Testimony of

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Before the House Committee on Oversight and Government Reform

January 9, 2014

My name is Thomas A. Schatz, and I am president of Citizens Against Government Waste (CAGW). CAGW was founded in 1984 by the late industrialist J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of President Ronald Reagan's Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government. CAGW has more than one million members and supporters nationwide, and, over the past 30 years, it has helped save taxpayers $1.3 trillion through the implementation of Grace Commission findings and other recommendations.

CAGW does not accept government funds. The organization's mission reflects the interests of taxpayers. All citizens benefit when government programs work cost-effectively, when deficit spending is eliminated, and when government is held accountable. Not only will representative government benefit from the pursuit of these interests, but the country will prosper economically because government mismanagement, fiscal profligacy, and chronic deficits soak up private savings and crowd out the private investment necessary for long-term growth.

It is no secret that wasteful spending is present throughout the federal government and that every agency could perform its functions more effectively and efficiently. Recommendations to eliminate waste, fraud, abuse, and mismanagement are regularly provided by the Government Accountability Office (GAO), the Congressional Budget Office (CBO), the president's budget, and congressional authorizing and appropriations committees. Outside of the government, think tanks, advocacy groups, and private-sector companies also provide ongoing analysis of government expenditures. For example, since 1993, CAGW has released *Prime Cuts*, a compendium of recommendations that emanate from both public and private sources; some still date back to the Grace Commission. The most recent edition of *Prime Cuts* identified 557 recommendations that would save taxpayers $580.6 billion in the first year and $1.8 trillion over five years. *Prime Cuts* can serve as a blueprint to cut government spending and put the nation on a path toward fiscal stability.

The first modern comprehensive effort to reform government and/or eliminate wasteful spending occurred through the Commission on Reorganization of the Federal Government, which was established by Congress in 1947 under President Harry Truman and became known as the Hoover Commission, as it was led by former President Herbert Hoover. The commission met from 1947-1949 and again from 1953-1955. More than 70 percent of the recommendations were implemented by executive and legislation action, including the establishment of the Department of Health, Education and Welfare, as well as the General Services Administration.

The next comprehensive study of the federal government occurred under President Reagan, who created the President's Private Sector Survey on Cost Control in the Federal Government in 1982, which became better known as the Grace Commission. The commission issued its final report in 1984 and made 2,478 recommendations that would have saved $424.4

billion in the first three years after full implementation of the recommendations. Through executive orders, President Reagan helped saved $100 billion. The administration's annual reports on management of the federal government tracked the implementation of Grace Commission recommendations and provided a list of initiatives that were included in the president's budget.

The Hoover Commission inspired many states to establish similar entities. California created the Little Hoover Commission on State Government Organization and Economy in 1962, and that operation continues today. In turn, President Reagan referred to the Little Hoover Commission as one of the reasons for his desire to establish a similar entity at the federal level.

According to the Little Hoover Commission's website, its mission is to provide reports, recommendations, and legislative proposals to promote efficiency and economy in government. The commission is composed of five citizen members appointed by the governor, four citizen members appointed by the legislature, two senators, and two assembly members. The website states that the commission's "role differs in three distinct ways from other state and private-sector bodies that analyze state programs." First, the commission examines how programs "could and should function in today's world" rather than just determining whether programs "comply with existing requirements." Second, the commission produces reports that "serve as a factual basis for crafting effective reform legislation." Third, the commission follows through with legislative proposals to "implement its recommendations, build coalitions, testifying at hearings and providing technical support to policy makers."

There is no comprehensive list of state-based, permanent entities that function like the Little Hoover Commission. Some states have more specific operations, such as the Sunset

Advisory Commission in Texas, which was established in 1977 and is charged with reviewing all state programs every 12 years on a rotating basis.

The commission's mandate covers approximately 150 state government agencies. Since its inception, 78 agencies have been abolished or consolidated; 37 agencies were completely abolished and 41 had some functions transferred to existing or newly created agencies. The Texas Sunset Commission's website notes that every dollar spent on the sunset process earns the state $29 in return.

There have never been permanent operations similar to the Little Hoover Commission or the Texas Sunset Commission at the federal level.

While the Hoover and Grace Commissions reviewed operations at virtually every federal agency, there have been both legislative and executive branch efforts to review specific agencies or programs, including task forces, boards, and formal reviews. For example, the Packard Commission in 1981 and the Clinger-Cohen Act of 1996 focused primarily on management functionality at the Department of Defense (DOD). The National Performance Review under Vice President Al Gore was an interagency task force intended to reform and streamline government to be more efficient and less expensive.

The Office of Management and Budget (OMB) under President George W. Bush created the Performance Assessment Rating Tool, which disappeared at the end of the Bush administration. President Obama has initiated numerous efforts to eliminate wasteful spending, including a June 2011 executive order entitled, "Delivering an Efficient, Effective, and Accountable Government," which created the Government Accountability and Transparency

Board, and a presidential memorandum sent to the heads of all executive departments and agencies instructing them to dispose of all unneeded federal real estate.

Congressional attempts to improve the management of the federal government included enacting the Grace Commission's recommendation to establish chief financial officers, which occurred in 1989 (begging the question as to why it took 200 years to provide a financial officer in federal agencies). The Office of Federal Financial Management was created at OMB in 1990 (begging the same question). The Government Performance and Results Act (GPRA) passed in 1993, and the Government Performance and Results Modernization Act (GPRAMA) was signed into law in 2010.

While these initiatives were long overdue and helped improve the management of federal agencies, adopting the Grace Commission recommendation to reorganize OMB into the Office of Federal Management would help change the focus of both OMB and Congress from spending to managing.

Despite the best intentions of presidents and legislators to address wasteful spending and improve government efficiency, the size and scope of government continues to grow. The president's budget includes a list of program terminations and consolidations; a limited number of these programs are eliminated or consolidated every year, usually saving a few billion dollars. On the other hand, the creation of new programs and expansion of existing programs always overwhelm those efforts.

