest of all federal government corporations and, at the end of fiscal year 2016, PBGC's net accumulated financial deficit was over \$79 billion—having more than doubled since fiscal year 2013. PBGC has estimated that, without additional funding, its multiemployer insurance program will likely be exhausted by 2025 as a result of current and projected pension plan insolvencies. The agency's single-employer insurance program is also at risk due to the continuing decline of traditional defined benefit pension plans, increased financial risk and reduced premium payments.

While Congress and PBGC have taken significant and positive steps to strengthen the agency over recent years, challenges related to PBGC's funding and governance structure remain. Addressing the significant financial risk and governance challenges that PBGC faces requires additional congressional action. To improve the long-term financial stability of PBGC's insurance programs, Congress should consider: (1) authorizing a redesign of PBGC's single employer program premium structure to better align rates with sponsor risk; (2) adopting additional changes to PBGC's governance structure—in particular, expanding the composition of its board of directors; (3) strengthening funding requirements for plan sponsors as appropriate given national economic conditions; (4) working with PBGC to develop a strategy for funding PBGC claims over the long term, as the defined benefit pension system continues to decline; and (5) enacting additional structural reforms to reinforce and stabilize the multiemployer system that balance the needs and potential sacrifices of contributing employers, participants and the federal government. Absent additional steps to improve PBGC's finances, the long-term financial stability of the agency remains uncertain and the retirement benefits of millions of American workers and retirees could be at risk of dramatic reductions.

Additional information on Pension Benefit Guaranty Corporation Insurance Programs is provided on page 609 of the report.

- **Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information.** Federal agencies and our nation's critical infrastructures—such as energy, transportation systems, communications, and financial services—are dependent on computerized (cyber) information systems and electronic data to carry out operations and to process, maintain, and report essential information.²⁹ The security of these systems and data is vital to public confidence and the nation's safety, prosperity, and well-being. However, safeguarding computer systems and data supporting the federal government and the nation's critical infrastructure is a concern. We first designated information security as a government-wide high-risk area in 1997.

This high-risk area was expanded to include the protection of critical cyber infrastructure in 2003 and protecting the privacy of personally identifiable information (PII) in 2015. Ineffectively protecting cyber assets can facilitate security incidents and cyberattacks that disrupt critical operations; lead to inappropriate access to and disclosure, modification, or destruction of sensitive information; and threaten national security, economic well-being, and public health and safety. In addition, the increasing sophistication of hackers and others with malicious intent, and the extent to which both federal agencies and private companies collect sensitive information about individuals, have increased the risk of PII being exposed and compromised.

Over the past several years, we have made about 2,500 recommendations to agencies aimed at improving the security of federal systems and information. These recommendations would help agencies strengthen technical security controls over their computer networks and systems, fully implement aspects of their information security programs, and protect the privacy of PII held on their systems. As of October 2016, about 1,000 of our information security–

²⁹Critical infrastructure includes systems and assets so vital to the United States that incapacitating or destroying them would have a debilitating effect on national security. These critical infrastructures are grouped by the following industries or "sectors": chemical; commercial facilities; communications; critical manufacturing; dams; defense industrial base; emergency services; energy; financial services; food and agriculture; government facilities; health care and public health; information technology; nuclear reactors, materials, and waste; transportation systems; and water and wastewater systems.

related recommendations had not been implemented. In addition, the federal government needs, among other things, to improve its abilities to detect, respond to, and mitigate cyber incidents; expand efforts to protect cyber critical infrastructure; and oversee the protection of PII, among other things.

Additional information on Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information is provided on page 338 of the report.

New High-Risk Areas

For 2017, we are adding three new areas to the High-Risk List.³⁰

Improving Federal Management of Programs That Serve Tribes and Their Members

We, along with inspectors general, special commissions, and others, have reported that federal agencies have ineffectively administered Indian education and health care programs, and inefficiently fulfilled their responsibilities for managing the development of Indian energy resources. In particular, we have found numerous challenges facing Interior's Bureau of Indian Education (BIE) and Bureau of Indian Affairs (BIA)³¹ and the Department of Health and Human Services' (HHS) Indian Health Service (IHS) in administering education and health care services, which put the health and safety of American Indians served by these programs at risk. These challenges included poor conditions at BIE school facilities that endangered students, and inadequate oversight of health care that hindered IHS's ability to ensure quality care to Indian communities. In addition, we have reported that BIA mismanages Indian energy resources held in trust and thereby limits opportunities for tribes and their members to use those resources to create economic benefits and improve the well-being of their communities.

Congress recently noted, "through treaties, statutes, and historical relations with Indian tribes, the United States has undertaken a unique trust responsibility to protect and support Indian tribes and Indians."³² In light of this unique trust responsibility and concerns about the federal

³⁰To determine which federal government programs and functions should be designated high risk, we use our guidance document, Determining Performance and Accountability Challenges and High Risks, GAO-01-159SP.

³¹Both of these bureaus are under the Office of the Assistant Secretary for Indian Affairs (Indian Affairs).

³²Indian Trust Asset Reform Act, Pub. L. No. 114-178, § 101(3) (2016).

government ineffectively administering Indian education and health care programs and mismanaging Indian energy resources, we are adding these programs as a high-risk issue because they uniquely affect tribal nations and their members.

Federal agencies have performed poorly in the following broad areas: (1) oversight of federal activities; (2) collaboration and communication; (3) federal workforce planning; (4) equipment, technology, and infrastructure; and (5) federal agencies' data. While federal agencies have taken some actions to address the 41 recommendations we made related to Indian programs, there are currently 39 that have yet to be fully resolved.

We plan to continue monitoring federal efforts in these areas. To this end, we have ongoing work focusing on accountability for safe schools and school construction, and tribal control of energy delivery, management, and resource development.

What Needs to Be Done

Education: We have identified weaknesses in how Indian Affairs oversees school safety and construction and in how it monitors the way schools use Interior funds. We have also found limited workforce planning in several key areas related to BIE schools. Moreover, aging BIE school facilities and equipment contribute to degraded and unsafe conditions for students and staff. Finally, a lack of internal controls and other weaknesses hinder Indian Affairs' ability to collect complete and accurate information on the physical conditions of BIE schools.

In the past 3 years, we issued three reports on challenges with Indian Affairs' management of BIE schools in which we made 13 recommendations. Eleven recommendations below remain open.

- To help ensure that BIE schools provide safe and healthy facilities for students and staff, we made four recommendations which remain open, including that Indian Affairs ensure the inspection information it collects on BIE schools is complete and accurate; develop a plan to build schools' capacity to promptly address safety and health deficiencies; and consistently monitor whether BIE schools have established required safety committees.
- To help ensure that BIE conducts more effective oversight of school spending, we made four recommendations which remain open, including that Indian Affairs develop a workforce plan to ensure that BIE has the staff to effectively oversee school spending; put in place written procedures and a risk-based approach to guide BIE in

overseeing school spending; and improve information sharing to support the oversight of BIE school spending.

- To help ensure that Indian Affairs improves how it manages Indian education, we made five recommendations. Three recommendations remain open, including that Indian Affairs develop a strategic plan for BIE that includes goals and performance measures for how its offices are fulfilling their responsibilities to provide BIE with support; revise Indian Affairs' strategic workforce plan to ensure that BIA regional offices have an appropriate number of staff with the right skills to support BIE schools in their regions; and develop and implement decision-making procedures for BIE to improve accountability for BIE schools.

Health Care: IHS provides inadequate oversight of health care, both of its federally operated facilities and through the Purchase Referred Care program (PRC). Other issues include ineffective collaboration—specifically, IHS does not require its area offices to inform IHS headquarters if they distribute funds to local PRC programs using different criteria than the PRC allocation formula suggested by headquarters. As a result, IHS may be unaware of additional funding variation across areas. We have also reported that IHS officials told us that an insufficient workforce was the biggest impediment to ensuring patients could access timely primary care.

In the past 6 years, we have made 12 recommendations related to Indian health care that remain open. Although IHS has taken several actions in response to our recommendations, such as improving the data collected for the PRC program and adopting Medicare-like rates for nonhospital services, much more needs to be done.

- To help ensure that Indian people receive quality health care, the Secretary of HHS should direct the Director of IHS to take the following two actions: (1) as part of implementing IHS's quality framework, ensure that agency-wide standards for the quality of care provided in its federally operated facilities are developed, and systematically monitor facility performance in meeting these standards over time; and (2) develop contingency and succession plans for replacing key personnel, including area directors.
- To help ensure that timely primary care is available and accessible to Indians, IHS should: (1) develop and communicate specific agency-wide standards for wait times in federally-operated facilities, and (2) monitor patient wait times in federally-operated facilities and ensure that corrective actions are taken when standards are not met.

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- To help ensure that IHS has meaningful information on the timeliness with which it issues purchase orders authorizing payment under the PRC program, and to improve the timeliness of payments to providers, we recommended that IHS: (1) modify IHS's claims payment system to separately track IHS referrals and self-referrals, revise Government Performance and Results Act measures for the PRC program so that it distinguishes between these two types of referrals, and establish separate time frame targets for these referral types; and (2) better align PRC staffing levels and workloads by revising its current practices, where available, used to pay for PRC program staff. In addition, as HHS and IHS monitor the effect that new coverage options available to IHS beneficiaries through PPACA have on PRC funds, we recommend that IHS concurrently develop potential options to streamline requirements for program eligibility.
 - To help ensure successful outreach efforts regarding PPACA coverage expansions, we recommended that IHS realign current resources and personnel to increase capacity to deal with enrollment in Medicaid and the exchanges, and prepare for increased billing to these payers.
 - If payments for physician and other nonhospital services are capped, we recommended that IHS monitor patient access to these services.
 - To help ensure a more equitable allocation of funds per capita across areas, we recommended that Congress consider requiring IHS to develop and use a new method for allocating PRC funds.
 - To develop more accurate data for estimating the funds needed for the PRC program and improve IHS oversight, we recommended that IHS develop a written policy documenting how it evaluates the need for the PRC program, and disseminate it to area offices so they understand how unfunded services data are used to estimate overall program needs. We also recommended that IHS develop written guidance for PRC programs outlining a process to use when funds are depleted but recipients continue to need services.

Energy: We have reported on issues with BIA oversight of federal activities, such as the length of time it takes the agency to review energy-related documents. We also reported on challenges with collaboration—in particular, while working to form an Indian Energy Service Center, BIA did not coordinate with key regulatory agencies, including the Department of the Interior's Fish and Wildlife Service, the U.S. Army Corps of Engineers, and the Environmental Protection Agency. In addition, we found workforce planning issues at BIA contribute to management shortcomings that have hindered Indian energy development. Lastly, we found issues

with outdated and deteriorating equipment, technology, and infrastructure, as well as incomplete and inaccurate data.

In the past 2 years, we issued three reports on developing Indian energy resources in which we made 14 recommendations to BIA. All recommendations remain open.

- To help ensure BIA can verify ownership in a timely manner and identify resources available for development, we made two recommendations, including that Interior take steps to improve its geographic information system mapping capabilities.
- To help ensure BIA's review process is efficient and transparent, we made two recommendations, including that Interior take steps to develop a documented process to track review and response times for energy-related documents that must be approved before tribes can develop energy resources.
- To help improve clarity of tribal energy resource agreement regulations, we recommended BIA provide additional guidance to tribes on provisions that tribes have identified to Interior as unclear.
- To help ensure that BIA streamlines the review and approval process for revenue-sharing agreements, we made three recommendations, including that Interior establish time frames for the review and approval of Indian revenue-sharing agreements for oil and gas, and establish a system for tracking and monitoring the review and approval process to determine whether time frames are met.
- To help improve efficiencies in the federal regulatory process, we made four recommendations, including that BIA take steps to coordinate with other regulatory agencies so the Service Center can serve as a single point of contact or lead agency to navigate the regulatory process.
- To help ensure that BIA has a workforce with the right skills, appropriately aligned to meet the agency's goals and tribal priorities, we made two recommendations, including that BIA establish a documented process for assessing BIA's workforce composition at agency offices.

Congressional Actions Needed: It is critical that Congress maintain its focus on improving the effectiveness with which federal agencies meet their responsibilities to serve tribes and their members. Since 2013, we testified at six hearings to address significant weaknesses we found in the federal management of programs that serve tribes and their members. Sustained congressional attention to these issues will highlight the

challenges discussed here and could facilitate federal actions to improve Indian education and health care programs, and the development of Indian energy resources.

See pages 200-219 of the high-risk report for additional details on what we found.

U.S. Government's Environmental Liabilities

The federal government's environmental liability has been growing for the past 20 years and is likely to continue to increase. For fiscal year 2016, the federal government's estimated environmental liability was \$447 billion—up from \$212 billion for fiscal year 1997.³³ However, this estimate does not reflect all of the future cleanup responsibilities facing federal agencies. Because of the lack of complete information and the often inconsistent approach to making cleanup decisions, federal agencies cannot always address their environmental liabilities in ways that maximize the reduction of health and safety risks to the public and the environment in a cost-effective manner.

The federal government is financially liable for cleaning up areas where federal activities have contaminated the environment. Various federal laws, agreements with states, and court decisions require the federal government to clean up environmental hazards at federal sites and facilities—such as nuclear weapons production facilities and military installations. Such sites are contaminated by many types of waste, much of which is highly hazardous.

Federal accounting standards require agencies responsible for cleaning up contamination to estimate future cleanup and waste disposal costs, and to report such costs in their annual financial statements as environmental liabilities. Per federal accounting standards, federal agencies' environmental liability estimates are to include probable and reasonably estimable costs of cleanup work. Federal agencies' environmental liability estimates do not include cost estimates for work for which reasonable estimates cannot currently be generated. Consequently, the ultimate cost of addressing the U.S. government's environmental cleanup is likely greater than \$447 billion. Federal

³³We did not adjust environmental liability estimates for inflation because information about the amount of the liability applicable to each fiscal year was not available.

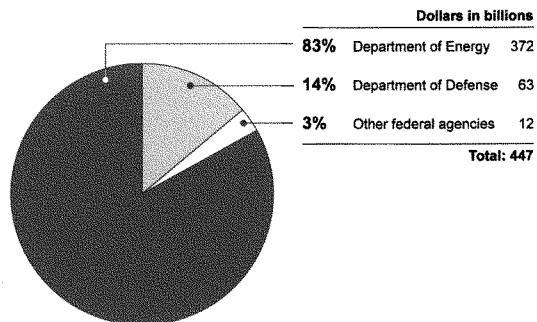
agencies' approaches to addressing their environmental liabilities and cleaning up the contamination from past activities are often influenced by numerous site-specific factors, stakeholder agreements, and legal provisions.

We have also found that some agencies do not take a holistic, risk-informed approach to environmental cleanup that aligns limited funds with the greatest risks to human health and the environment. Since 1994, we have made at least 28 recommendations related to addressing the federal government's environmental liability. These include 22 recommendations to the Departments of Energy (DOE) or Defense (DOD), 1 recommendation to OMB to consult with Congress on agencies' environmental cleanup costs, and 4 recommendations to Congress to change the laws governing cleanup activities. Of these, 13 recommendations remain unimplemented. If implemented, these steps would improve the completeness and reliability of the estimated costs of future cleanup responsibilities, and lead to more risk-based management of the cleanup work.

What Needs to Be Done

Of the federal government's estimated \$447 billion environmental liability, DOE is responsible for by far the largest share of the liability, and DOD is responsible for the second largest share. The rest of the federal government makes up the remaining 3 percent of the liability with agencies such as the National Aeronautics and Space Administration (NASA) and the Departments of Transportation, Veteran's Affairs, Agriculture (USDA), and Interior holding large liabilities (see figure 2).

Figure 2: Total Reported U.S. Environmental Liability, Fiscal Year 2016

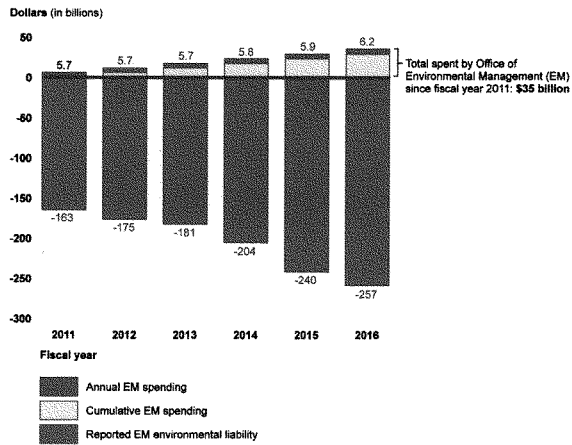


Source: GAO analysis of the Financial Report of the U.S. Government, fiscal year 2016. | GAO-17-317

Note: We did not adjust environmental liability estimates for inflation because information about the amount of the liability applicable to each fiscal year was not available.

Agencies spend billions each year on environmental cleanup efforts but the estimated environmental liability continues to rise. For example, despite billions spent on environmental cleanup, DOE's environmental liability has roughly doubled from a low of \$176 billion in fiscal year 1997 to the fiscal year 2016 estimate of \$372 billion. In the last 6 years alone, DOE's Office of Environmental Management (EM) has spent \$35 billion, primarily to treat and dispose of nuclear and hazardous waste, and construct capital asset projects to treat the waste; however, EM's portion of the environmental liability has grown over this same time period by over \$90 billion, from \$163 billion to \$257 billion (see figure 3).

Figure 3: DOE's Office of Environmental Management's Annual Spending and Growing Environmental Liability



Source: GAO analysis of Department of Energy budget data. | GAO-17-317

Note: EM is the organization within DOE responsible for managing environmental cleanup and is responsible for cleaning up 107 sites across the country. To date, EM has completed cleanup at 91 of these sites. EM spending includes money to treat and dispose of nuclear and hazardous waste, and to construct capital asset projects to treat the waste. We did not adjust environmental liability estimates for inflation because information about the amount of the liability applicable to each fiscal year was not available.

