

Question#:	1
Topic:	GAO and OIG recommendations
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable James Lankford
Committee:	HOMELAND SECURITY (SENATE)

Question: As noted in your testimony, DHS has set a goal to reduce the percentage of total open GAO and OIG recommendations, aged two-years or older, from the current 32 percent to 10 percent by fiscal year 2018. Would an increased role of OMB improve the implementation rate of open GAO and OIG recommendations?

Response: An increased role for OMB would probably not help because leadership, program officials, and others at all organizational levels across DHS already understand that audits deserve an appropriate level of attention among competing priorities and demands in protecting the homeland. That this attention is being provided is evidenced by the percent of total open GAO and OIG recommendations aged 24+ months having fallen from 42 percent at the end of Fiscal Year (FY) 2014 to 32 percent at the end of FY 2015.

Question#:	2
Topic:	Recommendations
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable James Lankford
Committee:	HOMELAND SECURITY (SENATE)

Question: When GAO issues a recommendation that requires DHS to coordinate with other agencies fully implement that recommendation, what role does OMB take to assist compliance and implementation? Would an increased role for OMB result in a higher implantation rate for these types of recommendations?

Response: These types of recommendations represent a low percentage of of open GAO recommendations. For example, as of January 15, 2016, the Department only had 12 recommendations like this that had been open for 24+ months, representing just 2.8 percent of open GAO recommendations.

Question#:	3
Topic:	Audit recommendations 1
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

Question: What guidance on best practices and audit follow-up do DHS and your office provide to department officials who are responsible for addressing audit recommendations made by GAO and the DHS Inspector General?

Response: We continually stress our basic belief that working with GAO and OIG auditors in a meaningful and productive way primarily involves having strong “relationships and communications,” founded on a sustained commitment to openness and transparency from all levels of the organization. Two examples of our relationships and communications building and sustainment activities include:

- Monthly DHS-wide meetings—led by my office—with audit liaisons and others, including Office of the General Counsel participation, to discuss current activities, expectations, roles and responsibilities, processes, performance measures and goals, and other topics of interest.
- Periodic town hall meetings with DHS leadership, audit liaisons, program officials, subject matter experts, GAO and OIG leadership and staff, and others to put “names with faces,” discuss expectations and processes, and to provide opportunities for process improvement.

Question#:	4
Topic:	Audit recommendations 2
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

Question: How does DHS track its follow-up work in resolving audit recommendations from GAO or an IG?

What, if any, enhancement to the tracking procedures are planned?

What role does your office have with regard to these tracking mechanisms?

Response: Records for ongoing and completed GAO and OIG audits are contained in a DHS Headquarters-managed database to which Component officials also have access. The information in this database is updated on an on-going basis by both Headquarters and Component staff, as appropriate.

In addition, DHS has documented formal audit follow-up and resolution performance measures and goals. These include measures and goals related to monitoring the timeliness of program office corrective actions plans for GAO and OIG reports with recommendations (i.e., 60- and 90-day letters, respectively), and quarterly follow-up actions to ensure that agreed upon actions are being taken and that recommendations are ultimately being closed, ideally within 24 months.

Bimonthly, my office prepares a DHS-wide summary audit follow-up and resolution health assessment scorecard broken out by Component, which is then shared with Departmental and Component leadership and others to serve as a basis for discussions about next steps needed to further strengthen our program performance. We also have an extensive set of dashboards and other charts which provide more detailed “drill down” information than the summary scorecard.

For example, one of these supplemental dashboards provides a bimonthly point-in-time snapshot of the number of GAO and OIG recommendations open across the Department, broken into six different “age buckets” from 0-6 months to 48+ months. We also have charts by Component showing recommendation closure trends overtime. Another one of our measures requires that at least 95 percent of all open recommendations have follow-up activity documented in our database at least every 90 days, for which we also have dashboards.

- a. What, if any, enhancement to the tracking procedures are planned?

Question#:	4
Topic:	Audit recommendations 2
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

During 2016, we plan to work with Components across the Department to revalidate our database data dictionary to facilitate increased standardization and consistency of audit tracking across the Department.

In addition, although we currently have a high level of confidence in the accuracy and reliability of our data, during 2016 we plan to review both our Quality Assurance (process oriented and focuses on defect prevention) and Quality Control (product oriented and focuses on defect identification) processes and procedures with the goal of strengthening both.

- b. What role does your office have with regard to these tracking mechanisms?

My office has the DHS-wide lead in maintaining relationships with GAO and OIG, and advising senior DHS leadership and others concerning audit follow-up and resolution, and other related activities. This includes ensuring compliance with governing documents and any other related criteria (such as OMB Circular A-50 and the Inspector General Act) by establishing policies and procedures and overseeing Department-wide implementation of such, as deemed appropriate; developing performance measures and goals, ensuring appropriate auditor access to DHS records and employees, and providing oversight of Component audit liaison activities, among other activities.

Question#:	5
Topic:	Agency coordination
Hearing:	Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations
Primary:	The Honorable Heidi Heitkamp
Committee:	HOMELAND SECURITY (SENATE)

Question: In instances where agency coordination that goes beyond DHS is needed, how, if at all, have you altered your process of collaborating with other agencies to address GAO's concerns and was it effective?

Response: We are not aware of any concerns about how DHS coordinates with others outside of the Department. The vision of my office is to be “A trusted and reliable partner, both internally and externally, to the Department.” Our overriding goals when working audit issues with others are to ensure:

- All parties that need to be involved are involved (whether inside or outside the Department),
- The issues are worked in concert with our operating principles of *engagement, responsiveness, and mutual respect*,
- The issues are worked at the lowest organizational level possible and only elevated to more senior leadership when absolutely necessary, and
- “No surprises” for anyone at the end of the process.