An underlying reason for this consistent failure to improve government efficiency and eliminate waste, fraud, and abuse is Congress's tendency to create a program to solve a problem. Rather than spending the time to examine an issue in depth, including whether or not an existing program can address the subject matter, members are usually more likely to move forward with a new program. While “waste” can be subjective, everyone should agree that taxpayer dollars should not be mismanaged. Unfortunately, there are very few systems or incentives in place to prevent misspending by Congress and the executive branch.

In an effort to avoid the creation of new, duplicative programs, Sen. Tom Coburn (R-Okla.) introduced S. Res. 427, the Preventing Duplicative and Overlapping Government Programs Resolution, in the 112th Congress. The resolution would require the report accompanying any bill reported by a congressional committee to contain analysis by the Congressional Research Service (CRS) on whether the bill created a new federal program that would duplicate or overlap any existing federal entity, program, or initiative. S. Res. 427 would also require the reporting committee of a bill to explain why the creation of each new program or office would be necessary if a similar program, office, or initiative already existed.

A companion measure, H. Res. 623, was introduced in the House by Rep. Sue Myrick (R-N.C.). Both resolutions would amend the rules of each body of Congress. On June 29, 2011, during consideration of S. Res. 426, a resolution to provide for expedited Senate consent of certain nominations subject to advice and consent, the Senate voted 63-34 in favor of Sen. Coburn’s amendment, which contained identical language to S. Res. 427. That was four votes short of the 67 needed to amend Senate rules. On February 2, 2012, the Senate voted 60-39 in favor of a reintroduced version of Sen. Coburn’s measure, meaning it again failed to receive the requisite amount of votes necessary for passage.

In other words, the Senate voted twice to continue creating new programs without any information about whether or not those programs duplicated or overlapped with existing programs, or explaining why the new programs were necessary.

Sen. Coburn reintroduced the resolution as S. Res. 110 on April 4, 2013, but the measure has yet to receive a vote in the 113th Congress. The House of Representatives has never voted on a similar rules change.

The failure of both the House and Senate to agree on this reasonable rules change to help prevent the creation of duplicative and overlapping programs makes it easier for the size and scope of government to continue to expand. Even the most obvious and well-documented duplication has not been addressed.

For example, Congress would be well-served to act on its own watchdog's voluminous reports. GAO has issued three annual reports, in 2011, 2012, and 2013, regarding duplicative and wasteful federal programs. Collectively, these three reports identified a total of 162 areas in which the executive branch and Congress could take action to address fragmentation, overlap, and duplication or achieve cost savings. The reports address areas in virtually all major federal departments and agencies, demonstrating the pervasive nature of waste in the federal government. Sen. Coburn has estimated that the annual cost of the duplication and overlap identified in GAO's three reports is $295 billion.

GAO's 2013 report, "Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits," identified 31 areas of government "where agencies may be able to achieve greater efficiency or effectiveness. Within these 31 areas, [GAO] include[s] 17 areas of fragmentation, overlap, or duplication where multiple programs and activities may be creating inefficiencies." The 2013 report identified hundreds of agencies, offices, and initiatives that provide similar or identical services to the same populations, including: 679 renewable energy initiatives at 23 federal agencies and their 130 sub agencies, costing taxpayers $15 billion in fiscal year (FY) 2010; 76 programs to prevent or treat drug abuse spread across 15 agencies, costing $4.5 billion in FY 2012; three federal offices involved in overseeing catfish inspections; and six separate offices at the Department of Homeland Security involved in research and development (two DHS components awarded five separate contracts that each addressed detection of the same chemical).

GAO's 2012 report recommended 81 cost-saving measures that could save taxpayers tens of billions of dollars, including consolidating federal offices, selling excess uranium at the Department of Energy, replacing the $1 bill with a $1 coin, and cutting improper payments by Medicare and Medicaid, which GAO cited as an estimated $65 billion in FY 2011.

The 2012 report also cited 209 science, technology, engineering, and math (STEM) programs costing $3.1 billion spread across 13 agencies in FY 2010. More than one-third of these programs were first funded between FYs 2005 and 2010, yet the U.S. still does not have enough future workers in STEM fields and U.S. students "continue to lag behind students in other highly technological nations in mathematics and science achievement."

GAO stated that 173 (or 83 percent) of the 209 programs "overlapped … with at least 1 other program in that they offered similar services to similar target groups in similar STEM fields to achieve similar objectives." This complicated and fragmented system was a result of efforts to "both create and expand programs across many agencies in an effort to improve STEM education and increase the number of students going into STEM fields." The proliferation of new programs in a short period of time "contributed to overlap and, ultimately, to inefficiencies in how STEM programs across the federal government are focused and delivered."

GAO reported that there are 82 teacher quality programs in 10 agencies that cost $10 billion in FY 2009. "The proliferation of programs" and "fragmentation" has limited "the ability to determine which programs are most cost-effective, and ultimately increase program costs."

GAO identified 47 job training programs in nine agencies that cost $18 billion in FY 2009. Program analysis is virtually non-existent. Only five had an impact study completed since 2004 to determine whether or not participants secured a job as a result of the program itself rather than a separate cause, and about half have not had a single performance review since 2004. Therefore, "little is known about the effectiveness of most programs."

Finally, and most absurdly, GAO's 2011 report identified 56 programs across 20 agencies to promote financial literacy, which are intended to improve the fiscal acumen of the American people. In its 2012 report, GAO noted that the 2011 figures were based on inconsistent criteria from self-reporting by federal agencies. GAO used its own more consistent criteria and revised the number of financial literacy programs to 15 significant programs among 13 agencies, costing $30.7 million in FY 2010. Regardless of the number of programs and cost, while it would be funny if it wasn't so sad, a government that itself is going broke should not spending any money trying to teach others how to balance their checkbooks.

Congress cannot claim ignorance of these duplicative, bloated programs. GAO has long published annual accounts of improvident spending. The agency's representatives testify repeatedly before congressional committees, often reiterating findings from prior reports that the House and Senate have ignored. Some of the recommendations in the three annual reports on duplication and overlap, while not repetitive of each other, are based on previous GAO reports on specific issues. Others who testify before Congress also find themselves repeating the same proposals ad nauseam, all of which makes taxpayers sick and angry that insufficient steps are being taken to eliminate the waste, fraud, abuse and mismanagement that pervades the federal government.