Progress in addressing the U.S. government's environmental liabilities depends on how effectively federal departments and agencies set priorities, under increasingly restrictive budgets, that maximize the risk reduction and cost-effectiveness of cleanup approaches. As a first step, some departments and agencies may need to improve the completeness of information about long-term cleanup responsibilities and their associated costs so that decision makers, including Congress, can consider the full scope of the federal government's cleanup obligations. As a next step, certain departments, such as DOE, may need to change how they establish cleanup priorities. For example, DOE's current practice of negotiating agreements with individual sites without

	<p>considering other sites' agreements or available resources may not ensure that limited resources will be allocated to reducing the greatest environmental risks, and costs will be minimized.</p>
	<p>We have recommended actions to federal agencies that, if implemented, would improve the completeness and reliability of the estimated costs of future cleanup responsibilities, and lead to more risk-based management of the cleanup work. These recommendations include the following.</p>
<p>Completeness of Environmental Liability Estimates</p>	<ul style="list-style-type: none"> • In 1994, we recommended that Congress amend certain legislation to require agencies to report annually on progress in implementing plans for completing site inventories, estimates of the total costs to clean up their potential hazardous waste sites, and agencies' progress toward completing their site inventories and on their latest estimates of total cleanup costs. We believe these recommendations are as relevant, if not more so, today. • In 2015, we recommended that USDA develop plans and procedures for completing its inventories of potentially contaminated sites. USDA disagreed with this recommendation. However, we continue to believe that USDA's inventory of contaminated and potentially contaminated sites—in particular, abandoned mines, primarily on Forest Service land—is insufficient for effectively managing USDA's overall cleanup program. Interior is also faced with an incomplete inventory of abandoned mines that it is working to improve.
<p>Reliability of Environmental Liability Estimates</p>	<ul style="list-style-type: none"> • In 2006, we recommended that DOD develop, document, and implement a program for financial management review, assessment, and monitoring of the processes for estimating and reporting environmental liabilities. This recommendation has not been implemented.
<p>Risk-Based Decision Making</p>	<ul style="list-style-type: none"> • We have found in the past that DOE's cleanup strategy is not risk based and should be re-evaluated. DOE's decisions are often driven by local stakeholders and certain requirements in federal facilities agreements and consent decrees. In 1995, we recommended that DOE set national priorities for cleaning up its contaminated sites using data gathered during ongoing risk evaluations. This recommendation has not been implemented. • In 2003, we recommended that DOE ask Congress to clarify its authority for designating certain waste with relatively low levels of radioactivity as waste incidental to reprocessing, and therefore not managed as high-level waste. In 2004, DOE received this specific

authority from Congress for the Savannah River and Idaho Sites,³⁴ thereby allowing DOE to save billions of dollars in waste treatment costs. The law, however, excluded the Hanford Site.

- More recently, in 2015, we found that DOE is not comprehensively integrating risks posed by National Nuclear Security Administration's (NNSA) nonoperational contaminated facilities with EM's portfolio of cleanup work.³⁵ By not integrating nonoperational facilities from NNSA, EM is not providing Congress with complete information about EM's current and future cleanup obligations as Congress deliberates annually about appropriating funds for cleanup activities. We recommended that DOE integrate its lists of facilities prioritized for disposition with all NNSA facilities that meet EM's transfer requirements, and that EM should include this integrated list as part of the Congressional Budget Justification for DOE. DOE neither agreed nor disagreed with this recommendation.

See pages 232-247 of the high-risk report for additional details on what we found.

2020 Decennial Census

One of the most important functions of the U.S. Census Bureau (Bureau) is conducting the decennial census of the U.S. population, which is mandated by the Constitution and provides vital data for the nation. This information is used to apportion the seats of the U.S. House of Representatives; realign the boundaries of the legislative districts of each state; allocate billions of dollars in federal financial assistance; and provide social, demographic, and economic profiles of the nation's people to guide policy decisions at each level of government. A complete count of the nation's population is an enormous challenge as the Bureau seeks to control the cost of the census while it implements several new innovations and manages the processes of acquiring and developing new and modified IT systems supporting them. Over the past 3 years, we have made 30 recommendations to help the Bureau design and implement a more cost-effective census for 2020; however, only 6 of them had been fully implemented as of January 2017.

³⁴Pub. L. No. 108-375, § 3116 (2004).

³⁵NNSA has identified 83 contaminated facilities for potential transfer to EM for disposition over a 25-year period, 56 of which are currently nonoperational. NNSA is maintaining these facilities for future transfer to EM, but the condition of nonoperational facilities continues to degrade, resulting in increasing costs to NNSA to maintain them to prevent the spread of contamination.

The cost of the census, in terms of cost for counting each housing unit, has been escalating over the last several decennials. The 2010 Census was the costliest U.S. Census in history at about \$12.3 billion, and was about 31 percent more costly than the \$9.4 billion cost of the 2000 Census (in 2020 dollars).³⁶ The average cost for counting a housing unit increased from about \$16 in 1970 to around \$92 in 2010 (in 2020 constant dollars). Meanwhile, the return of census questionnaires by mail (the primary mode of data collection) declined over this period from 78 percent in 1970 to 63 percent in 2010. Declining mail response rates—a key indicator of a cost-effective census—are significant and lead to higher costs. This is because the Bureau sends enumerators to each nonresponding household to obtain census data. As a result, nonresponse follow-up is the Bureau's largest and most costly field operation. In many ways, the Bureau has had to invest substantially more resources each decade to match the results of prior enumerations.

The Bureau plans to implement several new innovations in its design of the 2020 Census. In response to our recommendations regarding past decennial efforts and other assessments, the Bureau has fundamentally reexamined its approach for conducting the 2020 Census. Its plan for 2020 includes four broad innovation areas that it believes will save it over \$5 billion (2020 constant dollars) when compared to what it estimates conducting the census with traditional methods would cost. The Bureau's innovations include (1) using the Internet as a self-response option, which the Bureau has never done on a large scale before; (2) verifying most addresses using "in-office" procedures and on-screen imagery rather than street-by-street field canvassing; (3) re-engineering data collection methods such as by relying on an automated case management system; and (4) in certain instances, replacing enumerator collection of data with administrative records (information already provided to federal and state governments as they administer other programs). These innovations show promise for a more cost-effective head count. However, they also introduce new risks, in part, because they include new procedures and technology that have not been used extensively in earlier decennials, if at all.

³⁶The fiscal year 2020 constant dollar factors the Bureau used are derived from the Chained Price Index from "Gross Domestic Product and Deflators Used in the Historical Tables: 1940–2020" table from the *Fiscal Year 2016 Budget of the United States Government*.

The Bureau is also managing the acquisition and development of new and modified IT systems, which add complexity to the design of the census. To help control census costs, the Bureau plans to significantly change the methods and technology it uses to count the population, such as offering an option for households to respond to the survey via the Internet or phone, providing mobile devices for field enumerators to collect survey data from households, and automating the management of field operations. This redesign relies on acquiring and developing many new and modified IT systems, which could add complexity to the design.

These cost risks, new innovations, and acquisition and development of IT systems for the 2020 Census, along with other challenges we have identified in recent years, raise serious concerns about the Bureau's ability to conduct a cost-effective enumeration. Based on these concerns, we have concluded that the 2020 Census is a high-risk area and have added it to the High-Risk List in 2017.

What Needs to Be Done

To help the Bureau mitigate the risks associated with its fundamentally new and complex innovations for the 2020 Census, the commitment of top leadership is needed to ensure the Bureau's management, culture, and business practices align with a cost-effective enumeration. For example, the Bureau needs to continue strategic workforce planning efforts to ensure it has the skills and competencies needed to support planning and executing the census. It must also rigorously test individual census-taking activities to provide information on their feasibility and performance, their potential for achieving desired results, and the extent to which they are able to function together under full operational conditions.³⁷

We have recommended that the Bureau also ensure that its scheduling adheres to leading practices and be able to support a quantitative schedule risk assessment, such as by having all activities associated with the levels of resources and effort needed to complete them. The Bureau has stated that it has begun maturing project schedules to ensure that the logical relationships are in place and plans to conduct a quantitative risk assessment. We will continue to monitor the Bureau's efforts.

³⁷GAO, *2020 Census: Additional Actions Could Strengthen Data Collection Efforts*, GAO-17-191 (Washington, D.C.: Jan. 26, 2017).

The Bureau must also improve its ability to manage, develop, and secure its IT systems. For example, the Bureau needs to prioritize its IT decisions and determine what information it needs in order to make those decisions. In addition, the Bureau needs to make key IT decisions for the 2020 Census in order to ensure they have enough time to have the production systems in place to support the end-to-end system test. To this end, we recommended the Bureau ensure that the methodologies for answering the Internet response rate and IT infrastructure research questions are determined and documented in time to inform key design decisions.³⁸ Further, given the numerous and critical dependencies between the Census Enterprise Data Collection and Processing and 2020 Census programs, their parallel implementation tracks, and the 2020 Census's immovable deadline, we recommended that the Bureau establish a comprehensive and integrated list of all interdependent risks facing the two programs, and clearly identify roles and responsibilities for managing this list.³⁹ The Bureau stated that it plans to take actions to address our recommendations.

It is also critical for the Bureau to have better oversight and control over its cost estimation process and we have recommended that the Bureau ensure its cost estimate is consistent with our leading practices.⁴⁰ For example, the Bureau will need to, among other practices, document all cost-influencing assumptions; describe estimating methodologies used for each cost element; ensure that variances between planned and actual cost are documented, explained, and reviewed; and include a comprehensive sensitivity analysis, so that it can better estimate costs. We also recommended that the Bureau implement and institutionalize processes or methods for ensuring control over how risk and uncertainty are accounted for and communicated within its cost estimation process. The Bureau agreed with our recommendations, and we are currently conducting a follow-up audit of the Bureau's most recent cost estimate and will determine whether the Bureau has implemented them.

Sustained congressional oversight will be essential as well. In 2015 and 2016, congressional committees held five hearings focusing on the progress of the Bureau's preparations for the decennial. Going forward,

³⁸GAO-15-225.

³⁹GAO-16-623.

⁴⁰GAO-16-628.

active oversight will be needed to ensure these efforts stay on track, the Bureau has needed resources, and Bureau officials are held accountable for implementing the enumeration as planned.

We will continue monitoring the Bureau's efforts to conduct a cost-effective enumeration. To this end, we have ongoing work focusing on such topics as the Bureau's updated lifecycle cost estimate and the readiness of IT systems for the 2018 End-to-End Test.

See pages 219–231 of the high-risk report for additional details on what we found.

Monitoring Previous High-Risk Areas

After we remove areas from the High-Risk List we continue to monitor them, as appropriate, to determine if the improvements we have noted are sustained and whether new issues emerge. If significant problems again arise, we will consider reapplying the high-risk designation. DOD's Personnel Security Clearance Program is one former high-risk area that we continue to closely monitor in light of government-wide reform efforts.

Personnel Security Clearances

The Office of the Director of National Intelligence (ODNI) estimates that approximately 4.2 million federal government and contractor employees held or were eligible to hold a security clearance as of October 1, 2015.⁴¹ Personnel security clearances provide personnel with access to classified information, the unauthorized disclosure of which could, in certain circumstances, cause exceptionally grave damage to national security. High profile security incidents, such as the disclosure of classified programs and documents by a National Security Agency contractor and the OPM data breach of 21.5 million records, demonstrate the continued need for high quality background investigations and adjudications, strong oversight, and a secure IT process, which have been areas of long-standing challenges for the federal government.

⁴¹The Director of National Intelligence (DNI), in accordance with Executive Order 13467, is responsible, as the Security Executive Agent, for the development of policies and procedures governing the conduct of investigations and adjudications for eligibility for access to classified information and eligibility to hold a sensitive position. See Exec. Order No. 13,467, § 2.3(c), 73 Fed. Reg. 38,103 (June 30, 2008). (renumbered as section 2.5(e) in January 2017).

In 2005, we designated the DOD personnel security clearance program as a high-risk area because of delays in completing background investigations and adjudications. We continued the high-risk designation in the 2007 and 2009 updates to our High-Risk List because of issues with the quality of investigation and adjudication documentation and because delays in the timely processing of security clearances continued.⁴²

In our 2011 high-risk report, we removed DOD's personnel security clearance program from the High-Risk List because DOD took actions to develop guidance to improve its adjudication process, develop and implement tools and metrics to assess quality of investigations and adjudications, and improve timeliness for processing clearances.⁴³ We also noted that DOD continues to be a prominent player in the overall security clearance reform effort, which includes entities within the OMB, OPM, and ODNI that comprise the Performance Accountability Council (PAC) which oversees security clearance reform. The executive branch has also taken steps to monitor its security clearance reform efforts. The GPRA Modernization Act of 2010 requires OMB to report through a website—performance.gov—on long-term cross-agency priority goals, which are outcome-oriented goals covering a limited number of crosscutting policy areas, as well as goals to improve management across the federal government.⁴⁴ Among the cross-agency priority goals, the executive branch identified security clearance reform as one of the key areas it is monitoring.

Since removing DOD's personnel security clearance program from the High-Risk List, the government's overall reform efforts that began after passage of the Intelligence Reform and Terrorism Prevention Act of 2004 have had mixed progress, and key reform efforts have not yet been implemented. In the aftermath of the June 2013 disclosure of classified documents by a former National Security Agency contractor and the September 2013 shooting at the Washington Navy Yard, OMB issued, in February 2014, the *Suitability and Security Processes Review Report to*

⁴²GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: January 2009).

⁴³GAO, *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: January 2011).

⁴⁴See also GAO, *Performance.gov: Long-Term Strategy Needed to Improve Website Usability*, GAO-16-693 (Washington, D.C.: Aug. 30, 2016).

the President, a 120-day review of the government's processes for granting security clearances, among other things.

The 120-day review resulted in 37 recommendations, 65 percent of which have been implemented, as of October 2016, including the issuance of executive branch-wide quality assessment standards for investigations in January 2015. Additionally, the recommendations led to expanding DOD's ability to continuously evaluate the continued eligibility of cleared personnel. However, other recommendations from the 120-day review have not yet been implemented. For example, the reform effort is still trying to fully implement the revised background investigation standards issued in 2012 and improve data sharing between local, state, and federal entities.

In addition, the 120-day review further found that performance measures for investigative quality are neither standardized nor implemented consistently across the government, and that measuring and ensuring quality continues to be a challenge. The review contained three recommendations to address the development of quality metrics, but the PAC has only partially implemented those recommendations. We previously reported that the executive branch had developed some metrics to assess quality at different phases of the personnel security clearance process; however, those metrics had not been fully developed and implemented.⁴⁵

The development of metrics to assess quality throughout the security clearance process has been a long-standing concern.⁴⁶ Since the late 1990s we have emphasized the need to build and monitor quality throughout the personnel security clearance process.⁴⁷ In 2009, we again

⁴⁵GAO, *Personnel Security Clearances: Full Development and Implementation of Metrics Needed to Measure Quality of Process*, GAO-14-157T (Washington, D.C.: Oct. 31, 2013).

⁴⁶GAO, *Personnel Security Clearances Funding Estimates and Government-wide Metrics Are Needed to Implement Long-Standing Reform Efforts*, GAO-15-179SU (Washington, D.C.: Apr. 23, 2015); *Personnel Security Clearances: Additional Guidance and Oversight Needed at DHS and DOD to Ensure Consistent Application of Revocation Process*, GAO-14-640 (Washington, D.C.: Sept. 8, 2014); *DOD Personnel Clearances: Comprehensive Timeliness Reporting, Complete Clearance Documentation, and Quality Measures Are Needed to Further Improve the Clearance Process*, GAO-09-400 (Washington, D.C.: May 19, 2009).

⁴⁷GAO, *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, GAO/NSIAD-00-12 (Washington, D.C.: Oct. 27, 1999).

noted that clearly defined quality metrics can improve the security clearance process by enhancing oversight of the time required to process security clearances and the quality of the investigation and adjudicative decisions. We recommended that OMB provide Congress with results of metrics on comprehensive timeliness and the quality of investigations and adjudications.⁴⁸ According to ODNI, in October 2016, ODNI began implementation of a Quality Assessment and Reporting Tool to document customer issues with background investigations. The tool will be used to report on the quality of 5 percent of each executive branch agency's background investigations.

ODNI officials stated that they plan to develop metrics in the future as data are gathered from the tool, but did not identify a completion date for these metrics. Separately, the NDAA for Fiscal Year 2017, among other things, requires DOD to institute a program to collect and maintain data and metrics on the background investigation process, in the context of developing a system for performance of background investigations.⁴⁹ The PAC's effort to fully address the 120-day review and our recommendations on establishing metrics on the quality of investigations as well as DOD's efforts to address the broader requirements in the NDAA for Fiscal Year 2017 remain open and will need to be a continued focus of the department moving forward in its effort to improve its management of the security clearance process.

Further, in response to the 2015 OPM data breach, the PAC completed a 90-day review which led to an executive order establishing the National Background Investigations Bureau, within OPM, to replace the Federal Investigative Services and transferred responsibility to develop, maintain and secure new IT systems for clearances to DOD.⁵⁰ Additionally, the Executive Order made DOD a full principal member of the PAC.⁵¹ The Executive Order also directed the PAC to review authorities, roles, and responsibilities, including submitting recommendations related to revising,

⁴⁸GAO-09-400.

⁴⁹See Pub. L. No. 114-328, § 951(b)(1)(G) (2016).

⁵⁰See Exec. Order No. 13,741, 81 Fed. Reg. 68,289 (Sept. 29, 2016) (amending Exec. Order No. 13,467).

⁵¹See Exec. Order No. 13,741, § 1(e), 81 Fed. Reg. at 68,289-90.

as appropriate, executive orders pertaining to security clearances.⁵² This effort is ongoing.

In addition to addressing the quality of security clearances and other goals and recommendations outlined in the 120-day and 90-day reviews and the government's cross-agency priority goals, the PAC has the added challenge of addressing recent changes that may result from the NDAA for Fiscal Year 2017. Specifically, section 951 of the act requires the Secretary of Defense to develop an implementation plan for the Defense Security Service to conduct background investigations for certain DOD personnel—presently conducted by OPM—after October 1, 2017.⁵³ The Secretary of Defense must submit the plan to the congressional defense committees by August 1, 2017. It also requires the Secretary of Defense and Director of OPM to develop a plan by October 1, 2017, to transfer investigative personnel and contracted resources to DOD in proportion to the workload if the plan for DOD to conduct the background investigations were implemented.⁵⁴ It is unknown if these potential changes will impact recent clearance reform efforts.

Given the history and inherent challenges of reforming the government-wide security clearance process, coupled with recent amendments to a governing Executive Order and potential changes arising from the NDAA for Fiscal Year 2017, we will continue reviewing critical functions for personnel security clearance reform and monitor the government's implementation of key reform efforts. We have ongoing work assessing progress being made on the overall security clearance reform effort and in implementing a continuous evaluation process,⁵⁵ a key reform effort considered important to improving the timeliness and quality of

⁵²See Exec. Order No. 13,741, § 2, 81 Fed. Reg. at 68,291.

⁵³Specifically, the implementation plan would cover background investigations for DOD personnel whose investigations are adjudicated by the DOD Consolidated Adjudication Facility. See Pub. L. No. 114-328, § 951(a). According to the Consolidated Adjudication Facility, its mission is to determine security clearance eligibility of non-intelligence agency DOD personnel, with a customer base including all military service members, military applicants, civilian employees, and consultants affiliated with DOD.