During the past five years, we have successfully coordinated numerous audit issues with many other departments, including the following:

- U.S. Department of Health and Human Services
- U.S. Department of Justice
- U.S. Department of Transportation
- U.S. Department of the Treasury
- Social Security Administration
- U.S. Department of State
- U.S. Postal Service

We would be glad to discuss with GAO staff any specific concerns that might exist and work with them to determine how best to address the concerns, as appropriate.

GAO Response to Questions for the Record
From Senator James Lankford
Following the Subcommittee's December 10, 2015, hearing entitled
"Implementing Solutions: The Importance of Following through on
GAO and OIG Recommendations"

On GAO open recommendations for CFO Act agencies

- 1. Since 2003, GAO estimates that their recommendations have resulted in savings of over half-a-trillion dollars to the American taxpayer, and \$74.7 billion last year alone. These impressive results have been achieved while agencies only implement approximately 80 percent of the recommendations made by GAO. What is the approximate savings to the American people if agencies implemented all GAO open recommendations?**

While we have not estimated the potential savings associated with all open recommendations, tens of billions of dollars of additional savings could be achieved if agencies and Congress acted on our duplication and cost savings recommendations. For example, federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. We previously reported that the Departments of Defense, Homeland Security, Veteran Affairs, and Energy accounted for 80 percent of the \$537 billion in federal procurement spending in fiscal year 2011, but these departments reported managing about 5 percent, or \$25.8 billion, through strategic sourcing efforts. In contrast, leading commercial firms leverage buying power by strategically managing 90 percent of their spending—achieving annual savings of 10 percent or more. While strategic sourcing may not be suitable for all procurement spending, we reported that a reduction of 1 percent from procurement spending at the largest agencies at that time would equate to over \$4 billion in savings annually.

The Office of Management and Budget (OMB) has made progress on improving strategic sourcing efforts by identifying categories of goods and services suitable for strategic sourcing and has begun to target specific opportunities for cost savings. According to OMB staff, metrics, such as savings goals and the percentage of spending directed to strategic sourcing contracts, have been established for the information technology category and will subsequently be developed for other high-spend categories, such as professional and managerial support. While these are positive steps, it is important that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings.

Congressional direction and executive-branch agencies' implementation of our recommended actions also provide opportunities to reduce the almost \$125 billion in government-wide improper payments, narrow the \$385 billion net annual tax gap, more effectively invest the \$79 billion in information technology investments, and reduce cost growth in the \$1.5 trillion invested in major defense acquisition programs. Given the scope of these issues, even modest gains in efficiency and effectiveness would result in significant savings. The following table highlights some of our open recommendations in these and other areas. We would be pleased to work with you and your staff to address these and other issues identified in our work.

Table: Selected Open GAO Priority Recommendations in Key Areas

Defense Acquisition
F-35 Joint Strike Fighter Program: The Department of Defense (DOD) should conduct a comprehensive affordability analysis of the F-35 program's procurement plan that reflects various assumptions about future technical progress and funding availability. For more information, see GAO-15-364 .
CVN 78 Ford-class aircraft carrier: DOD should explore capability tradeoffs, allot sufficient time for testing, and ensure that follow-on ships have realistic cost estimates. For more information, see GAO-13-396 .
Missile Defense Agency (MDA): MDA should stabilize acquisition baselines to enable meaningful comparisons over time and make its cost estimates more comprehensive by including operation and support costs. For more information, see GAO-13-432 .
Information Technology
Information Technology Investment Portfolio Management: The Office of Management and Budget and multiple agencies could help the federal government realize billions of dollars in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology (IT) investments. For more information, see GAO's Action Tracker .
Federal Data Centers: Consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of about \$5.3 billion by fiscal year 2017. For more information, see GAO's Action Tracker .
Information Technology Operations and Maintenance: Strengthening oversight of key federal agencies' major IT investments in operations and maintenance would provide an opportunity for savings on billions in IT investments. For more information, see GAO's Action Tracker .
Health Care
Medicaid Demonstration Waivers: Federal spending on Medicaid demonstrations could be reduced if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. We estimated the potential savings of about \$33 billion in five states if HHS had approved spending limits consistent with what documentation supported. For more information, see GAO's Action Tracker .
Medicare and Medicaid Fraud Detection Systems: The Centers for Medicare & Medicaid Services would need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the \$21 billion in financial benefits that the agency projected as a result of implementing these systems. For more information, see GAO's Action Tracker .
Medicare Program Payment Policy: The Centers' for Medicare & Medicaid Services (CMS) should take steps to improve the accuracy of the adjustment made for differences in diagnostic coding practices between Medicare Advantage (MA) and Medicare Fee-For-Service. For example, CMS could better account for additional beneficiary characteristics, such as sex and residential location, and use more current and refined data in determining MA payments. This recommendation is based on shortcomings in CMS's adjustment resulted in excess payments to MA plans totaling an estimated \$3.2 billion to \$5.1 billion over a 3-year period from 2010 through 2012. For more information, see GAO-13-206 and GAO-12-51 .
Medicare Payments to Certain Cancer Hospitals: To achieve almost \$500 million per year in program savings, Congress should consider modifying how Medicare pays certain cancer hospitals. For more information, see GAO's Action Tracker .
Medicaid Improper Payments: CMS should increase its oversight of Medicaid managed care program integrity, including providing audit support and guidance to states and holding them accountable for closer scrutiny of managed care payments. For more information, see GAO-14-341 .
Tax
Simple Tax Return Errors: Congress could grant the Internal Revenue Service (IRS) broader authority, with appropriate safeguards against misuse of that authority, to correct errors during tax return processing. In March 2015, the Joint Committee on Taxation estimated that this change could result in \$133 million in savings over 10 years. For more information, see GAO's Action Tracker .
Tax Compliance and Enforcement: By more effectively using data to manage various enforcement programs, the Internal Revenue Service could bolster tax compliance and potentially collect hundreds of millions of dollars in additional revenue. For example, IRS should implement a strategy to better estimate (1) the extent and nature of partnership misreporting, and (2) the effectiveness of partnership examinations in detecting this misreporting. For more information, see GAO's Action Tracker .
Online Taxpayer Services: The Internal Revenue Service could potentially realize hundreds of millions of dollars in cost savings and increased revenues by enhancing its online services, which would improve service to taxpayers and encourage greater tax law compliance. For more information, see GAO's Action Tracker .
Homeland Security
Disaster Relief Fund Administrative Costs: DHS should develop a plan to better control and reduce the

Federal Emergency Management Agency's (FEMA) administrative costs for major disasters. For more information, see [GAO's Action Tracker](#).