While some steps have been taken to implement the recommendations in GAO's three annual duplication reports, much more can be done. According to GAO's online "action tracker," 87 actions have been addressed, 187 actions have been partially addressed, and 104 actions have not been addressed. On March 23, 2013, during consideration of the FY 2014 Budget Resolution, the Senate voted 62-37 in favor of Sen. Coburn's amendment to consolidate more than 1,000 of the programs identified in GAO's three reports, including 209 STEM programs, 94 green building programs, 80 teacher quality programs, 53 entrepreneurial support programs, 15 financial literacy programs, and 14 diesel emission programs. However, no legislation in the Senate appears to have been approved to implement the provisions of the amendment. On March 15, 2013 the House approved H.R. 803, the Supporting Knowledge and Investing in Lifelong Skills Act, which would consolidate job training programs, by a vote of 215-212. Democrats voted overwhelmingly against the bill due to differences in how the recommendations should be implemented. The Senate has not considered the legislation.

In an effort to force congressional committees to hold hearings on duplicative programs identified by GAO that fall under their jurisdiction, Rep. Cory Gardner (R-Colo.) introduced H. Res. 160, the Congressional Oversight to Start Taxpayer Savings Resolution. Each committee would be required to begin hearings within 90 days of the release of GAO's annual reports. It is absurd that a congressional resolution should even be required to force committees to do what they are supposed to do on a regular basis.

The elimination of duplication and overlap within federal agencies was the focus of legislation introduced by Sen. Sam Brownback (R-Kan.) and Rep. Todd Tiahrt (R-Kan.) in 2004. The bills would have established a Commission on the Accountability and Review of Federal Agencies (CARFA), subjecting agencies to three areas of review. First, when two or more agencies were performing the same function, the commission would recommend that the function be consolidated or streamlined into a single agency or program. Second, when the commission found that an agency was mismanaging resources or personnel, wasting funds by egregious spending, or using funds for the benefit of a special interest group, the commission would recommend that the agency or program be eliminated or realigned. Third, when the commission would find that an agency or program had failed to meet its objectives, become irrelevant, or completed is intended purpose, the commission would recommend the elimination of such agency or program.

After completing its evaluation, CARFA would submit to Congress both a plan with recommendations of the agencies and programs that should be realigned or eliminated and proposed legislation to implement this plan. As with the successful base closing or BRAC, model, Congress would consider this legislation on an expedited basis with a comment period from the committees of jurisdiction. Within the expedited time frame, the Congress would take an up-or-down vote on the legislation as a whole without amendment. If CARFA's recommendations were enacted, significant savings would likely result. If CARFA's recommendations were rejected, congressional committees would still have a useful guide for identifying areas in need of scrutiny.

Needless to say, nothing was done about CARFA by the House or the Senate, and no similar legislation has been introduced since Sen. Brownback and Rep. Tiarht left Congress.

Whether or not CARFA legislation is reintroduced or other legislation to establish a new Grace Commission is introduced in this Congress, such a bi-partisan examination of government waste, fraud, abuse, and mismanagement could review the operations of federal agencies and evaluate improvements; look for increased efficiency and reduced costs that can be realized by executive action or legislation; provide additional information and data relating to government expenditures, indebtedness, and personnel management; and seek opportunities for increased managerial accountability and improvements.

Robert Freer, Jr., chairman and founder of the Free Enterprise Foundation and a member of the Grace Commission Task Force on Land/Facilities/Personal Property, wrote in 2010 that, "More than two decades have passed with only partial adoption of [the Grace Commission's] suggestions, and we are in even deeper soup just as it suggested we would be if we did not follow through. In fact, we are several leagues beyond anything the Commission even conceived of in fiscal jeopardy due to our own profligacy. Any rational society would have long ago reined in its appetites, re-examined its approach to social services, and sharpened its management pencils. It is unclear whether the more than 100 new agencies of government to be created to carry out the new health care initiative will ever be funded, but even the existing governmental structures are woefully in need of a sharp management knife to prune waste, inefficiency, and fraud from their administration. While lamenting the total irresponsibility in growth of government, in calling for a new Grace Commission, we can still hope that government does what it can to carry out its ill conceived programs in a manner as devoid of waste, inefficiency and fraud as possible. A new Grace Commission would help."

In September 2010, shortly before he was elected to the United States Senate to the seat once held by President Obama, then-Congressman Mark Kirk wrote in *The Hill*, "Congress and the president should establish a new Grace Commission, ... After a two-year study at no taxpayer expense, the panel made 2,478 recommendations, which it estimated would save $1.9 trillion by the year 2000. A 21st century Grace Commission should also be given the powers of the Base Realignment and Closure Commission, with its recommendations facing certain up or down votes in both chambers."

In a June 15, 2011 editorial, the *Las Vegas Review-Journal* opined on President Obama's contemporaneous announcement of his new "Campaign to Cut Waste," which is led by Vice President Biden. The op-ed concluded as follows: "If Vice President Biden's new commission is really interested in eliminating waste and redundancy, the first thing they do should also be the last thing they do: Order new copies of the Grace Commission report printed up and handed out to the president and each member of Congress, and then set a good example by voting themselves out of existence."

One could argue that a new Grace Commission or CARFA is not needed since Congress already has the authority to make any changes it wants to agencies and programs. However, neither the House nor the Senate has done enough on their own, so all alternatives should be pursued in an effort to put an end to the mismanagement of the taxpayers' money.

In addition to the foregoing recommendations, there are several other areas of high priority for CAGW in its mission to eliminate wasteful spending.

Although it is viewed by many as sacrosanct, the DOD is rife with waste, fraud, and abuse. One glaring example of DOD's mismanagement of resources is the Army's Distributed Common Ground System (DCGS-A).

