

**HOW TO SAVE TAXPAYER DOLLARS:  
CASE STUDIES OF DUPLICATION IN THE  
FEDERAL GOVERNMENT**

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**HEARING**

BEFORE THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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**HOW TO SAVE TAXPAYER DOLLARS:  
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THE FEDERAL GOVERNMENT**

WEDNESDAY, MAY 25, 2011

U.S. SENATE,  
COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:03 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Carper, Pryor, Collins, Coburn, McCain, and Johnson.

**OPENING STATEMENT OF CHAIRMAN LIEBERMAN**

Chairman LIEBERMAN. Good morning and welcome to this hearing. Thanks to our witnesses for being here, a distinguished group of witnesses.

This hearing is on the recent report issued by the Government Accountability Office (GAO) whose title is "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue." I do not know that there could be a more timely report issued, particularly as we urgently grapple with our runaway deficits and debt, and the worry among the American people that our great country is heading over a financial cliff grows more anxious and deep.

The origin of this report will probably not be surprising to people who follow such things. The report is the result of an amendment that was introduced, and passed the Senate, by Senator Coburn, interestingly enough, to last year's request for an increase in the national debt limit.

I am sorry that Senator Coburn is not here. He is on his way and we are going to give him the right to give an opening statement. I do want to thank him for what he did and this report really justifies his introduction of the amendment.

The report lists a series of programs, agencies, offices, and initiatives with duplicative goals and activities within departments. In addition to listing 34 areas where there exists potential duplication, overlap, and fragmentation, the report also summarizes 47 additional areas where opportunities exist either to reduce the cost of government operations or enhance our revenue collections.

The focus of today's hearing is on the duplication in Federal programs and agencies. The cost savings and revenue section, how-

ever, also provides very significant and interesting ideas, and for Congress and the Administration, opportunities to confront these twin problems of the deficit and the debt.

I hope, Mr. Dodaro, that you will discuss the report in general, as well as the specific topic areas that we are going to focus on today. Just very briefly, those three topic areas are enterprise architecture, a key mechanism for identifying potential overlap and duplication; the consolidation of Federal data centers, providing opportunity to improve government efficiency and achieve significant cost savings; and collecting improved data on interagency contracting to minimize duplication in a way that could help the government leverage its vast buying power.

So this is an excellent report. We have a great panel of witnesses to help us understand how we can assist the Congress and the Administration in implementing some of these ideas to reduce our deficit and our long-term debt. So I look forward to your testimony and the question and answer period.

#### **OPENING STATEMENT OF SENATOR COLLINS**

Senator COLLINS. Thank you, Mr. Chairman. There has never been any doubt that wasteful duplication is a serious problem in the Federal Government, but it was not until the GAO released its March report that we had such overwhelming, quantifiable evidence exposing just how serious this problem is. For that reason, I am grateful to the GAO, and also to Senator Coburn who, as the Chairman has mentioned, sponsored the amendment requiring this report and its subsequent annual updates.

The findings of the report are not surprising since we have always known that there was waste and duplication. Still, GAO's conclusion that the 81 areas quantified have opportunities for eliminating duplication, reducing operational costs, or enhancing revenue is an urgent call for action. At a time when our country has an unsustainable debt of \$14 trillion, there simply can be no excuse for such waste, duplication, and inefficiency.

I also want to point out that this duplication and overlap not only does not serve the taxpayer well, but also it is not beneficial to participants in Federal programs. To cite just one example, a low income person with a disability may confront a bewildering maze of some 80 programs offering transportation assistance. So this kind of fragmentation, overlap, and duplication serves neither the taxpayer nor the beneficiary.

What is the cause of such duplication? At times, the President, seeking to put his own imprint on the budget to demonstrate his priorities, proposes a new program despite the fact that similar ones already exist. In other cases, it is Congress that creates those silos without checking to see if a similar silo already exists.

Committee jurisdictions contribute to the problem, as each committee wants to carve out its own program to respond to its constituency. There are no bad intentions here. Just the opposite. It is the proliferation of good intentions that has created the problem. We in Congress see a problem, we want to fix it, we introduce a bill, we fight hard to pass that bill, we work to see that our program is fully funded, and to implement it.

Some of this duplication is actually happening within a single agency. In such cases, the agency head should help to sound the alarm and request the legislative fix. To address cross-agency redundancy, the President, in his State of the Union address, announced a plan to consolidate and reorganize programs in order to reduce duplication. But from my perspective, that important work appears to be proceeding at a snail's pace.

Perhaps the greatest irony of all is the fact that 20 agencies housing 56 different programs are all redundantly trying to improve the financial literacy of the American people. I would suggest that the American people could teach the Federal Government a thing or two about financial literacy. In difficult fiscal times, we should pay for something once, not dozens of times.

And that is far from the only problem. The GAO found duplication across the government in a wide range of programs. In fact, it appears to me the GAO found duplication virtually everywhere that the agency looked. This duplication is hardly trivial in a financial sense.

The duplication in programs to promote ethanol production, for example, deprives us of almost \$6 billion every year. Not only is that unacceptable, given our \$14 trillion debt, but also think of what that means for other competing priorities for scarce resources. Thousands of Americans with HIV/AIDS right now are on waiting lists for life saving medicines because the Federal program for people who cannot afford those medicines has run out of money.

One topic to be covered today by the Comptroller General is the role of enterprise architecture as a tool that agencies should use to help identify and expose areas of duplication and waste. Now, enterprise architecture sounds like something out of Star Trek, but in reality, it is a blueprint that visually lays out the critical missions of an agency. And on top of that skeleton, agency officials then overlay the activities and programs that the agency is actually operating to see if they match those core missions.

I would note, however, that enterprise architecture is being implemented only on an agency-by-agency basis. It cannot help eliminate duplication across multiple agencies unless someone is looking at all the blueprints at once.

Another topic that we will hear about today is the use of the interagency contracts, strategic sourcing, and procurement. When properly used, the interagency contracts can save money and improve efficiency. By allowing agencies to order from other agencies' existing contract vehicles, the Federal Government is able to leverage its enormous purchasing power and it can provide for a streamlined, more cost-effective method of contracting.

But I have long been concerned that there are too many interagency contracts across government for the same goods and services. Unchecked proliferation limits the potential to maximize purchasing power, and thus, increases the cost of doing business with the Federal Government.

Now, I know this past December that the Federal Acquisition Regulation (FAR) was amended to require agencies to develop a business case to justify the creation of a new contracting vehicle, and my hope is that those reforms will minimize duplicative contract vehicles.

There is so much here that we need to address. I am convinced that if we could eliminate redundancy, duplication, and overlap, that we can literally save billions of dollars, and we can do so in a way that would actually improve the delivery of government programs and services.

So I thank the Chairman for holding this important meeting today and I look forward to hearing our witnesses.

Chairman LIEBERMAN. Thanks, Senator Collins. I agree with you. The results of the GAO study and the recommendations are really stunning and have enormous potential for exactly the kinds of savings that all of us are looking for. I was thinking that I hope somebody has given a copy of this to Vice President Biden and the bipartisan leadership group that is focused on the deficit and debt ceiling requirements.

Mr. Dodaro, before I introduce you, we have blown up two of the charts,<sup>1</sup> "Duplication and Overlap in Teacher Quality Programs," and also "Duplication in Economic Development Programs." There is a slightly modified Calvin and Hobbes cartoon there whose origin, I gather, may be the State of Maine. Is that true, Senator Collins?

Senator COLLINS. This is true.

Chairman LIEBERMAN. In its original, the word Congress did not appear.

Senator COLLINS. This is Carl's. I hope we do not get sued for copyright infringement.

Chairman LIEBERMAN. Well, no. I think it is in the public domain.

The first witness is Gene Dodaro, Comptroller General, at the U.S. Government Accountability Office. This is another great piece of work by GAO and, Mr. Dodaro, we thank you for it.

Senator Coburn, would you like to give your opening statement now?

Senator COBURN. I will be happy to.

Chairman LIEBERMAN. Yes, go ahead, Senator Collins.

Senator COLLINS. I was just going to make sure that Senator Coburn knew that you and I both praised him in absentia.

Chairman LIEBERMAN. We did.

Senator COLLINS. And as you have said before, that is the clearest test of true praise, when the person is not in the room.

Chairman LIEBERMAN. That is what they told me in Washington. I do want to say, I was thinking, Senator Coburn, that though your membership in other groups may now be in doubt, we are always proud to have you as a Member of the Homeland Security and Governmental Affairs Committee.

Senator COBURN. Well, I will be sure to let you know if I take a sabbatical from here.

Chairman LIEBERMAN. Sabbaticals from here are impossible. Thank you and we welcome your opening statement. Now, what we said was that your amendment to the debt ceiling vote last year is what required, and then resulted in this extraordinary report which arrives at exactly the right time. Senator Coburn.

<sup>1</sup> Charts submitted for the Record by Senator Collins appear in the Appendix starting on page 41.

**OPENING STATEMENT OF SENATOR COBURN**

Senator COBURN. Well, thank you and I thank the GAO for their work. I think the report is obvious, and the report only covers about a third of the Federal Government, and it was the easiest report for them to do out of the two others that they have left and owe us. But their work has been phenomenal.

I also might note that most of this work was previously done and Congress did not pay attention to it, and Congress paid attention to it when we put it all together, and I think that speaks to part of our problem. And I know my colleagues are aware of the problems in front of us today, but it just shows you the power of combining good information in one report that then has an impact.

My real hope is not that we will get the rest of the information, I know we will, but that we actually do something with it. Our founders made our process hard to make changes, and what you saw in duplication in this report comes from compassionate people wanting to try to make a difference in people's lives, but not being compassionate enough about the dollars so they do not do a good enough job of oversight before they do additional things that are meant to do good.

And so, the motivations are wonderful by our colleagues, but our techniques lack. My hope is that we can learn something from this, and that is why myself and several of our colleagues, 17, have said, We are not going to allow new bills to move through the Congress that do not eliminate things that are already doing the same thing, or we will make them better, put metrics on them, and are not going to eliminate another government program before they create a new one.

So with that, I am appreciative of the work done. I am appreciative of the praise that the Chairman and Ranking Member have given me, but the Senate did that. I did not do it. The Senate agreed to that and when the Senate works together, we can accomplish good things. Thank you.

Chairman LIEBERMAN. Thanks, Senator Coburn.

Comptroller General, we welcome your testimony now.

**TESTIMONY OF HON. EUGENE L. DODARO,<sup>1</sup> COMPTROLLER  
GENERAL, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. DODARO. Thank you very much, Mr. Chairman. Good morning to you, Ranking Member Collins, Senator Johnson, Senator McCain, and Senator Coburn. It is a pleasure to be here this morning to discuss our recent report. In the report, as you noted in your opening statements, we had listed 81 areas where we believe there is duplication, overlap, and fragmentation in Federal programs. There are also other opportunities to reduce costs, save money, and enhance revenue.

The 81 areas touch hundreds of programs across the Federal Government and, indeed, touch virtually every major civilian agency, as well as the Department of Defense. Now, there are a couple of areas or categories I would point out this morning, the ones that you requested, Mr. Chairman, but also the first one is areas where there is potential duplication in Federal programs.

<sup>1</sup>The prepared statement of Mr. Dodaro appears in the Appendix on page 50.

This is an excellent chart that lists all these areas—where there are similar programs trying to achieve similar objectives and, in many cases, serving similar populations. For example, there are 82 programs that, either in part or as an allowable activity, are trying to improve teacher quality. There are over 80 programs trying to improve economic development opportunities for people.

There are 44 different programs in the employment and training area that overlap one another in trying to provide similar services to similar areas. And then in the transportation surface area, there are over 100 programs that have developed over time.

Now, the important part here is alluded to in your opening statements. These programs accumulated over time; in fact, some of them over decades. There is also, what we found, limited information on the effectiveness of some of these programs that make it difficult to make decisions going forward.

Now, in some of these areas, as you pointed out, Senator Collins, the Administration has made some proposals for consolidation. In the teacher quality and education area, for example, they proposed combining 38 programs into 11. They have made proposals to combine some of the employment training programs. In the surface transportation area, they made a proposal to combine 50 of the programs into 5.

So I think that this is a perfect opportunity for the Congress and the Administration to work together to rationalize these portfolio of programs to really clarify what the Federal role is, what exactly are the outcomes that the Federal Government is trying to achieve, how to measure that over time, and to reduce costs. There are a lot of associated administrative costs with these programs, along with the cost of the actual program outlays, that I believe there is a lot of opportunity to make changes.

Now, in addition, as you point out, Mr. Chairman, we have a lot of recommendations to deal with what is a yawning net tax gap of an estimated \$290 billion of taxes that are owed under the current system that are outstanding and not paid.

And we have a number of recommendations to improve activities of the Defense Department, which are important, particularly in their business operations. We have a department that consumes half of the total amount of discretionary spending, and I would be happy to talk about those in the question and answer session.

But specifically in the information technology (IT) area, where there is about an estimated \$80 billion spent annually on IT services, we point out three areas where there are opportunities for savings. First is in the data center consolidation area. In 1998, there were 432 data centers, estimated, in the Federal Government. Last year, there were over 2,000.

As the Federal agencies have tried to modernize their operations and increase their capabilities, they have wanted more computing power, but it has just grown in a fashion that has not been well-coordinated. And as a result, there are redundant capabilities, under-utilized assets, and a significant amount of energy costs associated with running these data centers. There is a lot of money to be saved here.

The Administration has started an initiative in this area which we support and are encouraged by, but our recent work for this

Committee looking at the data center consolidations, have identified the fact that the inventories of the Federal departments and agencies are not quite complete. In other words, all the centers are not yet listed, and the inventory of the assets within the centers, both hardware and software, is not yet complete.

So we think that needs attention, and if the Office of Management and Budget (OMB) and the agencies focus on this area, we can see actually a good case of where plans can be enhanced that could yield the proper outcomes in this area that everybody is desiring to achieve.

Now, also, OMB has put a Dashboard in place to track major IT investments. We think this is a big improvement over prior oversight efforts, to make sure that the cost, schedule, and performance of IT investments remain on track and that do not spiral out of control, as we have all seen in the past.

We think this effort is good. I know there have been proposals introduced by this Committee to codify that Dashboard in law. I think that would be a good idea. But also, what we have suggested is there needs to be more current information posted on the Dashboard so that people can clearly get a good look at the current state of each of these IT investments. And there are also opportunities to look across the government, not just within individual departments and agencies, to look for duplicative investments.

Now, a third area is enterprise architecture, as Senator Collins mentioned in her opening statement, that is a blueprint of exactly what the business systems operations are now and how IT systems support the business operations, and then explains the current state of affairs and the desired state of improvement. This can be used as a reference to make sure investments are not duplicative and that there are opportunities to conserve resources along the way.

We think this is a real work in progress across the Federal Government right now. The Federal Government is not getting the full advantage of having enterprise architectures in place.

I was particularly pleased, after our recent report, the Secretaries of Veterans Affairs and Defense have now agreed to address one of the areas we point out where they are both pursuing electronic health records systems, multi-billion dollar efforts that were not well-coordinated.

Now they have committed, including to have a joint enterprise architecture, so that those systems can exchange information quickly. We think this has potential for savings, and more importantly, providing good services to our veterans.

Now, on the contracting area, we point out a number of areas, and this is important because this represents over \$530 billion a year in Federal spending. First is competition. Despite the advantages of competition, about 31 to 35 percent of the contracts over the past few years have been non-competitive, and that does not count ones that only have one bidder.

Now, in some cases, it is legitimate and properly used, and in other cases, we think that more competition will lead to lower costs for the Federal Government and this will be a very positive development. The Administration has a proposal to reduce high-risk contracting by 10 percent. We are looking at the agencies' progress in

doing that over the last year and we will report to this Committee with our results.

Also, we point out that award fees given contractors in the past have not been given for appropriate purposes. In fact, contractors have been paid award fees for sub-par performance. New procedures are in place now in the agencies in order to make sure that does not happen and the award fees are used appropriately, but they have to be adhered to. And as we have seen in the past, implementing good new policies is really something that would benefit from congressional oversight and would benefit from oversight by the Administration.

The last two areas are interagency contracting and sourcing developments where the government could better utilize strategic sourcing and where they could better utilize their purchasing power. Now, the interagency contracting, as you point out, Senator Collins, works well when there is a good vehicle in place to do it.

But right now, a lot of vehicles, particularly those where multiple agencies are getting together, not the government-wide vehicles that are already in place, and individual agencies are using enterprise-wide contracting. There is not a lot of visibility on these efforts.

Now, OMB has put more requirements in place for business cases, but there really is not good information available across the Federal Government yet to make sure that these contracts produce good value, but are minimized, because too many of them can create increased procurement costs and stretch an already thin acquisition work force in terms of carrying out their responsibilities.

Last, strategic sourcing has a lot of opportunities for the Federal Government, but again, better data is needed in this area.

Now, as Senator Coburn mentioned, this is our first installment of our report. We are already working on year two, and there are many other areas where there is duplication, overlap, fragmentation in Federal programs. We are committed to finding those and reporting them to the Congress so that they can take action on these areas.

Thank you for the opportunity to be here this morning, and I would be happy to answer questions at the appropriate time.

Chairman LIEBERMAN. Thank you very much for your testimony.

Next we will go to Daniel Gordon, Administrator of the Office of Federal Procurement Policy within OMB. Good morning, Mr. Gordon.

**TESTIMONY OF HON. DANIEL I. GORDON,<sup>1</sup> ADMINISTRATOR,  
OFFICE OF FEDERAL PROCUREMENT POLICY, OFFICE OF  
MANAGEMENT AND BUDGET**

Mr. GORDON. Good morning, Chairman Lieberman, Ranking Member Collins, Senator Coburn, Senator McCain, and Senator Johnson. Thank you for the opportunity to be here this morning. I cannot help remarking at the beginning, I think you all know I worked at GAO for 17 years. I had the honor of working for and with Mr. Dodaro and with members of his team that are here. It is an honor for me to be with Mr. Dodaro in front of you today.

<sup>1</sup>The prepared statement of Mr. Gordon appears in the Appendix on page 81.

I want to say, in terms of the report on duplication, that I think this is another instance of GAO doing a real service by reporting on areas of unjustified duplication in the Federal Government. We in the Administration have made much progress, but we very much appreciate the attention being brought to this issue, both by the GAO report and, of course, by this Committee's work.

In the area of contracting, the challenges of interagency contracting that we see today are largely an unintended byproduct of the very good procurement reform efforts from the mid and late 1990s, efforts in which, I should say, Members of this Committee played a very important and positive role.

In those reforms, agencies were, for example, encouraged to create multiple award, indefinite delivery, indefinite quantity (IDIQ), contracts under which task orders could be quickly issued, a feature that greatly facilitated interagency use. In addition, government-wide acquisition contracts (GWACs) for the purchase of IT were authorized, subject to a business case being submitted, of course, to the Office of Management and Budget.

And third, I should mention that in the 1990s, as you know, the use of the General Services Administration (GSA) Federal supply schedules skyrocketed and we saw a phenomenon of more and more blanket purchase agreements (BPAs) proliferating under the schedule contracts. Those three tools were very much embraced by agencies, partly because it let them cope with the unhealthy combination of a declining and unsupported acquisition work force on the one hand, and dramatic increases in contracting spending on the other.

However, as this growth occurred, our policy guidance and our management controls did not keep pace. A situation developed that some likened to the Wild West, and I believe that GAO was fully justified in putting interagency contracting on its High-Risk List in 2005.

The good news is that we have made noteworthy progress in addressing the root causes of high risk in interagency contracting. That said, we very much agree with GAO, both in its duplication report and in earlier work that GAO has done, that we have a lot of work to do to reap the benefits of interagency and agency-wide contract vehicles. GAO has concluded that the ongoing challenges can be addressed by expanding the use of business cases and improving the quality of available data. We agree on both points.

I should point out that while the issue of too many interagency contracts has gotten a lot of attention, during my year-and-a-half as the administrator, I have come to believe that we also need to be concerned, and perhaps more concerned, about situations where we do not have an interagency contract where one could eliminate duplication and save us money.

Far too often separate and redundant contracts and BPAs are awarded by each agency component to serve a narrow customer base which duplicates effort and denies us the benefit of the Federal Government being the world's largest customer.

As the Chairman and others have remarked, in these tough economic and budgetary times, we simply cannot afford the waste that this duplication represents. Let me briefly highlight three initiatives that we have underway to reduce the wasteful duplication. I

want to talk briefly about business cases, strategic sourcing, and better data.

First, we will soon be issuing guidance that requires agencies to develop business cases to support their decisions to create a new contract. While in many ways this is based on the success of the business cases we use in connection with government-wide acquisition contracts—by the way, a model that was commended and recommended for broader use by the Acquisition Advisory Panel a few years ago—the new business cases will expressly require that agencies consider whether their new contract might be causing duplication with existing vehicles, and they are going to need to justify why they think a new contract would be needed.

Second, I have a few words about strategic sourcing that a number of the members mentioned. We are aggressively promoting strategic sourcing to leverage the government's buying power. As part of our initiative to reduce contracting costs, virtually every agency has been pursuing some form of strategic sourcing, but we are most focused on the government-wide front.

Working with the various contracting agencies and working closely with my office, GSA established innovative government-wide BPAs for office supplies last spring, and it is currently working on setting up government-wide contracts for other commodities, especially commodities in the IT space such as wireless services.

And I should point out that my office is working very closely with Vivek Kundra and his office and his team, as well as with the agencies' chief information officers (CIOs) as we move forward in that area.

Let me just point out one detail of the office supplies' BPAs and show you how different it is from what we have done in the past. For the first time, every Federal employee from every agency that uses a government purchase card to buy office supplies from the 15 vendors, most of whom are small businesses—it does not matter if they make the purchase over the Internet, in the stores, by telephone, they can go in any way they want: They can go through the Web sites of the government, they can go through the Web sites of the vendors. They will automatically get the discount—that never existed before. It is somewhat shocking that it never existed before, but the fact is we are now getting it. Not only that, we are requiring the 15 vendors to give us frequent reports on everything that is being purchased.

So for the first time, we are getting weekly reports of data, and I can tell you that the sales under those 15 BPAs are going up at a very quick pace. We are making progress, but as GAO likes to say, much work remains to be done.

A few words about data. We are working to improve the availability and quality of data. The example from the office supplies' BPAs is one specific case. We need to equip our agencies with good data so they can make well-informed decisions. In particular, I should say, I am personally troubled that we have this proliferation of agency and often component-specific BPAs. We do not know anything about them. If you ask me how many BPAs exist under the schedules, the answer is, I do not know. We have no visibility into BPAs, and as a result, we have started an effort several months ago where we are making some progress working with GSA so we

will have a way for agencies to learn about BPAs. With improved visibility, I am hoping that we can reduce the duplication and consolidate our procurement volume.

As I close, let me say, much still remains to be done. We need to consistently realize the full potential of interagency contracts. We very much look forward to continuing to work with this Committee and its Members, and with other Members of Congress, so that we can reduce duplication and achieve greater efficiencies and savings for our taxpayers.

This concludes my oral statement, but obviously, I would welcome your questions when we get to the question and answer time. Thank you.

Chairman LIEBERMAN. Thanks, Mr. Gordon. I appreciate that report on what your office has been doing, and I agree with you, more does need to be done. When I think about it, since both you and Mr. Kundra are in OMB, and I know Jack Lew, the Director of OMB, is at the table in the negotiations on the budget going on now under the auspices of the Vice President, I just wanted to formally ask you to make sure that a copy of this report is before them because I think it can help them achieve some of what they want to achieve now.

Mr. GORDON. Thank you. I suspect they have it, but I will be absolutely sure that they have it.

Chairman LIEBERMAN. Good. Thank you.

The final witness on the panel is Vivek Kundra, Federal Chief Information Officer, Administrator of the Office of E-Government and Information Technology. Thanks for being here and please proceed.

**TESTIMONY OF VIVEK KUNDRA,<sup>1</sup> FEDERAL CHIEF INFORMATION OFFICER, ADMINISTRATOR, OFFICE OF E-GOVERNMENT AND INFORMATION TECHNOLOGY, OFFICE OF MANAGEMENT AND BUDGET**

Mr. KUNDRA. Good morning, Chairman Lieberman, Ranking Member Collins, Senator McCain, Senator Johnson, and Senator Pryor. Thank you for the opportunity to testify this morning.

During the State of the Union, President Obama spoke about overlapping programs and redundant spending across the Federal Government. The President stated that we live and do business in the information age, but the last major reorganization of the government happened in the age of black and white television. This Administration is focused on bringing the government into the information age, to drive up efficiencies and drive down costs.

The main challenge is not new. The way projects are funded, agency by agency, bureau by bureau, program by program, prevents us from leveraging powerful and innovative technologies across the government. With these institutional silos, the best intended efforts for cooperation between and even within agencies often meet organizational friction.