Domestic Disaster Assistance: The Federal Emergency Management Agency (FEMA) could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. For fiscal years 2004 through 2011, had FEMA adjusted the indicator for increases in inflation or personal income since 1986, fewer jurisdictions would have met the primary criterion FEMA uses to determine whether to recommend that the President declare a major disaster, which could have reduced federal cost by as much as \$3.59 billion. For more information, see [GAO's Action Tracker](#).

Income Security

Social Security Offsets: Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, estimated to result in \$2.4-\$6.5 billion savings over 10 years if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received. For more information, see [GAO's Action Tracker](#).

Disability and Unemployment Benefits: Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save \$1.2 billion over 10 years in the Social Security Disability Insurance program according to the Congressional Budget Office. For more information, see [GAO's Action Tracker](#).

Source: GAO.

2. When an agency disagrees or fails to fully implement a recommendation, what, if any, recourse does GAO have to ensure that those potential savings are not wasted?

We continually engage with executive branch agencies to ensure follow through and to realize the benefits from our recommendations. For example, if an agency disagrees with a recommendation in commenting on a draft GAO report—and we disagree with the agency’s position—we explain in our reports the disagreement and state our position and why we believe the recommendation is beneficial. Regardless of an agency’s initial position on a recommendation, at least once a year we reach out to agencies to determine the extent to which they have implemented our recommendation. Throughout this process, GAO leaders work with executive branch agency officials to bring attention to our recommendations.

We also annually update the status of recommendations and when conducting related work on a particular topic. These updates are posted to www.gao.gov to bring continued attention to agencies’ efforts to address our recommendations. In addition, beginning in 2015, we sent letters to the heads of key departments and agencies identifying critical unimplemented recommendations and urging the agency head to provide attention to these issues. We plan to send an updated list of priority recommendations to each agency this spring. Continued attention to recommendations is important because failure to implement our prior recommendations is often a major factor that leads to issues escalating to the point where they become high-risk.

If agencies continue to disagree or have a limited response to our recommendations, we work with Congress to urge action through the congressional oversight, authorization, appropriations, and budget processes. Congress can hold hearings, withhold funds, or take other actions to provide incentives for the agencies to act. For example, Congress took such steps after we reported in 2012 that DOD’s approach to acquiring combat uniforms was fragmented, potentially resulting in increased risk on the battlefield and lost opportunities to save millions of dollars. A provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces. Because of this legislation, the Army chose not to introduce a new family of camouflage uniforms into its inventory, avoiding about \$4.2 billion in costs over 5 years. Congressional use of our work sends an unmistakable message to agencies that Congress considers these issues a priority.

On GAO letters to agencies regarding priority open recommendations

3. Earlier this year you began sending letters to the heads of major agencies updating them on their implementation rate and their top open recommendations, how have agencies responded to those letters and which agencies have taken affirmative steps to address the listed recommendations?

To date, we have sent 24 letters to heads of key executive branch departments and agencies, and provided copies to relevant House and Senate appropriation, authorization, and oversight committees, identifying unimplemented recommendations that warrant priority attention; several agencies have responded positively to our letters.¹ For example, following our letter to the Secretary of Health and Human Services (HHS), we met with officials from the Centers for Medicare & Medicaid (CMS) in October 2015 to discuss the agency's efforts to address our recommendations. Officials noted that they are now tracking open recommendations using a dashboard that includes quarterly targets for closing recommendations. To facilitate CMS's efforts to close our recommendations, we agreed to hold regular meetings to discuss the status of our recommendations and what remains to be done to close them. Similarly, in response to our letter to the Administrator of the General Services Administration (GSA), the Administrator committed to continuing to work with us to address the priority recommendations in advance of our next high-risk update in February 2017. We meet quarterly with GSA senior executives to discuss progress on implementing recommendations that would help GSA take steps to remove federal real property management from our High-Risk List and address other key management concerns. In addition, in January 2016, IRS officials told us that they cross walked the priority recommendations to their internal tracking system and will be using the priority recommendations as the basis for status meetings with responsible managers. Overall, they stated that the letter is helpful in prioritizing efforts and resources.

Several agencies also provided written responses, some of which, like the National Aeronautics and Space Administration (NASA), detailed actions the agency plans to take to address the recommendations as well as timeframes for implementation. In addition, some agencies have since taken steps to fully address the cited recommendations. For example, the Department of Education addressed one of the priority recommendations by issuing a memorandum regarding the establishment of appropriate financial penalties for postsecondary schools that violate the ban on "incentive compensation," paying financial incentives to recruiters based on their success in enrolling students or securing their financial aid. Additional information from other agencies is expected. For example, Department of Homeland Security (DHS) officials told us that they were preparing a detailed response, which they plan to provide in the coming weeks.

¹Between June 2015 and January 2016, we sent letters to 22 Chief Financial Officers (CFO) Act agencies, the Office of Management and Budget (OMB), and the Internal Revenue Service (IRS). We did not send a letter to the National Science Foundation because we had no key open recommendations involving that agency. We have not yet sent a letter to the Department of Veterans Affairs (VA), as we are currently reviewing their recent plans to address issues identified in GAO's high risk work.

We plan to send an updated list of priority recommendations to each agency and the relevant congressional committees this spring. We will also reach out to agency leadership to discuss next steps on our recommendations. We would be pleased to brief you or your staff on these ongoing efforts at any time.