DCGS-A, a network-based tool intended to provide real-time access to intelligence, surveillance, and reconnaissance, invokes a strong reaction from both its proponents and detractors. According to Army brass, DCGS-A represents a breakthrough in intelligence support capability, while users have called it a "huge, bloated, excessively expensive money pit." The system has been under development for more than a decade and to date has cost taxpayers approximately $6 billion. Over the next 20 years, DCGS-A will cost an estimated $28 billion when the cost of training analysts is included.

To date, the system has encountered numerous problems. An April 2012 report by the Army Testing and Evaluation Command (ATEC) stated that DCGS-A is "overcomplicated, requires lengthy classroom instruction," and uses an "easily perishable skill set if not used constantly." A memo released by the Department of Defense (DOD) Operational Test and Evaluation office on November 1, 2012 claimed DCGS-A was "not operationally effective, not operationally suitable and not operationally survivable against cyber threats." Most alarmingly, soldiers who have used DCGS-A while deployed have been highly critical of the system.

The complaints about DCGS-A become even starker when it is contrasted with Palantir, a private sector alternative. According to a June 2013 GAO report, users of Palantir deployed in Afghanistan claimed that the system saved them time and was easy to use. The report stated, "Users indicated [Palantir] was a highly effective system for conducting intelligence information analysis and supporting operations." However, the Army has expended much effort defending

DCGS-A against such criticism, and has repeatedly denied requests for Palantir by soldiers in the field.

Allowing the nation's warfighters to take full advantage of existing private sector technologies such as Palantir would increase their capability and effectiveness. It would have the added benefit of saving taxpayers money. The Army continues to claim that the next version of DCGS-A will address all current problems. However, updates are unlikely to fix the significant inherent flaws in the software. Increased congressional oversight is needed to ensure that everything possible is being done to address the difficulties inherent in DCGS-A, and that warfighters are equipped with the best possible tools to complete their mission. Members of Congress must use their authority to ensure that any additional funding is being used to address existing problems in DCGS-A as opposed to further procurement of a flawed system.

Another area in which the DOD has misspent taxpayer money is the Medium Extended Air Defense System (MEADS). Intended as a replacement for the Patriot missile system, MEADS was been dogged by cost overruns of nearly $2 billion and ended up a decade behind schedule. A March 9, 2010 *Washington Post* report quoted a U.S. Army memo asserting that the program "will not meet U.S. requirements or address the current and emerging threat without extensive and costly modifications." A March 2011 CBO report recommended terminating MEADS in favor of continuing production of the Patriot. CBO cited an internal Army memo that urged "harvesting MEADS technologies and improving the Patriot program it was designed to replace."

After several years of urging the DOD and Congress to stop funding MEADS, in April 2013, the Council for Citizens Against Government Waste (CCAGW) praised the Obama

Administration for not requesting MEADS funding in its FY 2014 budget request. The House and Senate Appropriations Committees followed suit, withholding funding for MEADS in their respective versions of the FY 2014 DOD Appropriations Act.

However, on November 6, 2013, MEADS underwent a "graduation exercise" to test the program's ability to intercept missiles. With no plans to continue development or fund procurement of the system, it is difficult to understand why the DOD moved forward with the event. There could be two reasons for this test. First, the prime contractor and the United States' program allies, Germany and Italy, could be searching for potential contributors to continue development and procurement of MEADS; and second, there could be an effort to somehow get around the elimination of funding for MEADS in the FY 2014 appropriations bill.

Indeed, MEADS proved challenging to finish off. In the summer of 2013, Rep. Rob Andrews (D-N.J.) compared the program to Glenn Close in *Fatal Attraction*, stating "You think [MEADS] is dead and it keeps popping out of the bathtub again." Moving forward, members of Congress must ensure that is any funding provided to harvest MEADS technologies for application in existing missile defense systems should not crowd out any other defense spending or equate to backdoor funding keeping the program alive.

In the area of taxation, a good example of mismanagement is identity theft, particularly through income tax return fraud. Often referred to as Stolen Identity Refund Fraud (SIRF), the typical scheme involves a fraudster who acquires someone else's Social Security number and address, files early for a return, and has the return direct deposited to a bank account or debit card or sent to a mailbox belonging to the thief. In the vast majority of cases, IRS issues the return to the fraudster and significantly delays the time it takes for the would-be recipient to collect his or her rightful refund.

For taxpayers, the costs are diffuse but accumulating at an alarming rate. A November 2012 GAO report stated that, as of September 30, 2012, the IRS had identified 641,690 known cases of tax fraud identity theft in 2012 alone. That represents a rise of 165 percent from 2011, when there were just 242,142 such cases, and it is more than 13 times the amount reported in 2008.

The Treasury Inspector General for Tax Administration (TIGTA) issued two reports in September 2013 regarding the progress made by the IRS to address SIRF. The September 20, 2013 report revealed that some IRS prevention and screening techniques appear to be helping to identify fraudulent tax returns. Unfortunately, for the 2011 tax filing season, TIGTA still uncovered 1.1 million undetected tax returns using Social Security numbers that bear a resemblance to previously confirmed identity theft tax returns. Potentially fraudulent tax refunds totaled approximately $3.6 billion (a reduction of $1.6 billion from TIGTA's 2012 report). TIGTA also expanded its tax year 2011 analysis to include tax returns for individual taxpayer identification numbers, and found that potentially fraudulent tax refunds issued for these totaled approximately $385 million.

The September 26, 2013 TIGTA report reviewed a statistical sample of 100 identity theft cases and found that it took the IRS an average of 312 days to resolve them. Furthermore, significant inactivity on the 100 cases TIGTA reviewed averaged 277 days. TIGTA also revealed that the IRS has "still not taken action to prevent multiple tax refunds from being deposited in the same bank account."

Mismanagement of information technology (IT) is also a long-standing problem. From 2001 to 2012, federal IT spending grew by 76 percent, from $46 billion to $81 billion. Unfortunately, according to Oversight and Government Reform Committee Chairman Darrell Issa's (R-Calif.) opening statement at a January 2013 hearing on wasteful IT spending, federal managers estimate as much as $20 billion of taxpayer money is squandered on IT every year.