We need to look no further than the very infrastructure that powers our IT systems to see the evidence of wasteful and duplicative investments. The government operates more than 2,000 data

<sup>1</sup>The prepared statement of Mr. Kundra appears in the Appendix on page 92.

centers that power more than 24,000 Web sites, more than 500 human resource systems, and more than 500 financial management systems. These are staggering numbers and, without a focus on reform, would continue to grow.

Today I would like to highlight three elements of our approach to reverse these unsustainable trends and to stop this madness. First, eliminating duplicative IT infrastructure, requiring agencies to shut down the very data centers that have allowed these redundant systems and applications to sprout like weeds.

We are leading the largest data center consolidation effort in history to eliminate at least 800 data centers in the next 4 years. As Mr. Dodaro mentioned, since 1998, the number of data centers has more than quadrupled from 432 to more than 2,000 data centers. Under this effort, 137 data centers will be closed by the end of this year, of which 39 have already been shut down.

Shutting down data centers will free up resources to support mission critical activities, reduce the government's overall energy and real estate footprint, and improve our IT security posture. In addition, starving this duplicative infrastructure, combined with a shift of the cloud, will help prevent the unchecked growth of systems. Already 15 agencies have identified approximately 100 collaboration systems serving 950,000 users that will move to the cloud.

On May 9, GSA issued a request for proposals that pools the government's purchasing power and enables us to consolidate these hundred-plus collaboration systems. The request for proposal is estimated at about \$2.5 billion, which was developed in partnership with State and local governments and will be available for their use as well.

Second, we are reforming IT management. To remove the structural barriers that get in the way of consistent execution, we developed a 25-point plan to reform Federal IT management. The plan is grounded in our efforts, since day one, to transform the management of Federal IT by shining a light on the performance of how these IT projects perform, and to also make sure that we are holding government managers accountable for the performance of these IT initiatives.

In June 2009, we launched the IT Dashboard, making information on the performance of IT projects such as budget and schedules publicly available for the first time, with a picture of every CIO right next to the IT project that they are responsible for. Using the Dashboard, we targeted wasteful IT projects through TechStat accountability sessions. These are face-to-face sessions where we bring in senior agency leadership to review the performance of these projects.

We have already reduced life cycle costs of major IT investments by \$3 billion and decreased the average time to deliver meaningful functionality from over 2 years down to 8 months. So far, agencies have conducted their own TechStat accountability sessions. There have been over 80 of these sessions that have led to accelerated deliverables and major changes in management of how these projects are being run.

Enterprise architecture can be another valuable tool for lowering the cost of government operations. For example, architecture was used to cut the cost of connecting local police records management

systems to a nationwide system from \$250,000 to \$10,000 per system, saving the government millions of dollars.

Yet, too often, as practiced, architecture is an aimless paperwork exercise, churning out artifact after artifact that serves only to fill metal cabinets across Washington. That is why, as part of our reform efforts, we are re-purposing the architecture community to find and eliminate duplication and move agencies to shared services.

Third, we are streamlining service delivery to keep pace with the public's demand for online services. The Federal Government must deliver services better, faster at a much lower cost. Today there are more than 24,000 Web sites of varying design, navigation, usability, and accessibility. Many of these are redundant, outdated, poorly maintained, or all of the above.

Last month, President Obama issued an Executive Order directing agencies to streamline service delivery and improve the experience of their customers. As part of this effort, agencies are identifying Web sites that can be consolidated or eliminated to simplify access to government services and to lower the cost of government operations.

In conclusion, eliminating duplicative IT infrastructure, reforming Federal IT management, and streamlining service delivery are at the core of the Administration's approach to root out waste throughout government. Our focus on execution has already produced results from terminating redundant investments to eliminating wasteful infrastructure.

I appreciate the Committee calling this hearing today, and it will require all of us to work together to address the magnitude of this problem from all levels of government, from the Legislative to the Executive Branch of the government. Thank you for the opportunity to testify. I look forward to answering any questions you may have.

Chairman LIEBERMAN. Thanks very much, Mr. Kundra. We will have 7-minute rounds of questions.

The GAO report makes clear, and Mr. Dodaro did in his testimony today, that it is too often difficult to provide precise estimates of the extent of unnecessary duplication among government programs because of the lack of good program performance data.

In many instances, the report makes clear the lack of data also appears to be a cause of duplication; in other words, many of the Federal agencies do not seem really to know what resources they currently have available to them. Data centers and interagency contracts that we have been talking about are two good examples.

And because of that information gap, a program or agency is more likely, of course, to duplicate existing resources than efficiently using what already exists. So I want to focus in on this and first ask you, Mr. Dodaro, why do you think OMB and the Federal agencies have had such a difficult time accumulating this information?

Mr. DODARO. It needs to be a priority.

Chairman LIEBERMAN. Right.

Mr. DODARO. It has not been a priority in the past and there needs to be a concerted effort. There is turnover in officials. There are not incentives necessarily in place in all cases to collect the

data. And it is not that difficult. In the program evaluation area, I have been concerned for some time that the government's capacity was basically downsized in the 1990s with other administrative support functions and there was not a lot of priority given.

I was pleased to see that the Administration recently has provided some opportunities for people to have funding to be able to make investments. So having good information requires making good investments. Having good investments means there has to be a priority for spending, and, quite frankly, it has not reached that level. It is also one of the first areas to be cut in the downsizing environment. But without the information, you are prone to either have more duplication or you are going to miss opportunities for efficiencies.

Chairman LIEBERMAN. Thanks for that.

Mr. Gordon, please respond to that, and let me phrase it this way. The Committee has had testimony for years about problems with interagency contracting, and yet, it still is a practice. GAO makes clear that we do not actually have a comprehensive and accurate record of which agencies are using interagency contracts or even, in some cases, which interagency contracts exist.

So respond, if you would, both to what Mr. Dodaro has just said, but also to why has it been so difficult—and I know you are relatively new where you are—to create a useful dataset on interagency contracting?

Mr. GORDON. Thank you, Mr. Chairman. It is a very important question. It is a question that I have spent quite a bit of time worrying about in my year-and-a-half as the administrator. Several thoughts. One, as Mr. Dodaro said, there is the issue of making it a priority. I can assure you we are now making it a priority.

Two, bringing together data IT systems can be expensive and time-consuming. We are trying to consolidate data. Many places in our procurement system we have all different databases and they are not interlinked, and as a result, our overwhelmed, overworked acquisition work force has to enter the same data again and again, and it is often hard to get the data.

We are making significant improvement in terms of sharing data so that we can quickly find out. For example, through the new Federal Awardee Performance and Integrity Information System, we can now find out whether a company has been debarred. Our contracting officers can learn about the past performance far more easily in the past. We can get other information to help us. There are lots of challenges we could all point to, but we are making progress.

Let me say a couple of words, if I could, sir, about interagency contracts in particular, because what I have learned and what we have learned is that there is some misunderstanding about the volume. If you look at the excellent Acquisition Advisory Panel report from a few years ago, you will see reference to \$200 billion. That is a very high figure.

When we drill down, we learn that all that represents is IDIQ contracting. It does not represent interagency or multiagency contracting. Our best estimate today is that we are talking not about \$200 billion, but about \$50 billion. That is a lot of money. But \$50 billion is a much smaller universe and, it turns out, we have much

better visibility than we thought we did because we thought there was \$150 billion into which we did not have visibility.

Of the \$50 billion, if you look at it, something short of \$40 billion is the schedules. We have lots of visibility in the schedules. Several billion dollars are the GWACs for IT. We have very good visibility there. What is left over is a small number of contracts.

And we have been talking about putting together a centralized database. It has been a recommendation of GAO's and it is something we have looked at seriously. I am somewhat concerned about the cost of putting that together, especially because we recently learned that there is at least one commercial company that has a database that many of our agency personnel have access to through a subscription.

When we compared that commercial database to the GAO's report identifying interagency contracts it turns out the commercial database picks up every one except for a couple that, in fact, had expired. So that it looks like the visibility is better than we realized in the past, but I in no way want to under-estimate the challenge of getting the information out, sharing the information, and training our work force.

Chairman LIEBERMAN. So that is a really interesting answer. So is your thought now that you are going to more broadly use the commercial database than develop something new yourselves?

Mr. GORDON. We are looking into it. We want to be sure that we use taxpayer funds wisely, as you can appreciate, Mr. Chairman.

Chairman LIEBERMAN. Right.

Mr. GORDON. It could be that it does not make sense to create a new government database that would, in a sense, be duplicating what the commercial database has. But I will tell you there is one huge gap. It is not interagency contracts or multiagency, it is single agency contracts. Way too often we will have a situation where the Department of X or a component within the Department of X does a contract for something where another component in the very same agency already has a contract and they do not know about it.

Chairman LIEBERMAN. Yes. Well, that is unacceptable.

Mr. Dodaro, did you want to add something?

Mr. DODARO. Yes. I would just want to say for the record, we do not really care where they get the information from.

Chairman LIEBERMAN. Right.

Mr. DODARO. It ought to be done in a cost-efficient manner. So I just wanted to make that point. Our point was, if you need a database, you can either build it or buy it. It does not matter.

Chairman LIEBERMAN. Thanks. My time is up. Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Gordon, I know that you were listening intently to the Comptroller General's testimony this morning. Did you agree with his statement that more competition for Federal contracts helps to lower costs and improve quality?

Mr. GORDON. As is often the case, I fully agree with the Comptroller General. On the particular point of competition, I agree and then some. Competition does more than lower costs and improve quality. It can bring us innovation, it can increase opportunities for small businesses, and it protects the system in terms of integrity.

We are pushing hard for competition and the fact is, we are getting results.

As you know, we have given the agencies a goal of 10 percent reduction in the dollars going into high-risk contracts. We include both sole-source contracts and a different kind that GAO has been very helpful in highlighting, and that is one-bid contracts where you had a competition, but received one bid. The results are pretty good, but we still need to push harder.

Senator COLLINS [presiding]. Mr. Gordon, in light of that statement, I find it very hard to understand why the Administration has considered two Executive Orders that would have exactly the opposite impact. They would drive up the cost of Federal contracting by shrinking the pool of bidders, and they would put small businesses at a particular disadvantage under the first Executive Order that I am going to discuss with you. That is the so-called High Road Draft Executive Order.

Under this Executive Order, the Administration was considering giving extra points depending on the wages and the benefits that a company paid its employees. Now, there are small businesses that are very eager to do business with the Federal Government that could provide very good costs, excellent quality, the best value to the taxpayers, but that would lose points under the system the Administration was proposing because they were unable, at that point in their development, to reach the wage standards that the Administration would deem appropriate.

A second Executive Order that the Administration has under consideration would actually require any entity that is bidding for any Federal contract to disclose political contributions from the previous 2 years. That, too, would discourage many businesses from applying to do work for the Federal Government.

For example, if a business—and this applies to the executives, to the directors, to the affiliates of this business—supported conservative causes or Republican candidates, that business might well conclude that it is pointless to submit a bid for the contract. After all, why would this information be required if it were not going to be a factor in the source selection?

Similarly, if there is a change in Administration and it is a Republican Administration, a firm that has been very active in supporting Democratic candidates and liberal causes might well conclude that since this information is being required, that it is pointless to bid. Both of these Executive Orders would have the result of shrinking the pool of bidders.

So given what you have just said about the benefits of competition and having as healthy and robust competition as possible, which I totally agree with, why would the Administration be considering these two Executive Orders?

Mr. GORDON. Senator Collins, I am not going to be speaking about draft Executive Orders. Neither I nor anyone in the Administration believes it is appropriate for us to be discussing drafts. But I will tell you the bottom line.

The bottom line is that we are committed to increasing competition. We are committed to increasing opportunities for small businesses in Federal contracting. We are committed to strengthening the professional character of our wonderful acquisition work force.

We are committed to protecting the integrity of our contracting system so that we never have the reality or the appearance of anything other than the appropriate evaluation factors being taken into account in source selection. We will protect our contracting system from any appearance of political influence.

Senator COLLINS. Well, Mr. Gordon, I am asking you to discuss the policies underlying these Executive Orders, and you are the head of the Office of Federal Procurement Policy. You are intimately involved in setting procurement policy. Let me ask you a broader question. Are you aware of information that a contractor is required currently to submit with its proposal that is not intended to be used by the agency to make its decision on which contractor provides the best value?

Mr. GORDON. There is information that we require from vendors competing for contracts even though we would not take it into account. That is information about lobbying activities. It is information about the executive compensation for their executives. Those factors are not taken into account, as you know, Senator Collins, because you have a depth of knowledge in this area that is very beneficial, I can tell you, to us in the procurement system.

The only factors that are taken into account are the factors that are set out in what we call Section M, the evaluation criteria. There could be other information that is submitted, such as the ones I gave you.

Even though it is submitted, even though there is disclosure, whether it is in the bid or elsewhere, that information cannot affect the award decision, and if it did, if there was information outside the evaluation criteria, as you know, a disappointed bidder that lost and felt that the wrong information was considered or improper information considered, can file a bid protest either at GAO or at the Court of Federal Claims.

Senator COLLINS [presiding]. Well, let me make a very clear distinction here. The certification on lobbying that the FAR requires, is to certify that no appropriated funds are associated with trying to influence the outcome of the specific contract. That certification is to ensure that unlawful behavior does not occur. It is not unlawful, 2 years before bidding on a contract, to have contributed to a candidate or cause of your choice.

The point that I am trying to make is, even if you could somehow require the reporting of political contributions and yet say that they should not be considered in the source selection, which to me raises the question of why you are requiring them to be reported, then you are missing the earlier point, which is that businesses are going to decide that the system is stacked against them and not bother to submit a bid, because otherwise, why would this information be required?

My time has expired, but I may well come back to this. I hope that you will take a hard look at both of these Executive Orders and the policies behind them because if, in fact, this Administration is committed to expanding competition, as you eloquently said, it should not be issuing Executive Orders that is going to do exactly the opposite.

I have taken over the gavel temporarily. Senator Johnson is next, then it will be Senator McCain, then Senator Pryor.

**OPENING STATEMENT OF SENATOR JOHNSON**

Senator JOHNSON. Thank you, Senator Collins. I also want to thank you for raising this issue. I am every bit as concerned and alarmed about these two Executive Orders as you and I hope the Administration rethinks those very rapidly.

But I will tell you that I am concerned about something else this Administration is doing. I have been watching Washington for 31 years running a manufacturing plant and from my standpoint, this place is pretty broken. Our budget process is broken. Evidence of that is the fact that we have not passed a budget in the Senate for 756 days now.

It seems like this Administration is assuming that they are just going to automatically get an increase in the debt ceiling. I think that is a very irresponsible assumption. Monday, I went to the floor of the Senate and asked this Administration to start laying a contingency plan just in case. I think it is the responsible thing to do.

I guess, Secretary Timothy Geithner, this morning said that their plan is for the Congress to pass a debt limit. Their fall-back plan is for Congress to pass a debt limit. And their fall-back fall-back plan is for Congress to pass a debt limit. Again, that is a very irresponsible assumption. So today, I will be sending a letter formally asking this Administration to develop some contingency plans just in case the debt ceiling is not increased.

I guess I want to start out my questioning with members from OMB that are here. Is there any plans underfoot at all to start prioritizing essential service spending just in case the debt ceiling does not get increased?

Mr. GORDON. Senator Johnson, I appreciate the importance of the question. It is not an area in which I feel comfortable responding.

Senator JOHNSON. Having been in government awhile, this is not the first time we have ever started coming up against these deadlines. Has there ever been any kind of contingency plan developed in terms of prioritizing essential spending within the agencies just in case?

Mr. GORDON. I can tell you that it is just not a question for the Administrator of Federal Procurement Policy to answer.

Senator JOHNSON. Within OMB, who would be the person I would be calling to find out?

Mr. GORDON. We are happy to relay the question back to our colleagues within the Office of Management and Budget.

Senator JOHNSON. Well, Mr. Dodaro, let me ask you in terms of GAO's efforts in something like that. Have you ever seen that type of prioritization just in case?

Mr. DODARO. I am not aware of that outside of the Secretary of Treasury's extraordinary authority to take measures so that the debt ceiling is not breached.

Senator JOHNSON. Obviously you are a creature of Congress here, as is the Congressional Budget Office (CBO). Would those be the two agencies that would try and develop those types of plans, just in case? How would you work with CBO to figure out, if this happens? From my standpoint, if we do not get a debt ceiling increase, we will be looking at operating under about \$2.6 trillion, I guess I would call it, a debt ceiling budget. That is what this Administra-

tion has estimated revenue will be in 2012. Is there any effort, or how would we go about prioritizing spending under that type of scenario?

Mr. DODARO. Well, that would be basically a policy decision by the Congress and by the Administration to take. I mean, there is really not an analytical answer to that question. It is really a policy matter. And we pointed out in legal decisions, the Secretary of the Treasury has the authority and broad discretion to be able to do that.

Senator JOHNSON. One of the reasons I raise it in this hearing is you have laid out a list of duplicated programs here. Within that list have you prioritized, and I know you have said that it has been difficult to figure out how effective they are, but still, have you at all prioritized the effectiveness of those programs?

Mr. DODARO. We have listed out which programs have had evaluations and have been proven to be effective and which ones have not had any evaluations at all. For example, in the domestic food assistance area, there are 18 different programs. Seven of those programs, including food stamps and the women's and infant children's area, have had performance evaluations and have proven to be effective in stemming hunger and achieving their objectives. But 11 of the 18 programs have not been evaluated and there is limited information available.

In the employment and training area, of the 47 programs only 5 have had evaluations of impact of the programs since 2004. So there is very limited information available on those programs that makes it hard to make decisions. As I testified before you and other members of the two subcommittees on the Government and Performance Results Act Modernization, hopefully the requirement for OMB and the agencies to produce performance measures will yield better outcomes in the future. But right now, you have a really mixed hand that you are having to deal with.

Senator JOHNSON. So what would be the most effective and efficient way to get the agencies to start actually taking a look at this? Because again, I am just highly concerned that if nobody is looking at this now, we will be in a crisis if we do not increase that debt ceiling, and we can potentially avoid that if we plan.

Mr. DODARO. My suggestion would be to use the Administration proposals already for consolidation of the programs as a starting point for discussions. Also, we need to really ask tough questions about what is known about programs that do not have empirical evaluations with evidence, and what are the options for covering those services under broader programs so you reduce administrative costs.

Senator JOHNSON. But again, that would be relying on the Administration, correct?

Mr. DODARO. Well, no. Congress would have the ultimate decision. In the 81 areas that we have outlined in our report, well over a third of them will require legislative action to implement. The Administration could not implement them alone.

I am just saying, to address your question of where do you start, I think that would be a helpful place. But I think the Congress ought to start by asking hard questions where there have not been

evaluations and a lot of money is being spent and more is proposed to be spent, is it really worth the risk?

Senator JOHNSON. I mean, should potentially this Committee issue a letter to GAO, possibly CBO, to start that process of prioritizing? Again, just in case. Would that be helpful?

Mr. DODARO. Well, again, I think that those decisions have to come from the Congress and the Administration. I mean, they are basically policy calls. We can tell you what is known about the existing portfolio programs to help you make those decisions, but it is really not our role to make those priority decisions.

Senator JOHNSON. Mr. Chairman, I am new here, but again, I would suggest that potentially this Committee issue a letter to these agencies and ask them and request them to prioritize essential services just in case this debt ceiling does not get increased so that we can avoid a crisis in case that happens. Thank you.

Chairman LIEBERMAN [presiding]. Thanks, Senator Johnson. I will be glad to work with you on that. There are two parts to this. I do not want to take really any more time on it, but one part is, if the debt ceiling is not increased, which I think most people think it ultimately will be—what kind of budget will we have based on projected revenues for next year?

And then the other is how do we make sure we do not default on existing debt. And, of course, that is a question of prioritizing how you spend the \$2.6 trillion in revenue. Presumably, one of the priorities for that spending would be to make payments on existing debt so as to not raise any questions about the full faith and credit of the United States.

Senator JOHNSON. And again, I am not recommending this. I hope it does not happen, but if we are faced with what I would call a debt ceiling budget of \$2.6 trillion, we would be able to pay for all the interest on the debt, about \$256 billion; we can pay for all Social Security, which would be about \$760 billion; and that would still leave \$1.6 trillion for essential defense, security, health, and safety, and that budget itself would be over \$800 billion larger than we were spending just 10 years ago under Bill Clinton's last budget.

So again, I am concerned that we are trying to fear-monger here, we are trying to scare the American public, and if we plan for this, it would not be pleasant, but it would not have to be a crisis if we plan.

Mr. DODARO. The one other factor that just occurred to me, in many programs that are entitlement programs like the Medicare program, for example, the law dictates that money be spent to pay those services. So the law would have to be changed in order to deal with some of those situations other than the discretionary part of the budget.

Chairman LIEBERMAN. That is a good point. Senator McCain.

#### **OPENING STATEMENT OF SENATOR MCCAIN**

Senator MCCAIN. Thank you, Mr. Chairman. I thank the witnesses.

Mr. Dodaro, I am looking at a *Wall Street Journal* article that I am sure you probably saw.<sup>1</sup> It is titled, "Billions in Bloat Uncovered in Beltway," as a result of your investigation. I am sure you are aware of that. It said, GAO highlighted 80 different economic development programs at the Department of Commerce, Department of Housing and Urban Development, and Department of Agriculture (USDA); \$6.5 billion last year overlap. It goes on to highlight a number of programs, including some of the military programs that you have identified. It says there are 130,000 military and government medical professionals, 59 Defense Department hospitals, etc., and clinics that could benefit from consolidating administrative management and clinical functions. And it identifies some other Department of Defense programs.

But on these duplicative Federal programs, has there been any change? Has there been any consolidation, to your knowledge, since this report was made?

Mr. DODARO. Not to my knowledge, no.

Senator MCCAIN. Not a one?

Mr. DODARO. Not one.

Senator MCCAIN. Now, why is that, Mr. Gordon? It has been well-known now for some period of time. Can we not consolidate one program somewhere in one of these agencies?

Mr. GORDON. Senator McCain, these are programs outside of the world of procurement, but I can tell you that in the world of procurement, GAO's report on duplication talks about the improvements that we have made in addressing duplication in issue after issue. And I think that we are making progress, but we certainly—

Senator MCCAIN. Tell me one duplicative procurement program that has been eliminated.

Mr. GORDON. It is not a procurement program that is being eliminated, sir. It is strategic sourcing so that we are buying government-wide instead of—

Senator MCCAIN. Well, tell me one program that has been consolidated.

Mr. GORDON. In procurement, it is not a matter of consolidation. It is buying—

Senator MCCAIN. It is if there is duplication in procurement, Mr. Gordon. I am familiar with procurement procedures. If, for example, the Marine Corps is paying \$85,000 for mine rollers and the Army mine roller costs between \$77,000 to \$225,000, that is duplication, Mr. Gordon. Tell me one that has been eliminated, one duplicative program that has been eliminated.

Mr. GORDON. By creating government-wide BPAs, agencies are not needing to contract on their own.

Senator MCCAIN. So there is presently duplication in Defense procurement that I know of for sure that I can identify for you. Would you tell me one that has been consolidated?

Mr. GORDON. I am not aware of specific programs.

Senator MCCAIN. Thank you. That is what I thought. In all due respect, Mr. Chairman, we see these and it makes headlines and everybody's eyebrows are raised at all of these programs and dupli-

<sup>1</sup>The article submitted by Senator McCain appears in the Appendix on page 46.

cation that the GAO has, at our insistence, identified and yet, there is no change. Nothing happens. Kicking the thousand-pound sponge.

So maybe, Mr. Chairman, we ought to have Mr. Lew come over here and testify since apparently these witnesses are unable to answer the questions, and clearly Mr. Gordon, even in the area of his specific responsibility, is unable to identify a single duplicative procurement program that has been eliminated.

So, here our taxpayers see the results of very important studies and they are astonished by it, and yet, we hear really good testimony, but we do not hear of any specific actions that have been taken to eliminate what has been highlighted by the GAO.

Do you know, Mr. Dodaro, of duplicative programs that have been eliminated?

Mr. DODARO. No. The only area that I know some action has been taken on that I can recall offhand, as I mentioned in my opening statement, the Secretaries of Veterans Affairs and Defense have agreed to take some action to try to bring their two multi-billion-dollar procurements for electronic record systems under a joint architecture and a joint program.

Senator MCCAIN. They have agreed to try to take action?

Mr. DODARO. Right. They have agreed to do that. So I am aware of that. I might also say, Senator McCain, that in each of our future annual reports we will be providing an accounting of exactly what happened from the recommendations that we made in the prior year. So we are planning to keep a running list and a scorecard on what actions have been taken to address those problems so that Congress has a good record of that.