On the role of OMB in overseeing implementation of recommendations

4. What is OMB's current role in overseeing agency implementation of GAO recommendations?

The Office of Management and Budget (OMB) provides guidance to agencies to address our recommendations but does not have an explicit role in overseeing implementation of recommendations addressed to individual agencies. OMB guidance states that agency management is responsible for addressing our recommendations and for establishing and maintaining a process to track the status of our findings and recommendations.² In addition, in recent years, OMB has directed agencies to consider our fragmentation, overlap, and duplication recommendations in developing agency budget submissions.³

Given OMB's government-wide purview and oversight of agency performance, we work with OMB officials to address unimplemented recommendations pertaining to our High Risk list; fragmentation, overlap, and duplication work; and other key crosscutting areas. For example,

- **High Risk list:** As part of our high-risk initiative, we meet with OMB's Deputy Director for Management and with top agency officials to discuss progress in addressing individual high-risk areas. Such efforts are critical to tracking progress, pinpointing improvement opportunities, and resolving high-risk issues.
- **Duplication and cost savings recommendations:** To make further progress on outstanding duplication and cost savings recommendations, we regularly engage with OMB and have provided the agency a list of key issues where OMB attention could be instrumental in furthering progress on recommendations that involve multiple agencies or government-wide improvements.
- **Management of information technology (IT) acquisitions and operations:** Over the past 6 years, we have made more than 800 recommendations in this area; about 32 percent have been fully implemented as of October 2015. OMB is taking a more active role in overseeing the implementation of these recommendations, and we have provided information on the status of these recommendations to help facilitate their oversight. It will be critical for executive branch agencies to implement our remaining recommendations—particularly in the areas of (1) incremental development, (2) reviews of troubled projects, (3) transparency, (4) operations and maintenance, (5) data center consolidation, and (6) portfolio management since many of these areas are related to specific requirements called for in the provisions of law commonly referred to as the Federal Information Technology

²OMB Circular A-50 provides the policies and procedures for use by executive agencies when considering reports issued by GAO and Inspectors General, other audit organizations, and nonfederal auditors where follow-up is necessary; and OMB Circular A-123 addresses internal management control systems. Among the requirements included are that the agency (1) appoint a top-level audit follow-up official, (2) maintain accurate records on the status of recommendations, and (3) assign a high priority to following up on audit recommendations. OMB, *Audit Follow-up*, Circular A-50 (September 29, 1982) and *Management's Responsibilities for Internal Controls*, Circular A-123 (December 21, 2004).

³OMB, *Fiscal Year 2017 Budget Guidance*, M-15-11 (May 1, 2015), *Fiscal Year 2016 Budget Guidance*, M-14-07 (May 5, 2014), *Fiscal Year 2015 Budget Guidance*, M-13-14 (May 29, 2013).

Acquisition Reform Act (FITARA) to improve the transparency and management of federal IT acquisitions and operations.

- **Improving federal financial management:** OMB has been working with agencies to develop and implement corrective action plans to address certain reported financial management issues. It will be important for OMB to build on this progress and actively oversee the federal government's efforts to address significant federal financial management weaknesses.

In addition, OMB is responsible for implementing a number of recommendations that guide agency improvements across the federal government and have the potential for billions of dollars in savings, if implemented. In December 2015, we sent a letter to OMB—along with House and Senate appropriation, authorization, and oversight committees—identifying unimplemented recommendations that warrant priority attention given the critical role OMB plays in providing oversight of governmentwide performance, procurement, transparency, information technology management, and internal control issues. For example, agencies we reviewed in fiscal year 2011 leveraged only a fraction of their buying power through strategic sourcing and achieved limited savings. To improve strategic sourcing efforts across the government, we recommended that OMB issue updated government-wide guidance, establish metrics to measure progress toward goals, and identify spending categories most suitable for strategic sourcing. Since then, OMB has made progress by identifying categories of goods and service suitable for strategic sourcing and has begun to target specific opportunities for cost savings. According to OMB staff, metrics have been established for the information technology category and will subsequently be developed for other high-spend categories, such as professional and managerial support. It is important that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings.

5. Earlier this year, Deloitte Consulting released a report that found that GAO recommendations that require multiple agencies to coordinate are some of the least likely to be implemented. Should the Office of Management and Budget take a more active role in overseeing the implementation of recommendations that require action by multiple agencies?

We believe the Office of Management and Budget (OMB) should take a more active role in overseeing the implementation of recommendations involving multiple agencies and for government wide high risk areas where OMB plays a leadership role. For example, on September 30, 2015, we provided OMB with a list of recommendations from our fragmentation, overlap, and duplication work where OMB attention could be instrumental in furthering progress on issues involving multiple agencies or government-wide improvements. OMB officials told us that they were planning to use this information in working with agencies during the budget formulation process. While these discussions are important, given that issues of fragmentation, overlap, and duplication often involve multiple agencies, the discussions need to be elevated to include more senior officials who have the responsibility and authority for resolving the crosscutting issues identified.

In addition, OMB is responsible for over 150 open recommendations that, if fully implemented, could yield significant improvements in executive branch agency operations. In our recent letter to OMB, we identified 10 recommendations in the following areas as being the highest priorities for implementation given the critical role OMB plays in providing oversight of governmentwide performance, procurement, transparency, information technology management, and internal control issues.

Improving government performance. Implementing three of our recommendations in this area would help broaden the scope of programs that OMB typically considers in assessing federal agency performance, as required under the GPRA Modernization Act of 2010 (GPRAMA). We have recommended since 2005 that OMB develop and implement a framework for conducting performance reviews of tax expenditures, which represent forgone revenue estimated at \$1 trillion in recent years. In 2015, we also recommended that OMB designate tax expenditures as a type of program and include relevant information about each tax expenditure in future iterations of the federal program inventory to be developed. In addition, we recommended, in conjunction with its retrospective regulatory reviews, that OMB develop guidance for agencies on contributions made by regulations toward the achievement of agency priority goals.