The federal government plans to spend approximately $80 billion for information technology in FY 2014. Analysts from IDC Insights project that agencies will spend around $2.2 billion in 2014 on cloud computing services, and more than quadruple that spending by 2017.

Despite the estimate of $20 billion being wasted annually on IT, the increased usage of cloud computing services by the federal government is a positive initiative that could save taxpayers billions of dollars. According to an April 2012 survey by MeriTalk Cloud Computing Exchange, approximately $5.5 billion has already been saved annually from the adoption of cloud computing tools. In September 2012, MeriTalk followed with a second survey targeting federal IT managers: those managers anticipated savings of up to $16 billion annually through the use of cloud computing tools.

A survey released on December 19, 2013 by Tripwire indicates that federal agencies are rapidly expanding cloud adoption, and a December 2013 report from Deltek shows that federal cloud adoption is expected to increase by 32 percent annually over the next three years. According to a December 29, 2013 article in *The Washington Post*, the federal government awarded more than $17 billion in cloud computing-related contracts from October 2012 to September 2013. Civilian agencies make up the vast majority of these contracts with a total of

$16.5 billion compared to the $65 million in total awards made by defense agencies and military services.

Over the past several years, OMB has developed tracking initiatives, including TechStat, the IT Dashboard, and PortfolioStat that have improved awareness of IT inventory, duplication, and program management. However, agencies still lag behind in reporting and managing their IT contracts and programs. In July 2013, GAO released a report that stated OMB and federal agencies must more effectively implement major initiatives to save billions of dollars and reduce the amount of wasteful IT spending.

Every administration has tried to improve the IT procurement process. Unfortunately, many of the most notorious mismanaged programs have been in information technology. "Build a system, scrap a system, start all over again" is commonplace for the federal IT environment.

For example, since 1982, the Department of Defense (DOD) and the VA have been trying to create a system that permits them to share medical information in order to improve the care for transitioning service members. Between 2001 and 2008, the VA and DOD spent nearly $2.6 billion developing and updating VistA, the VA's health records system, and AHLTA, the medical records system for the DOD, with little to show in the way of interoperability. On February 5, 2013, the two agencies announced that after spending another nearly $1 billion on a new joint interoperable electronic health record, they were abandoning the effort and focusing instead on making their existing systems more interoperable due to cost concerns that the price tag on the joint project could have potentially reached $12 billion.

In 2002, the IRS tried to create its own tax preparation program called Cyberfile at a cost of $17 million. The program never worked and private tax preparation software was already readily available to consumers. Eventually, the IRS decided to join them instead of trying to beat them and created e-file, which links to private tax preparation companies that in turn provide free services for certain taxpayers.

The Department of Veterans Affairs (VA) attempted not once but twice to build a financial and logistics system; both are in the trash heap at a steep cost to taxpayers. The VA spent $249 million on CoreFLS, and another $215 million on FLITE.

A one-billion-dollar Air Force logistics system was shut down in December 2013 with nothing to show for it. At the United States Department of Agriculture (USDA), $94 million has been spent on a project to develop supply-chain management systems for food distribution, with no measurable results after four years.

The causes of wasteful IT spending include inadequate guidance and program management, unclear goals, and last-minute project modifications, all of which usually emanate from the procuring agency. As a result, systems often are subject to significant delays, fail to meet agency needs, launch without being fully tested, or never launch at all. In other words, for observers of federal IT system expenditures, it was no surprise when healthcare.gov did not work as planned on October 1, 2013.

Another area of IT spending where the federal government can save money is by reducing the number of unnecessary or excessive IT software licenses, bought in part because the government is unable to keep track of what agencies currently own or use. On July 19, 2011, the GAO issued a report criticizing government agencies' inventory management of data centers, noting that 15 federal agencies did not list all of their software assets in their reports. In the private sector, the procurement and utilization of software licenses is routinely and systematically managed through the use of software asset management (SAM) systems, including Aspera, Eracent, Flexera Software, and Snow Software. These same tools could be applied to government agency IT systems to ensure that chief information officers (CIOs) and purchasing agents are aware of existing software licenses and can document usage in order to make smarter purchasing decisions.

In the past year, CAGW has supported the efforts of Chairman Issa and Subcommittee on Government Operations Ranking Member Gerald Connelly (D-Va.) to address procurement issues government-wide and provide greater accountability for IT program management at federal agencies with the introduction and subsequent mark up of H.R. 1232, the Federal Information Technology Acquisition Reform Act (FITARA). This is the first major undertaking to streamline IT procurement within the federal government since passage of the Clinger-Cohen Act in 1996. In particular, the bill provides agency CIOs with more authority over the IT budgets within their departments as well as provides a direct line of reporting by the CIOs to the head of their respective agencies. By centralizing this authority, agencies should be better able to coordinate and streamline their IT purchases and contracting, as well as improve IT management practices.

Unfortunately, in some cases where eliminating waste and inefficiency has been accomplished, efforts are being made to stymie continued success.

The Tax Relief and Health Care Act of 2006 directed the Centers for Medicare and Medicaid Services (CMS) to implement a national recovery audit program for the Medicare Fee for Service (Parts A and B) program. Under the program, CMS competitively bid for four regional recovery audit contractors (RACs), with each covering about a quarter of the United

States. The RACs are responsible for identifying overpayments and underpayments in Parts A and B and bringing those improper payments to the attention of CMS for recoupment.

One of the reasons for improper payments is incorrect coding for medical procedures or claims for services that are medically unnecessary. When providers submit claims for reimbursement of Part A and B services, those claims are processed by Medicare Administrative Contractors (MACs), the fiscal intermediaries that work for CMS. A MAC will typically review claims for basic accuracy and sufficiency; however, because they have a legal obligation to process and pay claims under relatively short deadlines, they have neither the time nor the resources to ensure payment accuracy. RACs then conduct post-payment review of a small subset of claims to identify improper payments and bring those improper payments to the attention of CMS for recoupment.

RACs are paid on a commission basis for all underpayments and overpayments that they identify. The federal government bears none of the risk of investing in the systems and personnel to conduct the program.