⁵⁴See *id.*

⁵⁵Continuous evaluation refers to a vetting process to review the background of an individual who has been determined to be eligible for access to classified information or to hold a sensitive position at any time during the period of eligibility. It leverages a set of automated record checks and business rules to assist in the on-going assessment of continued eligibility. Exec. Order No. 13,764, § 3(e) (Jan. 17, 2017).

investigations. We anticipate issuing a report on the status of the government's continuous evaluation process in the fall of 2017. Additionally, we have previously reported on the importance of securing federal IT systems and anticipate issuing a report in early 2017 that examines IT security at OPM and efforts to secure these types of critical systems.⁵⁶ Continued progress in reforming personnel security clearances is essential in helping to ensure a federal workforce entrusted to protect U.S. government information and property, promote a safe and secure work environment, and enhance the U.S. government's risk management approach.

The high-risk assessment continues to be a top priority and we will maintain our emphasis on identifying high-risk issues across government and on providing insights and sustained attention to help address them, by working collaboratively with Congress, agency leaders, and OMB. As part of this effort, with the new administration and Congress in 2017 we hope to continue to participate in regular meetings with the incoming OMB Deputy Director for Management and with top agency officials to discuss progress in addressing high-risk areas. Such efforts have been critical for the progress that has been made.

This high-risk update is intended to help inform the oversight agenda for the 115th Congress and to guide efforts of the administration and agencies to improve government performance and reduce waste and risks.

Thank you, Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee. This concludes my testimony. I would be pleased to answer any questions.

For further information on this testimony, please contact J. Christopher Mihm at mihmj@gao.gov or (202) 512-6806. Contact points for the individual high-risk areas are listed in the report and on our high-risk website. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

⁵⁶GAO, *Information Security: Agencies Need to Improve Controls over Selected High-Impact Systems*, GAO-16-501 (Washington, D.C.: May 18, 2016).

Chairman CHAFFETZ. Thank you. Thank you for being here. We'll now start by recognizing the gentleman from Tennessee, Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

And, Mr. Dodaro, thank you for your work. I do appreciate the work that you do and your agency. It's very helpful to this committee.

There are several areas I'd like to get into very quickly, but the ranking member mentioned Dodd-Frank. And we had a hearing in here 2 or 3 months ago with the head of the FDIC, and it's been brought out that something like one in five banks and credit unions have gone under since Dodd-Frank, or have disappeared. And you mentioned in your report, quote, "mounting regulations stemming from Dodd-Frank."

Do you and your experts—we had one witness who said you have to have probably at least \$1 billion in assets to survive in the banking business today. Do you and your experts foresee a continuation of this, of so many banks going under or being forced to merge or at high risk?

Mr. DODARO. There have been a number of areas we've looked at, particularly small community banks and what the burden would be for them. The number of banks—you know, we do the audit of the Federal Deposit Insurance Fund. The number of banks that have failed have been going down over this past several years, and the number on the troubled list or the watch list that they have has been going down as well. So it may be in some other sectors of the economy.

I have Orice Williams Brown here. But there are definitely some things that need streamlined, and we've made recommendations. The stress test that the banks are put under. I think we have to look for ways, and the way we've advised the Congress is looking for ways to make refinements that reduce the regulatory burden but still do not undermine the need for banks to have adequate capital reserves to withstand downturns in the economy. We're looking very carefully now at the bank examination process because of concentrations in commercial real estate lending and auto lending as well.

Ms. Brown is with me today. She's our expert in this area. I'll just ask her to address this issue.

Ms. BROWN. We currently have work underway looking at the effect of various pieces of legislation on small banks, community banks. So we're looking at the issue of regulatory burden. We are trying to identify if there are certain characteristics of legislation or laws that particularly impact small banks. We're also looking at exemptions and a variety of issues. So that work will be coming out later this year that specifically addresses this issue.

Mr. DUNCAN. Well, you do agree, I think everyone agrees, that this regulatory burden is much more difficult for the small banks to work with than these large, giant banks. And the total deposits of the five largest banks have gone up from 22 percent total deposits to 44 percent since the passing of Dodd-Frank.

Let me ask you, Mr. Dodaro, about another area. Several years ago, I received a letter from the BLM and a recommendation from OMB. BLM identified over 3 million acres of land that they would

like to sell or dispose of. And we did pass a bill last year, the Federal Assets Sale and Transfer Act. The GAO has identified 273,000 buildings that the Federal Government either leases or owns.

Are we making any progress toward raising some money from some of the sale of some of these lands? We seem to have continued taking over more land instead of getting rid of some of this land that even the government, even the different agencies don't want.

Mr. DODARO. There's some progress being made. There's a national strategy that was issued. You mentioned the legislation. Congress passed two pieces of legislation late last year that will help in that area.

One property we reported in our testimony is Cotton Annex, they've been trying to sell. We understand they just got a bid on that. I think this board that the Congress has set up to independently identify some high-value properties is an important area as well. And the agencies need to make sure that the property, some of the properties are properly maintained and upgraded so that they're actually able to be sold or disposed of in adequate means. So we're making some progress in that area, but there's a lot more that still needs to be done.

Mr. DUNCAN. I think it's pretty clear that the Federal Government owns or leases far too many buildings.

Let me quickly get into one other area. The President has advocated a \$1 trillion increase in spending on transportation, yet you say in your report that spending has not improved system performance in the transportation area. Why do you think that is?

Mr. DODARO. Yeah. That's because the programs that were set up by the Department of Treasury—or, excuse me, Transportation really did not adequately measure the results of the investment that the Federal Government had made. We knew a lot of money was being spent, but was it actually improving the safety of the system, the condition of the roads, the condition of the bridges? So Congress mandated a more performance-based system, which Transportation's in the progress of issuing regulations and will soon be implemented. So by the next update, we'll know whether that's working well or not.

But our putting this on the high-risk list emanated from the financing issue, that there's really—the Highway Trust Fund has not been adequate enough for a number of years now. Congress has been supplementing that with general appropriation funds. They really need to find a permanent financing vehicle. Congress did find a temporary one that will get us through 2020, but between 2021 and 2026, CBO is estimating there'll be over \$1 billion shortfall in what's needed to maintain the roads.

So there are two issues: Finding the money and then making sure the money is producing the right results. And that's what we've been focused on.

Mr. DUNCAN. All right. Thank you very much.

Chairman CHAFFETZ. I thank the gentleman.

We'll now recognize the gentleman from Virginia, Mr. Connolly, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman.

And welcome, General Dodaro and your team. I don't know if anyone is left at GAO today, but we're glad you're all here.

And, Mr. Chairman, I want to thank you for this hearing. And I think this is one of the most important hearings we have every year, and I think this is one of the most signal pieces of work done by the Federal Government about the Federal Government. And I thank GAO for the contribution, because it could virtually be the work plan of this committee. And it brings us together, it's not partisan, and there's a lot of good work we can do in collaboration with our colleagues at GAO. So thank you.

I was listening to Mr. Duncan, who got in a little dig at Dodd-Frank. So since we passed Dodd-Frank, did I understand you, Mr. Dodaro, to say the fact of the matter is bank failures have gone down, not up? Is that correct?

Mr. DODARO. That is correct.

Mr. CONNOLLY. And is it also true that there have been no bailouts since that legislation was passed? Any additional bailouts?

Mr. DODARO. I can't think of any. I don't think so.

Mr. CONNOLLY. Not any, yes. And in 2008 and 2009, what was the total amount of banking bailouts to the taxpayer in this country?

Mr. DODARO. Well, it was a lot. It was hundreds of billions of dollars.

Mr. CONNOLLY. Hundreds of billions of dollars, right. That's a lot, I agree.

Mr. DODARO. Right.

Mr. CONNOLLY. It's a technical term, "a lot."

I want to talk about the census, if I can, because to me, that's the intersection of IT and the function of government. The census is a critical piece of work that must be done. A lot flows from it, including representation in this body. The people, you know, have their representation allocated based on the findings of that census. Allocation of resources from the Federal Government to the States flows from data from the census.

And in looking at your report, I want to make sure I understand this, you state that with the technology they're using in field tests, 25 percent of households could not be contacted by Bureau enumerators even after six attempts. Is that correct?

Mr. DODARO. Let me call up our expert in that area, Mr. Mihm.

Mr. CONNOLLY. Mr. Mihm, welcome.

Mr. MIHM. Thank you, sir. Yes, sir, that is correct.

Mr. CONNOLLY. That's astounding. Twenty-five percent. That calls into question the accuracy of the census itself. What's the nature of the problem?

Mr. MIHM. Well, it's a number of things, and a lot of it is just the changing nature of American society. We have increasing gated communities, and so it can be very difficult to work with property managers and others to get access then to the individual housing units. You have increased, obviously, diversity in languages. We have to make sure that we send enumerators that can speak the language in the community in which they're enumerating. A lot of—it's a lot of the complexity there.

There are also some changes that we were urging in census rules on how they do that followup, to make sure that they're not just following up at the same time on repetitive days, that they're actu-

ally going at different times. They need to adjust their rules to allow them to do that.

Mr. CONNOLLY. One of the problems, though, I think you highlighted was—I get that and, obviously, that’s not a technology problem. But the technology piece there is the software makes it hard to leave notes when an enumerator, in fact, knocks on your door and you’re not home. Is that correct?

Mr. MIHM. Yes, sir. And that’s also part of what I was mentioning. The third element there is allowing then subsequent enumerators to know not to go back. You know, if they go at noon for three straight days in a row and there hasn’t been someone there at noon, if people are all working, they need to be able to say, okay, we’ll come back at 5 o’clock or we’ll come back before, you know, people leave for work.

Mr. CONNOLLY. This committee had hearings with the Census officials on the technology piece. And what happened in 2010 was kind of a disaster in terms of technology, custom-made, you know, handheld devices and so forth. And so this time, they were going to use off-the-shelf, you know, with modifications, and it was hopefully going to lower cost. The 2010 census was the most expensive in history, \$12.3 billion.

Mr. MIHM. Yes, sir.

Mr. CONNOLLY. So how is that working out for us, in terms of these modified off-the-shelf devices and the hopeful goal of lowering the cost?

Mr. MIHM. It’s still an open issue, sir. I mean, there are three big technology issues that they’re confronting is, one, to make sure that we can have the internet response option. Second is that they have a major processing technology—

Mr. CONNOLLY. Let me interrupt you when you say that just so we all understand what that means. In other words, a subject, a citizen, can go on the internet and respond if an enumerator hasn’t reached me.

Mr. MIHM. Yes, sir.

Mr. CONNOLLY. Yeah.

Mr. MIHM. And the second is a major processing effort, which is called CEDCaP. And then the third then is the mobile devices, and which you alluded to was a big problem last time.

There are unresolved issues with all three of these major technology issues. It was a major driver as to why we put the 2020 census on the high-risk list.

Mr. CONNOLLY. My time has run out, but just bottom line, how worried should we be that, here we go again, the Census Bureau, with best intentions, is facing 3 years out a serious problem both with the technology and with the budget, the cost of this enterprise, or are these just glitches that we’re confident can be worked out?

Mr. DODARO. If we weren’t worried, we wouldn’t put it on the list.

Mr. CONNOLLY. Thank you, Mr. Dodaro.

Thank you, Mr. Chairman.

Mr. MIHM. I agree.

Chairman CHAFFETZ. Mr. Mihm, if you can just stay right there. I'm going to go ahead and recognize myself. I want to follow up on what Mr. Connolly was saying about the census.

What's your biggest worry right now?

Mr. MIHM. The biggest worry right now, I think, is that they have a series of innovations that are very important potential innovations that can have huge cost-savings implications if they work out. So they have a series of these innovations at the same time that they are canceling tests in the field for later this year and into 2018.

They need to make sure that they are able to have these innovations, the internet response, increasing use of administrative records, and others, be able to work together in concert in census-taking operations. That's a—

Chairman CHAFFETZ. How far behind schedule are they?

Mr. MIHM. It's not so much that they're behind schedule. It's that they're, in a sense, racing to—they need to make sure that they maintain the schedule that they're on. They've canceled a test that's coming up, you know, for a variety of reasons, which they say is primarily driven by budget concerns, you know, budget concerns related to the continuing CR and other issues.

We're quite concerned that they need to make sure that all these innovations are tested in census-like operations. That's key to making sure that they maintain the quality of the census, but then also delivering on a more efficient census as well.

Chairman CHAFFETZ. Now, one of the things that is important to executing on a census are going out and finding what ends up being a couple hundred thousand people to go out and do the enumeration.

You know, I've been an advocate since I've been here to tap into the Postal Service. We actually have a workforce of people that have uniforms. They have clearances. We trust them. We've identified them. And they're familiar with the neighborhoods. They don't need to go remap the world.

Have you done anything or looked at anything? We're working towards introducing a piece of legislation that would allow postal workers to do this. They may need to make more money to do it. It's going to take money to still train them. But they're already walking the routes. They already know the neighborhoods. Have you looked at that at all?

Mr. MIHM. We've looked at it indirectly. I mean, I know, as you mentioned, Mr. Chairman, this is an issue that has been or a question that's been asked of the Census Bureau for at least the last two or three census about the increasing use of the Postal Service in taking the census. There are cost implications.

Chairman CHAFFETZ. Sure.

Mr. MIHM. Typically, a letter carrier will make more than a census enumerator that would take place. It is, you know, pretty labor-intensive, and so we'd have to figure out where they could find the time within their schedule.

On the other hand, as you point out, they do know the neighborhoods and, in fact, in many cases would know where the hidden households are, which is a major challenge that the Bureau faces. It's not just a postal address but are there, you know, basement

units or something like that. That's the tradeoff that would have to be made.

Chairman CHAFFETZ. And we also trust them I think is a big part of that issue.

Mr. Dodaro, I want to go back to the post office. This committee is looking at legislation dealing with the post office. What happens if we do nothing? The current financial trajectory of the post office, what's your view of that?

Mr. DODARO. Well, right now, they're not making the prepayments for the retirement benefits area, and that's a big problem. That's a growing issue. That means at some point, those benefits are going to have to be paid. And if the Postal Service hasn't prefunded it over a period of time, that's going to be a problem. They're already maxed out on their borrowing from the Treasury Department at \$15 billion. They can't borrow any more money from the Treasury at this time. Their other liabilities for workmen's compensation are going up. Their total liabilities, I think it's about 130 percent of their revenues at this point.

So—but the underlying problem is the business model's really broken. You're not—first-class mail has been going down. It's likely to go down for the foreseeable future. It's the most profitable margin that they have. And they've taken major cost-cutting moves, but they don't have any major other cost-cutting activities planned. So they really need help.

So we've put on a list. Congress has to act. There needs to be a reform in this area.

Chairman CHAFFETZ. And we're looking at a bailout if we don't fix it, correct?

Mr. DODARO. Yes.

Chairman CHAFFETZ. This is something that I think is of urgent need for this committee, and I'm glad that we're on top of it, but we do need to pass a piece of legislation to fix the systemic problems.

Fannie and Freddie, they—as a quasi-government agency, there isn't much exposure that the public gets to see and look under the hood. I'm working on a piece of legislation to give Freedom of Information Act requests that the public could actually issue a FOIA request to Fannie and Freddie. Do you have any opinion or thoughts on that?

Mr. DODARO. I could give that some thought. I mean, generally, I'm a supporter of the Freedom of Information Act.

Chairman CHAFFETZ. Is there any reason you can think of off the top of your head, though, why they shouldn't be subject to FOIA requests?

Mr. DODARO. Not off the top of my head, unless—there's a lot of litigation right now, and I think that may be a complicating factor, but that is true for every Federal agency.

Chairman CHAFFETZ. That is true for every agency. It just seems that the American public—we have all the liability for Fannie and Freddie, correct?

Mr. DODARO. That's correct.

Chairman CHAFFETZ. Do you have any—again, you're amazing with numbers off the top of your head, but what is the ongoing liability at Fannie and Freddie?

Mr. DODARO. Well, there's in law, I think it's over \$200 billion that potentially—Orice has the specific numbers. But it's over \$200 billion that they could still potentially draw from the Treasury Department. They've paid more back than what the government lent them during the crisis, but if there's another downturn in the housing economy, their capital reserve is going toward zero by 2018. At least at this time, we have a regulatory entity. You know, for years we warned that they weren't regulated enough, but it came too late.

Chairman CHAFFETZ. Did you have anything you wanted to add to that?

Sorry, your microphone.

Ms. BROWN. So Freddie and Fannie received \$187.5 billion from the Treasury. They have \$258.1 billion available that they can receive in additional assistance. And they have repaid more than \$250 billion in dividends to the Treasury. So right now, they've paid more to Treasury than they received initially in assistance.

Chairman CHAFFETZ. It just seems to me, with so much exposure to the Federal taxpayers, the taxpayers should be able to issue a Freedom of Information Act request.

Mr. DODARO. I might say also, Mr. Chairman, on this, we've issued a number of reports about a framework that could be used to make decisions on Fannie and Freddie and some of the options available. So we'd be happy to share that information for the record.

Chairman CHAFFETZ. Thank you.

I now recognize the ranking member, Mr. Cummings.

Mr. CUMMINGS. Mr. Dodaro, the high-risk report states that the Office of Personnel Management and the Chief Human Capital Officers Council, along with agencies, identified six governmentwide occupations with mission-critical skill gaps. One of these occupations is auditor.

As you know, agencies across the government have auditors within the Offices of Inspector General who are tasked with helping detect and prevent fraud, waste, and abuse, a mission that helps our committee in oversight. Do the auditor positions described in the report include those within the Inspector General's office?

Mr. DODARO. Yes.

Mr. CUMMINGS. And so is it correct to say that the IG offices do not have enough highly skilled and qualified auditors?

Mr. DODARO. Well, I think that's always a concern for that community. I know, you know, we have issues we're focused on as well. So let me ask Mr. Mihm if he has any more insight.

Mr. MIHM. Yes, sir, it's two things. It's in one case, or in some cases, it's obviously just a number of people. It's also a skill set that's an issue. As, I mean, this committee and others was instrumental in passing the DATA Act, which will provide just a wealth of additional information. And so data analytics is a skill set that both agencies need but also auditors need to better target their audits. And so it's both skills in terms of competencies as well as numbers of people.

Mr. CUMMINGS. Well, President Trump ordered a hiring freeze during his first week in office. What will be the likely impact of a

hiring freeze on the government's ability to address the mission-critical skills gap of auditors?

Mr. DODARO. It will make it more difficult. I mean, we've looked at hiring freezes in the past by prior administrations, and they haven't proven to be effective in either reducing cost, and they cause some problems if they're in effect for a long period of time.

Now, in this case, they've made a number of exceptions to that area.

Mr. CUMMINGS. Is this one of them? Is this one of them?

Mr. DODARO. I don't believe so. But they're supposed to come up with a plan. I think a lot of it will depend on what kind of plan they come up with at the end of this temporary hiring freeze. But a sustained hiring freeze is not the best way. It's better to do it through a budget or workforce plan.

Mr. CUMMINGS. What kind of problems does it cause?

Mr. DODARO. Well, it causes—you already—we know there are already skill gaps. You mentioned in your opening statement that—

Mr. CUMMINGS. Social security.