Senator MCCAIN. Well, it is terribly frustrating and you have to wonder what needs to be done to eliminate some of the 82 different teacher quality branches of different bureaucracies. Maybe we have to start line-by-line authorization bills of eliminating them ourselves since clearly the Administration is not acting.

I just would like to mention, Mr. Gordon, I was entertained by your answer to Senator Collins about how information gathered would have no impact on the decisionmaking process and the award of contracts. That, sir, is really entertaining. Then why in the world would they want to get that information if it was not used? And would you support gathering that same information from unions that compete for government projects?

Mr. GORDON. Senator McCain, you have me in a situation where I would be commenting on a draft Executive Order and I am not going to do that.

Senator MCCAIN. I see. Are you confirmed by the Senate?

Mr. GORDON. Yes, sir.

Senator MCCAIN. And it is part of the questioning, that if you are asked for your personal opinion, you will give it to the Committee?

Mr. GORDON. I do not recall the question, but if I was asked that—

Senator MCCAIN. That is part of the Armed Services Committee. Well, I will not pursue it.

Mr. Gordon, for you to say that information that is gathered by businesses, especially along the lines of political contributions, would not be used in determining the award of a contract, of

course, is something that some of us who have been around too long, have to accept that kind of assertion.

The only other question that I had, Mr. Chairman, is concerning the Alaska native corporations and the tribally-owned firms that get exceptions from the \$4.5 million and \$6 million caps from small businesses. Are you familiar with that practice, Mr. Dodaro?

Mr. DODARO. Yes, Senator McCain.

Senator MCCAIN. And do you think that is fair to other small business owners?

Mr. DODARO. Well, there are policies in place. About 4 years ago, we issued a report on that area saying that the oversight needed to be put into place to make sure that what is passed by the Congress and then the regulations are implemented.

We are currently looking again, at the request of Congress, into that program. We just had a team back from doing field work in Alaska. We are planning to issue a report in October and we would be happy to have you briefed on that.

Senator MCCAIN. Thank you, I appreciate it. As you know, the *Washington Post* and other media have exposed really some incredible abuses of this program, which has been made non-competitive, and has increased dramatically the cost to taxpayers, not only besides the fact, I guess, it has enriched lobbyists here in Washington who have no tribal allegiance or identification except that they are lobbyists. One of them was exposed to have made \$500,000 a year off this contracting business, which obviously goes back to cost the taxpayers.

Do you have a comment on that, Mr. Gordon?

Mr. GORDON. Yes, sir. Senator McCain, we take the concerns very seriously. As I am sure you know, the Small Business Administration (SBA) has recently revised its regulations so that we could be more certain that the benefits are going to the communities that Congress intended when Congress legislated these special arrangements.

In addition, SBA has been cracking down. We have had companies suspended for fraud in this area. We need people to understand that these are statutory privileges, but they are not to be abused, and when they are being abused, we will crack down.

Senator MCCAIN. I am glad to hear that. Unfortunately, in the past both this and previous Administrations—apparently there have been significant abuses.

I thank you, Mr. Chairman. I thank the witnesses.

Chairman LIEBERMAN. Thanks, Senator McCain.

I think that I will talk to Senator Collins about this, but I think it is quite appropriate for the Committee to, after this hearing, write to OMB and the relevant agencies to ask them what their response to the report is. In other words, what actions they are taking now to eliminate some of the duplication in these Federal programs. We will do a draft of a letter and then circulate it to members of the Committee.

Mr. Chairman. We would welcome that opportunity, Mr. Chairman.

Chairman LIEBERMAN. Good. We will do that. Senator Pryor.

**OPENING STATEMENT OF SENATOR PRYOR**

Senator PRYOR. Thank you. Mr. Chairman, that was one of my first questions. I was going to follow up on what Senator McCain was asking.

In my conversations with some of the agencies, which is not exhaustive at all, the response has generally been that they are looking at the GAO report and they are “considering what that might mean for that agency.”

And my question for Mr. Gordon and Mr. Kundra is, are you seeing agencies moving out of the consideration stage and actually doing things, implementing things, and taking action to try to save taxpayer dollars? Mr. Gordon, do you want to take that first?

Mr. GORDON. Sure. But I know my colleague will also have points to raise. Absolutely. As I mentioned, Senator Pryor, the GAO report recognizes the progress that we are already making. We have fewer GWACs than we had a few years ago. We have better oversight into contracting than we had previously. We have government-wide BPAs which we never had in the past so that we had these duplicative BPAs.

Senator CARPER. Could I just interrupt for a second? GWACs, BPAs. We go through acronyms every day. Could you just not use so many acronyms, please? Thank you.

Mr. GORDON. Thank you, Senator Carper. I appreciate that. You know, I used to be a law teacher and when I was a law teacher, I always said it is important to avoid acronyms. I apologize for slipping up on that very point.

In the 1990s, we were authorized by statute to allow agencies to hold government-wide acquisition contracts for IT. I get to say IT, right? But they proliferated. We had too many. We had a Wild West atmosphere out there. We are now taking our role, in terms of approving business cases, much more seriously so that you now have very few of these government-wide acquisition contracts, and the ones you have we are supervising much more closely.

And again, as I said in my opening comments, in the world of strategic sourcing, you now have situations where any Federal employee can get the benefit of these government-wide blanket purchase agreements where, in the past, these were always agency-specific and even component-specific. So there are direct examples of duplication which we have fixed over these past 24 months.

Mr. KUNDRA. When it comes to information technology, there are a couple of big things going on to eliminate duplication. First is data centers, where agencies are collaborating in shutting down these 800 data centers. We have already shut down 39 of the data centers. There are 137 data centers that will be shut down by the end of this calendar year, which will be a 40 percent reduction at the end of all these data centers being shut down.

Second is joint procurements. Fifteen agencies have come together to move collaboration systems. These are 100 systems that are going to be moved to the cloud saving the government millions of dollars.

Third, the Federal CIO Council, which is a council made up of CIOs across the Federal Government, has convened to share best practices and to discuss which systems they can leverage from each

other rather than beginning with a new procurement or starting with their own unique system.

Fourth, what we have done over the summer is that we were able to halt about \$20 billion worth of financial systems, terminating some of these financial systems and also creating an environment where agencies are going to be leveraging each other's systems rather than going out there and building a brand new system.

Senator PRYOR. So, Mr. Kundra, all those great things you have enumerated there, do you have a sense of how much money that will save the taxpayer every year?

Mr. KUNDRA. With the data centers consideration, we expect a minimum of about \$3 billion in savings in the first year. And the consolidation effort continues over the next 5 years.

When it comes to cloud computing, we are forecasting potentially up to \$5 billion in savings. Now, a lot of this will be a function of the procurements that are going to be put out on the street and the competitive nature of those procurements, but we expect to save at least \$5 billion through that process.

Senator PRYOR. Mr. Gordon, let me ask you, you mentioned a few moments ago blanket purchasing agreements, which all sounds good, but in your drive for efficiency and avoiding duplication, which I think we all agree we need to pursue, are you, in effect, squeezing out opportunities for small businesses to do business with the government?

Mr. GORDON. Senator Pryor, it is an extremely important consideration for us. Let me tell you an answer that is very concrete. On those office supplies' blanket purchase agreements, when we worked with GSA, we said to GSA from day one that not only do you need to be talking to other agencies to be sure what you are doing meets their needs, you need to talk to industry, large and small, you need to work with the Small Business Administration. And the results prove that it was worth that focus on small businesses.

Of the 15 vendors that won the competition for office supplies' blanket purchase agreements, 13 of them are small businesses, including service disabled vet-owned small businesses, and too often in the past when small businesses got schedule contracts, they never got any money under them. They had the piece of paper, but they were not actually getting sales.

We watch this week by week. As of last week, sir, I can tell you the small business vendors were getting 74 percent of the dollars cumulatively under those blanket purchase agreements. This is a win for our small businesses. We would not have this be otherwise. We are getting savings of approximately 10 percent over what the agencies had been spending on office supplies, and at the same time, we are getting more dollars to small businesses.

If I could give you one other example of duplication and consolidation that is helping our small businesses? I have to tell you it sometimes seems that the information out there is scattered in such a way that we are preventing small businesses from getting into the Federal marketplace.

Just a few weeks ago, we consolidated, at the Federal Business Opportunities Web site, a whole cluster of information that small

businesses otherwise had to go hunting for all around different agencies' Web sites. We need to help our small businesses get into the Federal marketplace and win Federal contracts.

Senator PRYOR. Thank you. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks very much, Senator Pryor. Now we know what BPAs are for the record. Have we defined GWACs?

Mr. GORDON. I tried, sir. I must say, Senator Carper got me at something that I am so sensitive about. I apologize for that. Government-wide Acquisition Contracts. They are only for IT and they have been in existence for about 15 years now.

Chairman LIEBERMAN. And they are different from airborne warning and control systems (AWACs).

Mr. GORDON. Very different.

#### **OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. GWACs are gliders.

It is nice to have all of you here. Mr. Kundra, it is really unfortunate that Senator McCain could not stay and hear your response to the questions that he raised. I think the very encouraging work that you and your colleagues are doing with respect to consolidating the number of data centers we have and reducing them, I think you said, from about 2,000 down to around 800 over the next 5 years or so, that is \$3 billion. That is a lot of money. That is real money and we appreciate that.

My Subcommittee had a hearing, colleagues, a couple of weeks ago and Mr. Kundra was good enough to join us at that hearing. We talked a little bit about cloud computing and how we can save money there. For a lot of people in the country who think when we talk about cloud computing it must have something to do with meteorological forecasts, why do you not just give us cloud computing 101 and tell us how this is going to save money?

Mr. KUNDRA. Sure. So the way to think about cloud computing is to think of it in the same context as you would water or electricity. It used to be that in the early days, that every house had its own well or had to generate its own power. And as technology evolved, we ended up building these grids, whether it was the electricity grid or it was the ability to distribute water centrally.

In the same way as technology, if you think about how it is being deployed, every single agency is going out there and, for that matter, in many cases, if you looked at these 82 programs, they are going out there building their own data centers, putting behind it significant resources to power the computing infrastructure. So what we are trying to do is lower the cost of government operations by making sure that by shifting to the cloud, we are using technology much more like a utility, very much like electricity or water.

On something as simple as email, when GSA and USDA decided to move email to the cloud, they were able to save about \$40 million. Now, imagine as you scale that to far more complicated systems like financial systems, human resource systems, and some of the other infrastructure that the government leverages, we have an opportunity to save billions and billions of dollars across the Federal Government.

Senator CARPER. Good work. Thank you for all the leadership that you are providing in this regard. I am going to follow up. And

also, thank you for responding to my recent letter about the cuts to the Electronic Government (E-Gov) Fund, which was part of the 6-month continuing resolution. I am happy to hear that USAspending.gov and the IT Dashboard are still in operation. They say that sunshine is the best disinfectant and it is a pretty good one.

I think shining a light on how the Federal Government is spending our taxpayer dollars is of benefit to just about everybody who is concerned about our current budget situation. I am also told that the Electronic Government Fund helps agencies consolidate their data centers.

I just want to ask you if you could take a moment to discuss that piece of the Electronic Government Fund and how it has been affected by the recent budget cuts, and maybe what we need to do as a next step in that regard.

Mr. KUNDRA. Sure. Originally there were about \$34 million in the E-Gov fund and it was cut from \$34 million down to \$8 million. Now, every program that was supported by that fund has been affected.

Whether it is USAspending.gov or the IT Dashboard, what we were doing in terms of performance of a lot of these programs, the resources we had dedicated out of that \$34 million to advance data center consolidation and cloud computing, the priority for the Administration is obviously to make sure that we are in compliance with the statutory requirements such as USAspending.gov, and also to make sure that we continue to advance some of the high value initiatives like the IT Dashboard, which has led to billions of dollars in savings.

The President's budget in 2012 includes the \$35 million request or \$34 million request for the E-Gov fund, and part of that funding is to make sure that we continue to improve the platforms that have been deployed, whether it is shining light on \$80 billion of IT investment, or with USAspending.gov, making sure that we are getting all the sub-award data, whether it is in contracting or in the grants world.

The reality is that transparency is not free. It costs money and it takes resources. So we are doing our best with the \$8 million funding that we have, but as an Administration, we are committed to advancing these open government initiatives because not only do they save taxpayer money, but they also create an ecosystem of innovation, in the case of data.gov, where we are able to tap into the ingenuity of the American people to help us develop third-party applications that would end up costing us millions of dollars.

Senator CARPER. I would just say to my colleagues, one of the things we try to do on our Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, is to leverage the effectiveness of a small Subcommittee, and as part of a powerful full Committee, and we leverage that by partnering with GAO and partnering with OMB, by partnering with the inspector generals across the government, and by partnering with a number of non-profit organizations, an organization like Citizens Against Government Waste, but also others.

And one of the things we found, I really learned this, I think, first from Senator Coburn, that one of the maybe most cost effective ways to leverage our interest in changing the culture around here from a culture of spendthrift to a culture of thrift, in trying to figure out how do we get better results for the same amount or less money, is to more effectively use the kind of transparency that is provided through some of the work that Mr. Kundra is doing.

It is not much money. In looking at a budget that is in the hundreds of billions, trillions of dollars, and the spotlight this enables us to put on spending and to weigh if we have 10 programs, which are good, which are not, which are delivering. We are trying to do something like this with respect to energy consumption by the Federal Government and to use that transparency to help us.

Really, bringing a lot of other folks, from the media, from people that are just out there on their own watching to see what we are doing and what is effective makes sense. It is really good stuff and my hope is that we can restore the money—it is a very modest amount of money—and help us so that we can do that and be supportive of your efforts.

I just want to say again to you, Mr. Kundra, thank you so much for the great leadership that you are providing in this area. I know Mr. Gordon does as well. Mr. Dodaro I have a chance to work with on a regular basis and value what he does very much. Thank you all for being the good stewards that you are.

Chairman LIEBERMAN. Thanks, Senator Carper. Thanks for the good work that your Subcommittee is doing. We appreciate it, though it is not as powerful as the full Committee. [Laughter.]

Senator CARPER. We aspire to be. That would be the tail wagging the dog.

Chairman LIEBERMAN. You do very well, really. We will do a quick second round here.

Mr. Dodaro, I wanted to go to a slightly different focus, but also in the report, something you mentioned in your opening statement, and that is Department of Defense. As you know, there is a significant overlap in membership between this Committee and the Senate Armed Services Committee. We are really committed across party lines to protecting our national security. It is one of our constitutional responsibilities.

But we understand that there will be pressure on spending in the Department of Defense. As you have seen, I am sure, in the last couple of days, Secretary Gates has given two speeches in which he has warned against cutting so deeply in defense that we begin to jeopardize our national security. So I wanted to ask you if you could talk a little bit about what some of the thoughts and recommendations GAO came up with regarding the Department of Defense budget.

Mr. DODARO. I would be happy to, Senator. First, one of the areas we pointed out was the ability to consolidate medical commands. Right now, each of the services has their own medical command and there is an Under Secretary for Health as well that has a separate infrastructure as well.

Here, the Department of Defense itself came up with recommendations several years ago of the amount of savings that could be realized from consolidation. But they could not agree on

the recommendations. I am sure this is no surprise to you that have served on the Armed Services Committee, but they have taken some modest steps.

Chairman LIEBERMAN. Right.

Mr. DODARO. But if they implemented the more significant of the alternatives there—we updated their estimates that were done by the Center for Naval Analysis, and they could save \$250 to \$400 million a year by consolidating commands. And there are four or five different options for achieving that. Their medical costs are growing significantly. They went from \$19 billion awhile back to about \$42 billion. They are estimated to go to \$60-some billion in the out years. There would be no sacrifice in quality here.

Also, in a number of areas like urgent need requests coming out of the wars in Iraq and Afghanistan, there have been a proliferation of vehicles for achieving those. We have made recommendations to consolidate those which would better streamline the process.

And gathering of intelligence, surveillance, and reconnaissance information has proliferated. There is not a good efficient means there and they need a better roadmap in that area. They have agreed with us in all these areas, by the way, and I think it is just a matter of the Department of Defense executing on the ideas going forward.

Tactical wheeled vehicles is another area where we think that they are pursuing a separate procurement, as Senator McCain mentioned, when they already have existing vehicles and are not looking at it in a comprehensive way.

We also reiterate a number of things that we have had on our High-Risk List for a while about spare parts and inventory. There are billions of dollars that they end up in inventory that are not needed to meet current requirements, and they need to be able to better forecast their requirements in those areas and to share information. Their systems are really antiquated in a lot of areas and they are not able to share information which would result in better information.

They have over 2,300 business systems in place, and we have made recommendations for enterprise architectures there. They have begun developing them, but they have not federated them down to the individual services yet effectively as well. And, of course, we mentioned the weapons acquisition area is another area where they need to use portfolio management. I am encouraged by what the Secretary has done in that area.

Chairman LIEBERMAN. Right.

Mr. DODARO. But they also need to implement reforms successfully. We see some signs of improvement in more recent procurements, but the implementation will still be challenging. So those are a few of the areas at the Department of Defense.

I might add, on your point about sending letters to the agencies, I think it is a really good idea, but in these program areas, the agencies individually can only take so much action. I will illustrate with teacher quality. Of the 82 programs, the Department of Education has the bulk of it, but by no means has control over the other programs. There are 10 different agencies that have those programs.

So in most of these areas, in addition to the agencies and what they could do, the Administration really needs to take a cross-cutting approach across the agencies. OMB has to take a leadership role.

Chairman LIEBERMAN. But it has to come from OMB.

Mr. DODARO. Yes, but I just offer that.

Chairman LIEBERMAN. No, it is very helpful as we go forward and prepare those letters. And I assume that in some cases, this will require congressional action, too, because a lot of these programs are authorized by law.

Mr. DODARO. Definitely. Many will require legislative change. In fact, a number of these areas are up for re-authorization.

Chairman LIEBERMAN. Right.

Mr. DODARO. The education area and surface transportation—so there are perfect opportunities here now to really make some headway.

Chairman LIEBERMAN. Yes. I am going to look at that and maybe one of the other things we want to do here is to circulate the report, pull the report apart and circulate parts of it to the relevant committees, the subject matter. Like send the teacher quality section to the Education Committee, which is supposedly attempting to come up with an agreement on re-authorizing the so-called No Child Left Behind Act.

Mr. DODARO. I am very encouraged by it. A number of committees have asked us for testimony on discrete pieces. I testified before the House Education and Work Force Committee on teacher quality and employment training programs. So we would be happy to work with you on that and support you.

Chairman LIEBERMAN. Good. I note that in all the ideas you gave about defense, there was nothing that I would consider that would really jeopardize our national security. In other words, those are efficiencies, elimination of waste, duplication. So I appreciate that.

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Dodaro, let me follow up where the Chairman left off and ask your advice on where should we start? This report is overwhelming in many ways because it does transcend agencies. There are so many programs. You found problems virtually everywhere you looked. OMB clearly needs to take the lead because of the cross-cutting nature of this. But as far as low-hanging fruit, where should Congress start?

Mr. DODARO. There are a number of areas that we recommend that either bills have been introduced or the Administration has made legislative proposals. For example, in the government pension offset area, this is an area where, for Federal workers, under survivor benefits, the pension is offset to account for the fact that Federal workers do not contribute to Social Security. Well, neither do some of the State and local entities.

But the Social Security Administration does not have the information necessary to be able to offset those pension costs. We have recommended and the Administration has proposed legislation to require the Internal Revenue Service to collect simple information. They can add one line to a form. That is estimated by CBO to ulti-

mately save the government \$2.4 to \$2.9 billion. So I think that would be good.

You mentioned in your opening statement the ethanol tax credit issue and we estimate, as you correctly point out, it is close to \$6 billion, \$5.7 billion. That is well-developed. There have been bills introduced to be able to address that.

There is \$640 million sitting at the Customs Service based on a temporary increase in a few years ago—it has been almost a decade, I believe, it has been many years—that the Congress has not authorized the use of those funds. They could be used to offset future costs going forward as well. I think the other area is in the program areas where the Administration has already made proposals for consolidation.

Those are good starting points to go forward. And there are other areas as well. I can provide a quick hits list to you to elaborate on those lists. But those are just a few off the top of my head that I think are ready to go. It is just a matter of pushing the legislation through and gaining, obviously, consensus and the proper amount of support.

Senator COLLINS. Thank you. Mr. Kundra, I want to ask you about the consolidation of data centers that you discussed briefly. At our request, the GAO has been conducting a review of the Federal Government's efforts to consolidate data centers. I was amazed to learn from the GSA that a typical Federal Government data center utilizes approximately 27 percent of its capacity, and that is far lower than the average for the private sector counterparts. In fact, GSA estimates that the manufacturer's average utilization is 79 percent. So clearly, we have a lot of excess capacity.

Tell me more about how the Administration is proceeding to consolidate these centers to ensure that we do not have thousands of centers that are only partially used.

Mr. KUNDRA. Sure. So one of the biggest problems in information technology is that as its infrastructure has been built out, the central processing unit (CPU) utilization, which is what you are referring to, is below 27 percent. Actually, the private sector, in some cases, is worse, and the reason is because they actually upgrade their infrastructure faster than the Federal Government does. So in many cases, the Federal Government has a higher utilization per CPU because we have not really upgraded that infrastructure.

What is worse is if you look at storage utilization that is, on average, under 40 percent. What we are trying to do, and the reason we have been very focused on consolidating all this infrastructure is because it makes absolutely no sense, when you have two megatrends that are going the opposite way. So one is going from 432 data centers to 2,094-plus in about a decade. Second is utilization is so low on all these assets.

So what we are doing is we are actually very focused on not only consolidating these data centers, but also making sure that we are moving agencies to the cloud where we can leverage shared services, because one of the advantages of cloud computing is that you can actually pool a lot of resources and provide storage and compute power on demand, rather than just building all this capacity that is never utilized.

So the example I used, it is very much like electricity at home, that you only pay for what you use rather than having an entire power plant that is being run without it ever being used.

Senator COLLINS. Clearly that move to cloud computing does offer the possibility of enormous savings. I am going to share with you the chart that we got from the GSA,<sup>1</sup> and I know you cannot see it from there, but just to look at the bars. The smallest one is the typical Federal Government server, and these tall bars are manufacturing capacity utilization not just in the United States, but in France, Germany, Brazil, and Canada. So there is really quite a contrast that suggests that there are a lot of possibilities for saving money and consolidation in that area.

Mr. KUNDRA. Absolutely. And that chart is actually a presentation that I put together at GSA.

Senator COLLINS. Well, then, you are familiar with it.

Mr. KUNDRA. I am very familiar. I put that chart together.

Senator COLLINS. Well, it is an excellent chart.

Mr. KUNDRA. Thank you. And the big point we were trying to make there is that if you look at IT where you have asset utilization that is under 27 percent compared to the manufacturing sector, in most countries, if you look at the entire European Union, Canada, Brazil, and the United States, asset utilization in the manufacturing sector is about 79 percent. The question we are asking is, why is it that in information technology it is OK for us to accept a 50 percent differential from the manufacturing sector?

Senator COLLINS. Exactly.

Mr. KUNDRA. That is why we are forcing a lot of this consolidation.

Senator COLLINS. Thank you. And I thank our witnesses, also, but most of all, Mr. Chairman, I thank you for holding this hearing today.

Chairman LIEBERMAN. Thanks, Senator Collins. Thanks for your partnership in this, also. It has been a productive hearing.

The GAO report is an important one. It provokes us, challenges us, and most of all, it challenges, obviously, the Executive Branch. I always resist the business/government analogies because they are not quite perfect because government is held to other standards than businesses.

And yet, I think part of what we need to feel now, and the budget crisis we are in really demands it, is that the people in charge of running the government are going over the way we are operating, the whole question. I appreciate, Mr. Kundra, some of the examples you have given which were very encouraging—of whether we are taking maximum advantage of advances, for instance, in information technology, which is what any chief executive officer of a company would demand of the people under him. In that case, they are accountable to their stockholders.

But really, we are all accountable to the taxpayers, to say the obvious, and it is going to take a couple of big things, but a lot of small things, or seemingly small in a large budget. They include not just cuts, but better management, better use of IT, and reduction or elimination of duplication. And so, we are in this together.

<sup>1</sup>Chart submitted by Senator Collins appears in the Appendix on page 45.

I would like to commit, and I know Senator Collins would, to stay on this and we are going to follow with the letters we have talked about. I think it might be a good idea that we all reconvene later this year and just see what you can tell us then by way of a progress report. I know you are going to do another report of this kind next year.

Mr. DODARO. Right. But we can be in a position later this year to give a scorecard on what has happened so far.

Chairman LIEBERMAN. That would be great. We will keep the record of this hearing open for 15 days for additional questions and statements. I thank the witnesses very much. The hearing is adjourned.

[Whereupon, at 11:55 a.m., the Committee was adjourned.]



# A P P E N D I X



United States Senate  
Committee on Homeland Security and Governmental Affairs  
Chairman Joseph I. Lieberman, ID-Conn.