As of December 31, 2012, RACs had corrected more than $4.2 billion in improper payments, approximately 93 percent ($3.9 billion) of which were overpayments collected from providers, over the four-year period beginning with FY 2010 (October 2009) through the first quarter of FY 2013 (December 2012). In short, the program works well and should be continued. Unfortunately, under pressure from providers, CMS has suspended a significant portion of its audits and is considering a change in the rules governing some claims. The CMS review process began in the last quarter of 2013 and was extended through March 2014, which means that about $1 billion per quarter will not be recovered by RACs.

Since its inception, CAGW has been closely following spending at the USDA, particularly during consideration of the Farm Bill by Congress. That legislation is a rare situation in which the headwinds to eliminating waste are more regional in nature than partisan.

For example, the USDA's direct payments program delivers $5 billion annually to farms based on historical production totals. From this distribution, $1.3 billion, or 26 percent of the program's expenditures, goes to recipients living on what once was farmland, but who no longer farm. That massive giveaway has rightly come under fire in recent years from lawmakers and policy groups on both ends of the political spectrum, and, as a result, it was eliminated in both the House and Senate versions of the Farm Bill that are to be consolidated over the next several weeks. Unfortunately, what Congress took away with one hand, they gave back with other by replacing direct payments with an even more egregious shallow loss programs.

With regard to the agriculture title of the Farm Bill, neither the House nor Senate versions introduce real reform or repeal profligate subsidy programs. Both bills expand crop insurance subsidies, leave intact the market-distorting sugar and dairy programs, and fail to repeal the $200 million, corporate-welfare stalwart, Market Access Program. According to Vincent Smith, professor of economics in the Department of Agricultural Economics and Economics at Montana State University and visiting scholar for the American Enterprise Institute, the failure to reform such programs could result in the House bill increasing total federal spending on farm subsidies by $10 billion per year relative to current law, while the Senate bill could increase farm subsidies by $5 billion per year.

In particular, the sugar and dairy programs distort the free market and keep prices much higher than necessary for consumers and taxpayers. The U.S. sugar program could accurately be described as an outdated, Soviet-style command-and-control program that uses price supports, tariffs, import quotas, loans, and marketing allotments to artificially inflate the price of sugar. This federal intervention has led to American consumers paying nearly twice the world price of sugar for the better part of the last 30 years. The program is often justified as providing assistance to small farmers; however, 60 percent of all sugar program benefits go to the wealthiest one percent of farmers.

A new and supposedly "improved" dairy program is included in both the House and Senate versions of the Farm Bill. The Dairy Market Stabilization Program (DMSP), despite being called "reform" by supporters, continues the failed command-and-control policies for milk that have existed for decades. DMSP will limit the supply of milk and, as a result, increase the price Americans pay at the grocery counter for milk and other dairy products, like cheese, yogurt, and ice cream. DMSP will also impose a new layer of job-killing regulations on American companies that manufacture dairy products.

As the CRS reported on September 18, 2012, "DMSP is described most commonly as a supply management program; however, it is perhaps more accurately described as a production disincentive program." DMSP is contrary to the goals of limited government and economic growth. A new federal program that will directly intervene in markets and increase milk prices for everyone is unnecessary. CRS, while more neutral on the subject, nonetheless concluded the "concept behind the DMSP program is that payment reductions are intended to have one or both of two basic effects, *either of which is expected to result in a higher future farm price for milk* (emphasis added)." DMSP attempts to both limit the supply of milk and increase the demand for dairy products. Moreover, low-income families, who spend a larger percentage of their income on food than other consumers, will be hit hardest.

Despite efforts in both the House and Senate to eliminate or reduce spending on MAP, the program survives. For years, MAP has delivered advertising subsidies to successful agricultural firms, such as Butterball, Tyson, and Sunkist Growers, Inc., to market their goods abroad. Over the past decade, MAP has provided nearly $2 billion in taxpayer money to agriculture trade associations and farmer cooperatives. According to *Prime Cuts*, the elimination of MAP would save taxpayers $200 million in the first year and $1 billion over 5 years.

While CAGW opposes the USDA's MAP, there is another MAP that should be endorsed by members of this committee: Rep. Kevin Brady's (R-Texas) "Maximizing America's Prosperity" (MAP) Act, which was introduced as H.R. 2319 in the 112th Congress. One of the key provisions of Rep. Brady's bill is a "sunset" process, which would provide periodic, systematic review of needlessly duplicative programs or agencies that have outlived their usefulness.

The MAP Act would establish a bipartisan Federal Agency Sunset Commission, inspired by the Texas Sunset Commission, with which Rep. Brady was familiar when he served in the Texas State Legislature prior to being elected to Congress. Each federal agency must justify its existence or face elimination. The commission would consider, among other criteria: the agencies' efficiency of operations; purpose of the agency; whether the agency has operated outside its scope of authority; whether there are better alternatives for achieving the agency's mission; promptness in processing complaints; extent of the inclusion and encouragement of public participation; and the effects of abolishment on the state and local levels. The commission would submit to Congress each year a report containing an analysis for each agency up for sunset review that year consisting of recommendations as to whether the agency should be abolished, reorganized or substantively changed, proposals for funding the agency as well as legislative action with respect to each agency. Congress would then draft legislation to carry out the recommendations. Rep. Brady plans to reintroduce the MAP Act in 2014.

Another area of mismanagement, where the government is trying to provide a service already being provided by the private sector, is the USDA's role in broadband investment through the Rural Utilities Service (RUS). The agency grew out of the remnants of the Rural Electrification Administration (REA), which was created in the 1930s. The primary goal of the REA was to promote rural electrification to farmers and residents in out-of-the-way communities where the cost of providing electricity was considered too expensive for local utilities to bear alone.

By 1981, 98.7 percent of Americans had electricity and 95 percent had telephone service. Rather than declaring victory and shutting down the REA, the RUS was born, and its mandate was expanded to provide loans and grants for activities including telephone service to underserved areas of the country. That mission was further expanded in 2002 to include broadband services to rural areas of the country unserved or underserved by existing service providers. This sounds much like the mission undertaken by the Universal Service Fund, administered by the Federal Communications Commission, but the RUS lacks a clear definition of what constitutes an underserved region of the country.