Reducing acquisition costs. Implementing two of our recommendations related to federal acquisitions would help agencies achieve significant savings. First, agencies we reviewed in fiscal year 2011 leveraged only a fraction of their buying power through strategic sourcing and achieved limited savings. Since then, OMB has made progress by identifying categories of goods and services suitable for strategic sourcing and has begun to target specific opportunities for cost savings. According to OMB staff, metrics, such as savings goals and the percentage of spending directed to strategic sourcing contracts, have been established for the information technology category and will subsequently be developed for other high-spend categories, such as professional and managerial support. The actions OMB has taken to date for the information technology category generally align with our strategic sourcing recommendations. It is important, however, that OMB continue to expand this approach to other high-spend categories in a timely fashion to help agencies reap billions of dollars in potential savings. Second, federal agencies have increasingly been using reverse auctions as a tool to reduce the price they pay for certain types of items. We found that the agencies we reviewed had not maximized competition and savings from reverse auctions held in 2012. Clarifying guidance for reverse auctions and increasing competition among providers would help agencies

make more effective use of a tool that has the potential to significantly reduce the cost of procurement.

Increasing spending transparency. The Digital Accountability and Transparency Act of 2014 (DATA Act) directs OMB and the Department of the Treasury to establish government-wide data standards and requires agencies to report and post financial spending data using these standards. Our DATA Act recommendations center on linking financial spending data to a federal program inventory, accelerating the development of the program inventory, ensuring ongoing and effective dialogue with stakeholders, and establishing a clear governance structure for the Act. Such a governance structure should cover the entire lifecycle of standards development and would set out clear policies and processes for developing and maintaining data standards to ensure the integrity of those standards over time. In addition, good data governance must include policies and procedures to foster ongoing and effective dialogue with stakeholders, including timely and substantive responses to feedback received. Full and effective implementation of these recommendations will contribute to more reliable and consistent federal data to measure the cost and magnitude of federal investments as well as facilitate efforts to share data across agencies in order to improve decision making and oversight. In addition, productive outreach to key stakeholders and federal fund recipients will help ensure that data are accurate and complete while minimizing reporting burden. Sustained attention to these efforts is vitally important as key provisions of the DATA Act are implemented in the coming months.

The Federal Funding Accountability and Transparency Act was enacted in 2006 to increase the transparency over the more than \$1 trillion spent by the federal government on awards annually. Among other things, the act requires OMB to establish a website that contains data on federal awards (e.g., contracts and grants) and guidance on agency reporting requirements for the website, USASpending.gov. We found that, although agencies generally reported required contract information, they did not properly report information on \$619 billion in assistance awards (e.g., grants or loans) in fiscal year 2012. To address this issue, we have highlighted to this recommendation to OMB to ensure that agencies accurately report award information for use on USASpending.gov. OMB, Treasury, and the agencies have begun implementation of the DATA Act, which is intended, in part, to address concerns about the quality of data on USASpending.gov. The complexity and scope of the DATA Act reinforces the importance of this recommendation, as the usefulness of the reported information will only be as good as the quality of the underlying data.

Establishing controls for disaster relief. Finally, we recommended in 2014 that OMB develop standard guidance for federal agencies to use in designing internal control plans for disaster relief funding. More robust guidance could help agencies to establish controls before disasters occur to help minimize risks associated with disaster relief funding and the need to deliver such funding quickly.

In addition, in our recent letter to OMB on priority recommendations, we called attention to five government wide high risk areas and other management is where OMB plays a leadership role. These areas include (1) managing federal real property; (2) improving management of information technology acquisitions and operations; (3) ensuring the security of federal information systems and cyber critical infrastructure and protecting the security of personally identifiable information; (4) strengthening strategic human capital management; and (5) improving federal financial management. Addressing these issues will require OMB to continue working with multiple agencies to develop and implement appropriate strategies and solutions.

GAO Response to Questions for the Record
From Senator Heidi Heitkamp
“Implementing Solutions: The Importance of Following through on GAO and OIG
Recommendations”
December 10, 2015

United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

1. **A February 2015, report prepared by Deloitte Public Sector Research analyzed 26 years of GAO reports and found that “during the period between 1983 and 2008, 81 percent of GAO’s recommendations were successfully completed by federal agencies.” According to the report: “Agencies have the highest success rate in implementing GAO recommendations in four key areas: information security, education, information technology, and equal opportunity. Information security comes in first, with a near-perfect completion rate of 94 percent...Rather than calling for large system implementation changes, GAO’s recommendations related to information security are often tactical.”**

- a. **How would you characterize the nature of the recommendations that GAO includes in its audit reports?**

Our recommendations cover the full spectrum of solutions—ranging from tactical agency improvements to broad policy considerations—depending on the nature and scope of our work.

- b. **In what ways do you agree or disagree with Deloitte’s statement that GAO recommendations related to information security are often tactical?**

While we have made hundreds of recommendations aimed at addressing specific information security control weaknesses, our work has also identified strategic cybersecurity improvements needed at the agency level and government-wide. Our information technology (IT) security work identifies a wide spectrum of recommendations depending on the nature and scope of the work. The scope of many of our IT security audits is limited to a single agency. Our criteria for this work leads to targeted or tactical solutions that resolve individual control weaknesses requiring immediate attention. For example, for information security reports issued during the 6-year period of fiscal year 2010 through 2015, about 76 percent of our recommendations were for specific control weaknesses. However, these reports also made agency-wide recommendations to address shortcomings in security processes. While generally fewer, these recommendations can have long-lasting impact by addressing the underlying causes of control weaknesses.