Mr. DODARO. Well, social security. I mean, cybersecurity, acquisition workforce, oil and gas management, petroleum engineers. A number of areas on our high-risk list have human capital. Nurses at the VA. You know, there's a lot of areas. And there will be, likely, emerging skill gaps. And you're going to have a lot of people retiring. There's a lot of people retiring in the Federal Government. So you have to be able to realign the workforce. The retirements give you an opportunity to realign your workforce, but you have to have that committed.

I mean, if you want to reduce the number of Federal employees, in my opinion, you have to reduce the functions that those employees are doing. If you don't reduce Federal programs or eliminate programs or reduce things or find some other way to do it, if you just eliminate the people but keep all the functions there, you're going to have a problem.

Mr. CUMMINGS. Yeah. If the ability to hire skilled personnel to address the skills gap is taken off the table, you know, one of my fears is IGs will be hampered in their capacity to detect and prevent waste, fraud, and abuse. So you, I take it, based upon what you just said, would agree with that?

Mr. DODARO. Well, we're going to monitor that issue. If it stays in effect for a long period of time, it's going to have effects. What we found before was that it reduced revenue coming to the government because IRS wasn't able to hire revenue agents. It caused agencies to hire contractors or temporary employees. It really didn't end up saving much, reducing the size of the workforce as much as anticipated, and it caused agencies problems in implementing their missions.

Mr. CUMMINGS. So when we go out and we hire these contractors, what kind of problems does that—I mean, have you looked at that overall?

Mr. DODARO. Yeah.

Mr. CUMMINGS. I mean generally.

Mr. DODARO. Yeah, yeah. I mean, there's a number of contract management issues already on the high-risk list. We've got DOD

contract management. We've got DOE, Energy Department contract management, NASA, acquisitions.

And so managing—having the right people to oversee the contractors is very, very important. And if you don't have that in place, then you don't have necessarily a good prospect of getting the requirements right in the first place and proper direction and oversight over the contractors.

Mr. CUMMINGS. Now, your report also states, and I quote: "According to OPM, data governmentwide, over 34 percent of Federal employees on board by the end of fiscal year 2015 will be eligible to retire."

It also says, and I quote: "A potential wave of employee retirements could produce gaps in leadership and institutional knowledge and threaten to aggravate the problems created by existing skill gaps."

Can you explain how a retirement wave exacerbates the skill gaps? And then I'm finished.

Mr. DODARO. Yeah. Chris.

Mr. MIHM. Well, it's in two senses or at least in two senses. One is that if you have staff with critical skills that are retirement eligible and they leave without effective succession planning programs within agencies and knowledge transfer programs, you can have basically some of your very most skilled people walking out the door. Likewise, at a leadership level, that you can lose a core of your senior executive and other leadership can go out if you don't have a good succession planning program.

As the comptroller general has mentioned, is that it provides an opportunity for agencies to rethink what their skill gaps or what their competencies are that they need. So retirements are not necessarily a bad thing. It's just retirements that aren't factored in as part of a succession planning program are a bad thing.

Mr. CUMMINGS. All right. Thank you very much.

Mr. PALMER. [Presiding.] The chair now recognizes the gentleman from North Carolina, Mr. Walker, for 5 minutes.

Mr. WALKER. Thank you, Mr. Chairman.

Mr. Dodaro, would you take a few minutes and, as we discussed the Medicaid program, I have a couple questions there. And I don't know how you are able to do this so much from memory, but we'll give it a shot here as we move forward.

Can you tell me what the improper payment rate of the Medicare program is right now?

Mr. DODARO. I think it's over 10 percent, and it's gone up recently.

Is that correct, Nikki?

Yes, that's correct. It's over 10 percent. It was about \$36 billion last year in improper payments in Medicaid. And I don't believe, Mr. Walker, Congressman Walker, that that's even the true magnitude of the problem, because the managed care portion of Medicaid shows very small improper payment rates, because they're only measuring what they pay the contractor, not what the contractor pays the beneficiaries.

Mr. WALKER. Okay.

Mr. DODARO. So we got them to put a new rule in place that I think will shed more light on this. They're going to audit the Medicare contractors. Medicaid, excuse me.

Mr. WALKER. Thank you. Is that 10 percent higher or lower than last year?

Mr. DODARO. It's higher.

Mr. WALKER. So we're trimming, obviously, the wrong direction.

Mr. DODARO. Well, I'm very concerned about both Medicaid and Medicare. They're the fastest growing programs in the Federal Government's portfolio. They're estimated to continue to grow at, you know, over 6 percent for the foreseeable future. And most of the improper payments—governmentwide was \$144 billion. \$60 billion of that was Medicare, \$36 billion was Medicaid.

Mr. WALKER. Okay. Let's drill down a little bit further if we can then. How did the improper payment rate change from before the Patient Protection and Affordable Care Act was enacted to after States began to expend Medicaid?

Mr. DODARO. Nikki.

Ms. CLOWERS. The rate has continued to go up over the past 2 years.

Mr. DODARO. Yeah. One of the reasons that they cite, Congressman, for the rate going up is that States didn't have the proper systems in to determine eligibility under the new Affordable Care Act regulations. So it's had some effect on that. Not to say that some people may not be; they just haven't been able to demonstrate that they're eligible.

Mr. WALKER. Okay. Is there anything that you guys are doing or have done or could do, past, present, or future, in examining the reasons why these rates continue to change?

Mr. DODARO. Yeah. We've had a lot of recommendations in those areas. First is to get better data. The Medicaid data is really not good at all that the Center for Medicaid and Medicare studies has. It's old data. It's a year or two out of date. It's very inaccurate, very unreliable.

We've recommended that they audit these managed care providers. I've worked with State auditors. In fact, the State auditor from North Carolina was involved in our discussions to try to get the State auditors to do more oversight and continuous auditing of the Medicaid program since it's such a large percent of the State budget activities. We've suggested and Congress has given the go-ahead to take the Social Security numbers off Medicare cards. We thought that that was leading to a problem. We tried for about almost a decade to do that.

Mr. WALKER. Okay.

Mr. DODARO. So we've got a number of other recommendations, but they need to—

Mr. WALKER. Sure.

Mr. DODARO. We're working on it. I've given this a high priority. You know, since Congress has required improper payments to be reported, measured and reported, since 2003, it's over \$1.2 trillion that have been reported. And last year, it was 112 programs at 22 different agencies. So it's not just confined. Medicare and Medicaid are the largest, but it's more of a pervasive problem than I would like to see.

Mr. WALKER. Speaking of the different States, I'm going to pick one. I'm going to pick Arkansas. A recent review of the Medicaid enrollees in Arkansas found 43,000 people who had moved out of the State, yet remained on Medicaid. Seven thousand of these had appeared to have never lived in the State. So it is very likely that two States may be paying two different insurance companies for that same individual.

Any proposal of what we can do with such a problem?

Mr. DODARO. Yeah. Yeah. Well, we've recommended that they make sure that they have adequate eligibility determination. There are two issues: One is providers, to make sure that only proper providers are in the programs; and second is eligibility determination.

Let me ask Nikki if there's anything else she wants to add.

Ms. CLOWERS. I was going to mention the eligibility determinations as well as checks for duplicate coverage, that they need to do that on a regular basis.

Mr. WALKER. Thank you, Mr. Dodaro.

Thank you, Mr. Chairman. I yield back.

Mr. PALMER. I thank the gentleman from North Carolina.

The chair now recognizes the gentlelady from Illinois, Ms. Kelly, for 5 minutes.

Ms. KELLY. Thank you, Mr. Chairman.

Welcome to the witnesses.

Mr. Dodaro, your report states, and I quote: "Over the past several years, GAO has made about 2,500 recommendations to agencies aimed at improving the security of Federal systems and information. These recommendations would help agencies strengthen technical security controls over their computer networks and systems, fully implement aspects of their information security programs, and protect the privacy of personally identifiable information held on their systems. The implementation of these systems are critical to addressing the privacy concerns of citizens in an age where hacking seems rampant."

Can you explain why, as of October 2016, close to half of those information security-related recommendations have not been implemented?

Mr. DODARO. I've been very concerned about the pace of agencies implementing our recommendations in this area. As I mentioned in my opening statement, we had first identified this as a governmentwide problem—it was the first time we ever designated anything across the entire Federal Government high risk—in 1997. It was hard to get agencies' attention to put in place comprehensive systems.

Secondly, there's a lot of legacy systems, old systems, where they just can't keep up with patching things appropriately, and they need to replace the legacy systems, as I know you're aware of that as well. They don't have comprehensive systems in place. And despite the breaches that have occurred most recently, there's more attention being given to this area but not enough, from my opinion, sense of urgency and actually fixing these problems.

So I'm hoping, as I meet with the new officials from the new administration, the Cabinet officials, I put this on their radar screen for prompt attention.

Ms. KELLY. Thank you. In your report, you also discuss the need for the Federal Government to improve its ability to detect, respond, and to mitigate cyber incidents. To that end, we've heard encouraging news about the implementation of continuous diagnostics and monitoring, or CDM. In your opinion, how are DHS, GSA, and other agencies doing in its implementation and what challenges are they facing?

Mr. DODARO. Greg Wilshusen is our expert in this area. He has good insights in that. Greg. Hit the mic.

Mr. WILSHUSEN. Yes. Certainly, we believe that CDM is a tool that can help agencies better secure their systems by looking at the configurations of those systems, making sure that they're in compliance with agency standards, identify vulnerabilities, and even just to identify the devices on the networks.

What we have found and what we will be looking at, because we are going to be starting an engagement to look at the CDM program specifically, is that agencies generally do not do a very good job of configuring their systems in accordance with sound security principles. It's something we identify at just about every agency we go to, including just the installation of patches, for example, in a timely manner and using software that's no longer supported by the vendors.

CDM and having a continuous monitoring program in place that's effectively in place across the entire enterprise will help to identify those instances and, hopefully, agencies will act on that information.

Ms. KELLY. Okay. Now, CDM is just one of the many steps that we need to take if the Federal Government is to be a leader in cybersecurity. And we also passed the bipartisan Modernizing Government Technology Act, or MGT. But we also need to improve cybersecurity in the procurement process.

In 2013, GSA and DOD published a report recommending the incorporation of cybersecurity standards into the Federal IT acquisition process. How helpful would these standards be in improving the Federal Government's overall cybersecurity?

Mr. WILSHUSEN. Well, I would just like to say that it's critical for information security controls to be designed into systems at the very beginning. Trying to come back and add on security features after the system is up and running is usually not as effective and more costly. So, clearly, designing and including security controls in those acquisition is key.

What's also key is making sure that the acquisition officers and the team that's acquiring this have the cybersecurity expertise in order to assure that those security controls are being specified in the contracts and indeed are being adhered to by the contractors.

Ms. KELLY. And one last question. What chief recommendations does GAO have to directly deter cyber attacks from other nations?

Mr. WILSHUSEN. Well, one would be, of course, in terms—one is just for the agencies to be adequately secure to help prevent those attacks, but recognize that attacks are going to continue, and even in good security, they're likely to succeed, because of their sophistication.

In terms of working against—with other countries, one of the key things is to have an international strategy that addresses

cybersecurity and come to an agreement with agencies of like mind to identify what those cyber norms are and to try to come up with procedures to protect against it. And when those countries or whomever attack us is make sure that there's some sort of consequence as a result.

Ms. KELLY. Thank you. I know I'm out of time.

Thank you, Mr. Chair.

Mr. PALMER. The chair now recognizes the gentleman from Georgia, Mr. Hice, for 5 minutes.

Mr. HICE. Thank you, Mr. Chairman.

I'd like to probably go down a similar path here while we're on it. Of course, we spend billions of dollars developing and acquiring the best technologies that we can have for our military. Obviously, we want to maintain the advantage as much as possible.

As I understand it, protecting these technologies, there are a lot of different agencies involved in administering the protection, from DOD to DHS and State, Treasury, a host of different administration. Are any of these agencies more effective than others at protecting our technologies?

Mr. DODARO. Yeah. Mr. Francis is our expert in this area. It's a good question.

Mr. FRANCIS. I think the agency—there are at least six agencies involved. I don't know that any one is doing better than another, but in the export control area, where we actually have a formal process for end items, State and Commerce are doing, I think, a pretty good job in coordinating their licensing list and their licensing processes.

It's the individual efforts by other agencies on antitamper and things like that, where the individual programs are not well coordinated. And we've made a simple recommendation, why don't you all just get together once a year and talk about what you're doing. That's not happening yet.

Mr. HICE. Why is that not happening, do you think?

Mr. FRANCIS. I don't think there's an incentive to do it. The agencies are all working—

Mr. HICE. This is a major deal. Obviously, our technologies are massively critical to the national security of our country and so forth. What would need to happen to get the proper incentive for those communications to occur?

Mr. DODARO. Yeah. I think legislation by the Congress. Where we've seen very effective interagency coordination mechanisms, there needs to be a statutory underpinning for those mechanisms so they transcend administrations, and having regular reporting requirements to the Congress.

I've been having meetings with OMB and the agencies on the high-risk list for a number of years now. And I think when we had one on the export control area, it might have been the first time everybody got together to talk about these issues. And so I think it's very important to do this, because, as Paul mentioned, all these agencies have interrelated pieces, and they need to work together very effectively in order to make sure and keep things up to date, share information. Technology is rapidly advancing, as you point out, Congressman, and they need to be on top of this. But it'd be

very effective, I think, to have some legislation. We'd be happy to work with you on that.

Mr. HICE. Okay. Yes. Well, let's please do.

So you're saying the coordination is not there. Is that correct?

Mr. DODARO. Particularly in the nonexport area. This would be, as Paul mentioned, the antitamper area, foreign military sales, and some other things. So on export control, they're doing a little bit better job in that area. They have a plan to reform it to go further, but they'll need legislation. So legislation is going to be needed in both areas, in my opinion.

Mr. HICE. Okay. If you would please, work with our office. Let's see how we can get that. This is a critical issue that needs to be addressed.

Mr. DODARO. Sure.

Mr. HICE. Speaking real quickly, and I know I don't have much time, but you mentioned NASA a little while ago. And, of course, they are, from what I understand, planning another big major launch sometime next year, latter part of 2018, I believe. Do you have concerns that NASA may not be ready for that type of big-scale launch?

Mr. DODARO. Go ahead, Paul.

Mr. FRANCIS. Yes, we do have concerns. It has three elements: It's the launch system, the ground system, and the Orion space capsule. Right now, they're all on fairly high-risk schedules, not much margin left. They're not all that well-coordinated. We think it's a very high risk of them not making that November 2018 date.

Mr. HICE. All right. But they believe that they are right on schedule, meeting all the requirements. You would disagree with that, with their assessment?

Mr. FRANCIS. I think they know they're on the edge.

Mr. HICE. On the edge of what?

Mr. FRANCIS. Not making it.

Mr. HICE. So why are they saying that they're making it, that they're on schedule?

Mr. FRANCIS. Well, I think they've done internal analysis. They have not come out and said they can't make it yet. But every indication we have, it looks very unlikely that they are. So I think maybe it's a matter of time.

Mr. HICE. So in that case, you would disagree with their internal analysis?

Mr. FRANCIS. Yes.

Mr. HICE. Okay. All right. Thank you very much. Appreciate you all being here.

I yield back.

Mr. DODARO. Congressman, I would also like to thank you publicly for help in our bill to get the mandates reduced to GAO. It's helped us focus on our more important areas. Thank you.

Mr. HICE. Well, thank you. And I appreciate your letter saying so. It meant a great deal to me. Thank you.

Mr. PALMER. The gentleman yields.

The chair now recognizes the gentlewoman from Florida, Mrs. Demings.

Mrs. DEMINGS. Thank you so much, Mr. Chairman.

And good morning Mr. Dodaro, and to all of our witnesses, welcome.

The GAO has found that sufficient progress has been made since 2005 to remove the high-risk designation from one area this year establishing effective mechanisms for sharing and managing terrorism-related information to protect the homeland.

In its 2017 high risk report, GAO states, and I quote, “While the progress is commendable, it does not mean the government eliminated all risk associated with sharing information or terrorism-related information.” I understand that GAO has switched the designation of this area from risk—to risk rather than high risk. Is that correct?

Mr. DODARO. That’s correct.

Mrs. DEMINGS. This is a concrete step, no doubt, in the right direction, and I hope we can continue to build on this progress, but I have to admit that I am worried that we may be losing some of the progress we have made in this area.

Recently, the President issued an executive order pertaining to homeland security without seeking advice or conferring with Congress or any of the agencies whose mission it is to protect our Nation. Orders meant to truly protect our country should be implemented and conducted in a thorough fashion and one that shares information in a productive manner. The American people deserve a government that directs its resources at well-planned and well-communicated efforts.

Mr. Dodaro, how important is information sharing to the security and well-being of our Nation?

Mr. DODARO. It’s absolutely essential. I mean, that was one of the issues after the September 11, 2001, attacks that was cited as a weakness. Congress passed an Intelligence Reform Act that there be established an information-sharing environment, so there was sharing among all the agencies and that’s what’s been implemented effectively.

It’s taken a number of years, a number of steps, and we’ve made a lot of specific recommendations, but they’ve made a lot of progress over the period of time and have demonstrated some result. Particularly in geospatial information, sharing law enforcement databases, and also in maritime domain awareness where there—in monitoring the sea.

So we’ve seen some good progress. We’ll be keeping a watchful eye to make sure that that progress continues.

Mrs. DEMINGS. What are some of the things you would suggest that we can do to sustain the progress or maximize it?

Mr. DODARO. George.

Mr. SCOTT. Good morning. A couple areas where we think that continued focus is needed. It’s important to ensure that, as we’ve said in the report, while we’ve taken it off the high-risk list, that does not mean that the risk does not remain. And so just ensuring that there is continued leadership, attention, and focus on this issue.

Oftentimes, a number of the issues that we face, whether it is information sharing or other issues, it’s less about sort of technology challenges; it’s more about sort of leadership commitment and staying focused on these issues. So I think that is one area

where we can continue to pay attention in this area. And the other issue is making sure that they continue to develop and measure their progress in meeting goals for the program.

Mrs. DEMINGS. Thank you very much. I yield back.

Mr. PALMER. The gentlewoman yields.

The chair now recognizes the gentleman from Florida, Mr. DeSantis, for 5 minutes.

Mr. DESANTIS. Thank you, Mr. Chairman.

Mr. Dodaro, in terms of the DOD acquisition, I know there has been problems with the F-35, with the LCS. What steps is DOD taking to ensure that that doesn't happen in the future?

Mr. DODARO. Yeah, I'll ask Mr. Francis, our expert in this area to address that. But you're—I'm concerned.

Mr. FRANCIS. Good morning. Yes, DOD is taking a number of steps. They have an initiative called Better Buying Power that involves doing better cost estimates, better monitoring. They're doing a report every year to check on how they're doing, so we think those are good things. They've improved the acquisition workforce, also good things.