In the 2009 American Recovery and Reinvestment Act (stimulus), the RUS received $2.5 billion for its Broadband Initiatives Program (BIP). According to the USDA, the RUS has obligated BIP funding for 320 projects in 44 states and territories. Despite the program's widespread funding reach, the money is not necessarily being spent wisely by grant recipients. In March 2013, the USDA IG reported that "RUS funded BIP projects that sometimes overlapped preexisting RUS-subsidized providers and approved 10 projects, totaling over $91 million, even though the proposed projects would not be completed within the 3-year timeframe RUS established and published." The IG also found that "the agency could have implemented the program so that it would have focused more exclusively on rural residents who do not already have access to broadband."

On February 20, 2013, the House Committee on Energy and Commerce held a hearing on the status of broadband spending under the stimulus. Witnesses stated that much of the stimulus broadband funding has produced overbuild leading to direct competition with incumbent private sector providers of broadband services. While Connect North Georgia President, Bruce Abraham, lauded the economic benefits to northern Georgia stemming from the $33 million broadband stimulus loan it received, Vermont State President of FairPoint Communications, Michael K. Smith, described millions in federal dollars being used for overbuild projects throughout New England that "create a publicly financed competitor aimed at putting FairPoint and other private providers at a competitive disadvantage."

While RUS provides funding for more than just broadband deployment, those projects are appallingly wasteful. In 2009, Buford Communications of LaGrange, Arkansas, (population 122) received $667,120 to build a hybrid fiber coaxial network and a new community center. This equates to $5,468 per resident of LaGrange. Increased broadband connectivity is important, and many private sector companies have already stepped up and improved service for both wireline and wireless customers through their own capital investments. However, when taxpayer funds are used through either grant or loan programs, there should be increased accountability for where and how tax dollars are being spent in order to avoid wasteful spending and overbuild of existing infrastructure. In its 2013 *Prime Cuts* report, CAGW highlighted wasteful spending at RUS and called for its elimination, which would save $9.6 billion in one year and $48.1 billion over five years.

Energy savings performance contracts (ESPCs) are another proven way to save taxpayers billions of dollars by reducing government energy spending. An ESPC is an agreement between a federal facility and an energy services company (ESCO) in which the ESCO agrees to pay for and install energy efficient equipment, such as solar panels, energy efficient windows, lights, and other systems. In exchange for shouldering all of the upfront costs, the federal agency responsible for the facility pays the ESCO a share of the savings resulting from the energy efficiency improvements. Federal and state buildings around the country have benefited from the implementation of ESPCs because if the building modifications do not produce any cost savings, taxpayers are not liable for any expense. The ESCO is additionally obligated to pay for maintenance to equipment, as well as measuring energy consumption and savings.

Despite the fact that ESPCs have achieved bipartisan, bicameral support, scoring rules for legislation are a major impediment to broad implementation. Under CBO's current scoring rules, ESPCs are considered a cost instead of a savings, which makes it more difficult achieve the cost savings and environmental benefits that the private sector and state and local governments are already receiving from the use of such contracts.

Another painless way to save billions of dollars is to phase out the $1 note and transition to the $1 coin. The GAO has issued nine separate reports over 23 years stating that billions could be saved from eliminating the $1 note. In its most recent report released in February 2012, the GAO estimated that switching to the $1 coin would save at least $4.4 billion over 30 years, or $146 million per year.

The Currency Optimization, Innovation, and National Savings (COINS) Act, introduced during the 113th Congress as H.R. 3305 in the House by Rep. Michael Fitzpatrick (R-Pa.) and as S. 1105 in the Senate by Sen. Tom Harkin (D-Iowa), would require Federal Reserve Banks to stop issuing the $1 note four years after enactment of the legislation or when circulation of $1 coins exceeds 600 million annually, whichever comes first.

A long-standing area of concern for CAGW has been the financially-beleaguered U.S. Postal Service. The time has never been better to enact bold, forward-looking structural reform of Postal Service. These improvements should permit the postal service to meet its universal obligations, right-size its workforce to meet the demands of an evolving postal industry, and most importantly avoid a taxpayer bailout.

While specific programs can be reformed, consolidated, or terminated by Congress at any time, such actions have been few and far between and when they have occurred, they have been ineffective. In fact, the congressional committee structure itself contributes to the duplication and overlap identified by GAO, since federal agencies can't create programs on their own. In some cases, dozens of committees and subcommittees have jurisdiction over a single issue.

A December 2011 Boston University Law Review article by Michael Doran, "Legislative Organization and Administrative Redundancy," noted that:

> Every congressional committee has strong incentives to protect and expand its jurisdiction, both through new legislation and through oversight of executive-branch agencies. The establishment and maintenance of administrative programs, even if duplicative of other programs, enable a committee to exercise its existing jurisdiction and to stake new jurisdictional claims. From the perspective of committee members, that

outcome is unquestionably good. In Congress, as in the bureaucracy, turf is everything. No less importantly, standing committees enjoy substantial parliamentary prerogatives in both chambers of Congress. These prerogatives – such as the power to block floor amendments and the power to dominate the bicameral conference committees – effectively prevent chamber majorities from moving legislation unacceptably far from the policy positions preferred by the standing committees.

Mr. Doran noted that congressional committee jurisdictional fragmentation and parliamentary prerogatives therefore "bias legislative outcomes in favor of redundancy." He concluded that "the institutional structures facilitating redundancy have mixed effects" and suggested that one method to address this problem would be to preserve existing committee jurisdiction while reducing committees' parliamentary prerogatives, therefore "encouraging redundancy in program design" but "discouraging redundancy in program implementation."

As this committee continues its efforts to improve the management of the taxpayers' hard-earned money, it would be helpful to review in a separate hearing how the congressional committee structure affects the duplication and overlap that pervades federal expenditures. Recognizing that Congress may have problems recommending changes to its internal rules, Mr. Doran suggested that a commission similar to BRAC be established in order to make recommendations on committee reorganization.