**Opening Statement of Chairman Joseph Lieberman  
“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”  
Homeland Security and Governmental Affairs Committee  
May 25, 2011  
As Prepared for Delivery**

Good morning and welcome to this hearing. Thanks to our distinguished group of witnesses for being here. This hearing is on a recent report issued by the GAO, “Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue.” I don’t know that there could be a more timely report issued, as we grapple with our runaway deficits and debt, and the worry among the American people that our great country is heading over a cliff grows more anxious and deep.

The origin of this report will probably not be surprising to people who follow such things. The report is the result of an amendment that was introduced by Senator Tom Coburn and passed the Senate in last year’s request for an increase in the national debt limit. I thank him for what he did, and this report really justifies his introduction of the amendment.

The report lists a series of programs, agencies, offices, and initiatives with duplicative goals and activities within departments. In addition to listing 34 areas where duplication exists, it lists additional areas where areas exist either to enhance government operations or enhance revenue collection.

Today’s hearing will focus on the duplication of government programs and agencies. The cost saving and revenue section, however, also provides interesting ideas and opportunities about how to confront these twin problems of the deficit and the debt. I hope Gene Dodaro will discuss the report in general, as well as the specific topic areas we’re going to focus on today.

The three topic areas are enterprise architecture, consolidation of federal data centers, and the opportunity to increase government efficiency and collecting improved data on interagency contracting in a way that will best help the government leverage its buying power.

This is an excellent report, and we have a great panel of witnesses to help us understand how we can implement some of these ideas to reduce our deficit and our long-term debt. I look forward to both your testimony and the question and answer period.

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Statement of Ranking Member  
Senator Susan M. Collins

**“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”**

May 25, 2011

★ ★ ★

There has never been any doubt that wasteful duplication is a serious problem in the federal government. But it was not until GAO released its March report that we had such overwhelming, quantifiable evidence exposing just how serious the problem is.

I am grateful to GAO and also to Senator Coburn, who sponsored the amendment requiring the report and its subsequent annual updates.

The findings of the report are not surprising – we’ve always known there was waste and duplication. Still, GAO’s conclusion that the 81 areas quantified have opportunities for eliminating duplication, reducing operational costs, or enhancing revenue is an urgent call to action. At a time when our country has an unsustainable debt of \$14 trillion, there simply can be no excuse for such waste, duplication, and inefficiencies.

This duplication and overlap serve neither the taxpayers nor the beneficiaries well. To cite just one example, a low-income person with a disability may confront a bewildering maze of some 80 programs providing transportation assistance.

What is the cause of such duplication?

At times, the President, seeking to put his own imprint on the budget to demonstrate his priorities, proposes a new program, despite the fact that similar ones already exist.

In other cases, it is Congress that creates the silos without checking to see if a similar silo already exists. Committee jurisdictions contribute to the problem as each committee carves out its own programs to respond to its constituency.

There are no bad intentions at work here. Just the opposite – it is the proliferation of *good* intentions that has created the problem. We see a problem and we want to fix it. We introduce a bill to fix it. We fight hard to pass that bill. Then we fight hard to see that our fix is fully funded and implemented.

Some of this duplication is happening within one agency. In such cases, the agency head can help sound the alarm and request a legislative fix. To address cross-agency redundancy, the President announced a plan to consolidate and reorganize programs in order to reduce duplication, but that important work appears to be proceeding at a snail’s pace.

Perhaps the greatest irony of all is the fact that 20 agencies, housing 56 different programs, are all redundantly trying to improve financial literacy of the American people. The American people can teach the government a thing or two about financial literacy: in difficult fiscal times, we should pay for something once, not dozens of times.

And that's far from the only problem. The GAO found duplication across the government in a wide range of programs.

This duplication is hardly trivial in a financial sense. The duplication in programs to promote ethanol production, for example, deprives us of almost \$6 billion every year. Not only is that unacceptable when we have a \$14 trillion debt, but also think of what that means for other competing priorities for scarce resources. Thousands of Americans with HIV/AIDS right now are on wait-lists for lifesaving medicine because the federal program for people who can't afford those medicines has run out of money.

One topic to be covered today by Comptroller General Dodaro is the role of Enterprise Architecture as a tool that agencies should use to help identify and expose areas of duplication and waste. Enterprise Architecture sounds like something out of Star Trek, but really, it's a blueprint that visually lays out the critical mission of an agency. On top of that skeleton, agency officials then overlay the activities and programs that the agency is *actually* operating to see if they adequately address those core missions.

I would note, however, that Enterprise Architecture is being implemented only on an agency-by-agency basis. It can't help eliminate duplication across *multiple* agencies unless someone is looking at all the blueprints at once.

Another issue we'll hear about today is the use of interagency contracts and strategic sourcing in procurement. When properly used, interagency contracts provide important benefits to the American taxpayer. By allowing agencies to order from other agencies' existing contract vehicles, the federal government is able to leverage its enormous purchasing power. In many cases, interagency contracts provide for a streamlined and more cost-effective method of contracting.

I have, however, long been concerned that there are too many interagency contracts across government for the same goods and services. Unchecked proliferation limits the potential to maximize purchasing power and increases the cost of doing business with the federal government. This past December, the Federal Acquisition Regulation was amended to require agencies to develop a business case to justify the creation of any new contracting vehicle designed for interagency use. My hope is that these reforms will minimize duplicative contract vehicles.

I look forward to hearing more about these issues from our witnesses, as well other opportunities for the elimination of duplication to save taxpayers' dollars at a time of unsustainable debt.

**Statement by Senator Tom Coburn**  
**Homeland Security and Governmental Affairs Hearing**  
**“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government.”**

**May 25, 2011**

I want to thank Senators Collins and Lieberman for holding this important hearing on duplication. Let me make it clear from the get go; it is the fault of Congress that our federal government funds thousands of duplicative programs that are wasting billions of hard earned tax dollars each year.

I want to thank Comptroller General Dodaro for the invaluable report he and his team at GAO released in March of this year. This report is a roadmap for Congress to reduce duplication in our federal government and I look forward to reviewing and acting on the new report they release next year. I also want to thank Mr. Kundra and Mr. Gordon for coming today. It will take commitment from both the Administration and Congress to eliminate these programs and save money.

As mentioned above, the GAO duplication report was released in March and sadly, Congress has yet to act on the many findings.

Federal spending is at an all-time high. Our nation is facing a record 1.3 trillion-dollar deficits and a more than \$14.5 trillion debt, which equals more than \$46,000 per American citizen. This is not sustainable and it should be unacceptable to every American.

Despite our current fiscal crisis, Congress continues with business as usual and refuses to cut spending by eliminating duplicative federal programs.

Congress has ignored its most basic responsibility to conduct oversight and determine if a given federal program duplicates an existing program within the federal government or in many cases simply examine if the program is effective in doing what it was designed to do. Sadly, members of Congress continue funding old ineffective programs instead of eliminating them because they don't want to make the hard choices that are so desperately needed.

While Congress refuses to eliminate programs, they stand ready to create new and costly “press release” programs that will never be measured to see if the programs are actually working. **There is no ineffective, inefficient program that the government can't recreate at an even higher cost.**

Congress has created numerous programs and poured billions of dollars into these programs, to address nearly every issue and problem faced by any individual, group, or entity across the country. And yet, many of these problems and challenges still exist today, as if the government never even tried to address it. For Example:

- The GAO found 15 agencies involved with Food Safety.

- The federal government operates 80 separate economic development programs and spend \$6.5 billion a year and the GAO says we can't measure them.
- We spend \$58 billion on 100 separate transportation programs with no accountability to produce results.
- There are more than 20 agencies that run roughly 56 financial literacy programs.
- There are 18 programs across 3 agencies that run food assistance programs.
- There are 7 agencies that run over 20 homeless programs.
- According to the GAO Report, the federal government funds more than 44 job training programs, administered by nine different federal agencies that are costing the American taxpayer \$30 billion.
- The federal government administers at least 20 federal programs across 12 different federal agencies, dedicated to the study of invasive species.
- 10 agencies administer 82 teacher quality programs.
- There are at least 17 offender reentry programs across 5 different federal agencies, costing taxpayers over \$250 million annually.
- There are over 14 programs administered by the U.S. Department of Education related to foreign exchanges and designed to increase opportunities for students to study abroad.
- A May 2007 report of the Academic Competitiveness Council revealed there are at least 105 federal programs supporting science, technology, education, and math education, with aggregate funding of \$3.12 billion in FY 2006.
- There are at least nine federal programs tasked with researching and developing befouls, costing taxpayers nearly \$300 million annually, and over \$800 million was included in the Stimulus bill for these initiatives.
- There are 19 mitigation grant programs and cooperative agreement administered by FEMA.
- FEMA administers 28 grant and cooperative agreement programs relating to firefighters.
- A 2010 report by the DHS Inspector General, which is highlighted in the GAO duplication report, found that "planning" and "interoperable communications" is an allowance or activity that can be funded by many of the preparedness grant programs.

- In 2005, the GAO found that 13 different federal agencies spent nearly \$3 billion from 2004 to 2007 to fund 207 federal programs to encourage students to enter the fields of math and science.

To force Congress do its job of oversight in weeding out duplicative and ineffective programs, I plan to introduce two bills in the coming weeks.

The first bill would simply require the Congressional Research Service (CRS) to issue an analysis for a committee report or conference report accompanying a bill noting whether or not the bill creates any duplicative or overlapping programs along with an explanation from the committee why the creation of duplicative programs proposed by the bill may be needed. This is a common sense bill that will foster more accountability when Congress decides to create new programs.

The second bill will deal with the problem that has resulted from the federal government being too big to manage. The government has grown so large that even federal agencies cannot compile a list of all federal programs within their purview. Although various sources, including USA Spending and documents released by OMB and CBO produce partial lists of various government programs, there is not an exhaustive list of all federal programs. My bill would require agencies to report annually on every program they operate. This report will include the cost and performance of each of these programs and will be posted on the agency website for every American taxpayer to see. We will never be able to get a full picture of the duplication problem until we fully understand what programs are out there.

Congress can no longer ignore failing and duplicative programs. We must act now and eliminate these programs to restore fiscal responsibility back into government and build back the trust of the American people.

I look forward to hearing from our witness.



# Duplication in Economic Development Programs

| Activity                | Programs by agency |     |     |      | Total |
|-------------------------|--------------------|-----|-----|------|-------|
|                         | Commerce           | HUD | SBA | USDA |       |
| Entrepreneurial efforts | 9                  | 12  | 19  | 12   | 52    |
| Infrastructure          | 4                  | 12  | 1   | 18   | 35    |
| Plans and strategies    | 7                  | 13  | 13  | 6    | 39    |
| Commercial buildings    | 4                  | 12  | 4   | 7    | 27    |
| New markets             | 6                  | 10  | 6   | 6    | 28    |
| Telecommunications      | 3                  | 11  | 2   | 10   | 26    |
| Business incubators     | 5                  | 12  | —   | 3    | 20    |
| Industrial parks        | 5                  | 11  | —   | 3    | 19    |
| Tourism                 | 5                  | 10  | —   | 4    | 19    |

Source: GAO

Note: Numbers of programs by agency do not total to 80 since an individual program may fund several activities.

# Duplication in Federal Programs

| Type of Program  | Number of Programs |
|--|--------------------|
| Surface transportation   | 100+               |
| Teacher quality  | 82                 |
| Economic Development   | 80                 |
| Transportation assistance<br><i>(for clients without means of transportation to services/activities)</i> | 80                 |
| Financial literacy   | 56                 |
| Job training   | 44                 |
| Homelessness prevention/assistance   | 20                 |
| Food for the hungry  | 18                 |
| Disaster Response/Preparedness – FEMA  | 17                 |

Source: GAO-11-311SSP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," 2011, pages 5-7.

# Duplication and Overlap in Teacher Quality Programs

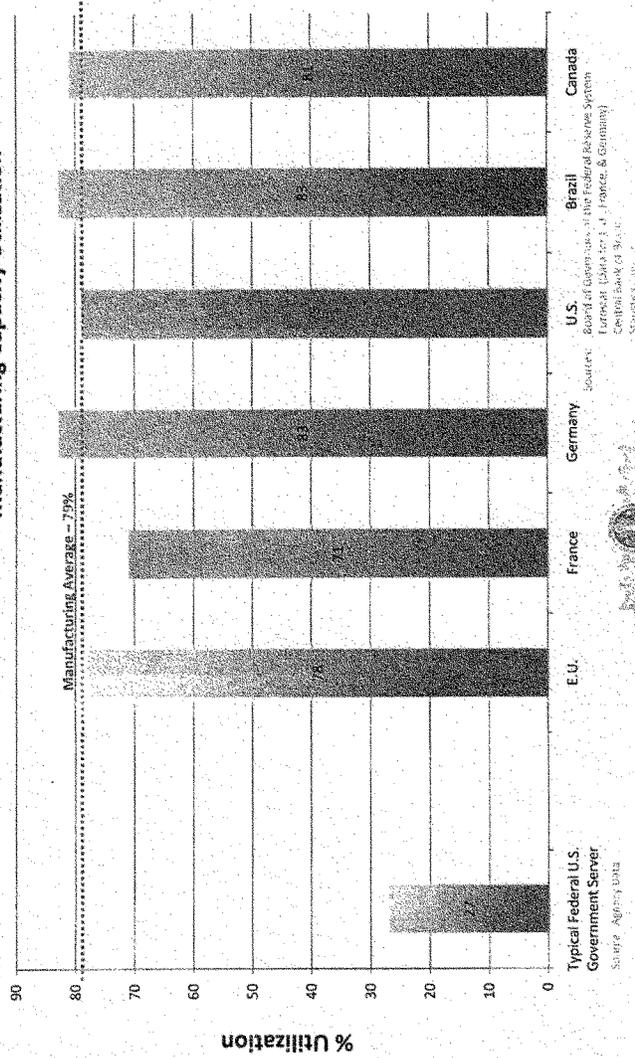
|   | Even Start | Spring Readers | Mathematics and Science Partnerships | The Local Education Agency Grants | School Improvement Grants | Adopted, Created, or Adapted, Credentialing | Teacher Quality Partnership Grants | Language Resource Centers | Teachers for a Competitive Program, Statewide | Teachers for a Competitive Program, Statewide | Foreign Language Assisted Programs | Teach for America |
|---|------------|----------------|--------------------------------------|-----------------------------------|---------------------------|---|------------------------------------|---------------------------|---|---|------------------------------------|-------------------|
| <b>Objective</b>                          |            |                |                                      |                                   |                           |   |                                    |                           |   |   |                                    |                   |
| Improve Education in Specific Subjects    | ●          | ●              |                                      |                                   |                           |   | ●                                  | ●                         | ●   | ●   | ●                                  |                   |
| Improve Education in General              | ●          | ●              | ●                                    | ●                                 | ●                         | ●   | ●                                  | ●                         | ●   | ●   | ●                                  | ●                 |
| Improve Education for Special Populations | ●          | ●              | ●                                    | ●                                 | ●                         | ●   |                                    |                           |   |   |                                    | ●                 |
| <b>Target Group</b>                       |            |                |                                      |                                   |                           |   |                                    |                           |   |   |                                    |                   |
| Current Teachers                          | ●          | ●              | ●                                    | ●                                 | ●                         | ●   | ●                                  | ●                         | ●   | ●   | ●                                  | ●                 |
| Prospective Teachers                      |            |                | ●                                    |                                   |                           |   |                                    |                           |   |   |                                    |                   |
| Other Education Professionals             | ●          |                | ●                                    |                                   |                           |   |                                    |                           |   |   |                                    |                   |
| <b>Activity</b>                           |            |                |                                      |                                   |                           |   |                                    |                           |   |   |                                    |                   |
| Teacher Preparation                       |            |                | ●                                    |                                   |                           |   |                                    |                           |   |   |                                    | ●                 |
| Professional Development                  | ●          | ●              | ●                                    | ●                                 | ●                         | ●   | ●                                  | ●                         | ●   | ●   | ●                                  | ●                 |
| Recruitment or Retention                  |            | ●              | ●                                    | ●                                 | ●                         | ●   |                                    |                           |   |   |                                    | ●                 |
| Certification or Licensure                |            |                | ●                                    | ●                                 | ●                         | ●   |                                    |                           |   |   |                                    |                   |
| Induction or Mentoring                    |            |                | ●                                    | ●                                 | ●                         | ●   |                                    |                           |   |   |                                    | ●                 |

Source: GAO analysis of Department of Education documents and interviews.

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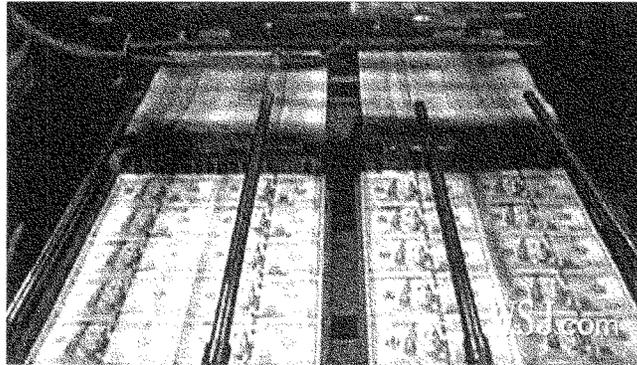
## THE WALL STREET JOURNAL

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POLITICS    MARCH 1, 2011

# Billions in Bloat Uncovered in Beltway

By DAMIAN PALETTA



WSJ's Damian Paletta discusses a GAO report that uncovers billions of dollars in wasteful spending by the U.S. government due to duplicate work done by dozens of agencies.

The U.S. government has 15 different agencies overseeing food-safety laws, more than 20 separate programs to help the homeless and 80 programs for economic development.

These are a few of the findings in a massive study of overlapping and duplicative programs that cost taxpayers billions of dollars each year, according to the Government Accountability Office.

A report from the nonpartisan GAO, to be released Tuesday, compiles a list of redundant and potentially ineffective federal programs, and it could serve as a template for lawmakers in both parties as they move to cut federal spending and consolidate programs to reduce the deficit. Sen. Tom Coburn (R., Okla.), who pushed for the report, estimated it identifies between \$100 billion and \$200 billion in duplicative spending. The GAO didn't put a specific figure on the spending overlap.

<http://online.wsj.com/article/SB10001424052748703749504576172942399165436.html>

6/9/2011

**GAO Report**

See the report, 'Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue.'

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The GAO examined numerous federal agencies, including the departments of defense, agriculture and housing and urban development, and pointed to instances where different arms of the government should be coordinating or consolidating efforts to save taxpayers' money.

The agency found 82 federal programs to improve teacher quality; 80 to help disadvantaged people with transportation; 47 for job training and employment; and 56 to help people understand finances, according to a draft of the report reviewed by The Wall Street Journal.

Instances of ineffective and unfocused federal programs can lead to a mishmash of occasionally arbitrary policies and rules, the report said. It recommends merging or consolidating a number of programs to both save money and make the government more efficient.

"Reducing or eliminating duplication, overlap, or fragmentation could potentially save billions of tax dollars annually and help agencies provide more efficient and effective services," the report said.

There have been multiple efforts to cull the number of federal programs in recent years, but they often run into opposition from lawmakers in both parties who rush to defend individual spending provisions. In fact, GAO's recommendations are often ignored or postponed by federal agencies and lawmakers, particularly when they could require difficult political votes.

**Washington Wire**

**House GOP Leaders Tout Report**

**Sen. Shaheen: Report Should Be Guide for Budget Cuts**

**Dept. of Overlap: GAO Finds Hundreds of Duplicative Programs**

The report says policy makers should consider creating a single food-safety agency because of a number of redundancies. The Food and Drug Administration makes sure that chicken eggs are "safe, wholesome, and properly labeled" while a division of the Department of Agriculture "is responsible for the safety of eggs processed into

egg products."

Spokespeople for the Department of Agriculture and FDA pointed to the Obama administration's creation of the Food Safety Working Group, which works to better coordinate the government's regulators.

The report says there are 18 federal programs that spent a combined \$62.5 billion in 2008 on food and nutrition assistance, but little is known about the effectiveness of 11 of these programs because they haven't been well studied.

<http://online.wsj.com/article/SB10001424052748703749504576172942399165436.html>

6/9/2011

The report took particular aim at government funding for surface transportation, including the building of roads and other projects, which the administration has made a major part of its push to update the country's infrastructure.

**Journal Community**

***Do we need a smaller government?***

- Yes
- No

The report said five divisions within the Department of Transportation account for 100 different programs that fund things like highways, rail projects and safety programs.

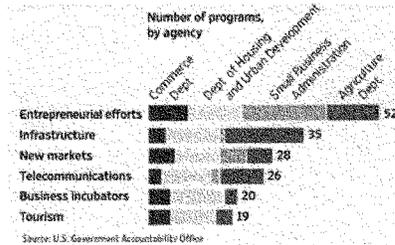
One program that funnels transportation funds to the states "functions as a cash-transfer general-purpose grant program, rather than as a tool for pursuing a cohesive national transportation policy," the report said. Similarly,

it chided the government over encouraging federal agencies to purchase plug-in hybrid vehicles while having policies that agencies reduce electricity consumption. It said government agencies have purchased numerous vehicles that run on alternative fuels only to find many gas stations don't sell alternative fuels. This has led government agencies to turn around and request waivers so they didn't have to use alternative fuels.

A spokesperson for the Department of Transportation said the president's budget for fiscal year 2012 "proposes to cut waste, inefficiency and bureaucracy by consolidating over 55 separate highway programs into five core programs, and by merging six transit programs into two programs."

**Lots of Cooks**

A GAO report said the federal government could save billions of dollars annually by eliminating widespread duplication of agency oversight. Below, examples of overlap in economic development activities.



On teacher quality, the report identified 82 programs that often have similar descriptions and goals and are spread across 10 federal agencies, including the Department of Education, the Department of Energy and the National Aeronautics and Space Administration. Nine of these programs are linked to science, technology, engineering and mathematics. Fifty-three of the programs are relatively small, receiving \$50 million or less, "and many have their own separate administrative processes."

The GAO highlighted 80 different economic development programs at the Department of Commerce, HUD, Department of Agriculture and Small Business Administration, that spent a combined \$6.5 billion last year and often overlapped. For example, the four agencies combined to have 52 different programs that fund "entrepreneurial efforts," 35 programs for infrastructure, and 26 programs for telecommunications. It said 60% of the programs fund only one or two activities, making them

"the most likely to overlap because many of them can only fund the same limited types of activities."

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**Journal Community**

DISCUSS

*Rather that cry about this as waste we should look at it as an opportunity to use the dollars spent today in a more efficient process, with a wider reach, instead of all of the overlap. It would not require firing anyone necessarily, just having them more focused. It is the administration of all of these separate groups that is "overhead" waste.*

—Sandra Schirmang

The report took aim at several military programs, which could prove thorny because many lawmakers from both parties are wary to cut defense spending. It said there were 130,000 military and government medical professionals, 59 Defense Department hospitals and hundreds of clinics that could benefit from consolidating administrative, management and clinical functions.

For example, it said the government "may have developed duplicate" programs to counter improvised explosive devices, with the Marine Corps and the Army paying to develop similar "mine rollers." The Marine mine roller costs \$85,000, and the Army mine roller costs \$77,000 to \$225,000. "Officials disagree about which system is most effective, and [the Pentagon] has not conducted comparative testing and evaluation of the two systems," the report said. The Pentagon didn't immediately respond to a request for comment.

The GAO study was required by a provision inserted by Sen. Coburn into a law that raised the federal borrowing limit last year. This report is the first produced in response to the provision.

**Write to** Damian Paletta at [damian.paletta@wsj.com](mailto:damian.paletta@wsj.com)

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6/9/2011

United States Government Accountability Office

**GAO**

Testimony  
Before the Committee on Homeland  
Security and Governmental Affairs,  
U.S. Senate

For Release on Delivery  
Expected at 10:00 a.m. EDT  
Wednesday, May 25, 2011

**Opportunities to Reduce  
Potential Duplication in  
Government Programs,  
Save Tax Dollars, and  
Enhance Revenue**

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



GAO-11-635T

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Mr. Chairman, Ranking Member Senator Collins, and Members of the Committee:

We appreciate the opportunity to discuss our first annual report to Congress responding to the statutory requirement that GAO identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities.<sup>1</sup> This work can help inform government policymakers as they address the rapidly building fiscal pressures facing our national government. Our simulations of the federal government's fiscal outlook show continually increasing levels of debt that are unsustainable over time, absent changes in the federal government's current fiscal policies.<sup>2</sup> Since the end of the recent recession, the gross domestic product has grown slowly, and unemployment has remained at a high level. While the economy is still recovering and in need of careful attention, widespread agreement exists on the need to look not only at the near term but also at steps that begin to change the long-term fiscal path as soon as possible. With the passage of time, the window to address the fiscal challenge narrows and the magnitude of the required changes grows.