We also routinely identify recommendations that have government-wide or national implications resulting from IT security audits involving a broader scope and multiple agencies. To illustrate, we have made far-reaching recommendations related to planning and coordinating cybersecurity human capital initiatives, responding to cyber incidents and data breaches, using social media, improving cybersecurity research and development, addressing global cybersecurity and governance challenges, implementing cloud computing at federal agencies, implementing government security configuration baselines, overseeing security controls of IT contractors and small agencies, sharing cyber information with critical infrastructure owners and operators, securing wireless connections, implementing capabilities of personal identity

verification cards, addressing cyber risk to building and access control systems at federal facilities, enhancing the national cybersecurity protection system, cybersecurity threats to banks, planning for maritime port cybersecurity, securing air traffic control systems, and protecting systems supporting our nation's critical infrastructure.

Our work has also resulted in a number of broad strategic areas for focus. For example:

- We provided advice on recent legislation, including the Federal Information Security Modernization Act and other cybersecurity legislation.
- Working with inspectors general, we developed an audit methodology for providing comprehensive, holistic assessments of IT systems.
- We designated the security of our federal cyber assets as a high-risk area across the government in 1997 and in 2003, expanded this high-risk area to include the protection of critical cyber infrastructure. We further expanded this area in 2015 to include the protection of personally identifiable information.
- We have also called for a national strategy for cybersecurity.

2. **With GAO's recommendations completion rate being near 80%, it is difficult to distinguish whether the unresolved issues (outside of the high risk list) are of comparatively greater or lesser concern than those that have already been resolved. Going forward, is it possible to expand on your work to present 'prioritized items' to formally rank all recommendations on their relative importance to both agency mission and financial impact?**

In addition to the regular high risk updates, we have two key efforts that prioritize our recommendations on their relative importance to both agency mission and financial impact, including:

- **Annual Duplication and Cost Savings Reports:** Open recommendations with the greatest potential for financial benefits are highlighted in our annual reports on opportunities to reduce fragmentation, overlap, and duplication and achieve other financial benefits. To maintain attention on these issues, we periodically update and post the status of recommendations highlighted in this body of work on [GAO's Action Tracker](#), a publicly accessible online search tool that allows executive branch agencies, Congress, and the public to track the progress the government is making in addressing the issues we have identified. As of November 2015, 36 percent of the over 500 actions from our five annual reports have been addressed. Executive branch and congressional efforts to address these recommendations have resulted in over \$20 billion in financial benefits with about \$80 billion to accrue in future years from the continued implementation of these recommendations.
- **Agency Priority Letters:** Beginning in 2015, we sent letters to the heads of 24 key departments and agencies identifying and calling attention to unimplemented recommendations that we believe warrant priority attention by the Secretary or agency heads at key departments and agencies.⁴ Fully implementing these priority recommendations should yield significant improvements in agency operations, program management, or costs.

We plan to continue these efforts to bring attention to our highest priority recommendations and are also exploring options for identifying recommendations with significant financial or mission-critical impact on our on-line public database at www.gao.gov. We have also begun a review of the letters that agencies are required to send to congressional committees and GAO within 60 days of a GAO report. These letters are to contain agency views and planned responses to GAO recommendations. We plan to review the use of these letters by congressional committees and GAO, and the quality and timeliness of the letters, among other things. We will consult with and keep informed this and other committees, including any changes that should be made in agency or GAO procedures, and possibly in statute, to assure usefulness of these agency communications in monitoring how and whether agencies are implementing GAO's recommendations.

⁴Between June 2015 and January 2016, we sent letters to 22 Chief Financial Officers (CFO) Act agencies, the Office of Management and Budget (OMB), and the Internal Revenue Service (IRS). We did not send a letter to the National Science Foundation because we had no key open recommendations involving that agency. We have not yet sent a letter to the Department of Veterans Affairs (VA), as we are currently reviewing their recent plans to address issues identified in GAO's high risk work.

3. In the current budget environment, agencies are forced to make a lot of tough decisions on a number of items, including recommendation implementation. What decision making trends are you seeing in the way agencies try to address GAO's recommendations, but find their response limited based on budgets?

In general, agencies do not cite budget or resource constraints as limiting their ability to respond to our recommendations. The exceptions to this have been the Internal Revenue Service (IRS) and the Social Security Administration. In making recommendations, we recognize that agencies have competing priorities and limited resources. However, our recommendations are aimed at helping them improve program efficiency and effectiveness and make better use their limited resources. In addition, some of our recommendations do require an upfront investment. In those instances, we believe the long-term benefits outweigh the costs.

For example, in 2014, we recommended that IRS take multiple actions to improve efficiency of large partnership audits, including defining large partnerships, tracking audit results using revised audit codes, and implementing project planning principles for the audit procedure projects.⁵ In responding to the recommendations in the report, IRS agreed with our recommendations but said two of them—related to revising IRS's activity codes to enable tracking large partnership audits and then analyzing audit results—would not occur until fiscal year 2017 because of resource limitations. However, while we recognize the resources constraints facing the agency, timely implementation of our recommendations is important for IRS to better allocate their limited resources and improve audit effectiveness.

⁵GAO, *Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency*, [GAO-14-732](#) (Washington, D.C.: September 18, 2014).

Post-Hearing Questions for the Record
Submitted to Hon. Michael Horowitz, Inspector General, U.S. Department of Justice
From Senator James Lankford

“Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations”
December 10, 2015

United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

On agency agreement with IG recommendations

1. In response to a question by Senator Tester, you mentioned that the Department of Justice implements approximately 84 percent of Inspector General recommendations. What is the approximate savings to the American people if the DOJ implemented all of your recommendations?

Response: From Fiscal Year (FY) 2013 to FY 2015, the Department of Justice Office of the Inspector General (DOJ-OIG) issued and tracked approximately 2,500 recommendations. Of these recommendations, approximately 84 percent were either closed within three years of issuing the recommendation or had been issued within this timeframe. These recommendations encompassed more than \$120 million in questioned costs. These figures are based upon Department expenditures where there was an alleged violation of law, regulation, contract, grant, cooperative agreement, or other agreement governing the expenditure of funds; a DOJ-OIG finding that such costs were not supported by adequate documentation; or a DOJ-OIG finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. In addition, these recommendations included more than \$9 million in funds that could be put to better use; it was determined by the DOJ-OIG that these funds could be used more efficiently if spent for some other purpose by the Department.