Even when Congress enacts legislation to improve specific areas of mismanagement, it can take years to get results. For example, GPRA passed in 1993 with the intent of improving project management by establishing basic standards and procedures for measuring the effectiveness of agency expenditures. GPRA included positive steps toward reducing mismanagement in agency spending, such as increasing transparency and oversight, requiring multiyear strategic plans, annual plans, and annual reports. However, the subjectivity of what defines “success” in accomplishing performance goals has made determining the achievement of the law difficult.

In 2010, GPRAMA substantially modified GPRA by establishing new products and processes that focus on goal setting, and also updating the law to reflect technological changes. GPRAMA established welcome changes such as “quarterly priority progress reviews” and a government-wide performance website. However, the enactment of GPRAMA 17 years after the original GPRA begs the question as to why these provisions were not included either in the original legislation or otherwise long before 2010.

Similarly, the Improper Payments Information Act (IPIA) of 2002 was enacted to require the measurement of incorrect disbursements and incomplete or missing paperwork used for the calculation of payments. According to CRS, “The law required agencies to identify each year programs and activities vulnerable to significant improper payments, to estimate the amount of overpayments or underpayments, and to report to Congress on steps being taken to reduce such payments.” The focus of the legislation was more on reporting improper payments than reducing the amount of improper payments. That helps explain why despite the enactment of the IPIA, the amount of improper payments rose from $45 billion in fiscal year 2004 to $125 billion in fiscal year 2010.

Due in part to this increase, Congress enacted the Improper Payments Elimination and Recovery Act in 2010, which required agencies to identify, estimate, report, and recover improper payments. Two years later, President Obama signed into law the Improper Payments

Elimination and Recovery Improvement Act of 2012, which further expanded the efforts to bring improper payments under control. According to OMB's paymentaccuracy.gov website, the government has "avoided over $47 billion in improper payments over the past three years, almost hitting the President's ambitious goal of avoiding $50 billion in improper payments by the end of FY 2012." While this achievement is laudable, the starting point for cutting improper payments was far greater than it needed to be.

Regardless of whether the federal government is in surplus or deficit, there is no excuse for mismanaging the taxpayers' money. For example, Sen. Coburn's "Wastebook 2013" included 100 examples of absurd expenditures totaling $30 billion that would qualify as inefficient use of federal resources under any circumstances.

For example, the Army spent $297 million to develop a football field-sized blimp to provide continuous surveillance of the Afghan battlefield. It was never used, and in 2013 the Army sold it back to the contractor that was building it for $301,000, or .10 percent of what it cost to build. As Sen. Coburn noted, in an era of smaller and more agile surveillance devices, the "mega blimp" did not make sense. GAO found that the airship weighed 12,000 pounds more than intended and could not fly either at the projected height or for as many days as anticipated.

Sen. Coburn's "Wastebook 2013" also pointed out that the federal government not only has far too many empty and little used federal buildings, it also has to spending money to maintain them, including keeping the lights on when no one is even in the facilities. In 2010, GAO found that an empty building owned by the Veterans Affairs Administration cost $20,000 annually to operate, and that the General Services Administration spent nearly $2 million on a warehouse that was completely empty from 2008 through 2011. In total, the government spends at least $1.5 billion annually maintaining properties it no longer needs. This kind of mismanagement would not be tolerated in the private sector; someone would either lose their job or the organization would go broke.

Better stewardship of the taxpayers' money should be the mantra for every member of Congress. Every American would be well-served if every day elected representatives and senators came to work thinking first and foremost about how they could better manage the taxpayers' money and solve problems effectively with the resources that are already allocated to the federal treasury and through the use of existing programs, and only after doing all that can be done to answer that question affirmatively then seek another way to solve the problem. In other words, rather than thinking that his or her committee or subcommittee has the best or the only answer to solve a perceived problem, each representative and senator should first think about how to solve the problem and then determine if a new program is needed.

I appreciate the opportunity to testify before the committee today, and would be glad to answer any questions.

Thomas A. Schatz

Thomas A. Schatz is president of Citizens Against Government Waste (CAGW) and its lobbying affiliate, the Council for Citizens Against Government Waste (CCAGW).

CAGW was founded by the late businessman J. Peter Grace and late Pulitzer Prize-winning columnist Jack Anderson in 1984 following the completion of President Ronald Reagan's Private Sector Survey on Cost Control (the Grace Commission). A 501(c)(3) nonprofit, nonpartisan educational organization, CAGW works to eliminate waste, fraud, abuse, and mismanagement in government and has more than one million members and supporters nationwide. According to official Office of Management and Budget and CAGW estimates, implementation of Grace Commission and other CAGW waste-cutting recommendations has helped save taxpayers $1.08 trillion.

Mr. Schatz is a nationally-recognized spokesperson on government waste and has been interviewed on hundreds of radio talk shows from coast to coast. He is a regularly featured guest on national television news programs and local news broadcasts. His appearances include ABC's "Good Morning America," CBS's "60 Minutes," FOX News Channel's "The O'Reilly Factor," NBC's "Nightly News," and PBS's "The News Hour." He was a regularly featured guest on the "Pork Watch" segment of CNBC's "Squawk Box." His editorials on fiscal policy have appeared in publications nationwide, including *The New York Times* and *The Wall Street Journal*.

Mr. Schatz has testified numerous times on government waste issues before committees of the United States Senate and House of Representatives, as well as before state and local legislative and regulatory bodies.

During his 28 years with CAGW, Mr. Schatz has helped make CAGW a "leading government watchdog on fiscally conservative issues, like taxes and earmarks," according to *National Journal*. In his role as president of CCAGW, *The Hill* named him one of the "top 10 public interest lobbyists."

Prior to joining CAGW in 1986, Mr. Schatz spent six years as legislative director for Congressman Hamilton Fish Jr. and two years practicing law and lobbying.

Mr. Schatz holds a law degree from George Washington University and graduated With Honors from the State University of New York at Binghamton with a bachelor's degree in political science. He is married to Leslee Behar and has two daughters, Samantha and Alexandra.