My testimony today is based on our March 2011 report and provides an overview of federal programs or functional areas where unnecessary duplication, overlap, or fragmentation exists and where there are other opportunities for potential cost savings or enhanced revenues.<sup>3</sup> In that report, we identified 81 areas for consideration—34 areas of potential duplication, overlap, or fragmentation (see app. I) and 47 additional areas describing other opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury (see app. II). The 81 areas span a range of federal government missions such as agriculture, defense, economic development, energy, general government, health, homeland security, international affairs, and social services. Within and across these

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<sup>1</sup>Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

<sup>2</sup>GAO, *The Federal Government's Long-Term Fiscal Outlook: January 2011 Update*, GAO-11-451SP (Washington, D.C.: Mar. 18, 2011). Additional information on the federal fiscal outlook, federal debt, and the outlook for the state and local government sector is available at <http://www.gao.gov/special.pubs/longterm>.

<sup>3</sup>GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011). An interactive, Web-based version of the report is available at <http://www.gao.gov/ereport/gao-11-318SP>.

missions, the report touches on hundreds of federal programs, affecting virtually all major federal departments and agencies. My testimony today highlights (1) some examples from our March report; (2) needed improvements in the federal government's management and investment in information technology (IT); and (3) opportunities for achieving significant cost savings through improvements in government contracting.

The issues raised in the report were drawn from our prior and ongoing work. This statement is based substantially upon our March report,<sup>4</sup> which was conducted in accordance with generally accepted government auditing standards or with GAO's quality assurance framework, as appropriate.

### Overlap and Fragmentation Can Indicate Unnecessary Duplication

Overlap and fragmentation among government programs or activities can be harbingers of unnecessary duplication. Reducing or eliminating duplication, overlap, or fragmentation could potentially save billions of tax dollars annually and help agencies provide more efficient and effective services. These actions, however, will require some difficult decisions and sustained attention by the administration and Congress. Many of the issues we identified concern activities that are contained within single departments or agencies. In those cases, agency officials can generally achieve cost savings or other benefits by implementing existing GAO recommendations or by undertaking new actions suggested in our March report. However, a number of issues we have identified span multiple organizations and therefore may require higher-level attention by the executive branch, enhanced congressional oversight, or legislative action.<sup>5</sup>

A few examples from our March report follow.

<sup>4</sup>GAO-11-318SP. Other reports contributing to this statement were *Information Technology: Continued Improvements in Investment Oversight and Management Can Yield Billions in Savings*, GAO-11-511T (Washington, D.C.: Apr. 12, 2011); and *Information Technology: OMB Has Made Improvements to Its Dashboard, but Further Work Is Needed by Agencies and OMB to Ensure Data Accuracy*, GAO-11-262 (Washington, D.C.: Mar. 15, 2011).

<sup>5</sup>For enumerated lists of programs in each of the nine areas for which our March 1, 2011 report provided specific numbers of programs along with funding information where available, see GAO, *List of Selected Federal Programs That Have Similar or Overlapping Objectives, Provide Similar Services, or Are Fragmented Across Government Missions*, GAO-11-474R (Washington, D.C.: Mar. 18, 2011).

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- *Teacher quality programs:* In fiscal year 2009, the federal government spent over \$4 billion specifically to improve the quality of our nation's 3 million teachers through numerous programs across the government. Federal efforts to improve teacher quality have led to the creation and expansion of a variety of programs across the federal government, however, there is no governmentwide strategy to minimize fragmentation, overlap, or duplication among these many programs. Specifically, we identified 82 distinct programs designed to help improve teacher quality, either as a primary purpose or as an allowable activity, administered across 10 federal agencies. The proliferation of programs has resulted in fragmentation that can frustrate agency efforts to administer programs in a comprehensive manner, limit the ability to determine which programs are most cost effective, and ultimately increase program costs.

Department of Education (Education) officials believe that federal programs have failed to make significant progress in helping states close achievement gaps between schools serving students from different socioeconomic backgrounds, because in part, federal programs that focus on teaching and learning of specific subjects are too fragmented to help state and district officials strengthen instruction and increase student achievement in a comprehensive manner. Education has established working groups to help develop more effective collaboration across Education offices, and has reached out to other agencies to develop a framework for sharing information on some teacher quality activities, but it has noted that coordination efforts do not always prove useful and cannot fully eliminate barriers to program alignment.

Congress could help eliminate some of these barriers through legislation, particularly through the pending reauthorization of the Elementary and Secondary Education Act of 1965 and other key education bills. Specifically, to minimize any wasteful fragmentation and overlap among teacher quality programs, Congress may choose either to eliminate programs that are too small to evaluate cost effectively or to combine programs serving similar target groups into a larger program. Education has proposed combining 38 programs into 11 programs in its reauthorization proposal, which could allow the agency to dedicate a higher portion of its administrative resources to monitoring programs for results and providing technical assistance.

- *Military health system:* The Department of Defense's (DOD) Military Health System (MHS) costs have more than doubled from \$19 billion in fiscal year 2001 to \$49 billion in 2010 and are expected to increase to over \$62 billion by 2015. The responsibilities and authorities for the MHS are

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distributed among several organizations within DOD with no central command authority or single entity accountable for minimizing costs and achieving efficiencies. Under the MHS's current command structure, the Office of the Assistant Secretary of Defense for Health Affairs, the Army, the Navy, and the Air Force each has its own headquarters and associated support functions.

DOD has taken limited actions to date to consolidate certain common administrative, management, and clinical functions within its MHS. To reduce duplication in its command structure and eliminate redundant processes that add to growing defense health care costs, DOD could take action to further assess alternatives for restructuring the governance structure of the military health system. In 2006, if DOD and the services had chosen to implement one of the reorganization alternatives studied by a DOD working group, a May 2006 report by the Center for Naval Analyses showed that DOD could have achieved significant savings. Our adjustment of those savings from 2005 into 2010 dollars indicates those savings could range from \$281 million to \$460 million annually, depending on the alternative chosen and the numbers of military, civilian, and contractor positions eliminated. The Under Secretary of Defense for Personnel and Readiness has recently established a new position to oversee DOD's military healthcare reform efforts.

- *Employment and training programs:* In fiscal year 2009, 47 federally funded employment and training programs spent about \$18 billion to provide services, such as job search and job counseling, to program participants. Most of these programs are administered by the Departments of Labor, Education, and Health and Human Services (HHS). Forty-four of the 47 programs we identified, including those with broader missions such as multipurpose block grants, overlap with at least one other program in that they provide at least one similar service to a similar population. As we reported in January 2011, nearly all 47 programs track multiple outcome measures, but only 5 programs have had an impact study completed since 2004 to assess whether outcomes resulted from the program and not some other cause. We examined potential duplication among three selected large programs—HHS's Temporary Assistance for Needy Families (TANF) and the Department of Labor's Employment Service, and Workforce Investment Act (WIA) Adult programs—and found they provide some of the same services to the same population through separate administrative structures.

Colocating services and consolidating administrative structures may increase efficiencies and reduce costs, but implementation can be

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challenging. Some states have colocated TANF employment and training services in one-stop centers where Employment Service and WIA Adult services are provided. An obstacle to further progress in achieving greater administrative efficiencies is that little information is available about the strategies and results of such initiatives. In addition, little is known about the incentives that states and localities have to undertake such initiatives and whether additional incentives are needed.

To facilitate further progress by states and localities in increasing administrative efficiencies in employment and training programs, we recommended in 2011 that the Secretaries of Labor and HHS work together to develop and disseminate information that could inform such efforts. As part of this effort, Labor and HHS should examine the incentives for states and localities to undertake such initiatives and, as warranted, identify options for increasing such incentives. Labor and HHS agreed they should develop and disseminate this information. HHS noted that it does not have the legal authority to mandate increased TANF-WIA coordination or create incentives for such efforts. As part of its proposed changes to the Workforce Investment Act, the Administration proposes consolidating nine programs into three. In addition, the budget proposal would transfer the Senior Community Service Employment Program from Labor to HHS. Sustained oversight by Congress could also help ensure progress is realized.

- *Surface transportation:* The Department of Transportation (DOT) currently administers scores of surface transportation programs costing over \$58 billion annually. The current federal approach to surface transportation was established in 1956 to build the Interstate Highway System, but has not evolved to reflect current national priorities and concerns. Over the years, in response to changing transportation, environmental, and societal goals, federal surface transportation programs grew in number and complexity to encompass broader goals, more programs, and a variety of program approaches and grant structures. This variety of approaches and structures did not result from a specific rationale or plan, but rather an agglomeration of policies and programs established over half a century without a well-defined overall vision of the national interest and federal role in our surface transportation system. This has resulted in a fragmented approach as five DOT agencies with 6,000 employees administer over 100 separate surface transportation programs with separate funding streams for highways, transit, rail, and safety functions. This fragmented approach impedes effective decision making and limits the ability of decision makers to devise comprehensive solutions to complex challenges.

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A fundamental re-examination and reform of the nation's surface transportation policies is needed. Since 2004, we have made several recommendations and matters for congressional consideration to address the need for a more goal-oriented approach to surface transportation, introduce greater performance and accountability for results, and break down modal stovepipes. The President's fiscal year 2012 budget proposes to consolidate 55 highway programs into 5 core programs. Congressional reauthorization of surface transportation programs presents an opportunity to address our recommendations and matters for congressional consideration that have not been implemented in large part because the current multiyear authorization for surface transportation programs expired in 2009, and existing programs have been funded since then through temporary extensions.

- *DOD-VA Electronic Health Record Systems:* Although they have identified many common health care business needs, DOD and the Department of Veterans Affairs (VA) have spent large sums of money to develop and operate separate electronic health record systems that each department relies on to create and manage patient health information. Moreover, the results of a 2008 study conducted for the departments found that over 97 percent of functional requirements for an inpatient electronic health record system are common to both departments. Nevertheless, the departments have each begun multimillion dollar modernizations of their electronic health record systems. Specifically, DOD has obligated approximately \$2 billion over the 13-year life of its Armed Forces Health Longitudinal Technology Application and requested \$302 million in fiscal 2011 year funds for a new system. For its part, VA reported spending almost \$600 million from 2001 to 2007 on eight projects as part of its Veterans Health Information Systems and Technology Architecture modernization. In April 2008, VA estimated an \$11 billion total cost to complete the modernization by 2018. Reduced duplication in this area could save system development and operation costs while supporting higher-quality health care for service members and veterans.

The departments' distinct modernization efforts are due in part to barriers they face to jointly addressing their common health care system needs. These barriers stem from weaknesses in key IT management areas such as strategic planning and investment management. Our recent work identified several actions that the Secretaries of Defense and Veterans Affairs could take to overcome these barriers, including revising the departments' joint strategic plan, further developing the departments' joint health architecture, and defining and implementing a process for identifying and selecting joint IT investments to meet the departments'

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common health care business needs. In March 2011, the Secretaries committed their respective departments to pursue joint development and acquisition of integrated electronic health records capabilities, including defining an architecture to guide the departments' efforts. Further, in testimony before the Senate Veterans Affairs Committee on May 18, 2011, the departments' Deputy Secretaries reaffirmed DOD's and VA's commitment to addressing the weaknesses we have noted in our work with regard to achieving these joint capabilities.

We found that duplication and overlap occur for a variety of reasons. First, programs have been added incrementally over time to respond to new needs and challenges, without a strategy to minimize duplication, overlap, and fragmentation among them. Also, agencies often lack information on the effectiveness of programs; such information could help decision makers prioritize resources among programs. Lastly, there are not always interagency mechanisms or strategies in place to coordinate programs that address crosscutting issues, which can lead to potentially duplicative, overlapping and fragmented efforts.

The recently enacted GPRA Modernization Act of 2010, which updates the almost two-decades-old Government Performance and Results Act, may help address some of these issues. The act establishes a new framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. It requires the Office of Management and Budget (OMB), in coordination with agencies, to develop—every 4 years—long-term, outcome-oriented goals for a limited number of crosscutting policy areas. As a result, the act could also help inform reexamination or restructuring efforts and lead to more efficient and economical service delivery in overlapping program areas. The crosscutting planning and reporting requirements in the act could lead to the development of performance information in areas that are currently incomplete.

**Expenditures on Information Technology Could Be Reduced by Consolidating Federal Data Centers, Improving Investment Management and Oversight, and Using Enterprise Architectures**

The federal government's expenditures on IT could be reduced by, among other things, consolidating federal data centers, improving investment management and oversight, and using enterprise architectures as a tool for organizational transformation. Each year the federal government spends billions of dollars on IT investments; federal spending on IT has risen to an estimated \$79 billion for fiscal year 2011. In recent years, as federal agencies modernized their operations, put more of their services online, and increased their information security profiles they have demanded more computing power and data storage resources. While it may meet individual agency needs, this growth has raised concerns about duplicative investments and underutilized computing resources across the government.

**Consolidating Federal Data Centers Provides Opportunity to Improve Government Efficiency**

Over time, the federal government's increasing demand for more IT has led to a dramatic rise in the number of federal data centers.<sup>6</sup> According to OMB, the number of federal data centers grew from 432 in 1998 to more than 2,000 in July 2010. These data centers often house similar types of equipment and provide similar processing and storage capabilities. These factors have led to concerns about the costs associated with the provision of redundant capabilities, the underutilization of resources, and the significant consumption of energy.

In 2010, the Federal Chief Information Officer (CIO) reported that operating and maintaining redundant infrastructure investments was costly, inefficient, and unsustainable, and had a significant impact on energy consumption. While the total annual federal spending associated with these data centers has not been determined, the Federal CIO has found that operating data centers is a significant cost to the federal government, including costs for hardware, software, real estate, and cooling costs. For example, according to the Environmental Protection Agency, the electricity cost to operate federal servers and data centers across the government is about \$450 million annually. According to the

<sup>6</sup>OMB defines a data center as a data processing and storage facility over 500 square feet in size, with strict requirements for near-constant availability to users.

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Department of Energy, data center spaces can consume 100 to 200 times as much electricity as standard office spaces.

In February 2010, OMB and the Federal CIO announced the Federal Data Center Consolidation Initiative and OMB outlined four high-level goals:

- Promote the use of Green IT<sup>7</sup> by reducing the overall energy and real estate footprint of government data centers.
- Reduce the cost of data center hardware, software, and operations.
- Increase the overall IT security posture of the government.
- Shift IT investments to more efficient computing platforms and technologies.

As part of this initiative, OMB directed federal agencies to prepare an inventory of their data center assets and a plan for consolidating these assets by August 30, 2010, and to begin implementing them in fiscal year 2011. In October 2010, OMB reported that all of the agencies had submitted their plans. OMB plans to monitor agencies' progress through annual reports and has established a goal of closing 800 of the data centers by 2015. More recently, in April 2011, OMB announced plans to close 137 data centers by the end of this year.

At your request, we are currently reviewing the Federal Data Center Consolidation Initiative as well as federal agencies' efforts to develop and implement consolidation plans. In our draft report, which is currently with agencies in order to obtain their comments, we discuss our preliminary observations based on our review of 24 agencies' consolidation plans. As part of their individual consolidation plans, each federal department and agency was expected to estimate cost savings over time. In their plans, 14 agencies reported expected savings totaling about \$700 million between fiscal years 2011 and 2015; however, actual savings may be even higher because most of these agencies' estimates were incomplete. For example, 11 agencies included expected energy savings and reductions in building operating costs, but did not include savings from other sources such as

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<sup>7</sup>Green IT refers to environmentally sound computing practices that can include a variety of efforts, such as using energy efficient data centers, purchasing computers that meet certain environmental standards, and recycling old or unusable electronics.

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equipment reductions. Four other agencies did not expect to accrue any net savings by 2015 and six agencies did not provide estimated cost savings. Although some agencies reported that it was too soon to fully estimate cost savings because they are just beginning to plan for consolidation and other agencies noted that near-term savings were offset by consolidation costs, the opportunity for long-term savings is significant. In October 2010, a council of chief executive officers representing technical industry companies estimated that the federal government could save \$150-\$200 billion over the next decade, primarily through data center and server consolidation.<sup>8</sup>

In our draft report, we found that despite OMB's requirements for what agencies should include in their asset inventories and consolidation plans, only one of the agencies submitted a complete asset inventory and none of the agencies submitted complete plans. For example, in their asset inventories, 14 agencies do not provide a complete listing of their data centers and 15 do not list all of their software assets. Similarly, in their consolidation plans, 13 agencies do not provide specific performance metrics and 12 do not address cost-benefit calculations. Until these inventories and plans are complete, agencies may not be able to fully implement their consolidation activities and realize expected savings.

Further, we found that agencies identified multiple challenges during data center consolidation, including those that are cultural, funding-related, operational, and technical in nature. For example, agencies face challenges in overcoming cultural resistance to such major organizational changes, providing upfront funding for the consolidation effort before any cost savings accrue, maintaining current operations during the transition to consolidated operations, and establishing and implementing shared standards (for storage, systems, security, etc.). Mitigating these and other challenges will require commitment from the agencies and continued oversight by OMB and the Federal CIO.

To help ensure that the federal data center consolidation initiative improves governmental efficiency and achieves cost savings, we are making recommendations to OMB and to the heads of the participating agencies. Specifically, we are recommending that agencies complete the

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<sup>8</sup>Technology CEO Council, *One Trillion Reasons: How Commercial Best Practices to Maximize Productivity Can Save Taxpayer Money and Enhance Government Services* (Washington, D.C., October 2010).

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missing elements in their plans and that OMB monitor the agencies' completion and implementation of those plans to ensure that promised efficiencies and savings are realized. We also recommend that agencies consider challenges when updating their plans.

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**OMB's IT Dashboard Can Further Help Identify Opportunities to Invest More Efficiently in Information Technology**

Given the importance of transparency, oversight, and management of the government's IT investments, in June 2009, OMB established a public Web site, referred to as the IT Dashboard, that provides detailed information on about 800 investments at 27 federal agencies, including ratings of their performance against cost and schedule targets. The public dissemination of this information is intended to allow OMB, other oversight bodies, including Congress; and the general public to hold agencies accountable for results and performance. Since our March report, we completed additional work and reported that by establishing the IT Dashboard, OMB has drawn additional attention to more than 300 troubled IT investments at federal agencies, totaling \$20 billion, which is an improvement from the previously used oversight mechanisms.<sup>9</sup> The Federal CIO recognized that the Dashboard has increased the accountability of agency CIOs and established much-needed visibility into investment performance.

In a series of IT Dashboard reviews completed in July 2010 and March 2011,<sup>10</sup> we reported that OMB's Dashboard had increased transparency and oversight, but that improvements were needed for the Dashboard to more fully realize its potential as a management and cost-savings tool. Specifically, in reviews of selected investments from 10 agencies, we found that the Dashboard ratings were not always consistent with agency cost and schedule performance data. For example, the Dashboard rating for a Department of Homeland Security investment reported significant cost variances for 3 months in 2010; however, our analysis showed lesser variances for the same months. In another case, a Department of Justice investment on the Dashboard reported that it has been less than 30 days behind schedule from July 2009 through January 2010. Investment data that we examined, however, showed that the investment was behind schedule by 30 days to almost 90 days from September to December 2009. A primary reason for the data inaccuracies in the Dashboard's ratings was that while the Dashboard was intended to represent near real-time

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<sup>9</sup>GAO-11-511T.

<sup>10</sup>GAO-11-262 and GAO, *Information Technology: OMB's Dashboard Has Increased Transparency and Oversight, but Improvements Needed*, GAO-10-701 (Washington, D.C.: July 16, 2010).

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performance information, the cost and schedule ratings did not take into consideration current performance. In these reports, we made a number of recommendations to OMB and federal agencies to improve the accuracy of Dashboard ratings. Agencies agreed with these recommendations, while OMB agreed with all but one. Specifically, OMB disagreed with the recommendation to change how it reflects current investment performance in its ratings because Dashboard data are updated on a monthly basis. However, we maintained that current investment performance may not always be as apparent as it should be; while data are updated monthly, ratings include historical data, which can mask more recent performance.

OMB officials indicated they had relied on the Dashboard as a management tool, including using investment trend data to identify and address performance issues and to select investments for a TechStat session—a review of selected IT investments between OMB and agency leadership that is led by the Federal CIO. According to OMB, as of December 2010, 58 TechStat sessions had been held with federal agencies. Additionally, OMB officials stated that as a result of these sessions, 11 investments have been reduced in scope, and 4 have been cancelled.

According to the Federal CIO, use of the Dashboard as a management and oversight tool has already resulted in a \$3 billion budget reduction. OMB's planned improvements to the Dashboard, along with full implementation of our recommendations and the possible identification of duplicative investments have the potential to result in further significant savings. Additional opportunities for potential cost savings exist with the use of the Dashboard by executive branch agencies to identify and make decisions about poorly performing investments, as well as its continued use by congressional committees to support critical oversight efforts.

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### Enterprise Architectures Are Key Mechanisms for Identifying Potential Overlap and Duplication

An enterprise architecture is a modernization blueprint that is used by organizations to describe their current state and a desired future state and to leverage IT to transform business and mission operations. Historically, federal agencies have struggled with operational environments characterized by a lack of integration among business operations and the IT resources that support them. A key to successfully leveraging IT for organizational transformation is having and using an enterprise architecture as an authoritative frame of reference against which to assess and decide how individual system investments are defined, designed, acquired, and developed. The development, implementation, and maintenance of architectures are widely recognized as hallmarks of

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successful public and private organizations, and their use is required by the Clinger-Cohen Act of 1996 and OMB.

Our experience has shown that attempting to modernize (and maintain) IT environments without an architecture to guide and constrain investments results in organizational operations and supporting technology infrastructures and systems that are duplicative, poorly integrated, unnecessarily costly to maintain and interface, and unable to respond quickly to shifting environmental factors. For example, we have conducted reviews of enterprise architecture management at federal agencies, such as the Department of Homeland Security (DHS) and the Federal Bureau of Investigation (FBI), as well as reviews of critical agency functional areas, such as DOD financial management, logistics management, combat identification, and business systems modernization. In addition, as discussed earlier, we have reviewed the DOD and VA's joint health architecture efforts, which are intended to guide identification and development of common health IT solutions.

These reviews have continued to identify the absence of complete and enforced enterprise architectures, which in turn has led to agency business operations, systems, and data that are duplicative, incompatible, and not integrated. These conditions have either prevented agencies from sharing data or forced them to depend on expensive, custom-developed system interfaces to do so. For example, we previously reported that IT had been a long-standing problem for the FBI, with nonintegrated applications, residing on different servers, each of which had its own unique databases and did not share information with other applications or with other government agencies. As a result, these deficiencies served to significantly hamper the FBI's ability to share important and time-sensitive information internally and externally with other intelligence and law enforcement agencies.

In 2006, we reported that the state of enterprise architecture development and implementation varied considerably across departments and agencies, with some having more mature architecture programs than others. However, overall, most departments and agencies were not where they needed to be, particularly with regard to their approaches for assessing each investment's alignment with the enterprise architecture and measuring and reporting on enterprise architecture results and outcomes. In our prior work, most departments and agencies reported they expect to realize benefits from their respective enterprise architecture programs, such as improved alignment between their business operations and the IT that supports these operations and consolidation of their IT infrastructure

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environments, which can reduce the costs of operating and maintaining duplicative capabilities, sometime in the future. What this suggests is that the real value in the federal government from developing and using enterprise architectures remains largely unrealized.

Our recently issued seven-stage enterprise architecture management maturity framework recognizes that a key to realizing this potential is effectively managing department and agency enterprise architecture programs. However, knowing whether benefits and results are in fact being achieved requires having associated measures and metrics. In this regard, it is important for agencies to satisfy the core element of the framework—enterprise architecture results and outcomes are measured and reported. Examples of results and outcomes to be measured include costs avoided through eliminating duplicative investments or by reusing common services and applications and improved mission performance through re-engineered business processes and modernized supporting systems.

Our work has shown that over 50 percent of the departments and agencies assessed had yet to fully satisfy this element. On the other hand, some have reported they are addressing this element and have realized significant financial benefits. For example, in 2006 we reported that the Department of the Interior had addressed all but one of the elements in our enterprise architecture management maturity framework, which meant that it was well-positioned to realize the significant benefits that a well-managed architecture program can provide. It has since demonstrated that it is using its enterprise architecture to modernize agency IT operations and avoid costs through enterprise software license agreements and hardware procurement consolidation. These architecture-based decisions have resulted in reported financial benefits of at least \$80 million. This means that the departments and agencies can demonstrate achievement of expected benefits, including costs avoided through eliminating duplicative investments, if enterprise architecture results and outcomes are measured and reported. We have work under way to determine the extent to which federal departments and agencies are realizing value from their use of enterprise architectures.