But we still see programs that are going forward without really measuring up to all the best practices they should, at start, like technology maturity, design, and having good cost and schedule estimates. And if those programs aren't right at the beginning, we're playing catchup the rest of the way. So DOD is not doing quite as well there, and I think there's a real important role for the Congress there to hold programs accountable and say no to programs that aren't measuring up.

Mr. DESANTIS. Yeah. And the problem that we have is we don't do it at the beginning, like you said. Once you get to the F-35, there's so much money invested. It'd be stupid to say, now we're not going to do it and just abandon it. So we've got to get this right early on.

So did you read—there was an article in the Washington Post at the end of the year about a report that had been commissioned within the DOD. It identified a number of effectively dead weight costs that could be mitigated over a 5-year period. I think it was 125 billion. As I read the article in the report, none of that really affected the actual warfighter. DOD kind of deep-sixed it. Have you been able to review that report, or are you familiar with the issues?

Mr. FRANCIS. Go ahead.

Mr. DODARO. Yeah, we're familiar with the issues. That was a defense business board report, and their estimate over the 125 billion was over a number of years. They cited a lot of the same areas that we've cited where there are opportunities for savings. Some of the areas we were comfortable with their numbers; others we weren't.

So, no, they were headed in the right direction. I'm not sure there's that magnitude of savings available over that reasonable period of time, but there are savings to be had and it's—

Mr. DESANTIS. Do you know why the DOD leadership was so hostile to it after it had been put out?

Mr. DODARO. Where's Kathy? Excuse me. She knows. This is Kathy Berrick.

Mr. DESANTIS. Revolving door, whatever works—

Mr. DODARO. Yeah right.

Ms. BERRICK. They agreed with aspects of the study and, in fact, have internal reviews within DOD where they're looking for efficiencies. They had some disagreements on the amount of money that could be saved. But I would say, overall, they had some agreements with the specifics of the study, but weren't in full concurrence with the overall conclusions about how much money could be saved. Some of these efforts are still ongoing within DOD, some of these reviews. So ultimately, it could result in some savings moving forward.

Mr. DESANTIS. So we on the committee here, we are going to be reviewing kind of that report. I think that's going to happen in a couple weeks. We're going to do the full committee hearing. And I think the thought is is that obviously we have budget pressures, defense is our number one priority. Whatever deadweight is in there, I mean, to be able to get and root some of that out, that ultimately is going to free up more money for the warfighter so it really benefits the people who are on the front lines.

But my fear is, if you don't start early in a new administration, a lot of this stuff just goes by the wayside. So we would definitely want to take your recommendations. We're going to do some fact finding but then try to facilitate even more reforms, because if we get this right, it could eventually, I think, really be helpful to folks who are frontline warriors.

Mr. DODARO. No, I agree with you completely. Actually, if you look at the high-risk list, probably a third of the areas on high-risk lists are DOD business management practices. I mean, we have the best military in the world, but when it comes to the business practices, there's a lot of room for improvement. We can help. But the fundamental—

Mr. DESANTIS. What can we do though for the business systems? Are there recommendations?

Mr. DODARO. Oh, we have lots of recommendations. We'll share with you all those recommendations. But the fundamental problem that everybody has is the lack of reliable information over there. DOD is the only major Federal agency that's never been able to pass a test of an independent audit.

And so therefore, the room for people to quibble over the data is—there's a large playing field there that there shouldn't be, even in, you know, how to gain the \$10 billion Congress has mandated in headquarters reductions. You know, what's the baseline? How do you measure that? So we have a lot of insight into those areas. We can help you a great deal.

Mr. DESANTIS. No, absolutely. And it was supposed to be audited, I think, in the early 1990s, just never happened. And so it does make it more difficult; there's no doubt about it. So, I appreciate you guys, and I yield back the balance of my time.

Mr. DODARO. Thank you.

Mr. PALMER. The gentleman yields. The chair now recognizes the gentleman from Pennsylvania, Mr. Cartwright, for 5 minutes.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

And General Dodaro, welcome back.

Mr. DODARO. Thank you.

Mr. CARTWRIGHT. It is a pleasure to have you back here. I first met you 4 years ago when you came in with the high-risk report at that time. And at that time, that was the first year you had climate change on one of the action items for the high-risk report.

I just want to cite a statistic I saw today: "Between 2005 and 2015, FEMA issued more than \$67 billion in grants to assist communities and individuals devastated by extreme weather events." And Mr. Dodaro, you guys picked up on this. GAO has reported on climate change for a number of years now. The high-risk report cites climate change findings of the National Research Council and the U.S. global change research program.

The report states, quote, "According to the National Research Council, although the exact details cannot be predicted with certainty, there is clear, scientific understanding that climate change poses serious risks to human society and many of the physical and ecological systems upon which society depends."

GAO has done substantial work on the issue of climate change. The question is, what does the body of scientific literature suggest as to whether climate change is, in fact, occurring?

Mr. DODARO. Yeah. Well, we've deferred largely to the scientists at national academies and the global research group that you mentioned which are made up of the agencies.

Our angle on this, and the reason we're concerned, is the fiscal exposure of the Federal Government.

Mr. CARTWRIGHT. Me too. Fiscal exposure, that's what we're all here to talk about, the fiscal exposure of the Federal Government. And you wrote in your report, "The Federal Government is not well organized to address the fiscal exposure caused by extreme weather events." Right?

Mr. DODARO. That's correct.

Mr. CARTWRIGHT. So how large are these exposures, and how high might the associated cost of inaction be?

Mr. DODARO. Yeah. The exposures are in several different forms. We don't have an overall number, I'll say that upfront.

Number one is the Federal Government as a property owner. I'm very concerned. DOD has raised this issue on the impact on its own operations, but this—particularly on coastal areas, of protecting all those DOD assets that we built both domestically and internationally.

Second is on the Federal Government as an insurer. The flood insurance program already owes over \$20 billion to the Treasury Department. It is not actuarially sound, and it's subject to a lot of additional exposure.

Crop insurance, the payments for the Federal Government for crop insurance have doubled over the last several years from what they were before so there's likelihood there.

The other issue is the Federal Governments never reform the criteria it uses for declaring a natural disaster that it's going to step into. We're still using a per capita amount, you know, in individual States. We suggested that needed to be reformed.

And then the budgeting area is another area. We don't budget as a national government for major disasters. We budget for anything that's under \$500 million. But when something big hits, we just go—you know, we take care of it—

Mr. CARTWRIGHT. You take care of it.

Mr. DODARO. —but we've got to borrow.

Mr. CARTWRIGHT. So we're talking about the American taxpayers are property owners, they are insurers—

Mr. DODARO. Right.

Mr. CARTWRIGHT. And they bail out when there's a FEMA emergency.

Mr. DODARO. Right.

Mr. CARTWRIGHT. And this is why this is on the high-risk report because we need to prepare for these crises. And your finding was that the Federal Government is not well organized to plan ahead for resilience and planning and things like that.

So I have introduced legislation working with your office to create an oversight and governance structure and a process that requires agencies to implement governmentwide resilience, preparedness, and risk management priorities, and elevating the role of OMB to ensure proper funding and implementation for these initiatives.

The support for this has been bipartisan. My brother, Mr. Farenthold, is a cosponsor of this. He's not here right now, but we also have a lot of taxpayers groups that love this legislation: Taxpayers for Commonsense, National Taxpayers Union, Coalition to Reduce Spending, Taxpayers Protection Alliance, even the Reinsurance Association of America.

People who are concerned about fiscal soundness and saving taxpayers money love this bill. It is the PREPARE Act. I will be reintroducing it again this Congress.

And I want to thank you for all your work and your foresight in working on this problem.

Mr. DODARO. Thank you very much.

Mr. CARTWRIGHT. I yield back.

Mr. DODARO. Congressman Cartwright, thank you.

Mr. PALMER. The gentleman yields.

The chair now recognizes the gentleman from Michigan, Mr. Mitchell, for 5 minutes.

Mr. MITCHELL. Thank you, Mr. Chairman.

General Dodaro, you may have to change, rotate experts there, sir.

Mr. DODARO. I need a chair on wheels.

Mr. MITCHELL. What's that?

Mr. DODARO. I say, I need a chair on wheels.

Mr. MITCHELL. Yes, you do in here. If you're a Member of Congress, you need wheels as well. Trust me on that.

I'd like to talk a little bit about transportation, surface transportation. The GAO report found—yep, somebody knew. The GAO report found that several agencies failed to document key award decisions when making decisions regarding discretionary, I would say, allegedly competitive grants that resulted in poor decisionmaking.

Specifically, GAO found that DOT failed to document key decisions and deviated from established procedures in awarding the TIGER grants, the Transportation Investment Generating Economic Recovery grants. What were your offices findings—recommendations regarding that matter?

Mr. DODARO. Yeah. We were very concerned about the lack of documentation and the clear—and the transparency on which these grants were awarded. Ms. Siggerud can explain the details there. We've made some recommendations. They've taken some actions, but not enough, so I think congressional follow-up would be helpful.

Kate.

Ms. SIGGERUD. GAO has looked at several different types of discretionary grants given by the Department of Transportation, including the TIGER grants that you mentioned, as well as more recently some transit grants related to emergency situations.

Mr. MITCHELL. Sure.

Ms. SIGGERUD. In all of those cases, we found both a lack of transparency at the beginning about the criteria and then explanation of how those criteria were applied throughout the entire process, including documentation of any decisions that were made outside or not in agreement with those criteria.

So we made sort of a wrap-up recommendation in December of this year regarding all of the discretionary grant programs at the Department, and we will be monitoring how the Department looks at both that upfront criteria setting as well as the decisionmaking and the documentation throughout.

Mr. MITCHELL. Did you look at how much money was spent outside the anticipated intent or guidelines? Did you look at the amount of money that was, let's say, misallocated, for lack of a better term? Did you get an estimate of that?

Ms. SIGGERUD. I'd like to get that number to you for the record. We did look at grants and identified some that were elevated above others in apparent disagreement with the criteria that were originally established.

Mr. MITCHELL. When you provide that, if you could provide not only the amount but which grants and which locations they were for.

Ms. SIGGERUD. I'd like to get back with our team on that so we could determine the level of detail that we have.

Mr. MITCHELL. Sure, if we could.

And if we could put that in the record, Mr. Chair, when we do receive that, I would appreciate it.

Mr. PALMER. Without objection.

Mr. MITCHELL. One more quick question for you while I have time. One of the findings you note is that funding for transportation, highway transportation has eroded in part because of inflationary impacts and failure to raise the gas tax.

Has the Department made any recommendations regarding efficiency, regarding administrative cost cuts that can be made at DOT to, in fact, put more money in the highways?

Mr. DODARO. We've not—we've not—you mean, by the department, you mean the GAO?

Mr. MITCHELL. Oh GAO, yes, sir.

Mr. DODARO. Yeah. I'll get back. I'll look at that and we'll get back to you for the record. Nothing springs to mind offhand in that area. I think our main recommendations have been mostly geared toward making sure that the States' use of the highway money is producing good results.

Mr. MITCHELL. Sure.

Mr. DODARO. And that has been our primary area of concern. I don't think we've identified other areas that could be cut to shift money into that area.

Mr. MITCHELL. Well, the question I would ask is, how efficient are we being with the money and how much money is being transmitted onto the States rather than spent on, I would say, bureaucratic overhead that, in fact, doesn't put highway miles, doesn't fix roads, which in Michigan and across this country, is significant concerns.

Mr. DODARO. Right, right. No, while go back—I'll go back and take a look and submit something for the record for that area. Off-hand, nothing comings to mind.

Mr. MITCHELL. I appreciate the review. Thank you very much.

And I yield back, Mr. Chair.

Mr. PALMER. The gentleman yields.

The chair now recognizes the gentlewoman from New York, Mrs. Maloney, for 5 minutes.

Mrs. MALONEY. Thank you Chairman Palmer for yielding.

And it's always good to see you, Mr. Dodaro, and we all rely on the GAO in our daily decisions for your independent and professional judgment, so thank you.

I'd like to direct my questions on the Consumer Financial Protection Bureau. And as you know, the CFPB has returned over \$12 billion to over 27 million Americans who have been victims of fraud and deception. And you rightfully applauded them for this achievement.

Now, the high-risk report indicates that the Consumer Financial Protection Bureau has addressed all of GAO's previous recommendations. In fact, the report states that Congress should consider, and I quote, "transferring other regulators' consumer protection authorities to the bureau." I can assume that these statements are due to the bureau's effectiveness and efficiency.

Specifically, why are you recommending that other regulators and consumer protection transfer it over to the CFPB?

Mr. DODARO. Yeah, let me ask Ms. Williams to respond to that.

Ms. WILLIAMS. So we issued a report last year that looked at the regulatory structure. And one of the things we observed in the consumer protection space is that there's fragmentation; that while the CFPB was created there were certain responsibilities that went to CFPB, and there were others that were retained by the existing regulators. So this creates a potential for unevenness in terms of protecting consumers.

Mr. DODARO. It's part of—if I might, Orice, it's part of an overall look that we had of the banking regulators. And we still think that there's a lot of overlap and duplication in the bank regulation area at large, and then within that framework consumer protection issue was raised.

Ms. WILLIAMS. Yes. We also looked at the regulatory structure for depository institutions and also insurance.

Mrs. MALONEY. Okay. I'd like to ask today about the recommendations in your report for the overall financial regulatory system. And the report indicates, and I quote, "Congress and financial regulators have made progress in improving the financial regulatory systems," so that's really good news.

And the report indicates that the Financial Stability Oversight Council, or FSOC, quote, “represents advancement in addressing systemic risks and threats to the U.S. financial system,” end quote. And even that—and I quote, “its legal authorities may not be broad enough to ensure that it addresses all of the threats effectively.”

Now, can you comment on why you felt that it’s not addressing everything effectively, it could be broader. Could you address that more?

Mr. DODARO. Yeah. I’ll ask Orice to give particulars. But I’m very concerned about this. You know, one of the issues when we put it on the high-risk list, one of the reasons in 2009 was there was not a systemic risk focus by any of the regulatory areas. And this was one of the major failures that led to the global financial crisis, and the crisis we had in our country.

And so instead of designating a regulator, they gave the responsibility to FSOC to do. And we’ve looked at their work, tried to encourage them to be more transparent and thorough and also have a better research group, not duplicate what the individual regulators were doing.

And in some of the recommendations we had, if I recall correctly, they believed they didn’t have the legal authority to do it. So we recommended that Congress clarify it.

Orice can provide the specifics.

Mrs. MALONEY. Okay. Could you elaborate on that?

Ms. WILLIAMS. Yes. So the council consists of independent regulators. So if a problem is identified by the council, they aren’t able to bind any of the regulators to take action to address any particular risk that may emerge in the system.

And that’s what—the matter that we had spoke to was perhaps, if FSOC is going to be the systemic risk entity, then it should have responsibilities and authorities commensurate with the helping to identify and address systemic risk issues.

Mrs. MALONEY. That’s interesting, because some of my colleagues are working to abolish the CFPB, which seems to be incredibly successful in helping consumers and I would say the financial system, because the overall financial system thrives when consumers are also successful. And that the FSOC does not have implementation powers as strong as they should.

I want to thank you for your very helpful insight into this and basically your statement that abolishing these new safeguards for the financial system would be a mistake and hurt the overall economy.

So my time has expired, so I want to thank you for your hard work. I love GAO. I probably ask for too many reports from all of you, but they’re always insightful and very helpful, and I’m very appreciative. It’s helped advance our work in a bipartisan way. Thank you.

Mr. DODARO. Thank you very much.

Mr. PALMER. The chair recognizes the gentleman from North Carolina, Mr. Meadows, for 5 minutes.

Mr. MEADOWS. Thank you, Mr. Chairman.

Mr. Dodaro, thank you so much for your work. And as I look out into the audience with a lot of your fellow colleagues, a real thank

you to all of you as well. I know this is not your first rodeo, and we do appreciate your work.

And it makes a difference. I think I need to stress that, that the recommendations that many times—you know, a lot of times we can do these recommendations and think that no one is listening and no one is hearing, but I can tell you that not only do we listen normally, whether it's census or even—Mr. Dodaro, I think strategic oil reserves is one of the things that you mentioned that we needed to address.

So it got used as a pay-for at least three or four times after your hearing. I think we only had, you know, 25 billion. I think we used it four times, \$100 billion worth.

So as we become more accustomed to some of the recommendations that you make, what I'd like to do is for us to look just for our accountability, and it may be for GAO's benefit, is the number of recommendations that actually get implemented and not just by agency but overall those cost-saving recommendations. I know that you're doing that as they come off the high-risk list, but the more specific where you can actually get the feedback to the individual sector that is working, so whether it's DOD or the IRS or anything else, if we could do that.

So let me go very specifically to two—if your DOD person would come back up real quick on foreign military sales.

Mr. DODARO. Yes.

Mr. MEADOWS. And something that I need to get more clarification on, primarily because I've got somebody coming in to ask me about something today, as it would happen. They're not in my district and so I feel like maybe I can speak out a little bit more clearly.

But with regards to foreign military sales and what I would say sole-source procurement, where there is one person that ultimately gets the contract and where they get disqualified because of not having dealt with the bureaucracy of the United States before, is that a common practice, and if that is a common practice, does that not present a barrier to entry for anyone else wanting to compete for the same type of business?

Because the reason supposedly was that they don't normally deal with the bureaucracy of the Federal Government even though they are qualified to sell to the government. But because they haven't done it, they got thrown out. Is that common?

Mr. FRANCIS. I don't know how common it is, but it happens.

Mr. MEADOWS. Have you seen it before?

Mr. FRANCIS. Yes. Yes.

Mr. MEADOWS. Okay. So if you've seen it before, and we have a barriered entry, and because you haven't done business with the Federal Government you can't do business with the Federal Government in the future. Does that not have a chilling effect on competition?

Mr. FRANCIS. Yes. And it keeps nontraditional firms from entering into the DOD market, and we're not able to take advantage of some of the commercial innovation. And we're taking a look at that right now.

Mr. MEADOWS. All right. Well, will you take the message back that there's one member from North Carolina that is not going to

give up on this particular issue and that he has the support of two very senior Senators in the upper chamber that would—not necessarily from my State, that are looking at this very exact thing.

And so if you would take to them that if they're going to have a chilling effect on competition, we're going to look a lot closer at the procurement aspects as it relates. Would you do that for me?

Mr. FRANCIS. We will do that.

Mr. MEADOWS. All right. Great.

Mr. Dodaro, in the 49 seconds I have remaining, let's look at tax gap and truly at where we are in terms of not collecting taxes. I understand the newest one is—\$406 billion is the tax gap.

Mr. DODARO. Right.

Mr. MEADOWS. Eventually that becomes real money. Doesn't it?

Mr. DODARO. In a hurry.

Mr. MEADOWS. Yeah, in a hurry.