Approximately 400 recommendations (16 percent) were not implemented within three years of their issuance. These recommendations included more than \$60 million in questioned costs and over \$500,000 in funds that could be put to better use by the Department. In addition to these identified funds, our recommendations include measures that might yield other projected cost-savings, such as the consolidation of duplicative programs, increasing the efficiency of certain processes, and preventing payments to high risk recipients. For example, in our review of the Department’s International Prisoner Transfer program in 2011, we recommended that the Bureau of Prisons (BOP) ensure that all staff involved in treaty transfer determinations are properly trained. This recommendation was discussed in our follow-up status review of the program in 2015. In the status review, we determined that, while certain aspects of the program remain outside the Department’s control, improvements to the program’s processes could result in significant savings. Using FY 2013 BOP annual cost data, we determined that if only 1 percent of the inmates (204) applied and were transferred to

serve their sentences in their home countries, the BOP could potentially save \$4.5 million per year in incarceration costs. Further, if 3 percent or 5 percent of inmates applied and were transferred, the BOP could potentially save \$13.3 million or \$22.2 million per year, respectively.

In addition to these potential monetary savings, some of our most significant reviews cannot be translated into quantifiable dollar savings but rather address fundamental issues, such as those affecting national security, civil liberties, safety and security at federal prisons, effectiveness of Department programs, and the conduct of Department employees. Examples include our reviews of the Federal Bureau of Investigation's (FBI) use of its authorities under the PATRIOT Act and the FISA Amendments Act, the FBI's use of pen register and trap and trace devices under the Foreign Intelligence Surveillance Act, the FBI's implementation of its Next Generation Cyber Initiative, the Drug Enforcement Administration's (DEA) use of confidential sources, nepotism by Department personnel, and the handling of sexual harassment and misconduct allegations by the Department's law enforcement components. While the recommendations from these reviews are not associated with quantifiable cost savings, when implemented they will lead to substantial improvements in program operations.

On the role of OMB in overseeing implementation of recommendations

2. What is OMB's current role in overseeing how the Department of Justice implements Inspector General Recommendations? Should OMB take a more active role in overseeing how Inspector General recommendations are implemented?

Response: To my knowledge, the Office of Management and Budget (OMB) does not currently have a direct role in overseeing how the Department implements the DOJ-OIG's recommendations. OMB has issued guidance, through Circular A-50, that requires agencies to address OIG recommendations and take corrective actions, but OMB does not oversee the process of how agencies actually implement OIG recommendations.

For its part, the IG community already has in place tracking systems and resolution processes to oversee and facilitate the timely implementation of OIG recommendations. For example, OIGs maintain information about unimplemented recommendations, analyze agency efforts to close recommendations, and request and respond to agency status updates. Each Inspector General has different procedures for facilitating this process, and every OIG is committed to working with agencies to resolve its recommendations in an appropriate, effective, and timely manner.

In addition, the DOJ-OIG has begun publicly posting a list of recommendations that have not been closed, which can be found on our OIG website at: <https://oig.justice.gov/reports/open-rec.htm>. Making this list publicly available increases accountability and transparency by allowing taxpayers to monitor the progress the Department is making in implementing OIG recommendations.

With respect to whether OMB should take a more active role, we would welcome further involvement by OMB in overseeing agency implementation of OIG recommendations. In addition, we would be pleased to work with the Subcommittee and its staff and discuss any proposals for reform.

Post-Hearing Questions for the Record
Submitted to Hon. Michael Horowitz, Inspector General, U.S. Department of Justice
From Senator Heidi Heitkamp

“Implementing Solutions: The Importance of Following through on GAO and OIG Recommendations”
December 10, 2015

United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

1. The IG community’s oversight and tracking of the implementation of IG recommendations is governed generally by two authorities: the IG Act of 1978, as amended, and Office of Management and Budget (OMB) Circular A-50. Circular A-50 vested an official within the audited federal agency with the authority to determine when an audit recommendation has been resolved. OMB Circular A-50 hasn’t been updated since 1982. Are there sections of Circular A-50 that should be updated or amended?

Response: In my experience as Chair of the Council of the Inspectors General on Integrity and Efficiency (Council of IGs), I have observed the different relationships and mechanisms that exist between the OIGs and their agencies. The Council of IGs has begun discussions on whether there is a need to update or amend OMB Circular A-50, and it would be pleased to discuss and work with the Subcommittee and other stakeholders to review and evaluate any proposed modifications to the resolution process for OIG recommendations.

- a. Do members of the IG community encounter agencies that disagree or ignore recommendations and then state that a recommendation has been resolved without adequately addressing it?

Response: As noted previously, OIGs generally have tracking systems and resolution processes to oversee and facilitate the timely implementation of OIG recommendations. OIGs maintain information about unimplemented recommendations, analyze agency efforts to close recommendations, and request and respond to agency status updates. Agencies generally agree with the recommendations from the Inspectors General. On occasion, when an agency does not agree with an OIG recommendation, it is incumbent upon the agency and the OIG to attempt to work through any issues and ensure proper implementation. Where there is a significant disagreement over a management decision, the Inspector General should report this information in his/her Semiannual Report pursuant to Section 5(a)(12) of the Inspector General Act, as amended.

During the course of the DOJ-OIG reviews, we regularly discuss our recommendations with Department personnel in order to make sure that they are

practical and feasible. Therefore, the Department is aware of the recommendations before the report is issued and usually agrees with them. If, at the conclusion of a DOJ-OIG review, the Department does not agree with a recommendation, we will continue the discussions with the relevant Department components through a resolution process until an agreement can be reached. Through this process, we reach agreement with the Department on actions that will remedy the deficiencies we identified in our audits. For all recommendations, we assess, and must concur with, the Department's implementation of corrective actions before we close any recommendation.