Notwithstanding these challenges, we have also reported on departments that have demonstrated improvements to their enterprise architecture programs. In 2009, we reported that to DHS's credit, recent versions of its enterprise architecture largely addressed our prior recommendations aimed at adding needed architectural depth and breadth. For example, in response to our prior recommendation that the architecture include a

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Technical Reference Model<sup>11</sup> that describes, among other things, the technical standards to be implemented for each enterprise service, the 2008 version of the enterprise architecture included a Technical Reference Model that identified such standards. The department also adopted an approach for extending the architecture through segments, which is a “divide and conquer” approach to architecture development advocated by OMB. However, we also concluded that while recent versions largely addressed our prior recommendations, important content, such as prioritized segments and information exchanges between critical business processes, was still missing.

In addition, in response to our recommendations, DOD adopted a federated approach to developing and using its business enterprise architecture, which is a coherent family of parent and subsidiary architectures, to help modernize its nonintegrated and duplicative business operations and the systems that support them. According to DOD, the federated business enterprise architecture is expected to identify and provide for sharing common applications and systems across the department and its components and promote interoperability and data sharing among related programs. For example, the architecture now focuses on improving the department’s ability to manage business operations from an end-to-end perspective. In this regard, it depicts 15 end-to-end business processes, such as hire-to-rotate and procure-to-pay. In addition, it also identifies the corporate architectural policies, capabilities, rules, and standards that apply DOD-wide. While this is important progress, DOD has yet to define these end-to-end processes at a lower level so that any redundant or duplicative system functions can be identified and avoided.

To advance the state of enterprise architecture development and use in the federal government, senior leadership in the departments and agencies need to demonstrate their commitment to this organizational transformation tool, as well as ensure that the kind of management controls embodied in our framework are in place and functioning. Collectively, the majority of the departments’ and agencies’ architecture efforts can still be viewed as a work in progress with much remaining to be accomplished before the federal government as a whole fully realizes their transformational value. Moving beyond this status will require most

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<sup>11</sup>The technical reference model describes how technology is supporting the delivery of service components including relevant standards for implementing the technology.

departments and agencies to overcome significant obstacles and challenges, such as organizational parochialism and cultural resistance, inadequate funding, and the lack of top management understanding and skilled staff. One key to doing so continues to be sustained organizational leadership. As our work has demonstrated, without such organizational leadership, the benefits of enterprise architecture will not be fully realized. OMB can play a critical role by continuing to oversee the development and use of enterprise architecture efforts, including measuring and reporting enterprise architecture results and outcomes across the federal government.

### Improving Federal Contracting Could Save Billions

The federal government spent about \$535 billion in fiscal year 2010 acquiring the goods and services agencies need to carry out their missions. Our March report highlighted four areas where improvements could be made to realize significant savings. These are: (1) minimizing unnecessary duplication among interagency contracts, (2) achieving more competition in the award of contracts, (3) using award fees more appropriately to promote improved contractor performance, and (4) leveraging the government's vast buying power through expanded use of strategic sourcing.

### Improved Data on Interagency Contracting Needed to Minimize Duplication and Better Leverage the Government's Buying Power

Interagency contracting is a process by which one agency either uses another agency's contract directly or obtains contracting support services from another agency. In recent years, interagency and agencywide contracting accounts for more than \$50 billion in procurement spending annually. Agencies have created numerous interagency and agencywide contracts using existing statutes, the Federal Acquisition Regulation, and agency-specific policies. With the proliferation of these contracts, however, there is a risk of unintended duplication and inefficiency. Billions of taxpayer dollars flow through interagency and agencywide contracts, but the federal government does not have a clear, comprehensive view of which agencies use these contracts and whether they are being used in an efficient and effective manner. Without this information, agencies may be unaware of existing contract options that could meet their needs and may be awarding new contracts when use of an existing contract would suffice. The government, therefore, might be missing opportunities to better leverage its vast buying power.

Government contracting officials and representatives of vendors have expressed concerns about potential duplication among the interagency and agencywide contracts across government, which they said can result

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in increased procurement costs, redundant buying capacity, and an increased workload for the acquisition workforce. Some vendors stated they offer similar products and services on multiple contracts and that the effort required to be on multiple contracts results in extra costs to the vendor, which they pass to the government through increased prices. Some vendors stated that the additional cost of being on multiple contracts ranged from \$10,000 to \$1,000,000 per contract due to increased bid and proposal and administrative costs.

We identified two overriding factors that hamper the government's ability to realize the strategic value of using interagency and agencywide contracts: (1) the absence of consistent governmentwide policy on the creation, use, and costs of awarding and administering some contracts; and (2) long-standing problems with the quality of information on interagency and agencywide contracts in the federal procurement data system. In April 2010, we recommended that OMB, which has governmentwide procurement policy responsibilities, establish a policy framework for establishing some types of interagency contracts and agencywide contracts, including a requirement to conduct a sound business case. We also recommended that OMB take steps to improve the data on interagency contracts including updating existing data on interagency and agencywide contracts, ensuring that departments and agencies accurately record these data, and assessing the feasibility of creating and maintaining a centralized database of interagency and agencywide contracts. OMB agreed with our recommendations.

In December 2010, the Federal Acquisition Regulation was amended to require that agencies prepare business cases for some multiagency contracts. This business case analysis also requires that agencies evaluate the cost of awarding and managing the contract and compare this cost to the likely fees that would be incurred if the agency used an existing contract or sought out acquisition assistance. In addition, OMB is developing additional business case guidance that will require agencies to prepare business cases describing the expected need for any new multiagency or agencywide contract, the value added by its creation, and the agency's suitability to serve as an executive agent. OMB also reports that it has a new effort under way to improve contract information in the Federal Procurement Data System-Next Generation, the current federal government database for information and data on all federal contracts. OMB also is discussing options for creating a clearinghouse of existing interagency and agencywide contracts. Requiring business case analyses for new multiagency and agencywide contracts and ensuring agencies have access to up-to-date and accurate data on the available contracts will

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promote the efficient use of interagency and agencywide contracting. Until such controls to address the issue of duplication are fully implemented, the government will continue to miss opportunities to take advantage of the government's buying power through more efficient and more strategic contracting.

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**Promoting Competition for  
Federal Contracts Can  
Produce Savings**

Competition is a cornerstone of the federal acquisition system and a critical tool for achieving the best possible return on contract spending. Competitive contracts can save money, improve contractor performance, and promote accountability for results. Federal agencies generally are required to award contracts competitively, but a substantial amount of federal money is being obligated on noncompetitive contracts annually. Federal agencies obligated approximately \$170 billion on noncompetitive contracts in fiscal year 2009 alone. While there has been some fluctuation over the years, the percentage of obligations under noncompetitive contracts recently has been in the range of 31 percent to over 35 percent. Although some agency decisions to forego competition may be justified, we found that when federal agencies decide to open their contracts to competition, they frequently realize savings. For example, we found in 2006 that the Army had awarded noncompetitive contracts for security guards, but later spent 25 percent less for the same services when the contracts were competed.

Our work also shows that agencies do not always use a competitive process when establishing or using blanket purchase agreements under the General Services Administration's schedules program. Agencies have frequently entered into blanket purchase agreements with just one vendor, even though multiple vendors could satisfy agency needs. And even when agencies entered into blanket purchase agreements with multiple vendors, we found that agencies have not always held subsequent competitions among those vendors for orders under the blanket purchase agreements, even though such competitions at the ordering level are required.

OMB has provided guidance for agencies to promote competition in contracting, and improve the effectiveness of their competition practices. In July 2009, OMB called for agencies to reduce obligations under new contract actions that are awarded using high-risk contracting authorities by 10 percent in fiscal year 2010. These high-risk contracts include, among other considerations, those that are awarded noncompetitively and those that are structured as competitive but for which only one offer is received. We are currently reviewing the agencies' savings plans to identify steps taken toward that goal. By more consistently promoting competition in contracts, federal agencies would have greater opportunities to take

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advantage of the effectiveness of the marketplace and potentially achieve billions of dollars in cost savings.

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**Adherence to New  
Guidance on Award Fee  
Contracts Could Improve  
Agencies' Use of Award  
Fees and Produce Savings**

Several major agencies spent over \$300 billion from fiscal year 2004 through fiscal year 2008 on contracts that included monetary incentives known as award fees. The purpose of these incentives is to motivate enhanced contractor performance. In 2005, however, we found that DOD paid billions of dollars in award fees regardless of acquisition outcomes. In 2007, we found significant disconnects between program results and fees paid at the National Aeronautics and Space Administration. In 2009, we reported that five agencies<sup>12</sup> had paid more than \$6 billion in award fees, but were not consistently following award fee guidance and did not have methods for evaluating the effectiveness of an award fee as a tool for improving contractor performance. We identified three primary issues related to the use of award fees that, if addressed, could improve the use of these incentives and produce savings. Specifically, (1) award fees are not always linked to acquisition outcomes, (2) award fee payments are made despite unsatisfactory contract performance, and (3) contractors have been permitted to earn previously unearned award fees in subsequent evaluation periods, a practice known as "rollover," where unearned award fees are transferred from one evaluation period to a subsequent period, thus allowing contractors additional opportunities to earn previously unearned fees.

Although required by OMB guidance since 2007, we reported in 2009 that award fees were not always linked to acquisition outcomes. But when efforts are made to do so, savings can be achieved. For example, the Joint Strike Fighter program created metrics for areas such as software performance, warfighter capability, and cost control that were previously assessed using less-defined criteria. By using metrics to assess performance, the Joint Strike Fighter program paid an estimated \$29 million less in fees in the 2 years since the policy changed than it might have when applying the former criteria.

OMB's 2007 guidance directed agencies to ensure that no award fee should be paid for performance that does not meet contract requirements or is judged to be unsatisfactory. We reported in 2009 that programs across the agencies reviewed used evaluation tools that could allow contractors to

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<sup>12</sup>GAO reviewed the Departments of Defense, Energy, Health and Human Services, Homeland Security, and the National Aeronautics and Space Administration.

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earn award fees without performing at a level that is acceptable to the government under the terms of the contract. For example, a Department of Energy research contract allowed the contractor to earn up to 84 percent of the award fee for performance that was defined as not meeting expectations. In addition, we found two IHHS contracts, including a contract for Medicare claims processing, in which it was possible for the contractor to receive at least 49 percent of the award fee for unsatisfactory performance. By contrast, some programs within DOD have prohibited award fee payments for unsatisfactory performance. For example, we found that the Air Force saved \$10 million on a contract for a satellite program by not paying an award fee to a contractor with unsatisfactory performance.

DOD guidance on award fees since 2006 has been that the practice of rollover should be limited to exceptional circumstances to avoid compromising the integrity of the award fee process. We found that based on contracts reviewed in 2005, DOD rolled over an average of 51 percent of the total unearned fees. For example, the contractor for the F-22 Raptor received over 90 percent of the award fee, including fees paid in subsequent evaluation periods, even though the program's cost and schedule targets had to be revised 14 times. By later limiting rollover, we estimated in 2009 that DOD would save over \$450 million on eight programs from April 2006 through October 2010.

Recent changes to the Federal Acquisition Regulation in 2010 have prohibited the practices of rollover of unearned award fees and awarding fees to contractors that have performed unsatisfactorily. Some agencies are updating and disseminating guidance that could increase the pace and success rate of implementing these new regulations. Further, agencies such as DOD are increasing the likelihood that award fees would be better linked to acquisition outcomes by implementing key practices, like a peer review process that examines the plan for administering award fees. However, sustained progress in the use of award fees will require that contracting agencies adhere to the recent changes to the Federal Acquisition Regulation. Enhanced oversight by OMB and Congress is warranted to ensure successful implementation.

**Applying Strategic Sourcing Best Practices throughout the Federal Procurement System Could Produce Significant Savings**

Since 2002, spending on federal contracts has more than doubled to about \$540 billion in 2009, consuming a significant share of agencies' discretionary budgets. Because procurement at federal departments and agencies generally is decentralized, the federal government is not fully leveraging its aggregate buying power to obtain the most advantageous terms and conditions for its procurements. In the private sector, however, an approach called strategic sourcing has been used since the 1980s to reduce procurement costs at companies with large supplier bases and high procurement costs. We reported that to reduce costs, improve productivity, and more effectively procure products and services, many companies have adopted a strategic sourcing approach—centralizing and reorganizing their procurement operations to get the best value for the company as a whole. The federal government could do the same and realize significant savings as a result.

Since 2005, OMB has encouraged agencies to coordinate their buys through Federal Strategic Sourcing Initiative (FSSI) interagency procurement vehicles awarded by the General Services Administration. In addition, some agencies have awarded agencywide (also referred to as enterprisewide) contracts under strategic sourcing programs within an individual federal department or agency. In July 2010, OMB's congressional testimony on the status of improvements to federal acquisition cited examples of what progress is being achieved under agency strategic sourcing efforts. Under the FSSI effort for example, a team of agencies selected office products in late 2009 as a promising strategic sourcing opportunity to combine buying power for about \$250 million in requirements. This office products initiative is expected to reduce costs at these agencies by as much as 20 percent, for a total savings of almost \$200 million over the next 4 years. Further, an agencywide initiative at the Department of Homeland Security—which accounted for \$14.3 billion in contract spending in 2009—is expected to save \$87 million during the next 6 years for a standardized suite of discounted desktop operating systems, e-mail, and office automation products.

These results demonstrate the potential to achieve significant savings through the use of strategic sourcing approaches. The starting point for such efforts, however, is having good data on current spending, but in April 2010 we reported that OMB and agencies cannot be sure the government is fully leveraging its buying power because of the absence of comprehensive, reliable data to effectively manage and oversee an important segment of total procurement spending: interagency and agencywide contracts. Acquisition leaders across the government need to more fully embrace the strategic sourcing initiative beginning with

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collecting, maintaining, and analyzing data on current procurement spending. Then, agencies have to conduct assessments of acquisition and supply chain functions to initiate enterprisewide transformations.

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In conclusion Mr. Chairman, Ranking Member Senator Collins, and Members of the Committee, careful, thoughtful actions will be needed to address many of the issues discussed in our March report, particularly those involving potential duplication, overlap, and fragmentation among federal programs and activities. These are difficult issues to address because they may require agencies and Congress to re-examine within and across various mission areas the fundamental structure, operation, funding, and performance of a number of long-standing federal programs or activities with entrenched constituencies. Continued oversight by OMB and Congress will be critical to ensuring that unnecessary duplication, overlap, and fragmentation are addressed.

As the nation rises to meet the current fiscal challenges, we will continue to assist Congress and federal agencies in identifying actions needed to reduce duplication, overlap, and fragmentation; achieve cost savings; and enhance revenues. As part of current planning for our future annual reports, we are continuing to look at additional federal programs and activities to identify further instances of duplication, overlap, and fragmentation as well as other opportunities to reduce the cost of government operations and increase revenues to the government. We will be using an approach to ensure governmentwide coverage through our efforts by the time we issue our third report in fiscal year 2013. We plan to expand our work to more comprehensively examine areas where a mix of federal approaches is used, such as tax expenditures, direct spending, and federal loan programs. Likewise, we will continue to monitor developments in the areas we have already identified. Issues of duplication, overlap, and fragmentation will also be addressed in our routine audit work during the year as appropriate and summarized in our annual reports.

Thank you, Mr. Chairman, Ranking Member Senator Collins, and Members of the Committee. This concludes my prepared statement. I would be pleased to answer any questions you may have.

For further information on this testimony or our March report, please contact Janet St. Laurent, Managing Director, Defense Capabilities and Management, who may be reached at (202) 512-4300, or StLaurentJ@gao.gov; and Katherine Siggerud, Managing Director, Physical

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## Appendix I: Duplication, Overlap, or Fragmentation Areas Identified

| Missions                    | Areas identified   | Federal agencies and programs where duplication, overlap, or fragmentation may occur  |
|-----------------------------|--|---|
| <b>Agriculture</b>          | 1. Fragmented <b>food safety</b> system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources  | The Department of Agriculture's (USDA) Food Safety and Inspection Service and the Food and Drug Administration are the primary food safety agencies, but 15 agencies are involved in some way   |
| <b>Defense</b>              | 2. Realigning <b>DOD's military medical command</b> structures and consolidating common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually | Department of Defense (DOD), including the Office of the Assistant Secretary for Health Affairs, the Army, the Navy, and the Air Force  |
|                             | 3. Opportunities exist for consolidation and increased efficiencies to maximize response to <b>warfighter urgent needs</b>   | At least 31 entities within DOD   |
|                             | 4. Opportunities exist to avoid unnecessary redundancies and improve the coordination of <b>counter-improvised explosive device</b> efforts  | The services and other components within DOD  |
|                             | 5. Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of <b>intelligence, surveillance, and reconnaissance</b> capabilities  | Multiple intelligence organizations within DOD  |
|                             | 6. A departmentwide acquisition strategy could reduce DOD's risk of costly duplication in purchasing <b>tactical wheeled vehicles</b>  | DOD, including Army and Marine Corps  |
|                             | 7. Improved joint oversight of DOD's <b>prepositioning programs</b> for equipment and supplies may reduce unnecessary duplication  | DOD including Air Force, Army, and Marine Corps   |
|                             | 8. <b>DOD business systems</b> modernization: opportunities exist for optimizing business operations and systems   | About 2,300 investments across DOD  |
| <b>Economic development</b> | 9. The efficiency and effectiveness of fragmented <b>economic development programs</b> are unclear   | USDA, Department of Commerce (Commerce), Housing and Urban Development (HUD), and the Small Business Administration (SBA); 80 programs involved   |
|                             | 10. The federal approach to <b>surface transportation</b> is fragmented, lacks clear goals, and is not accountable for results   | Five agencies within the Department of Transportation (DOT); over 100 programs involved   |
|                             | 11. Fragmented federal efforts to meet water needs in the <b>U.S.-Mexico border region</b> have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources          | USDA, Commerce's Economic Development Administration, Environmental Protection Agency (EPA), Department of Health and Human Services' (HHS) Indian Health Service, Department of the Interior's (Interior) Bureau of Reclamation, HUD, and the U.S. Army Corps of Engineers |

| Missions                          | Areas identified   | Federal agencies and programs where duplication, overlap, or fragmentation may occur   |
|-----------------------------------|--|--|
| Energy                            | 12. Resolving conflicting requirements could more effectively achieve <b>federal fleet energy goals</b>  | A number of agencies, including the Department of Energy (Energy) and the General Services Administration (GSA) play a role overseeing the governmentwide requirements   |
|                                   | 13. Addressing duplicative federal efforts directed at increasing <b>domestic ethanol production</b> could reduce revenue losses by up to \$5.7 billion annually                               | EPA and the Department of the Treasury   |
| General government                | 14. <b>Enterprise architectures</b> : key mechanisms for identifying potential overlap and duplication   | Governmentwide   |
|                                   | 15. Consolidating <b>federal data centers</b> provides opportunity to improve government efficiency and achieve significant cost savings   | Twenty-four federal agencies   |
|                                   | 16. Collecting improved data on <b>interagency contracting</b> to minimize duplication could help the government leverage its vast buying power  | Governmentwide   |
|                                   | 17. Periodic reviews could help identify ineffective <b>tax expenditures</b> and redundancies in related tax and spending programs, potentially reducing revenue losses by billions of dollars | Governmentwide   |
| Health                            | 18. Opportunities exist for <b>DOD and VA</b> to jointly modernize their electronic <b>health record systems</b>   | DOD and the Department of Veterans Affairs (VA)  |
|                                   | 19. <b>VA and DOD</b> need to control <b>drug</b> costs and increase <b>joint contracting</b> whenever it is <b>cost-effective</b>   | DOD and VA   |
|                                   | 20. HHS needs an overall strategy to better integrate nationwide public <b>health information systems</b>  | Multiple agencies, led by HHS  |
| Homeland security/Law enforcement | 21. Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against <b>biological threats</b>   | USDA, DOD, Department of Homeland Security (DHS), HHS, Interior, and others; more than two dozen presidentially appointed individuals with responsibility for biodefense |
|                                   | 22. DHS oversight could help eliminate potential duplicating efforts of interagency forums in <b>securing the northern border</b>  | DHS and other federal law enforcement partners   |
|                                   | 23. The Department of Justice plans actions to reduce overlap in <b>explosives investigations</b> , but monitoring is needed to ensure successful implementation                               | Department of Justice's Federal Bureau of Investigation and Bureau of Alcohol, Tobacco, Firearms and Explosives  |
|                                   | 24. <b>TSA's security assessments</b> on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap                                  | DHS's Transportation Security Administration (TSA) and DOT   |

| Missions                            | Areas identified   | Federal agencies and programs where duplication, overlap, or fragmentation may occur  |
|-------------------------------------|--|---|
|                                     | 25. DHS could streamline mechanisms for sharing security-related information with public transit agencies to help address overlapping information                  | Three information-sharing mechanisms funded by DHS and TSA  |
|                                     | 26. FEMA needs to improve its oversight of grants and establish a framework for assessing capabilities to identify gaps and prioritize investments                 | DHS's Federal Emergency Management Agency (FEMA); 17 programs involved  |
| International affairs               | 27. Lack of information sharing could create the potential for duplication of efforts between U.S. agencies involved in development efforts in Afghanistan         | Primarily DOD and the U.S. Agency for International Development   |
|                                     | 28. Despite restructuring, overlapping roles and functions still exist at State's Arms Control and Nonproliferation Bureaus  | Two bureaus within the Department of State (State)  |
| Social services                     | 29. Actions needed to reduce administrative overlap among domestic food assistance programs  | USDA, DHS, and HHS; 18 programs involved  |
|                                     | 30. Better coordination of federal homelessness programs may minimize fragmentation and overlap  | Seven federal agencies, including Department of Education (Education), HHS, and HUD; over 20 programs involved  |
|                                     | 31. Further steps needed to improve cost-effectiveness and enhance services for transportation-disadvantaged persons   | USDA, DOT, Education, Interior, HHS, HUD, Department of Labor (Labor), and VA; 80 programs involved   |
| Training, employment, and education | 32. Multiple employment and training programs: providing information on colcoating services and consolidating administrative structures could promote efficiencies | Education, HHS, and Labor, among others; 44 programs involved   |
|                                     | 33. Teacher quality: proliferation of programs complicates federal efforts to invest dollars effectively   | Ten agencies including DOD, Education, Energy, National Aeronautics and Space Administration, and the National Science Foundation; 82 programs involved |
|                                     | 34. Fragmentation of financial literacy efforts makes coordination essential   | More than 20 different agencies; about 56 programs involved   |