So when we look at EITC, and the earned income tax credit, it shows that improper payments average around 25 to 26 percent. Is that correct?

Mr. DODARO. I believe that's right.

Mr. MEADOWS. And so is that a historical trend which typically doesn't change much year to year?

Mr. DODARO. As I recall, it has been pretty much in that neighborhood over the time. I'll go back and I'll give the exact numbers for the record. There was a slight drop this past year, but there's no big changes that I've seen. There's some structural issues with that area.

Mr. MEADOWS. Okay. So if there are structural issues, at what point do we get serious? Because even just on the improper payments there, according to my notes, it's between \$13 billion and \$15 billion.

Mr. DODARO. Right. It's the third largest improper payment behind Medicare and Medicaid.

Mr. MEADOWS. So how do we fix it?

Mr. DODARO. There are a couple of things that have to be looked at: One is the statutory basis for the earned income tax credit. That's a very complicated situation. And I think—

Mr. MEADOWS. So are you suggesting that Members of Congress passed something that was very complicated? I'm shocked.

Mr. DODARO. In this particular case, I might say that that it could be simplified. And it—

Mr. MEADOWS. Okay. You need to run for office. That was very political, yeah.

Mr. DODARO. I'm happy with my current job.

Mr. MEADOWS. As you should be. I've run out of time, so I will give you some for the record. I want to be sensitive to the chair.

And if we would—I'll yield back, but I'll follow up and give your tax experts some—we need some as we look at the Affordable Care Act, the repeal replacement. We're about to make some more complicated decisions that I don't want to make sure—I want to make sure we don't make the same mistake.

And I'll yield back.

Mr. DODARO. Okay.

Mr. PALMER. The chair now recognizes the gentlelady from the District of Columbia, Ms. Holmes Norton, for 5 minutes.

Ms. NORTON. I thank the chairman.

I have a question about the effect of the elimination of regulations that is going full board here now.

So let's start with one. Mr. Dodaro, the management of Federal oil and gas resources by our country has been put on the high-risk list since 2011.

According to your report, some progress has been made on implementing the GAO's recommendations in this area. And I note that resources from oil and gas amount to \$49 billion, at least I'm quoting now from fiscal years 2011 through 2015, and therefore, one of the governments' largest sources of nontax revenue.

Now, past GAO work had found that the American people or that the country may not be getting a fair return from oil and gas produced from Federal leases. The Bureau of Land Management revises its—recommended—I'm sorry GAO recommended that the Bureau of Land Management revise its regulations to charge higher royalty rates to companies producing oil and gas on public lands.

Now, I understand that this recommendation was implemented as part of BLM's final rule on methane and waste reduction. Now, I like your view on the effect you envision given what you know about your recommendations to put it into effect in the first place. What would be the likely effect if this rule were finally overturned?

Mr. DODARO. I would like to ask Mr. Gaffigan to address that. He's our expert in that area.

Mr. GAFFIGAN. Thank you for your question.

Yeah, our recommendation was in the revenue collection area, basically that BLM should provide itself some flexibility to change the rates. They hadn't been looked at in a long time, and BLM went through a long process to do that and was, as you indicated, able to do a proposed rule, which allows for this flexibility.

What happens in the future is very dependent on where the resource is, what's at stake. They obviously want to provide a competitive rate. They don't want to price themselves out of the market by having a rate that's too high, but at least they've set the stage for providing the flexibility to collect revenues. And as you mentioned—

Ms. NORTON. They had done that in the rule.

Mr. GAFFIGAN. They've done that in the rule in November of 2016.

Ms. NORTON. Uh-huh. So the notion that one of these rules may actually deprive us of revenues is almost laughable if it weren't so sad.

GAO has looked intensively at this area, and it's also recommended that BLM update other regulations, including—I understand this is called onshore order number three to help BLM accurately determine how much is due in royalties, and that this was implemented.

With onshore order number three, if we see its elimination, how would you characterize the potential effect?

Mr. DODARO. Go ahead.

Mr. GAFFIGAN. I think that there's a lot of things happening in that area of revenue collection. We still have it in sort of a partially met status in terms of where BLM is in this, because I think we need to see how it plays out. One of the issues—

Ms. NORTON. What do you mean by partially?

Mr. GAFFIGAN. The criteria for coming off the high risk. We think they have made some progress, but they haven't fully met it. And we have it at the partially-met category because we think it needs—we need to see it implemented. And I think there's still some remains-to-be-seen work that needs to be done in this—

Ms. NORTON. How much of it has been implemented?

Mr. GAFFIGAN. I'm sorry?

Ms. NORTON. You say it has been partially implemented.

Mr. GAFFIGAN. Right.

Ms. NORTON. So are we almost there? Are we halfway there?

Mr. GAFFIGAN. I think they set the stage for them to be able to do some of these things. To increase—

Ms. NORTON. So you must have some view then on what would happen if that halfway or that were eliminated?

Mr. GAFFIGAN. Well we're going to continue to monitor it and continue to monitor this area, as we have for a number of years, to see. We think there has been some progress made, but there's more work that needs to be done.

Mr. DODARO. If in some of these areas, when we're—we're monitoring them all the time. If we see progress has regressed, we will state that. We will let the Congress know.

In fact, in this oil and gas area, we're saying for the reorganization area on high risk, they've regressed. They haven't fixed—in their safety and environmental management, they haven't—they're still using pre-Deep Water Horizon Investigation rules. They haven't fixed that. They're having problems in planning and documenting and have quality assurance over their investigations.

In the environment area, they're still operating on a 30-year-old agreement with EPA. They haven't changed that yet. And their enforcement mechanisms, they haven't been very clear on that area as well. And they've changed, in some of the environment area, reversed their reorganizational structure plans that they had in place.

So that's an area where we're saying this year, for that aspect of it, they've moved backwards not forward. And we'll keep an eye on these other areas as well.

Ms. NORTON. Thank you very much.

Mr. PALMER. The chair now recognizes the gentleman from Kentucky, Mr. Massie, for 5 minutes.

Mr. MASSIE. Thank you, Mr. Chairman.

Mr. Dodaro, I see on here, on the list of 34 at-risk programs, is improving Federal oversight of food safety. I missed your opening comments, but if you'd like to say something about that, I'd love to hear.

Mr. DODARO. Yeah. We've had that on the list for a number of years. It's a very fragmented system that we have. You know, there's, you know, 30 different laws about 16 different Federal agencies that are involved in food safety, and we've recommended that there be, you know, comprehensive reform; that they have a food safety governmentwide plan that spells out what needs to be done. There's metrics on how to do it.

They used to have a—the executive branch used to have a food safety working group. That's fallen by the wayside. We're saying

Congress, we believe, should at a minimum reestablish that group, ask for a governmentwide plan with measures and milestones, particularly as we're importing more food as well. I mean, the number of imported food now has almost doubled that in the past several years. And so I think it's very important that they address this issue.

Mr. MASSIE. What are the potential contributors to the increase in reported multi-State outbreaks of foodborne illness?

Mr. DODARO. Mr. Gaffigan is our expert in that area too.

Mr. MASSIE. Okay. Great.

Mr. GAFFIGAN. I don't quite have the range he has, but there's a couple things going on. You know, we have more and more of our food that's imported across the world. We have more and more of our folks eating raw, unprocessed foods. And we also have more vulnerable populations; as people age, they're more vulnerable to these things. So those are three factors that can contribute to more of the multi-State outbreaks.

Mr. MASSIE. How about the centralization of foods, food processing and preparation and production?

Mr. GAFFIGAN. You know, we haven't—that hasn't been cited as a contributor one way or the other. I think our main concern is having 30 different agencies involved in this. And we're just talking about the Federal agencies. There's a lot of efforts at the State and local level that are involved in our food safety system, and there's really a need, I think, for a national strategy to get these stakeholders together. And like any crosscutting issue, it starts with leadership, who's in charge, defining roles and responsibilities.

And we have a report that has just come out that reiterates some of this. We gathered some experts from the—with the assistance of the national academies, brought folks in, former FIS folks, former FDA folks, folks from the grocery industry and throughout. And it's really a phenomenal group of experts, and that was a theme of theirs. You know, a lot of folks doing a lot of good work, but we need somebody to kind of take charge and assign these roles and responsibilities.

Mr. MASSIE. Well, from the folks that I talk to, they say that, you know, our food supply system is actually—the more centralized it is, the more brittle it becomes and at risk, because if you have an issue in one slaughterhouse or in one field, it could show up in twelve different States very quickly. And so, you know, we've seen a lot of recalls that are nationwide instead of the local grocery store or something.

So here's—based on what both of you have said, here are a couple things that I have noticed that I want to comment on. I know a lot of small farmers. I've noticed that they're decreasing in number. The number of dairies is decreasing. The number of abattoirs, slaughterhouses is decreasing, and it's becoming more centralized. And this actually puts us—it's more efficient, but it's also a riskier system in terms of the magnitude of an outbreak if it happens.

Here's the ironic thing: What's pushing this trend is the fact we have 16 different, you know, administrative facilities for enforcing the laws, and the small guys, the small producers are being forced out by the regulations that are intended to keep us safer. So the regulations are leading to a greater centralization, just the over-

head of compliance, for instance, for a local slaughterhouse puts—you know, they go out of business and then it consolidates.

So I would just say, I'd like to keep that in mind as we promulgate more and more regulations, that the little guys aren't going to be able to keep up with so you can't buy food from your local processor or local farmer. You've got to buy it from another State. So keep that in mind.

Another thing that disappointed me a couple years ago, and I think this somewhat puts the consumer more at risk is, here in Congress, we got rid of country-of-origin labeling for beef and pork, a couple years ago, in the omnibus bill. And we were told we had to do this for trade reasons.

But as you pointed out, we doubled our consumption of food overseas, and I think everybody can agree there's not a uniform food safety law across the globe. And I think the best thing you can do is say, okay, buyer beware, this is the country that it's coming from.

So I think for food safety, let's just keep in mind that more regulations doesn't mean always safer food because it gets more centralized—leads to more centralized production. And I think labels are always a good thing.

So with that, I'll yield back to the chairman.

Mr. DODARO. Just for the record, we are not calling for more regulation.

Mr. MASSIE. Okay. Great. Thank you.

Mr. DODARO. We're calling for a streamlined, simplified, more cohesive system, which could lead to a streamlining of the regulations.

Mr. MASSIE. And I think that would be great for smaller producers and actually make our food supply system less brittle if they could deal with one agency instead of 16.

Mr. DODARO. Yeah, and we'll submit our most recent report, which I think was just issued this past week, for the record.

Mr. MASSIE. Great. Thank you both. I yield back.

Mr. PALMER. The gentleman yields.

The chair now recognizes the gentleman from California, Mr. DeSaulnier for 5 minutes.

Mr. DESAULNIER. Thank you, Mr. Chairman. I appreciate your leadership skills today.

So I wanted to talk a little bit about tax law enforcement and identity theft, whoever is going to move up to the chair for that. While you're doing your well choreographed, I just want to—

Mr. DODARO. I can handle some of these.

Mr. DESAULNIER. I'm aware. I'm aware. Just the fact that you admitted that you didn't want to run for office is a good indication of your intellectual capacity.

And to all of you, seriously, thank you for the work you do. This is really incredibly important work. It may seem out of the lime-light in our political environment, but I wish we did more of it. And as others have said on both sides of the aisle, this is really the meat and potatoes of what we should do in Congress in a bipartisan way.

So in your 2015 high-risk report, you included tax law enforcement and identity theft for the IRS. As much as \$14.5 billion you

identified in tax fraud was attempted in 2015; 85 percent of that we were able to recover.

So the question is, just the pressures between us not investing in the Internal Revenue Service and then whatever impact the hiring freeze would have on attracting the best quality people, because I just—I assume that the bad guys are constantly out there trying to push the envelope, and obviously it's in everyone's best interest to make sure that people are protected but also that people who pay their taxes on time, both their Federal and State and local taxes, realize the integrity of the process.

So if you could comment on the challenges to making sure that the personnel and the infrastructure are—we're investing properly in it, in regards to both the decrease in our support of the IRS overall and the potential impact from the hiring freeze.

Mr. DODARO. Right. In the identity theft area—and then I'll turn it over to Chris for specifics—they've actually allocated more resources to that area, which is one of the reasons they made some progress.

I was also pleased to see the Congress implement our recommendation that you accelerate the W-2 information reporting from employers from March or April to January. This will enable IRS to better match the information, but they'll need to have the systems in place to be able to do that to effectively take advantage of that congressional flexibility that that's being given to them.

The skill issues, Mr. Mihm, is focused on that, and I'll turn it over to him.

Mr. MIHM. Yes, sir. Thank you for the question. In addition to the additional resources IRS has put on it under its own initiative, Congress also provided additional resources in this particular area as well as the service side last year to make sure that they could augment their capacity to detect and respond to identity theft issues.

The challenge that they face is precisely the one that you mentioned, is that we have an adversary that's adaptive. And so it's the moment you put in one set of controls or one set of ways, detection technologies, they are able to figure that out and, you know, are working very aggressively to get, you know, around that.

So the big ongoing challenge that the IRS faces is making sure that they have authentication procedures in place; that they can really know that when you or I are saying we are you or I, we are indeed ourselves and not somebody in a foreign country.

Mr. DESAULNIER. So on the issue of attracting and retaining young people who can make a good deal of money in the private sector doing this kind of work, are we able to keep up with that challenge to attract and retain the best people?

Mr. DODARO. This is an issue of cross-government—

Mr. DESAULNIER. Right.

Mr. DODARO. —not just the IRS. And we put the strategic human capital management on a high-risk list in 2001, because we were concerned that the government is behind in that area. It's something that I am concerned about governmentwide. I'm very concerned about the Federal workforce in terms of skill gaps, impending retirements. And the complexity has increased in terms of some

of the issues the Federal Government has to deal with; cyber is a classic example of this.

But acquisitions is another area where acquiring much more sophisticated weapons technology, satellite systems, space-based systems, et cetera. So this is an area that I would, you know, really underscore that needs careful attention. I know I'm more worried about it. You know, I'm fortunate that I'm able to attract and retain talented people in GAO. We're not in the executive branch system. You know, we have our own personnel authorities, which I attributed largely to the reason we're able to operate effectively. But you're right to be worried about this, not only at the IRS but across the government.

Mr. DESAULNIER. In regards to the hiring freeze, how does that concern you? I was reading one of your reports from the 1980s talk about the implications of a hard hiring freeze, but particularly when it comes to revenue collection.

Mr. DODARO. Yes. A hiring freeze is not an effective way to manage the workforce. So our past work has shown that not to be true. In this case, they are doing it temporarily. They are going to come up with a plan. I'm anxious to see what the plan would be that they come up with in order to do this. They've made some exceptions in some areas, which is important to do as well.

But you really need a good workforce plan, and you also need to make decisions about what you want the government to do. If you still have all the requirements for government to do things but you have less people to do it, you're going to have problems. There will be breakdowns. There will be unsatisfied objectives.

So if you reduced some of the functions of government, then the people that go along with those functions you can reduce it that way. So either through budgetary controls or through strategic workforce planning would be the most optimal way to deal with making sure you have the—not only the size workforce you want but the one with the right skills.

Mr. DESAULNIER. Thank you. Thank you, all.

Thank you, Mr. Chairman.

Mr. PALMER. The gentleman yields.

The chair now recognizes the gentleman from California, Mr. Issa, for 5 minutes.

Mr. ISSA. Thank you, Mr. Chairman.

Good to see you again.

Mr. DODARO. Good to see you.

Mr. ISSA. Just to put it in perspective, because I think the gentleman from California did tee it up pretty well, but today, the Federal Government in its—all of its programs, including Medicare, Social Security, and so on, consumes a greater portion of our gross domestic product than ever before. Isn't that correct?

Mr. DODARO. That's correct.

Mr. ISSA. So government has grown in the size and amount of money that it takes in. So in a nutshell, is it fair to say that if we're getting more money as a percentage of the total wealth of the country, we have no one to blame if we don't have enough money for vital programs than ourselves?

Mr. DODARO. That's true.

Mr. ISSA. But I'm going to go back to something you said. I'm not trying to hold you accountable, but I know a little bit about what you try to do. How many slots do you have today, and how many of them have you been able to fill because of limited resources?

Mr. DODARO. We have—we don't have a set number of slots—

Mr. ISSA. But you used to have a lot more full-time equivalents?

Mr. DODARO. Oh, yes, yes, we did. Most recently we had about 3,250 before the sequester. We've been under 3,000 people most recently. So—

Mr. ISSA. So the IRS isn't the only group that's being told to do more with less and leverage technology. Are they?

Mr. DODARO. That's correct. And we think, just for the record, in the IRS that they could do more with the resources they have. We don't think they've measured good return on investment about different enforcement strategies and allocated the resources.

Mr. ISSA. And isn't it true, if you know, that the IRS has done very little to deal with the kind of fraud that has become rampant where people, through identity theft, basically file your tax return quickly and get a return from the government. That's a growing industry. Isn't it?

Mr. DODARO. It's a growing industry, but they have taken some measures. We give them credit for it in this report and also the Congress for giving them additional legislation to get the W-2 information from employers earlier, which will help them match. Previously, people could file their returns and they didn't have the W-2s.

Mr. ISSA. Right. In The old days a quick filer comes in early January and just defrauds and gets away with it. It's a little harder now.

Mr. DODARO. Yeah.

Mr. ISSA. I want to go to one of the areas that you note. It's a new area. You have a fairly broad group of problems for Native Americans.

Mr. DODARO. Yes.

Mr. ISSA. And this is new. Education is failing. We, the Federal Government, are failing in our responsibility to bring education to the tribal areas. Correct?

Mr. DODARO. That's correct, and particularly the condition of the schools.

Mr. ISSA. Indian Healthcare Service is not meeting its responsibilities. Is that true?

Mr. DODARO. That's correct.

Mr. ISSA. And when Native American tribes try to do energy programs, energy development programs, you noted that they're finding extreme burdens in trying to do their own programs on Native American land?

Mr. DODARO. Yes.

Mr. ISSA. So first time, but it looks like there's an attack on Native Americans on three fronts: Their education, their opportunity to have energy and employment, and, of course, their health. How are we going to fix this?

Mr. DODARO. I think you need better leadership over at the Bureau of Indian Affairs and Indian Health Services. It has to be a higher priority. When I meet with the new Secretary of Interior,

once there is one, I'm going to raise this issue to them. This is a serious problem.

Staffing isn't up to where it needs to be at a lot of these locations. There are no healthcare standards and metrics that they're supposed to have. They're still allocating the money for contract care for health care using a formula they used in the 1930s. I mean, it just—I mean, lack of attention would be the underlying theme, Congressman Issa, that I would—

Mr. ISSA. So this is—

Mr. DODARO. We put it on the list to elevate attention it to it. It needs a leadership commitment.