2. While the IG community and GAO follow GAO's Generally Accepted Government Auditing Standards (GAGAS), what differences do you encounter in their auditing processes?

Response: As you note in the question, the IG community adheres to the Generally Accepted Government Auditing Standards (GAGAS) when conducting audits. To ensure that each OIG's established policies, procedures, and auditing standards are consistent and in compliance with GAGAS, the Council of IGs administers a program of peer reviews through its Audit Committee. Therefore, an OIG is peer-reviewed at least once every 3 years in order to ensure compliance with GAGAS and other auditing standards. Indeed, each OIG posts the results of its most recent peer review on its website.

The Council of IGs ensures that the peer review standards are uniform across the IG community and provides the peer review results in reports to Congress. Moreover, the Council of IGs has developed the Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General, which can be found on the Council's website at: <https://www.ignet.gov/content/manuals-guides>. Further, on an annual basis the Council of IGs provides a list of the results of the IG peer reviews conducted during the previous year to the House of Representatives Committee on Oversight and Government Reform and the Senate Committee on Homeland Security and Governmental Affairs.

- a. Are there differences among the 72 IGs as well?

Response: The Inspectors General in the IG community oversee agencies with different missions and program areas within the Federal Government. Therefore, the needs of auditing oversight at each agency vary greatly.

While the OIGs conduct audits in compliance with GAGAS and other applicable standards, each OIG may have different approaches to auditing processes. Prior to initiating an audit, OIGs typically engage in a planning process to identify areas of concern and determine which programs or topics to address through their audit work. Each OIG develops its own criteria tailored to the individual risk assessments of the agency programs. This information, combined with an OIG's expertise and experience, help shape the scope of an audit before it is

initiated. These different approaches provide OIGs the necessary flexibility to formulate the most effective way to conduct oversight over the agency programs.

- b. Are these differences beneficial or problematic?

Response: For the reasons stated above, there are important reasons for each OIG to tailor their auditing approaches and processes to the risks at each agency that they oversee.

3. CIGIE publishes manuals and guides that provide audit best practices and other quality control information to the IG community. These guides may assist IGs in meeting the GAGAS or may include additional requirements or standards. Does CIGIE ensure that its members adhere to these best practices and quality control standards?

Response: As discussed above in response to Question 2, peer reviews are conducted periodically to determine whether OIGs are adhering to GAGAS. Also, the Council of IGs developed a guide used by all OIGs when conducting peer reviews. In this way, the Council of IGs standardizes the peer review process which, in turn, helps ensure OIGs consistently comply with GAGAS. In addition, the Council of IGs posts on its website manuals, guides, and quality standards to promote high standards in the IG community on topics such as auditing, digital forensics, investigations, and inspection and evaluation. These materials can found on the Council's website at: <https://www.ignet.gov/content/quality-standards>.

- a. Do you have a way to track where these best practices work best or are not effective so you can form a feedback loop that further expands on these best practices and recommendations?

Response: A principal function of the Council of IGs is to facilitate information sharing and the development of efficient and effective approaches to strong oversight and accountability. The Council of IGs is structured to facilitate communication among its members, and there are seven committees that encourage discussion among OIGs across the disciplines, including Audit, Inspections and Evaluation, and Investigations committees. These committees share ideas and provide feedback on ways to improve OIG oversight capabilities and address issues facing the OIGs in the various discipline areas. In addition, these committees develop and provide guidance and materials for the larger IG community and work to ensure consistency among OIG practices.

- b. Are there ways CIGIE could help Congress better understand which IGs are using best practices and which are not?

Response: The Council of IGs would be pleased to provide further information to this Subcommittee and its staff on ways the Council of IGs addresses relevant issues facing the IG community, its oversight practices, and peer-review processes. In addition, the Council of IGs would be happy to discuss ways in

which it can increase engagement with Congressional committees and staff about ways to improve the IG community and Council efforts.

4. This year the GAO began sending letters to key agencies highlighting unimplemented recommendations that are high priority. Does the practice of flagging high priority recommendations for agencies take place within the IG community?

Response: During the course of an OIG's audits, evaluations and reviews, the OIG develops recommendations for improving the agency's operations and programs. These recommendations are generally submitted as part of the issued report. To ensure that the agency addresses these recommendations, OIGs have a resolution process that tracks and assesses the agency's progress in implementing corrective actions to address our recommendations. As part of the resolution procedure, OIGs regularly communicate with the agency to determine the status of the corrective actions.

In addition, each OIG identifies its significant recommendations in the Semiannual Reports that it provides to Congress and further identifies significant recommendations on which corrective action has not been completed, in accordance with Section 5(a)(2) and (3) of the Inspector General Act, as amended. These reports inform Congress and the American public of the important oversight work conducted by Inspectors General and promote transparency by describing the findings from reviews of federal programs.

Moreover, OIGs annually identify the top management and performance challenges facing their respective agencies. This document is required as part of the Agency Financial Report or Performance Accountability Report submitted to Congress, and it identifies the top challenges based on the OIG's oversight work, research, judgment, and experience. This document assists the agency in prioritizing its efforts to improve program performance and enhance operations.

Further, OIGs issue a list of recommendations that have not been closed, in response to a Congressional request. This report notifies agency leadership of the recommendations that have not been fully implemented and holds the agency accountable for implementing OIG recommendations. The DOJ-OIG recently launched an initiative to post a copy of this list of unimplemented recommendations on its website in order to increase the transparency of the recommendation resolution process and to increase the Department's accountability to the public for implementing OIG recommendations in a timely manner. This list can be found on our DOJ-OIG website at: <https://oig.justice.gov/reports/open-rec.htm>.