Source: GAO-11-318SP

## Appendix II: Federal Agencies and Programs Where Cost-Saving or Revenue-Enhancement Opportunities May Exist

| Missions             | Areas identified   | Federal agencies and programs where cost-saving or revenue-enhancement options may exist   |
|----------------------|--|--|
| Agriculture          | 35. Reducing some <b>farm program payments</b> could result in savings from \$800 million over 10 years to up to \$5 billion annually  | Department of Agriculture  |
| Defense              | 36. DOD should assess costs and benefits of <b>overseas military presence</b> options before committing to costly personnel realignments and construction plans, thereby possibly saving billions of dollars | DOD  |
|                      | 37. Total compensation approach is needed to manage significant growth in <b>military personnel costs</b>  | DOD  |
|                      | 38. Employing best management practices could help DOD save money on its <b>weapon systems acquisition programs</b>  | DOD  |
|                      | 39. More efficient management could limit future costs of <b>DOD's spare parts</b> inventory   | DOD, including the military services and Defense Logistics Agency  |
|                      | 40. More comprehensive and complete cost data can help DOD improve the cost-effectiveness of <b>sustaining weapon systems</b>  | DOD  |
|                      | 41. Improved <b>corrosion prevention</b> and control practices could help DOD avoid billions in unnecessary costs over time  | DOD's Office of Corrosion Policy and Oversight   |
| Economic development | 42. Revising the <b>essential air service</b> program could improve efficiency and save over \$20 million annually   | Department of Transportation   |
|                      | 43. Improved design and management of the <b>universal service fund</b> as it expands to support broadband could help avoid cost increases for consumers   | Federal Communications Commission; four programs involved  |
|                      | 44. The <b>Corps of Engineers</b> should provide Congress with project-level information on <b>unobligated balances</b>  | U.S. Army Corps of Engineers   |
| Energy               | 45. Improved management of federal <b>oil and gas resources</b> could result in approximately \$1.75 billion over 10 years   | Department of the Interior's Bureau of Land Management, Bureau of Ocean Energy Management, Regulation and Enforcement, and Office of Natural Resources Revenue |
| General government   | 46. Efforts to address <b>governmentwide improper payments</b> could result in significant cost savings  | About 20 federal agencies; over 70 programs involved   |
|                      | 47. Promoting <b>competition</b> for the over \$500 billion in <b>federal contracts</b> can potentially save billions of dollars over time   | Governmentwide   |

| Missions | Areas identified   | Federal agencies and programs where cost-saving or revenue-enhancement options may exist                 |
|----------|--|--|
|          | 48. Applying <b>strategic sourcing</b> best practices throughout the federal procurement system could save billions of dollars annually  | Governmentwide   |
|          | 49. Adherence to new guidance on <b>award fee contracts</b> could improve agencies' use of award fees and produce savings  | Several agencies, including DOD and the National Aeronautics and Space Administration                    |
|          | 50. Agencies could realize cost savings of at least \$3 billion by continued disposal of <b>unneeded federal real property</b>   | Governmentwide, including DOD, General Services Administration (GSA), and Department of Veterans Affairs |
|          | 51. Improved cost analyses used for making <b>federal facility ownership and leasing</b> decisions could save tens of millions of dollars  | Primarily GSA, the central leasing agent for most agencies   |
|          | 52. The Office of Management and Budget's <b>IT Dashboard</b> reportedly has already resulted in \$3 billion in savings and can further help identify opportunities to invest more efficiently in information technology | Governmentwide   |
|          | 53. Increasing <b>electronic filing</b> of individual income <b>tax returns</b> could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars   | Department of the Treasury's (Treasury) Internal Revenue Service (IRS)                                   |
|          | 54. Using <b>return on investment</b> information to better target IRS enforcement could reduce the tax gap; for example, a 1 percent reduction would increase tax revenues by \$3 billion                               | IRS  |
|          | 55. Better management of <b>tax debt collection</b> may resolve cases faster with lower IRS costs and increase debt collected  | IRS  |
|          | 56. Broadening IRS's authority to correct <b>simple tax return errors</b> could facilitate correct tax payments and help IRS avoid costly, burdensome audits   | IRS  |
|          | 57. Enhancing <b>mortgage interest information</b> reporting could improve tax compliance  | IRS  |
|          | 58. More information on the types and uses of canceled debt could help IRS limit revenue losses on <b>forgiven mortgage debt</b>   | IRS  |
|          | 59. Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated <b>real estate tax deductions</b>  | IRS  |
|          | 60. Revisions to content and use of <b>Form 1098-T</b> could help IRS enforce higher education requirements and increase revenues  | IRS  |
|          | 61. Many options could improve the tax compliance of <b>sole proprietors</b> and begin to reduce their \$68 billion portion of the tax gap   | IRS  |

| <b>Missions</b>                          | <b>Areas identified</b>  | <b>Federal agencies and programs where cost-saving or revenue-enhancement options may exist</b> |
|--|--|---|
|  | 62. IRS could find additional <b>businesses not filing tax returns</b> by using third-party data, which show such businesses have billions of dollars in sales   | IRS   |
|  | 63. Congress and IRS can help <b>S corporations</b> and their shareholders be more tax compliant, potentially increasing tax revenues by hundreds of millions of dollars each year   | IRS   |
|  | 64. IRS needs an agencywide approach for addressing tax evasion among the at least 1 million <b>networks of businesses</b> and related entities  | IRS   |
|  | 65. Opportunities exist to improve the targeting of the \$6 billion <b>research tax credit</b> and reduce forgone revenue  | Treasury and IRS  |
|  | 66. Converting the <b>new markets tax credit</b> to a grant program may increase program efficiency and significantly reduce the \$3.8 billion 5-year revenue cost of the program  | Treasury  |
|  | 67. Limiting the tax-exempt status of certain <b>governmental bonds</b> could yield revenue  | Treasury  |
|  | 68. Adjusting <b>civil tax penalties</b> for inflation potentially could increase revenues by tens of millions of dollars per year, not counting any revenues that may result from maintaining the penalties' deterrent effect | IRS   |
|  | 69. IRS may be able to systematically identify <b>nonresident aliens</b> reporting unallowed tax deductions or credits   | IRS   |
|  | 70. Tracking <b>undisbursed balances in expired grant accounts</b> could facilitate the reallocation of scarce resources or the return of funding to the Treasury  | Governmentwide  |
| <b>Health</b>                            | 71. Preventing billions in <b>Medicaid improper payments</b> requires sustained attention and action by CMS  | Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS)         |
|  | 72. Federal oversight over <b>Medicaid supplemental payments</b> needs improvement, which could lead to substantial cost savings   | CMS   |
|  | 73. Better targeting of <b>Medicare's</b> claims review could reduce <b>improper payments</b>  | CMS   |
|  | 74. Potential savings in <b>Medicare's payments for health care</b>  | CMS   |
| <b>Homeland security/Law enforcement</b> | 75. <b>DHS's management of acquisitions</b> could be strengthened to reduce cost overruns and schedule and performance shortfalls  | Department of Homeland Security (DHS)   |

| Missions              | Areas identified  | Federal agencies and programs where cost-saving or revenue-enhancement options may exist |
|-----------------------|---|--|
|                       | 76. Improvements in <b>managing research and development</b> could help reduce inefficiencies and costs for homeland security   | DHS  |
|                       | 77. Validation of <b>TSA's behavior-based screening</b> program is needed to justify funding or expansion   | Transportation Security Administration (TSA)   |
|                       | 78. More efficient <b>baggage screening systems</b> could result in about \$470 million in reduced TSA personnel costs over the next 5 years  | TSA  |
|                       | 79. Clarifying availability of certain <b>customs fee collections</b> could produce a one-time savings of \$640 million   | DHS's Customs and Border Protection (CBP)  |
| Income security       | 80. <b>Social Security</b> needs data on pensions from noncovered earnings to better enforce <b>offsets</b> and ensure benefit fairness, resulting in estimated \$2.4-\$2.9 billion savings over 10 years | Social Security Administration   |
| International affairs | 81. Congress could pursue several options to improve collection of <b>antidumping and countervailing duties</b>   | CBP  |

Source: GAO-11-018SP

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

STATEMENT OF THE HONORABLE DANIEL I. GORDON  
ADMINISTRATOR FOR FEDERAL PROCUREMENT POLICY  
OFFICE OF MANAGEMENT AND BUDGET  
BEFORE THE  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

MAY 25, 2011

*“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”*

Chairman Lieberman, Ranking Member Collins, and Members of the Committee, I welcome the opportunity to appear before you today to discuss the federal government’s use of interagency and agency-wide contracting vehicles and opportunities to reduce duplication associated with these vehicles. Improving use of interagency and agency-wide contracts can help us meet the President’s mandate for agencies to become more fiscally responsible in their contracting practices. These vehicles give us the ability to produce savings for our taxpayers through better pricing, improved quality, and increased administrative efficiencies. This afternoon, I would like to share with the Committee the steps the Administration is taking to maximize the benefits of interagency and agency-wide vehicles and minimize the systemic risk in interagency contracting that the Government Accountability Office (GAO) identified in 2005. I will also share our views about duplication in the area of contracting and how we are addressing it.

**Reducing the risk associated with interagency contracting**

For the past six years, GAO has included the management of interagency contracting on its High Risk List. In the years preceding this designation, the government experienced a rapid growth in interagency contracting brought about by important new authorities introduced in the 1990s by the Federal Acquisition Streamlining Act, the Clinger-Cohen Act, and a number of regulatory and policy changes. These changes, which were designed to improve the efficiency of the contracting process – especially for information technology (IT) and other rapidly evolving requirements – were well suited for interagency and agency-wide contracts. They gave agencies the ability to: (1) create multiple-award contracts where a stable of prequalified contractors compete for a wide range of requirements, (2) work with the Office of Management and Budget (OMB) to become executive agents of government-wide acquisition contracts (GWACs) for IT, and (3) use the Federal Supply Schedules Program to place orders for goods and services in any quantity (without regard to order limitations that had previously existed) and create blanket

purchase agreements (BPAs) to negotiate better deals with Schedule vendors to reflect volume purchasing associated with recurring needs. Congress also reinforced agencies' ability to create multi-agency contracts to meet the requirements of two or more agencies using the authority of the Economy Act. Interagency contracting, in its various forms, became especially popular to help a shrinking acquisition workforce meet a growing number of agency demands.

Unfortunately, our policy guidance and management controls did not keep up with this rapid growth. In what some called the "Wild West," agencies frequently picked vehicles without having any real information as to which one represented the best alternative. Many agencies routinely allowed customer agencies to acquire goods and services through their contracts and BPAs without a clear understanding of who was responsible for describing requirements, negotiating terms, ensuring that orders were within the scope of the contract, and conducting contractor oversight. GAO and agency inspectors general repeatedly uncovered instances of waste and abuse. In this context, it is easy to understand why GAO concluded that interagency contracting posed systemic risks to our acquisition system. It is also easy to understand why GAO, when placing this contracting tool on its high risk list, recommended that all agencies develop improved management controls, clarify roles and responsibilities between servicing and customer agencies, and adopt clear, consistent and enforceable policies and processes that balance the need for customer service with the requirements for sound contract management and fiscal responsibility.

As a result of demonstrated commitment by our acquisition workforce and the leadership of our acquisition officials, we have made noteworthy progress in addressing the root causes of high risk in interagency contracting. GAO acknowledged this progress in its most recent High Risk List Update, released this past February. Over the past several years, agencies have taken specific actions to improve their internal management controls to support interagency acquisitions – steps that have been reviewed by a number of agency inspectors general. In FY 2010, senior procurement executives reported to OMB that their agencies are improving the management of interagency contracting by implementing practices to improve how they evaluate if an interagency acquisition will be beneficial, including making "best interest" determinations before using another agency's acquisition vehicle, taking into account factors such as the suitability of the vehicle, the value of using the vehicle (including the reasonableness of the fees), and the requesting agency's ability to use the vehicle effectively. When assisted acquisitions are pursued, agency customers and servicing agencies are entering into agreements that establish terms and conditions to govern the relationship between the agencies, including each party's role in carrying out responsibilities over the acquisition lifecycle. Agencies are more regularly documenting decisions to use another agency's contract, and preparing more carefully delineated interagency agreements to establish roles and responsibilities when they seek acquisition assistance from another agency. To ensure these controls are used consistently

by all agencies, the Federal Acquisition Regulatory Council incorporated them into the Federal Acquisition Regulation (FAR) last December. The FAR changes also addressed provisions in section 865 of the FY 2009 National Defense Authorization Act, which reinforced many of these principles. These are promising steps that go a long way towards eliminating the systemic risk that originally caused GAO to place interagency contracting on its high risk list and arguably justify its removal from GAO's list.

That said, there is still much more to be done to reap the full benefits of interagency and agency-wide vehicles. Agencies are often missing the benefits of these vehicles by duplicating each other's contracting efforts. Unjustified duplication must be avoided. This redundancy increases both the workload for our acquisition workforce and procurement costs for vendors, which are then passed on to our taxpayers in the form of higher prices. In its March report on potential duplication in government programs, GAO identified two overriding factors that contribute to the overlap between contracts: (1) the lack of consistent government-wide policy on the creation, use, and costs of awarding and administering these contracts, and (2) ongoing problems with the availability and quality of information on interagency and agency-wide contracts in the Federal Procurement Data System (FPDS). GAO's report states that these shortcomings can be overcome by expanding the use of business cases and improving the quality of data on interagency contracts. We agree. Before sharing the steps the Administration is taking in this regard, I would like to briefly comment on the nature of duplication in this area, as we see it, to put the Administration's priorities into clearer perspective.

#### **The two ways that duplication arises**

There are a number of reasons why contract vehicles may overlap, but duplication typically occurs in one of two ways. The first form of duplication occurs when a suitable contract vehicle *already exists* and an agency doesn't take advantage of it and instead awards a new contract (in this discussion, references to contracts should be understood to include both contracts and other vehicles, such as BPAs). This may occur because the agency has not fully researched available options, it doesn't have sufficient visibility into its choices, or both. The second form of duplication occurs when a suitable contract to meet the needs of multiple agencies or multiple agency components *does not exist* and each agency component creates its own redundant contract without considering if there are opportunities to leverage, either at the agency or government-wide level.

To date, concern has centered largely around a fear that agencies are creating new interagency contracts that duplicate existing ones (in essence, a subset of the first form of duplication). Particular focus has been on multi-agency contracts (vehicles established by one agency for use by two or more government agencies consistent with the Economy Act), even

though there is limited evidence to suggest a large proliferation or wide use of these vehicles.<sup>1</sup> Ironically, less attention has been paid to the duplication that occurs when agencies pass up existing interagency contracts in favor of creating their own separate agency-specific contracts for similar products or service – which is a more likely source of duplication. Even less attention has been given to the duplication that arises when separate and redundant contracts are awarded by each agency component to serve a narrow customer base, only because no one has taken the initiative to create either an agency-wide or interagency contract to meet these repetitive demands (the second form of duplication). In my opinion, agency failure to create new agency-wide and interagency contracts to fill voids is, by far, the greatest single cause of duplication and the reason why agencies find themselves unable to get the best prices for the taxpayer. We are wasting our limited acquisition resources to contract again and again for the identical goods and services, while also dividing up the federal marketplace and denying ourselves the ability to leverage our buying power as the world's largest customer. In short, for too long, we have been giving the least attention to the area where harmful duplication is most likely to occur and the most attention to where it is least likely to occur.

To effectively minimize unhealthy duplication, we must recognize the different ways in which duplication occurs and take appropriate action to address it. Specifically, we must create an environment where agencies regularly take *both* of the following steps:

- Consider whether existing interagency or agency-wide contracts are suitable before creating a new one, use existing contracts if they are more suitable, and phase out agency-managed contracts, or the portion of them, that provide the same products or services.
- Consider creating new inter-agency or agency-wide contracts where no such contract currently exists but where there is agency demand (e.g., the supply or service is commonly used within or among agencies and is needed on a recurring basis) and ensure that meaningful consideration is given to using the new contract once it is established and phasing out overlapping component specific contracts.

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<sup>1</sup> As I explained in testimony before the Subcommittee on Contracting Oversight last summer, there are a number of indicators, even in the absence of solid FPDS data, suggesting that the level of multi-agency contracting is not substantial. First, there are virtually no bid protests involving multi-agency contracts, whereas there are many bid protests involving Schedules and agency-specific vehicles. Second, a number of agency-wide vehicles are well known in the acquisition community, such as the Navy's "SeaPort-e" contract and DHS' "EAGLE" contract. Multi-agency vehicles, however, are not readily identifiable, which would make interagency use of multi-agency contracts difficult. Third, at least one commercial source maintains a database of non-schedule interagency vehicles and agency-wide vehicles which indicates a total of fewer than 60 vehicles, many of which are Department of Defense vehicles. These indicators point to a conclusion that (1) there are few multi-agency contracts and (2) interagency activity under multi-agency contracts is probably more incidental, along the lines traditionally envisioned under the Economy Act.

We are pursuing three initiatives to make these steps a routine part of our acquisition processes. First, we will soon issue guidance that requires agencies to develop business cases to support their decisions to create a new contract or BPA. Second, we are actively promoting strategic sourcing to pool the government's buying power through a limited number of interagency acquisition contracts. Third, we are working to make sure agencies have access to information on available interagency and agency-wide contract options.

### **Business cases**

The new business case process will help agencies determine if expected return from investment in a contract or BPA is worth the effort. In developing this process, we have reviewed section 865 of the FY 2009 National Defense Authorization Act, studied the GAO's 2010 report on interagency and agency-wide contracting, and revisited the findings and recommendations made by the Acquisition Advisory Panel several years ago. While the guidance is not yet final, here are the main features you are likely to see:

1. **Business case requirements will cover all major interagency contracts and certain agency-specific contracts.** Our goal is to have guidance that will cover GWACs, multi-agency contracts, and BPAs. Covering the full range of contracts will provide a more comprehensive picture to indicate if there is unhealthy overlap between them.
2. **The guidance will retain many of the basic elements that have been used successfully to evaluate proposed GWACs.** These elements include the anticipated level of usage – both within and outside the agency – the value the contract would add to current contracting options, and the suitability of the agency to award and administer the proposed contract, including any relevant specialized experience. It will also reinforce the fundamental building blocks of cost-effective acquisition, including use of competition and robust communication with industry. The GWAC business case model, which was cited favorably by the Acquisition Advisory Panel, has given OFPP key information needed to facilitate the coordinated development of GWACs in support of a range of Administration priorities. The Committee might note that, over the past year, OMB has granted designations to:
  - The National Institutes of Health (NIH) to award two GWACs (one as a small business set-aside) with a focus on health-related IT services: the Chief Information Officer Solutions and Partners (CIOSP3) GWAC and the CIOSP3-Small Business GWAC. These GWACs will fill an important need for agencies with health-related responsibilities in the Patient Protection and Affordable Care Act.

- The Department of Homeland Security (DHS) to award a GWAC for Technical Investigative Surveillance Equipment. The GWAC, which is expected to be awarded later this year, will offer specialized electronic equipment for use by federal agencies with a law enforcement mission in support of their criminal investigations and will facilitate the acquisition of secure common interoperable digital video and audio surveillance equipment within the federal law enforcement community. The GWAC should also enhance the overall effectiveness of joint investigations, and it is expected to lower prices of equipment by approximately 10 percent as well as facilitate access to high-quality products. In addition to having programmatic expertise, the DHS procurement office that will manage the GWAC has developed, awarded, and managed multi-agency contracts for audio and video surveillance equipment needs in the past.
  - The General Services Administration (GSA) to award a follow-on to its 8(a) Streamlined Technology Acquisition Resources for Services (“STARS”) contract, which is set aside for small disadvantaged businesses in the Small Business Administration’s 8(a) business development program. The current 8(a) GWAC complements two other GSA GWACs that are set-aside for small businesses, including one for service-disabled veteran-owned small businesses. Small business set-aside GWACs have proven to be a helpful vehicle for facilitating agency access to the talents and skills of small businesses in an efficient and effective manner. Agencies are currently examining opportunities to take greater advantage of interagency vehicles, including GWACs, to create new opportunities for small business contractors that will help the government meet its small business contracting goals.
3. **The new guidance will require an agency to expressly consider the potential for duplication and to describe how its proposed vehicle is unique.** An agency will be required to address the anticipated impact that its proposed vehicle will have on the government’s ability to leverage its buying power. While we need to work out the details with agencies to ensure that the guidance does not impose an unjustified burden on them, we believe that agencies need to do reasonable research of existing vehicles for potential suitability, with an emphasis on existing vehicles (i) that are designed to meet the same requirements under the same or similar terms and conditions, (ii) that already reflect leveraged pricing, (iii) for which there is information readily available, and (iv) that are intended for government-wide use. These vehicles would include BPAs established by the Federal Strategic Sourcing Initiative (FSSI) or GSA’s SmartBuy Program, and GWACs. Agencies would also be expected to review relevant Schedule contracts, multi-agency contracts or BPAs of which the agency is aware, and relevant contracts or BPAs within their own agencies that were previously established to leverage the agency’s buying. The

agency would then explain how its proposed contract or agreement differs from the existing contracts it researched with respect to pricing, delivery, or other terms. If overlap is identified, the agency would be expected to make an adjustment or explain why the overlap is not a problem. In this regard, there are legitimate reasons that might favor establishing an agency-specific vehicle instead of using an existing interagency contract, even if it overlaps in its coverage. For example, the agency may need to negotiate terms and conditions that are tailored to its needs, simplify contract management by bringing contractors together under one contract (in lieu of having to manage contractors on multiple interagency contracts, each of which addresses only part of the agency's requirement), or ensure products are in compliance with agency-specific standards.

4. **Agencies will identify the costs for awarding and managing the vehicle and the amount of fees.** We view it as important that the business case ensure that agencies consider the costs, both direct and indirect, of awarding and administering a new contract. While the details are still under discussion, we believe that this information will help agencies compare the cost of using an existing contract (or acquisition assistance) to the cost of creating a new one. An agency will also identify the amount of planned fees that an agency intending to create an interagency contract would charge to prospective customers, and the methodology used for setting and adjusting fees.
5. **An appropriate mechanism will be developed to allow rapid, informal feedback from stakeholders to assist agencies in identifying available vehicles and potential duplication.** As explained above, the agency seeking to create a new interagency or large agency-specific contract will be asked to take reasonable steps to understand if the products and services it seeks to acquire are available on an existing contract that already reflects leveraged pricing, and either make adjustments or explain why the planned contract is unique with regards to its pricing, schedule, delivery, or other terms. As I will discuss, we must, and will, make strides in improving our use of technology to make more information available to agencies that are evaluating the benefits of creating new contracts, but no information system will ever match the level of knowledge or replace the insight of the agencies who manage existing interagency or agency-wide contracts. Identifying and addressing duplication, where it may be unhealthy, is a shared responsibility. This is why collaboration within the federal community is so important and why we are making it part of the business case development process.

Our focus will be on encouraging informal information exchanges that are useful and timely, not on process perfection. While the details are still being finalized, we anticipate a process where sponsoring agencies will be able to post information about their plans on a secure website, and federal managers of existing interagency contracts and other interested

federal stakeholders would be encouraged to offer feedback that can be considered by the sponsoring agency before it makes a decision to award a new contract. Interested stakeholders would include, at least, the leadership of the Federal Acquisition Service, FSSI and SmartBuy Programs, who manage the development of government-wide contracts to leverage the government's buying power. It would also include Chief Acquisition Officers and Senior Procurement Executives, and, if the contract is for IT, managers of GWACs and Chief Information Officers, any of whom may be able to point out the existence of relevant vehicles, identify agency components looking to piggy-back on a new contract, and share relevant experiences.

We do not expect, nor intend, to eliminate all duplication through this process. We recognize, as did the Acquisition Advisory Panel, that not all duplication is bad and “[s]ome competition among vehicles is . . . desirable and even fundamental to maintaining the health of government contracting.” That said, we are confident that these disciplined steps will help to reduce duplication and achieve a more healthy balance in the use of interagency and agency-specific acquisition tools.

#### **Strategic sourcing**

We continue to improve our ability to leverage the government's purchasing scale through strategic sourcing. This strategy involves analyzing overall spending patterns for recurring requirements and identifying opportunities to negotiate lower prices and better terms by pooling buying power. This is the government's most powerful tool for reducing fragmented purchasing and duplicative contract actions. As part of the Administration's initiative to cut contracting costs, almost every agency has been pursuing some form of strategic sourcing – some simple, some complex, some covering only a component, others covering the entire agency or government. A number of agencies use internal teams of commodity experts from their components to consolidate purchasing under their own multiple-award task and delivery order contracts or Schedule BPAs, and to negotiate lower prices and better terms and conditions. By using strategic sourcing:

- the Department of Homeland Security saved more than \$80 million for standardized department-wide desktop operating, systems, email and office automation and associated licensing agreements,
- the Department of Interior saved more than \$20 million for a variety of common-use needs, including IT hardware, commercial wireless equipment, multifunctional devices, software, and alternative dispute resolution services, and

- the Department of Veterans Affairs plans to save an approximate \$140 million per year in diagnostics imaging support services.

Efforts at the government-wide level are being coordinated through FSSI and governed by an interagency body, the Strategic Sourcing Working Group (SSWG) of the Chief Acquisition Officers Council. After carefully studying industry practice and agencies' experiences over the past several years, OMB, GSA, and the SSWG created a roadmap to capture the benefits of strategic sourcing. The roadmap entails: (i) convening a group of government experts for each commodity being strategically sourced to better understand agencies' specific requirements, (ii) sharing pricing information and considering the impact a new contract would have on existing contracts, (iii) analyzing spend data, (iv) consulting with industry, (v) securing up-front spending commitments from agencies to increase vendor interest in the procurement, and (vi) maximizing small business participation. Last spring, GSA and other agencies used the roadmap to establish innovative new government-wide BPAs for office supplies. The new BPAs, which include awards to three service-disabled veteran-owned small businesses and thirteen small businesses overall, are helping the government save 10 percent, on average, on their office supply purchases and helping agencies to get these discounted prices automatically when paying with a government purchase card, whether over the phone, online or in a store – a feature never previously available. Under the terms of the BPAs, vendors must provide agencies with detailed data on their spending patterns. GSA negotiated these terms so that agencies would have the information they need for continuous analysis of internal business processes, which is needed to identify more efficient practices, achieve additional savings, and share demonstrated best practices and lessons learned with GSA and others to inform future agreements.

The SSWG has been studying agency-level strategic sourcing efforts and industry trends to identify additional areas that are ripe for strategic sourcing. As a result of these efforts, plans are advancing to develop new government-wide contracts for wireless services and multi-function devices for printing and copying, and to further efforts to reduce the cost of software licenses. When we launch the new business case vetting process that I described, the SSWG and other agency members of the FSSI community will have unprecedented visibility into agency efforts for a wide range of repetitive needs. This visibility will help our government-wide buyers (i) avoid unnecessary and potentially costly redundant acquisition efforts, (ii) use information about better prices to strike better deals in the future, and (iii) identify additional products and services for strategic sourcing, along with potential experts within the agencies to serve as commodity experts.