Mr. ISSA. And that leadership failure is, in fact, at the Department of the Interior. They've gotten to where you now see three separate parts of our dealing with our obligation for these tribal lands in a way in which it has got to be almost job one of the Secretary of Interior to find himself some key lieutenants and put them to work.

Mr. DODARO. Exactly. And there's—Department of Health and Human Services has a role here too.

Mr. ISSA. Well, they do have a Secretary now. So that's—

Mr. DODARO. I plan to meet with Secretary Price.

Mr. ISSA. Well, I plan to meet with him on this issue too because California, as you know, has a fairly extensive amount of Native American assets.

You've been doing this for a long time, and I did note that you're doing more with less. But in the remaining seconds, just tell me, if you could have one thing from this committee, one thing to make your job easier and more successful, what would it be? We'll leave money aside.

Mr. DODARO. Attention and more hearings on the high-risk areas.

Mr. ISSA. Well, I look forward to that. I might add one that I hoped you would say, but I didn't prep you, and that is the type of interference that you have had from previous executive branch where they found you a nuisance, they argued over what your statutory authority was, and denied you access. Would that also be something you'd put high on the list?

Mr. DODARO. Oh, definitely. I'll be on your doorstep right away if there's a problem.

Mr. ISSA. Well, Mr. Chairman, it is—I ask that question for a reason. I know Will is going to be next, but the last administration, I think, failed, and it is our obligation to hold this administration to a much higher standard to cooperate with the GAO because without them our oversight is not meaningful. Thank you.

I yield back.

Mr. PALMER. The gentleman yields.

The chair recognizes the gentleman from Texas, Mr. Hurd, for 5 minutes.

Mr. HURD. Thank you, Chairman Palmer for saving the best for last.

Mr. PALMER. Well, I'm actually last.

Mr. HURD. Oh, there you go.

Mr. PALMER. But I accept the compliment.

Mr. HURD. Mr. Dodaro, great to see you. When I was elected to Congress, what, three Novembers ago, I never would have expected that GAO would be my new favorite department. And what you and your team do is integral to our role as oversight and to helping make sure that our Federal Government is lean, mean, and responsive to the citizens that they serve. And so thank you to you and your team for all that work. And I don't start any project off without saying, hey, what does GAO say about that and not try to recreate the wheel.

What I'd like to talk to you about is the VA. Your recent report indicates there are significant gaps between the VA's stated plans and its actual progress. You flag improving access to timely medical appointments as requiring immediate action. This is after the VA has already spent \$127 million over 9 years to modernize outpatient scheduling.

What's the current status of the VA's scheduling system? What actual progress has there been in improving the scheduling of veterans' medical appointments, and why is this such a problem?

Mr. DODARO. Yeah. The current scheduling system they have is 30 years old. It has been a problem because it hasn't been properly managed. Their IT structures, we just issued a report—Dave Powner, who I'm sure you're very familiar with.

Mr. HURD. Yeah, he's fantastic. I see him over there.

Mr. DODARO. He's here, and he can explain their IT problems in more detail. I'm very concerned about this area. I raised the high-risk list last update because I knew it wouldn't be fixed right away, but I'm disappointed in a lack of progress.

Mr. HURD. And to both of you, General and Mr. Powner, it's always good to see you, and thanks for your work that you and your team are doing on the scorecards that we offer—provide to—on the agencies.

I had a veteran come up to me recently, had heart problems, had high blood pressure, and he lived in Texas. He was in Florida visiting his kids. He goes into the Florida VA because he was having real problems, didn't have his medicine. Took 9 hours to get him—to get entered into the system. It's 2017, for God's sake. This is—you know, you should be able to pull him up.

Is the enterprise so big that it requires years to implement a scheduling system, in your expert opinion?

Mr. DODARO. No, no, absolutely not. I mean, they should go to a commercial solution. There are commercial solutions, so obviously scheduling medical appointments is not unique to the Veterans Affairs Department. They will tell you that as well.

I'm also concerned that they're not measuring wait times for patients. You know, they don't start measuring wait times until some—a veteran can call for an appointment, then they have to check eligibility, then eventually a scheduler will get back to the person, and then they'll ask them when they're first available to have an appointment, and then they'll say, well, I'd like to come in on the 17th, let's say, for example. And they say, we don't have anything on the 17th.

So they'll start only from that time, counting wait time, when it could've been many days before this even transpires. But Dave can

talk about the IT. They spend over \$4 billion a year, and we're getting very limited return on that investment.

Mr. HURD. I'm glad this table is attached to the floor because I'd flip it over on the next topic, and that's DOD and VA electronic healthcare interoperability.

Mr. DODARO. I'll come and help you.

Mr. HURD. How long is it going to take us to achieve true interoperability?

Mr. DODARO. You know, we flagged this issue probably 15, 20 years ago.

Mr. HURD. Yeah.

Mr. DODARO. You have the two most bureaucratic government entities trying to work together in this area. They haven't done it. They still haven't provided us a good rationale for why they decided not to have an integrated system and they're going off on their own way. DOD has a system that they bought now, a commercial system. Maybe VA ought to consider, you know, that as an option as well.

You know, I don't want to limit competition and procurement; I'm not saying that. But studies that were done show that 90-plus percent of the requirements are the same for the two systems.

Mr. HURD. Mr. Powner, you can have the remaining time I have or do not have.

Mr. POWNER. Well, I think the key here with both scheduling and electronic health record, they can hand in hand. So you could modify the current systems or you can go commercial. With commercial electronic health records, there's typically scheduling modules.

VA is piloting those initiatives right now. They're leaning towards the commercial decision. Now that the Secretary is in place, they're waiting for a decision to be made. The decision should be go commercial. That will go a long ways towards interoperability with DOD.

Mr. HURD. Buy, not build.

Mr. POWNER. Correct.

Mr. HURD. Excellent.

I yield back, Mr. Chairman.

Mr. PALMER. The gentleman yields.

I now recognize myself for 5 minutes. And these will be rapid fire, if I may. I mean, if you need to go into an extended explanation, then do so.

On the enforcement of tax laws, the information that I have, you show a \$385 billion tax gap in 2006. Do you know what it was in 2016?

Mr. DODARO. It's the equivalent number. The net tax gap's about \$406 billion.

Mr. PALMER. Okay. And how about 2015?

Mr. DODARO. Well, they only measure it every once in a while.

Mr. PALMER. Every once in a while?

Mr. DODARO. Yes. So they don't measure it every year. The latest estimate is a net tax gap of over \$400 billion.

Mr. PALMER. I saw a number yesterday. Well, the net. Now, I'm glad you clarified, because the total tax gap was like 456.

Mr. DODARO. That is correct. Then they expect to collect so much. I gave you the number that compared to the 385.

Mr. PALMER. Thank you. And I appreciate the clarification.

On the improper payments, that's a big deal with me. I think we've had this conversation before. The improper payments doesn't account for all the improper payments on Medicaid. You said it's \$36 billion.

Mr. DODARO. Right.

Mr. PALMER. And then approximately another \$60 billion on Medicare.

Mr. DODARO. Right.

Mr. PALMER. On the Medicaid, you said it didn't account for all of it. Do you have a ballpark on—

Mr. DODARO. No, I don't. Unfortunately, I don't.

Mr. PALMER. How about on Medicare, do you think that represents all the improper payments there?

Mr. DODARO. That estimate is pretty good on Medicare, now that they're measuring all parts of Medicare.

Mr. PALMER. So we're right at \$100 million a year. And this has been going up.

Mr. DODARO. Yes, that is correct. It's been going up.

Mr. PALMER. So it hasn't improved. I was informed a few days ago that there may be some indication that not all Federal agencies are reporting improper payments.

Mr. DODARO. That is correct. I am very concerned about that. I pointed that out. There were at least a dozen programs that did not report this past year. One was the Supplemental Nutrition Assistance Program, SNAP, or the old food stamp program.

The Temporary Assistance for Needy Families has never reported. They don't believe that they can do it. I've encouraged Congress to pass legislation to require them to make that effort. And a number of agencies just haven't done it.

So the estimates, governmentwide estimate of \$144 billion for 2016 is not a complete estimate. And we've flagged this for a number of years on our governmentwide audit is that the Federal Government doesn't have reasonable assurance that it knows the full extent of improper payments and can address those issues.

Ninety percent of the improper payments over the last few years are overpayments. Some are underpayments. That's a problem, too, because somebody that should be getting a benefit isn't. But most of it are overpayments.

Mr. PALMER. Well, here's the thing that concerns me. I'm also on the Budget Committee, and I made this point that there are days I feel like my head will explode. We're expending money improperly and not properly funding other programs where we're now obviously deficit spending.

So we're literally borrowing money and paying interest on it as a result of improper payments and the failure to fully collect all the taxes.

Mr. DODARO. That's exactly right.

Mr. PALMER. When you add these two together—and, again, to your point that we don't know that this is all that's being expended improperly—we're talking almost \$600 billion. And in our 10-year window, that's \$6 trillion, and it's going up.

Mr. DODARO. Right.

Mr. PALMER. And we're laying that on future generations plus interest.

Mr. DODARO. Right, right.

Mr. PALMER. That's maddening.

Mr. DODARO. Yes. Yes, it is. I testified before the Senate Finance Committee on this very issue. I'd like to submit my statement for the record, both on the tax gap and improper payments.

I think—I mean, it won't solve our long-term sustainable fiscal path, but it will make a huge contribution if we could get these two areas under control.

Mr. PALMER. I thank you for that and, without objection.

Mr. PALMER. I want to go back to something Ms. Holmes Norton brought up about the revenues from the Bureau of Land Management. And how much is reported that we collected in royalties and revenues?

Mr. DODARO. Yes. I'll have to—here, I have an answer quick for you. We're rapid fire.

Mr. PALMER. Well, I have the gavel, so we'll be a little flexible.

Mr. GAFFIGAN. About \$10 billion a year for oil and gas.

Mr. PALMER. Okay. There's a number of reports that indicate that the revenues over a 15-year period as a result of repealing the ban on exporting crude oil should increase.

But one of the things that I found out—and I want to clarify this, make sure I heard it right—the last that I heard, we hadn't increased the royalty rate since the 1920s. Is that correct or did that change?

Mr. GAFFIGAN. There have been changes since the 1920s. There's the major law. One of the major laws is from the 1920s. But there hasn't been a huge change in recent years on the royalty rates, both onshore and offshore, but there has been some tweaking.

Mr. PALMER. What is the royalty rate?

Mr. GAFFIGAN. It ranges from about 12 to 18 percent, depending if it's onshore or offshore.

Mr. PALMER. What's the royalty rate that the private sector, private landowners get?

Mr. GAFFIGAN. That can range, and we could give you some estimates of that. Obviously, we are only familiar with the Federal rules.

Mr. PALMER. On the high end, though, I think it's less—it's more than what the Federal Government gets.

Mr. DODARO. Yes. There's a study that compared the Federal Government to the State governments and what they receive as well as the private sector. We can get you a summary of that study.

Mr. PALMER. I'd appreciate that.

Continuing on our rapid-fire deal on the improper payments, and I think you may have addressed this, but on the Social Security Disability programs, I know we're expending money improperly there as a result of the failure to do the 3-year reviews. If we could, I'd like to—if you've got a number on that, you can submit that to us later.

Mr. PALMER. I want to ask you something about Federal real property. Has there been any estimate for how much could be sold and how much revenue would be generated from that?

Mr. DODARO. There's not an estimate I'm aware of. I'll double-check and, if so, I'll submit it.

Mr. PALMER. If you do that, could you also include estimated savings on maintenance and upkeep?

Mr. DODARO. Okay.

Mr. PALMER. Because that is an annual expenditure that we want to address.

I want to ask you another one, and this has to do with—you've made progress in getting these agencies to meet the criteria and you showed that the benefits, approximately \$240 billion over that 10-year period, about \$24 billion a year. Do you have any idea what that financial benefit would be to the Federal Government if all of the agencies met the criteria?

Mr. DODARO. No, I don't have an estimate on that. But most of that money comes from DOD weapon systems that we've been able to curtail. A lot of it's Medicare or Medicaid and the tax revenue side. So it's all big areas. If we could continue to—I think those areas have huge potential. I know it's tens of billions. I just don't have a complete estimate.

Mr. PALMER. All right. And Mr. DesJarlais—no, it was Mr. Cartwright—I apologize, another mistaken identity here—brought up the issue of climate change.

Has the GAO looked into the Federal Government and the national, the Nation's exposure to an EMP event, electromagnetic pulse event?

Mr. DODARO. Actually, we have. And I'll submit those reports for the record.

Mr. PALMER. Without objection.

Mr. PALMER. And then the last thing, and this is a clarification. When someone was asking about the Fannie Mae and Freddie Mac and indicated that they have guarantees backing them up that are \$ 200 billion, maybe a little bit more, there was an article in the Washington Post last October that indicated that that guarantee was only about \$83 billion. Could someone just check into that and clarify that?

Mr. DODARO. Yes. We'll clarify for the record, but I'm pretty confident on our number.

Mr. PALMER. Yes. Well, I just saw that. And I'm not questioning your number. I just want to make sure that we're all on the same page on that.

Mr. DODARO. Okay. Well, we'll check what the Post was talking about and we'll check our number and then I'll give it for the record.

Mr. PALMER. The chair now recognizes the gentleman from Wisconsin, Mr. Grothman, for 5 minutes.

Mr. GROTHMAN. Thank you.

GAO removed the personnel security clearance as a high-risk area a few years back, 5 years ago now. Since then, the security clearance system has seen a lot of changes, reform initiatives. You guys are not listing it as high-risk now, but your report discusses ongoing reviews of the overall reform effort.

What do you think is going right in the reform effort, and what concerns does GAO have as you move forward?

Mr. DODARO. Yes. Well, I think—they're implementing a number of the recommendation that they had from the reviews that were done after the Washington Navy Yard incidents and the incidents with the OPM breach. But I'm still concerned about several areas.

One, you have this new entity, the National Background Investigations service that's just been stood up in October. There's also a move to transfer the IT systems to DOD to manage those systems. The National Defense Authorization Act is requiring DOD to consider taking over the background investigations again for DOD. So there's a lot of moving parts right now.

And I'm also concerned about whether or not adequate changes have been made to properly protect the security of these very important systems.

So we're looking at all those areas right now. And the work we are going to do should be finished by this fall, and if, you know, I'm concerned about it at that point, I'll add it to the high-risk list out of cycle. I've done that before if circumstances warrant it.

Mr. GROTHMAN. Okay. The National Background Investigations Bureau was supposed to be responsible for conducting security clearance investigations. There's a feeling that things are moving a little bit slowly there. Do you have any recommendations for Congress?

Mr. DODARO. Yes. Cathy Berrick is our expert in that area.

Mr. GROTHMAN. Oh, good. Well, we get somebody different. Ask the right question.

Ms. BERRICK. There is currently a significant backlog at NBIB. They came into existence, became operational in October of 2016. There's already a 569,000 backlog of personnel security clearance investigations that need to be conducted.

So I think one of the first things they need to do is develop a plan for how they're going to work through that backlog. They are hiring an additional couple hundred people. They also doubled their number of contractors from two to four. But I think actually having a concrete plan on how they're going to work through that is going to be important.

I also think it's important for them to work with the DNI, the Security Executive Agent for security clearances, to develop governmentwide quality metrics for personnel security clearances. So they're not just focused on the backlog, but they're also focused on the quality of investigations. I think those are probably the two most important things they should do.

And now I'll throw a third in as well, which is oversight over their contractors, since contractors conduct the bulk of background investigations for both initial and reevaluations. So oversight is important, and that's something we're also currently looking at.

Mr. GROTHMAN. At the current path, are they going to work their way through the backlog?

Ms. BERRICK. They have no specific plan or timeframe on when they'll work through it. They've just said it's going to take time.

Mr. GROTHMAN. Do you know is the backlog getting greater or lesser?

Ms. BERRICK. It's gotten greater over recent years, in part due to the OPM data breach, in part due to new investigative standards.

Mr. GROTHMAN. Okay. According to the most recent reporting by the Performance Accountability Council, the time it takes to conduct an investigation has been the highest it's been in years. Do you think that's a problem?

Mr. DODARO. Well, timeliness was the reason we put it on the high-risk list in the first place, so—and that was after 9/11 occurred. So more things became classified and secret sensitive and things, so more people needed background investigations.

So timeliness is something we'll look at, but quality and quality standards is also important. So we'll be looking at both of those issues.

Mr. GROTHMAN. Both of them. Can you give me a timeframe right now?

Mr. DODARO. Yes. We'll issue our reports in the fall. Right.

Ms. BERRICK. Right.

Mr. GROTHMAN. I mean not your timeframe, but their timeframe. What is the standard wait?

Mr. DODARO. Oh, oh, oh.

Ms. BERRICK. It varies within the intelligence community. Outside of, you know, sometimes it could be over 200 days. It just varies, depending on the agency.

Mr. GROTHMAN. Okay. Like what agency would be 200 days?

Ms. BERRICK. I'll have to get that information for you, and we could submit it for the record.

Mr. GROTHMAN. Okay. Thanks.

I'll yield the remainder of my time.

Mr. PALMER. The gentleman yields.

I would like to thank our witness, Mr. Dodaro, I always enjoy our time together, and all the folks from GAO who accompanied him for taking time to appear before us today.

Several members asked for additional information for the record, so we would appreciate your provision of the information requested.

I ask unanimous consent that members have 5 legislative days to submit questions for the record. Without objection, so ordered.

If there is no further business, without objection, the committee stands adjourned.

[whereupon, at 12:16 p.m., the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Questions for The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office

Questions from Chairman Jason Chaffetz

February 15, 2017, Hearing: "GAO's 2017 High Risk Report: 34 Programs in Peril"

Mitigating Gaps in Weather Satellite Data

1. Why has NOAA been successful in launching a geostationary satellite replacement and why launching a polar satellite replacement is proving to be more difficult?

A key factor in the National Oceanographic and Atmospheric Administration's (NOAA) successful launch of its geostationary satellite replacement in November 2016 was that it had a strong integrated program management team that was able to effectively navigate cost, schedule, and technical challenges. For example, when faced with timeframes that would not allow comprehensive system integration testing, the program made the decision to move to round-the-clock testing and later delayed the launch date by 6 months.

However, it is important to note that both geostationary and polar-orbiting satellite programs experienced difficulties leading up to their satellite launches. Over the last decade, we issued a series of reports identifying cost, schedule, and technical challenges facing both programs.¹ We also made multiple recommendations over the years to address these challenges and NOAA has worked to implement these recommendations.

One differentiating factor between the two programs is that NOAA's polar satellite program had a more troubled history than the geostationary satellite program. NOAA, the National Aeronautics and Space Administration, and the Department of Defense (DOD) were originally part of a tri-agency polar-orbiting satellite program (called the National Polar-orbiting Environmental Satellite System program), which was expected to provide more complex satellites in multiple orbits. In 2010, after spending 16 years and \$6 billion, and experiencing significant inter-agency management challenges, the executive office of the president directed the disbanding of the NPOESS program and instructed NOAA and DOD to establish separate programs to address their own requirements in different orbits. NOAA subsequently established its Joint Polar Satellite System program to fulfill its requirements for polar-orbiting environmental satellite data.

2. What is DOD currently doing to ensure it will be able to provide its two highest-priority capabilities in the near future (cloud characterization and area-specific weather imagery)?

¹See GAO, *Polar Weather Satellites: NOAA Is Working to Ensure Continuity but Needs to Quickly Address Information Security Weaknesses and Future Program Uncertainties*, GAO-16-359 (Washington, D.C.: May 17, 2016); *Environmental Satellites: Launch Delayed; NOAA Faces Key Decisions on Timing of Future Satellites*, GAO-16-143T (Washington, D.C.: Dec. 10, 2015); *Geostationary Weather Satellites: Launch Date Nears, but Remaining Schedule Risks Need to be Addressed*, GAO-15-60 (Washington, D.C.: Dec. 16, 2014); and *Polar Weather Satellites: NOAA Needs To Prepare for Near-term Data Gaps*, GAO-15-47 (Washington, D.C.: Dec. 16, 2014).

In August 2016, DOD reported to Congress its near-term plans to address potential satellite data gaps.² Plans for addressing the two highest-priority capabilities—cloud characterization and area-specific weather imagery—include exploring options to move a geostationary satellite over an affected region, and exploring options for acquiring and fielding new equipment, such as satellites and satellite components to provide the capabilities. However, because it takes time to establish new satellite data sources and assimilate them into data products, these proposed solutions may not be available in time or be comprehensive enough to avoid any near-term coverage gaps.

More recently, plans were approved to initiate an effort by the Operationally Responsive Space (ORS) Office—a joint initiative of several DOD agencies with a mission to rapidly deploy space capabilities—that would focus on addressing these high-priority gaps. We have ongoing work assessing this and other ORS efforts.

DOD Business System Modernization

3. What can Congress do to ensure DoD commits resources to business system modernization?

Congress can consider directing DOD to submit to GAO, the House Committee on Oversight and Government Reform, and other cognizant committees (e.g., the congressional defense committees and the Senate Committee on Homeland Security and Governmental Affairs), a plan to address deficiencies in its management controls for business systems modernization described in GAO's 2017 High-Risk Report. Our February 2017 High-Risk Report identified DOD's lack of plans for addressing the various actions and associated recommendations described in the report as an important factor limiting the department's ability to make progress. Specifically, we noted that the department lacked final and approved plans to address needed improvements in business system acquisition management, business system investment management, and its federated business enterprise architecture. Such plans, properly developed and implemented, would provide DOD and Congress a means to monitor progress in these areas and hold responsible entities accountable for committing available resources and making needed progress.

DOD Financial Management

4. What structural reforms or organization restructuring does DoD need for improved contract and financial management?

We have reported that DOD's efforts to improve its financial management have been impaired by its decentralized organization; cultural resistance to change; lack of skilled

²Earlier, in March 2016, we found that DOD had ineffectively engaged with the National Oceanic and Atmospheric Administration (NOAA) during its analysis of alternatives for space-based environmental monitoring (SBEM) capabilities, which contributed to an incorrect assumption about the availability of cloud characterization and area-specific weather imagery data from European satellites. As a result, these two capabilities were not as thoroughly analyzed for potential solutions in the department's analysis of alternatives. We recommended DOD establish formal mechanisms for coordination and collaboration with NOAA to ensure DOD is sufficiently informed about the availability of data from partner satellites as it plans for future SBEM capabilities. DOD stated that existing working-level engagements with NOAA were consistent with the recommendation and that senior NOAA representatives would be invited to participate in future SBEM planning. We reiterated that DOD should formalize its efforts, to include clearly defined roles and responsibilities for the two agencies.

financial management staff; lack of effective processes, systems, and controls; incomplete corrective action plans (CAP); and ineffective monitoring and reporting.

Under its current financial management structure, DOD leadership will need to continue building a workforce with the level of training and experience needed to support and sustain sound financial management. DOD needs to address the lack of availability of financial management staff due to the impact of the mandatory workforce reductions at headquarters as required by the National Defense Authorization Act (NDAA) for fiscal year 2016 and possible impact of the Administration's 90 day hiring freeze. In addition, to continue building a skilled and knowledgeable workforce, DOD needs to assure that the financial manager certification program continues developing and refreshing required competencies, periodically assessing the workforce's capabilities, identifying competency gaps, and closing those gaps.

Further, DOD needs to continue to develop and deploy enterprise resource planning (ERP) systems as a critical component of DOD's financial improvement and audit readiness strategy.³ DOD also will need to strengthen automated controls or design manual workarounds for the remaining legacy systems to satisfy audit requirements and improve data used for day-to-day decision making.

In terms of contract management, DOD needs to take further actions to ensure its acquisition workforce is appropriately sized and trained to meet its needs so as to increase the department's capacity to negotiate, manage, and oversee contracts. For example, while DOD met its overall acquisition growth goal for its workforce—increasing in its military and civilian workforce from about 126,000 to more than 158,000 between September 2008 and March 2016, or by about 12,000 more than the target identified in DOD's April 2010 acquisition workforce plan—DOD did not accomplish the goals it set for some of its 13 acquisition career fields.⁴ DOD's acquisition workforce strategic plan indicated that targeted growth in 5 priority career fields—auditing, business, contracting, engineering, and program management—would help DOD strategically reshape its acquisition workforce. As of March 2016, our analysis shows that DOD met or exceeded its planned growth for 8 career fields by about 12,500 personnel, including the priority career fields of program management and engineering, but fell short by about 2,800 personnel in 5 other career fields, including the priority career fields of contracting, business, and auditing. In December 2015, we recommended that DOD issue an updated workforce plan that included revised career field goals and issue guidance to the components to focus hiring on priority career fields.⁵ DOD agreed that additional guidance was essential to ensure that DOD had the right people with the right skills to meet future needs, but noted that determining which career fields were a priority was most appropriately determined by the components. DOD stated that it would work with the components to issue guidance that would best meet both enterprise and specific component workforce needs. DOD issued an updated strategic plan in October 2016 that reiterated the need to shape the acquisition workforce to achieve current and future acquisition requirements but did not establish specific targets for the acquisition workforce as a whole or

³An ERP system is an automated system using commercial off-the-shelf software consisting of multiple, integrated functional modules that perform a variety of business-related tasks, such as general ledger accounting, payroll, and supply chain management.

⁴Pursuant to the Defense Acquisition Workforce Improvement Act, DOD identified 13 career fields and designated acquisition-related positions held by military or civilian personnel. Pub. L. No. 101-510 §§ 1201-1211 (1990) (relevant sections codified as amended at 10 U.S.C. §§ 1701-1764). The business career field was divided into two career fields in 2010, cost estimating and financial management. We combined the two career fields under the "business" career field for consistency.

⁵GAO, *Defense Acquisition Workforce: Actions Needed to Guide Planning Efforts and Improve Workforce Capability*, GAO-16-80 (Washington, D.C.: Dec. 14, 2015).

targets for specific career fields. DOD officials noted that DOD's objective is to sustain the current level of the acquisition workforce and understand the workload demand.

Additionally, DOD needs to take more actions to improve how it manages services acquisitions, which account for more than half of its annual procurement spending. One critical element in improving services acquisition is to know what the department is buying today and what it intends to buy in the future. We found that while data on future service acquisitions are generally maintained by DOD program offices, DOD and military department guidance does not require that data to be specifically identified in DOD's budget forecasts. We recommended in February 2016 that the military departments revise their programming guidance to collect information that is already available on how contracted services will be used to meet requirements beyond the budget year. We also recommended that DOD establish a mechanism, such as a working group of key stakeholders, to coordinate these efforts. DOD partially concurred with these two priority recommendations, citing challenges in estimating future spending.⁶

In that regard, DOD's January 2016 service acquisition instruction includes requirements to generate data on anticipated future service acquisition spending, but this requirement does not clearly identify what level of detail should be collected, leaving DOD at risk of developing inconsistent data between each military department. Ensuring DOD has the people, skills, capacity, tools, and data needed to make informed acquisition decisions is essential if DOD is to effectively and efficiently carry out its mission in an era of more constrained resources.

Ensuring the Effective Protections of Technologies Critical to U.S. National Security Interests

5. What are the criteria for determining if certain technology is placed on the U.S. Munitions List? Who is responsible for making those decisions and do these individuals have the expertise necessary to make an informed decision?

The overarching criterion for determining if a certain technology is placed on the United States Munitions List (USML)—under the International Traffic in Arms Regulations—is whether defense articles and defense services are determined to provide a critical military or intelligence advantage.

The Department of State (State), with assistance from DOD's Defense Technology Security Administration, determines what is included on the USML. Further, over the last several years, as part of the former President's Export Control Reform initiative, a task force (consisting of various departments and agencies, including the Department of Commerce (Commerce), DOD, and State) created new, more specific export control criteria to determine which items and technologies needed to remain on the USML and which could be transferred to Commerce control. In doing so, State, Commerce, and Defense Technology Security Administration officials involved in the reform initiative have been working to reach agreement on the appropriate controls over items in the 21 categories of State's USML. As of our 2017 High Risk update on this topic, we found 17 of the 21 categories of the USML have been reviewed to clearly identify the jurisdiction of these categories.

⁶GAO, *DOD Service Acquisition: Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements*, GAO-16-119 (Washington, D.C. Feb 18, 2016).

GAO has not assessed expertise of the officials involved in making decisions for what is placed on the USML.

U.S. Government's Environmental Liability

- 6. This year, GAO has included the U.S. Government's environmental liability as a new addition to its high-risk list. How did GAO come to the decision to include this new area?**

GAO's criteria for adding an area to the high risk list include government operations that are vulnerable to fraud, waste, abuse, and mismanagement, as well as operations where there is exposure to loss in monetary terms in which there is at least \$1 billion at risk. Over the past 20 years, the U.S. Government's estimated environmental liability has more than doubled—from \$212 billion in 1997 to \$447 billion in 2016—even while federal agencies have spent about \$200 billion to address the liability. In addition, this \$447 billion estimate does not reflect all of the future cleanup responsibilities federal agencies may face. Because of the lack of complete information and the often inconsistent approach to making cleanup decisions, federal agencies cannot always address their environmental liabilities in ways that maximize the reduction of health and safety risks to the public and the environment in a cost effective manner. An increase in future liabilities that outpaces federal efforts to reduce them creates an unsustainable financial path and suggests that better methods are needed to manage the risks and reduce the growth in future costs. All of these factors led to our decision to include this new area on the 2017 high-risk list.

- 7. In the 2017 High Risk Report, GAO estimates the U.S. Government's environmental liability to be \$447 billion. However, it also states that the actual cost may be even higher. What factors or costs would cause this amount to increase?**

As we testified in February 2016, DOE's estimated liability does not include billions in expected costs, and this is true for other federal departments as well.⁷ For example, DOE has not yet developed a cleanup plan or cost estimate for the Nevada National Security Site and, as a result, the cost of future cleanup of this site was not included in DOE's fiscal year 2015 reported environmental liability. The nearly 1,400-square-mile site has been used for hundreds of nuclear weapons tests since 1951. These activities have resulted in more than 45 million cubic feet of radioactive waste at the site.

According to DOE's financial statement, DOE is not yet required by applicable cleanup regulations to establish a plan to clean up the site since there is no current feasible remediation approach. As a result, the costs for this work are excluded from DOE's annually reported environmental liability. In addition, DOE's reported environmental liability includes an estimate for the cost of a permanent nuclear waste repository, but these estimates are highly uncertain and likely to increase. In response to the termination of the Yucca Mountain repository program, DOE proposed separate repositories for defense high-level and commercial waste in March 2015. In January 2017, we reported that the cost estimate for DOE's new approach excluded billions in costs and the time frames for key activities. As a

⁷According to government accounting standards, environmental liability estimates include costs that are probable and reasonably estimable, meaning that costs that cannot yet be reasonably estimated are not included in total environmental liability.

result, the full cost of these activities is likely more than what is reflected in DOE's environmental liability estimate. Notably, DOE may have insufficient controls in place to accurately account for its environmental liabilities. In January 2017, the DOE Inspector General reported a significant deficiency in internal control related to the reconciliation of environmental liabilities.

As for other federal departments, our recent work found that DOD's \$63 billion environmental liability is likely to exceed its current estimate because a number of activities are not fully included in the estimate; the activities are not included because their scopes are not yet known. Notably, we reported in February 2014 that our audit of the government's consolidated financial statements found that DOD's inability to estimate with assurance key components of its environmental liabilities was a material weakness, and we reported in January 2017 that this weakness still exists. For example, DOD's current environmental liability estimate does not include additional costs that will likely be needed for DOD to complete the cleanup for Base Realignment and Closure (BRAC) activities. We reported in January 2017 that DOD estimates it will need about \$3.4 billion in addition to the \$11.5 billion it has already spent to manage and complete environmental cleanup of BRAC installations. We also found that DOD's annual report on its environmental cleanup program does not include significant costs associated with cleanup of contaminants at its installations, including those closed under BRAC.

8. In the past, GAO has recommended setting national priorities for cleaning up its contaminated sites. Has DOE taken any steps to adopt a methodology for prioritizing among sites? How would such a system help DOE more effectively address its environmental liability?

DOE has taken some steps over the last several decades to integrate the requirements contained in its numerous site-specific environmental agreements, whose priorities and requirements have not always been consistent with technical or fiscal realities or well suited to setting priorities among sites. However, the consistency of these efforts has been limited. In 2015, a review organized by the Consortium for Risk Evaluation with Stakeholder Participation, an independent multidisciplinary consortium of universities led by Vanderbilt University, reported that DOE is not optimally using available resources to reduce risk.⁸ According to the report, factors such as inconsistent regulatory approaches and certain requirements in federal facility agreements cause disproportionate resources to be directed at lower priority risks.

The report called for a more systematic effort to assess and rank risks within and among sites, including through headquarters guidance to sites, and to allocate federal taxpayer monies to remedy the highest priority risks through the most efficient means. In some instances, DOE has successfully implemented a risk-based approach to address priority risks through efficient means. For example, pursuant to section 3116 of the National Defense Authorization Act for Fiscal Year 2005, DOE was able to manage a majority of its tank waste at its Savannah River site more flexibly, which allowed it to begin waste treatment sooner—a key priority of both DOE and the state—and reduce lifecycle treatment costs. Setting national priorities could help DOE direct limited cleanup funds to the highest risk activities, which could shorten the duration of the highest risk and highest cost cleanup obligations, thereby reducing the department's environmental liability.

⁸To carry out the reviews, the consortium constituted a committee of eight nationally distinguished individuals with diverse experience in risk analysis; public health and safety; nuclear safety; risk management; and environmental law, regulation, and public policy.

Questions for The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office

Questions from Ranking Member Elijah E. Cummings

February 15, 2017, Hearing: "GAO's 2017 High Risk Report: 34 Programs in Peril"

1. **Please list the GAO recommendations that have been closed as implemented as a result of the Bureau of Land Management's rule on Waste Prevention, Production Subject to Royalties, and Resource Conservation. This should include recommendations closed in response to the proposed and the final rule.**

- a. **Please note which of these, if any, were "high priority" recommendations.**

Based on BLM's rule, we closed the following high priority recommendation:

To better ensure that the government receives a fair return on its oil and gas resources, the Secretary of the Interior should take steps, within existing authority, to revise Bureau of Land Management's regulations to provide for flexibility to the bureau to make changes to onshore royalty rates, similar to that which is already available for offshore leases, to enhance Interior's ability to make timely adjustments to the terms for federal onshore leases.⁹

We closed this high priority recommendation for fiscal year 2016 as implemented by the aforementioned rule. In addition to this recommendation, we made two other recommendations that we closed as implemented:

To help improve reporting of emissions data on the Oil and Gas Operations Report (OGOR), the Secretary of the Interior should direct the Office of Natural Resources Revenue (ONRR) to provide additional guidance on how to report royalty-free and royalty-bearing flaring and consider creating a separate category for royalty-bearing flaring.

To help improve reporting of emissions data on the OGOR, the Secretary of the Interior should direct ONRR to provide additional guidance on how to report certain unreported or underreported emissions, such as emissions from storage tanks and gas vented during well completions.¹⁰

- b. **Please describe any federal financial savings that would result from the implementation of these recommendations.**

All three of the recommendations could have implications for federal revenues but none do so automatically. In the case of the first recommendation, the rule simply allows BLM

⁹GAO, *Oil and Gas Resources: Actions Needed for Interior to Better Ensure a Fair Return*, GAO-14-50 (Washington, D.C.: Dec. 6, 2013).

¹⁰GAO, *Oil and Gas: Interior Could Do More to Account for and Manage Natural Gas Emissions* GAO-16-607 (Washington, D.C.: July 7, 2016).

to adjust royalty rates on new leases if it deems that this is warranted. The other two would help BLM identify flared or vented natural gas and would, if BLM deemed these leakages to be avoidable, lead to royalties being charged and therefore higher federal revenues. In none of these cases does GAO have an estimate of the amount of revenue collections that could result from implementation of the recommendations because such implications would depend on specific agency actions.

2. Please list the recommendations that have been closed as implemented as a result of the Bureau of Land Management rule updating Onshore Oil and Gas Order 3: Site Security on Federal and Indian Oil and Gas Leases. This should include recommendations closed in response to the proposed and the final rule.

a. Please note which of these, if any, were "high priority" recommendations.

With regard to the rule updating Onshore Oil and Gas Order 3: Site Security on Federal and Indian Oil and Gas Leases, GAO Report: GAO-15-39 <http://www.gao.gov/products/GAO-15-39> made the following recommendation that we have closed as implemented:

To further improve its production verification efforts and to help ensure that BLM no longer relies on outdated regulations, the Secretary of the Interior should direct BLM to meet its established time frame for issuing final regulations for site security.

GAO Report: GAO-10-313 <http://www.gao.gov/products/GAO-10-313> also made the following recommendation that we have closed as implemented.

To increase Interior's assurance that it is accurately measuring oil and gas produced on federal lands and waters, and to help ensure that Interior is consistently tracking where and how oil and gas are measured, the Secretary of the Interior should require that BLM track all onshore meters, including information about meter location, identification number, and owner.

Neither of these two recommendations was a priority recommendation.

b. Please describe any federal financial savings that would result from the implementation of these recommendations.

In neither case does GAO have an estimate of potential effects on revenue collection. However, the implementation of these recommendations provides greater assurance that the federal government is collecting the correct amount of revenues from oil and gas production on federal lands.

3. If either of these rules were overturned through the Congressional Review Act process, how would GAO address the above closed recommendations?

GAO would need to assess the current status of these programs in order to determine whether or how it has changed since GAO made these recommendations.