**Data quality**

GAO has recommended consideration of a centralized database of interagency and agency-wide contracts. We are committed to ensuring adequate information is available on interagency and agency-wide contracts, so agency acquisition planners can evaluate available options before awarding contracts. Our research has led us to conclude, as noted above, that the limited number of multi-agency contracts that we know of is more a reflection of current reality than data inadequacies – that is, there are, in fact, a limited number of multi-agency contracts beyond the Schedules and GWACs. Accordingly, we believe that information on the great majority of the available options is already available to agency acquisition personnel. The major sources of interagency contract activity – the Schedules and GWACs – are well known to the acquisition community and provide readily accessible information on their contracts to interested sources. In addition, we have identified at least one commercial source that a number of agencies use to obtain information about the existing non-schedule interagency contracts and large agency-wide contracts. As a result, while we will continue to consider ways to help ensure the ready availability of information, it appears the effort to create a new and potentially costly government-run database of interagency contracts may be unnecessary.

That said, there are other areas where more data is needed. In particular, OMB is working with GSA to identify strategies for sharing information among agencies about Schedule BPAs, which are typically agency-specific. BPAs are widely used, yet little information is readily available about which agencies have BPAs and how they are being used. Improved visibility on BPAs should help the government save money and increase efficiencies through shared insight, avoided duplication of effort, and the ability to consolidate procurement volume. We should also point out that GSA has recently launched a “Knowledge Management Portal,” where studies, market research, and spend analyses developed in connection with strategic sourcing initiatives are being posted to promote knowledge sharing of best demonstrated practices and further develop strategic sourcing as a tool for fiscally responsible buying.

**Conclusion**

When used and managed properly, interagency and agency-wide contracting allows agencies to leverage their purchasing power and achieve administrative efficiencies that reduce costs and produce savings for our taxpayers. Important progress has been made to address systemic weaknesses and help stop the abuse of interagency contracting with the help of strengthened policies and the introduction of new internal management controls. The recent codification of these improvements in the FAR creates a sound foundation for success and sets the stage for removal of this contracting tool from GAO’s High Risk List.

Much still needs to be done, however, to consistently realize the full potential of interagency contracts. We are confident that our three-pronged approach of sound business cases, aggressive pursuit of strategic sourcing, and good data will help agencies achieve the benefits that a more integrated approach to contracting is capable of producing. We look forward to working with this Committee and other members of Congress to bring about meaningful and lasting improvements that will achieve greater efficiencies and savings for our taxpayers.

This concludes my statement. I am happy to address any questions you may have.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

STATEMENT OF VIVEK KUNDR  
FEDERAL CHIEF INFORMATION OFFICER,  
ADMINISTRATOR FOR E-GOVERNMENT AND INFORMATION TECHNOLOGY  
OFFICE OF MANAGEMENT AND BUDGET  
BEFORE THE  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

MAY 25, 2011

*“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”*

Good morning, Chairman Lieberman, Ranking Member Collins, and Members of the Committee. Thank you for the opportunity to testify on our efforts to eliminate waste and duplication in the Federal Government’s information technology (IT) spending.

During his State of the Union Address, President Obama spoke about overlapping programs and redundant spending across government. Many of these programs depend on IT, leading to a proliferation of duplicative systems. Our organizational and structural redundancies have been mirrored as the government has increasingly moved into the digital world. As the President said, “we live and do business in the Information Age, but the last major reorganization of the government happened in the age of black-and-white TV.”

And the way we fund IT, agency-by-agency, bureau-by-bureau, only adds to the duplication, hindering our ability to share services government-wide. Even the best-intended efforts for cooperation between and even within agencies are often met with organizational friction, if not total obstruction.

We need look no further than the very infrastructure that powers our IT systems to see evidence of wasteful and duplicative investments. Since 1998, the number of Federal data centers has more than quadrupled, from 432 to more than 2000. And too often agencies rely on custom, proprietary applications that reinforce organizational silos.

Our approach to eliminating duplication and cracking down on wasteful IT spending includes:

- ***Eliminating duplicative IT infrastructure*** that has enabled the proliferation of hundreds of redundant applications from human resources management systems to email, and leveraging game-changing technologies, such as cloud computing, to find efficient solutions that can be shared across the government.
- ***Reforming Federal IT management*** by making the tough decisions to terminate investments where necessary and using architecture to drive implementation.
- ***Streamlining service delivery*** by simplifying access to government services so that the American people don't have to navigate thousands of websites to find what they are looking for.

Already, these efforts have led to data centers being shut down, billions of dollars in cost reductions, and better access to government services for the American people. We are focused on addressing the structural barriers that get in the way of consistent execution, to create an environment that will help prevent duplication and waste.

#### **Eliminating Duplicative IT Infrastructure**

Much as overlapping programs have spawned duplicative IT investments, the proliferation of infrastructure has created an environment that enables redundant systems and applications to sprout like weeds. On the infrastructure side, from 1998 to this year, the number of data centers has increased from 432 to more than 2,000 – leading to more than: 24,000 websites, 500 human resources management systems and 500 financial management systems. Rather than attempting to pull the weeds individually as we've done over that last four decades, we have developed a new approach. We are attacking the problem by consolidating our fragmented infrastructure data center-by-data center and moving to lightweight, shareable technologies, such as cloud computing, that allow agencies to pay for only the resources they consume.

##### *Data Center Consolidation*

To reverse the unsustainable trend in data center growth, we are eliminating 800 duplicative data centers in the next four years. Last month, we announced 137 specific data centers to be closed by the end of this year, of which 39 have already been shut down. For example, HHS is shutting down a 14,992 square foot data center in Rockville, Maryland that consumes \$1.2 million in electricity annually (Figure 1).

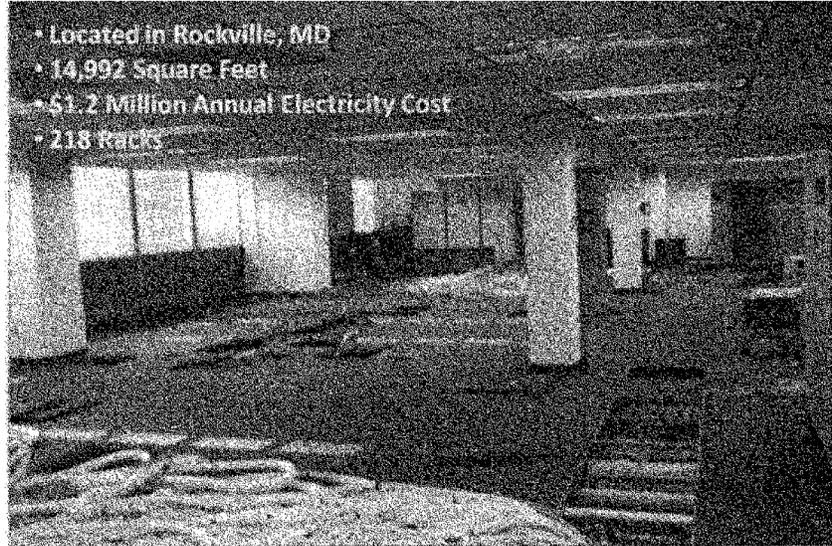


Figure 1: HHS Data Center, Shutdown Underway

The goal of the Federal Government's data center consolidation initiative is to free up resources to support mission-critical activities; reduce the overall energy and real estate footprint of Federal data centers; and improve the government's IT security posture. Furthermore, in shutting redundant and under-utilized data centers, we are starving the duplicative infrastructure that breeds unnecessary applications and wasteful IT.

#### *Cloud Computing*

We must also shift the government's mindset from asset ownership to a utility-based model, in which agencies pay for only the resources and services they consume. By leveraging shared infrastructure and economies of scale, "light technology" or cloud computing services<sup>1</sup>, agencies are able to measure and pay for only the IT resources they consume, increase or decrease their usage to match requirements and budget constraints, and leverage the shared underlying capacity of IT resources.

To harness the benefits of cloud computing, we have instituted a "Cloud First" policy through the "Federal Cloud Computing Strategy."<sup>2</sup> This policy is intended to accelerate the pace

<sup>1</sup> The National Institute of Standards and Technology defines cloud computing as "a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction."

<sup>2</sup> <http://www.cio.gov/documents/Federal-Cloud-Computing-Strategy.pdf>.

at which the government will realize the value of cloud computing by requiring agencies to evaluate safe, secure cloud computing options before making any new investments.

Agencies are already taking advantage of the benefits afforded by the cloud, by reducing their ownership costs, improving productivity, and provisioning and scaling faster than ever before. For example, the Department of Agriculture (USDA) is migrating 120,000 users across 5,000 locations to the cloud, reducing costs by \$27 million over a five-year period, while the General Services Administration (GSA) is shifting 17,000 users to the cloud, reducing costs by \$15 million over the next five years.

Agencies are pursuing cloud-based opportunities in a number of areas such as collaboration, infrastructure, cybersecurity, business intelligence and workflow. For example, 15 agencies identified approximately 100 collaboration systems serving 950,000 users that will move to the cloud. On May 9<sup>th</sup>, GSA issued a request for proposals for a consolidated, cloud-based collaboration platform.

### **Reforming IT Management**

Federal IT is not immune to the laws of physics, especially entropy. Simply put, left alone, things tend to move from order to disorder. That is why we developed the “25-Point Implementation Plan to Reform Federal Information Technology Management” to remove the structural barriers that get in the way of consistent execution.

We are transforming the way we manage the Federal Government’s IT projects – using transparency to shed light on government operations and to hold government managers accountable for results. And we are also fundamentally rethinking the role of enterprise architecture across the government.

#### *Managing the Federal Government’s IT Projects*

In June 2009, we launched the IT Dashboard, which transformed the way we look at Federal IT investments, making information on the performance of IT projects, such as project budgets and schedules, publicly available and constantly updated.

Using the Dashboard, anyone from agency officials to the American public can now identify and monitor the performance of IT projects, just as easily as they can monitor the stock market or baseball scores. It shows budget, schedule and performance metrics. If a project is behind schedule or over budget, the Dashboard tells you that.

The Dashboard also ends the days of faceless accountability. It provides not only the contact information for the agency official responsible for the project, but also shows you their

picture and lets you contact them directly to provide feedback on the project's performance (Figure 2).



Figure 2: IT Dashboard Screenshot

In January 2010, we held the first TechStat Accountability Session. A TechStat session is a face-to-face, evidence-based review of an IT program, undertaken with OMB and agency leadership and powered by the IT Dashboard. Meetings conclude with concrete action items, with owners and deadlines that are formalized in a memo and tracked to completion. This improved line of sight between project teams and senior executives increase the precision of ongoing measurement of IT program health.

In June 2010, we halted all financial system modernization projects and required agencies to ensure that project plans were focused only on critical functionality and systems were broken down into small frequent deliverables. Then, in August 2010, OMB targeted 26 of the highest priority IT investments with TechStats to ensure they deliver value to the American people. In addition, under the IT Reform Plan, we have scaled the TechStat model to the agency level, with over 80 TechStats already held this year across government.

So far this approach has already reduced life cycle costs of major IT investments by \$3 billion and decreased the average time for delivery of meaningful functionality from over two years to eight months.

*Architecture and Standards You Can Use*

Enterprise architecture (EA) is a management practice for aligning resources to improve business performance, to help agencies better execute their core missions. An EA describes the current and future state of the agency, and lays out a plan for transitioning from the current state to the desired future state. Architecture should serve as a compass, to help point agencies get to true north.

Yet for decades, it has been a costly paperwork exercise, producing binder after binder, rarely getting us anywhere. We are too often focused on painstakingly reconstructing the past at the expense of developing practical solutions to take on the challenges of the future. We cannot architect our way out of problems by producing artifacts that sit in metal cabinets across Washington that nobody reads or understands.

That is why we are focused on architecture that meets the needs of the agencies: nimble and practical, not an exercise to be undertaken for its own sake. We are using architecture to lower the cost of government operations, promote interoperability and reduce waste and duplication.

In 2008, the Department of Justice leveraged the National Information Exchange Model (NIEM) standard to lower the cost of interfacing from legacy police department records systems to the Law Enforcement National Data Exchange (N-DEx) by over 95 percent, from \$250,000 to \$10,000.

The Department of Defense and the Department of Veterans Affairs have collaborated to develop standards for electronic health records, and recently announced their intention to move to one shared system, fulfilling the President's goal of enabling records to follow members of the armed forces "from the day they first enlist to the day that they are laid to rest." The resulting joint system, serving more than 15 million patients annually, will combine functionality from VA's Veterans Health Information Systems and Technology Architecture (VistA) and DoD's Armed Forces Health Longitudinal Technology Application (AHLTA).

Agency data in the IT Dashboard has helped unearth duplication across the Federal government. The Dashboard reveals over 500 HR systems, 500 financial management systems, 260 project management systems, and 200 identity management systems in operation across Federal agencies.

Enterprise architecture, practiced consistently at the system, program, agency, and inter-agency levels will help to eliminate waste and duplication in each of these important mission support areas.

#### **Streamlining Service Delivery**

To keep pace with the public's expectations and to respond to budget pressures that demand that we do more with less, the Federal Government must deliver services better, faster, and at lower cost.

While many Federal websites provide timely and accurate information and services, too many others are redundant, outdated, hard to use, or poorly maintained. There are nearly 2,000 top-level Federal websites; within these top-level domains, there are thousands of additional sub-sites and microsites, resulting in more than 24,000 websites of varying design, navigation, usability, and accessibility.

On April 27<sup>th</sup>, President Obama issued Executive Order 13571, which directs agencies to provide services in a manner that seeks to streamline service delivery and improve the experience of its customers. As part of this effort, agencies are identifying websites that can be consolidated or eliminated to simplify access to government services and lower the cost of government operations.

#### *Conclusion*

As part of a broader IT transformation, the Federal Government needs to fundamentally shift its mindset from building custom systems to adopting light technologies and shared solutions. Too often, agencies build large standalone systems from scratch, segregated from other systems. These systems often duplicate others already within the Federal Government, wasting taxpayer dollars. Despite spending more than \$600 billion on information technology over the past decade, the Federal government has achieved little of the productivity improvements that private industry has realized from IT. Eliminating duplicative IT infrastructure, reforming Federal IT management and streamlining service delivery are at the core of the Administration's approach to root out waste and duplication throughout government. Our focus on execution has already produced results, from terminating duplicative investments to shutting down duplicative infrastructure. I appreciate the work this Committee has done in this area—as you well know, the magnitude of duplication is going to require all of us to continue to work together.

Thank you for the opportunity to appear today and I look forward to answering questions.

**Post-Hearing Questions for the Record  
Submitted to the Honorable Eugene L. Dodaro  
From Senator Claire McCaskill**

**“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”  
May 25, 2011**

**1) In your written statement you stated that in April 2010 GAO reported that OMB and agencies cannot be sure the government is fully leveraging its buying power because of the absence of comprehensive and reliable data to effectively manage and oversee interagency and agency-wide contracts. GAO suggests that the government needs to more fully embrace the strategic sourcing initiative.**

**a) Can you explain what you meant by “fully embrace” the strategic sourcing initiative? Do you feel that the approach currently being taken by the Administration is on the right track? Are there improvements that could be made to the current approach?**

Our prior work has found that the federal government could save billions of dollars annually by leveraging its enormous buying power in part through strategic sourcing approaches. While some progress has been made in recent years under selected agency efforts, acquisition leaders across the government need to more fully embrace strategic sourcing by improving efforts to collect, maintain, and analyze data on current procurement spending. Then, agencies have to conduct assessments of acquisition and supply chain functions to fully implement strategic sourcing programs that drive immediate and long-term efficiencies. We currently have several reviews under way on strategic sourcing issues, either for this Committee or in response to a statutory mandate. Specifically, we are conducting two evaluations for this Committee, one concerning the administration’s effectiveness in realizing acquisition savings goals, and another examining the obstacles and impediments agencies have encountered when implementing strategic sourcing approaches. In response to an appropriations act mandate, we also are reviewing a report by the General Services Administration that describes the administration’s current approach to acquiring office supplies, as well as its plan to increase its use of strategic sourcing. These reviews should provide us an opportunity to assess the administration’s current approach, as well as identify areas for further improvements in strategic sourcing.

**2) In your written statement you stated that the federal government spent about \$535 billion dollars in fiscal year 2010 acquiring the goods and services agencies needed to carry out their missions. You highlighted four areas in your report that should be the focus for reducing this overall expenditure —1) minimizing unnecessary duplication among interagency contracts, 2) achieving more competition in the award of contracts, 3) using award fees more appropriately to promote improved contractor performance, and 4) expanding the use of strategic sourcing. There are many ongoing efforts in these areas to address some of the issues you’ve raised.**

**a. In addition to ongoing efforts, are there any other specific actions you would recommend Congress or the Administration take to eliminate these duplications?**

Although agencies are beginning to make some improvements in these four areas, it is not yet known whether these actions will be sufficient to eliminate duplication and reduce overall procurement expenditures.

- With respect to interagency contracts, we have recommended that the Office of Management and Budget (OMB) establish a policy framework for specified types of interagency and agencywide contracts, as well as improve the data on interagency contracts by updating existing interagency and agencywide contract data, ensuring that departments and agencies accurately record new data, and assessing the feasibility of creating and maintaining a centralized database of interagency and agencywide contracts. OMB reported that it has a new effort under way to improve contract information in the current federal contracting database—the Federal Procurement Data System-Next Generation—and is also considering options to create a clearinghouse of existing interagency and agencywide contracts. We plan to examine contracting data issues as part of our ongoing review for the Committee’s contracting subcommittee of the Integrated Acquisition Environment, a government-wide effort to bring together various acquisitions and contracting data systems.
- In promoting competition, we have recommended that the Office of Federal Procurement Policy (OFPP) determine if current regulations should be amended to require that agencies evaluate circumstances where only one offer was received in order to identify steps that could increase the likelihood for multiple offers in the future. OFPP has provided additional guidance for agencies to promote competition in contracting, and called for agencies to reduce obligations under new contract actions that are awarded using high-risk contracting authorities, such as noncompetitive awards, by 10 percent in fiscal year 2010. We are currently reviewing the agencies’ savings plans to identify steps taken toward that goal and will continue to monitor the progress agencies make toward achieving greater competition.
- In terms of award fees, we have reported that agencies can reduce overall expenditures by motivating enhanced contractor performance with these incentives; however, there are concerns about how these fees are connected to program outcomes. OMB has revised its award fee guidance as of October 2010 in response to several of our recommendations, although the key issue is whether agencies change their practices to conform to the revised policies.

- OMB and select agencies also have taken steps to implement strategic sourcing, including the Department of Homeland Security's agencywide initiative to procure a standardized suite of information technology products, which is expected to save \$87 million during the next 6 years. Such steps indicate the potential for cost savings, however, we have reported that OMB and federal agencies need access to better data to effectively manage and oversee procurement spending. At the Committee's request, we are currently reviewing the administration's strategic sourcing efforts.

GAO plans to issue an updated report on potential duplication in government programs, including procurement, in 2012.

- 3) **I was pleased to see that you included competition in federal contracting in your recent report. As you well know this is an issue I have focused on since being elected to Congress. I noticed the report focused on concerns that have been raised by the lack of competition in some parts of the Small Business Administration's 8(a) program. This is an issue that I have focused in my Subcommittee on Contracting Oversight. I also have a bill that would require Alaska Native Corporations (ANCs) to meet the same requirements as other non-native businesses in the 8(a) program.**
- Do you have any other suggestions as to how we can increase competition in the 8(a) program?**
  - I am curious as to whether or not you have had an opportunity to review my legislation and if so, do you have any particular views on whether or not it would increase competition in the 8(a) program?**

We reported there have been concerns about the lack of competition in SBA's section 8(a) business development program, such as large, sole-source contracts awarded to 8(a) firms owned by Alaska Native Corporations, which have special advantages in the 8(a) program. For contracts under certain thresholds, federal acquisition regulations encourage agencies to award sole-source contracts to 8(a) firms. However, 8(a) firms owned by Alaska Native Corporations or tribal entities can receive sole-source contracts for any amount. Pursuant to a requirement in the National Defense Authorization Act for Fiscal Year 2010, which you had a major role in developing, federal acquisition regulations now require a written justification and approval for sole source awards over \$20 million under the 8(a) program. As part of our ongoing review of tribal entities' participation in the 8(a) program, which you have become a co-requester on, we are talking to contracting officers to obtain their views on the potential effect of this new requirement on competition. We are also assessing trends in sole source and competitively awarded contracts to 8(a) tribal entities. We expect to identify areas for improvement in the 8(a) program and issue a report later this year. The legislation that you refer to (S.236) would eliminate the statutory advantages that Alaska Native Corporations currently have. We believe our current review will shed some light on competition for these corporations in the 8(a) program.

**Post-Hearing Question for the Record  
Submitted to the Honorable Daniel I. Gordon  
From Senator Joseph I. Lieberman**

**“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”  
May 25, 2011**

1. The Office of Federal Procurement Policy is undertaking a number of initiatives aimed at increasing competition and reducing waste in contracting. One tool that may have great potential is the use of “reverse auctions,” where an agency identifies its needs and then holds an auction period during which bidders try to best the offer of other bidders, thereby driving prices lower and lower. Technologies exist to allow these reverse auctions to take place on line, which enables the government easily to reach thousands of qualified vendors, including small businesses. Data from several large agencies suggest the agencies have saved at least 10% when using reverse auctions. This strikes me as a tool that has enormous potential. The Accountable Government Initiative issued by the Office of Management and Budget (OMB) last September mentioned use of web-based reverse auctions as a means by which agencies could achieve acquisition savings. Do you think that OMB should recommend expanded use of reverse auctions, through both interagency contracts and agency-wide contracts?

**Response** –Electronic reverse auctions can play a useful role in federal procurement, especially when agencies purchase commodities and price is the only selection criterion. The Office of Federal Procurement Policy (OFPP) has raised the subject of electronic reverse auctions in various venues, such as at the Chief Acquisition Officers Council, and we will continue to encourage the use of those auctions where appropriate. Currently, agencies rely on a small number of commercial vendors to host online auctions, which can be used whether agencies are purchasing through an interagency contract, agency-wide contract, or any other suitable vehicle.

**Post-Hearing Questions for the Record  
Submitted to the Honorable Daniel I. Gordon  
From Senator Claire McCaskill**

**“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”  
May 25, 2011**

1) I was pleased to learn from your testimony that you will soon be issuing guidance that requires agencies to develop a business case before they decide to create a new contract as opposed to using an existing vehicle. This was an issue that we discussed during the interagency contract hearing I held last year.

a) Do you have an anticipated timeline for this guidance?

**Response** - We plan to release the business case guidance this summer. The guidance is expected to cover all major interagency contracts (Government-wide Acquisition Contracts (GWACs), multi-agency contracts, and Blanket Purchase Agreements) and certain agency-specific contracts.

b) How will OFPP have visibility into the agencies to determine whether or not they are following the new guidance?

**Response** - The new process that OFPP is establishing for developing, reviewing, and approving business cases will significantly improve the visibility of proposed interagency and agency-specific contract vehicles. By requiring agencies to develop and share their draft business cases with OFPP and other interested stakeholders, such as Chief Acquisition Officers and those who lead government-wide strategic sourcing efforts, we will be able to make better decisions about creating new vehicles. Improving communication during acquisition planning allows a wider variety of stakeholders, including OFPP, to help agencies identify and evaluate the suitability of existing vehicles before creating new interagency or agency-specific vehicles. Through the Chief Acquisition Officers Council and other forums, OFPP will ensure that agencies understand and apply the new guidance.

2) As you've recently learned from my staff, we've received some questions from Missouri small businesses about the Federal Strategic Sourcing Initiative (FSSI). They have raised questions regarding the cost savings from this program and have argued that the federal government is not receiving the cost savings originally promised. Specifically, they have argued that 79.5% of the items purchased under the FSSI program were actually cheaper under the old GSA Advantage program.

- a) Can you speak to these statements? Is this analysis true and if not, what are the cost savings under the new FSSI program?

**Response** – We do not believe these statements are supported by facts. While non-FSSI vendors might offer lower prices on some individual items, GSA uses a market basket of several hundred office supply items that agencies buy most often to evaluate the Office Supplies II (OS2) prices. For that market basket, the OS2 prices are well below those of GSA's non-FSSI schedules. In last year's GSA report to Congress on office supplies prices, GSA identified the average market basket prices paid through retail purchases, GSA's non-FSSI schedules, agencies' own blanket purchase agreements (BPAs), and the OS2 BPAs. Agencies that historically purchased office supplies at retail prices save the most money by using OS2. Agencies that had already negotiated good prices on their own BPAs may not save as much money, but all save some money with OS2. GSA has determined that, since OS2 began almost a year ago, savings have averaged 8%, with some agencies saving as much as 24%.

- b) What has the Administration done to engage small businesses in the development of the FSSI program?

**Response** – OMB is committed to supporting small businesses and, working with GSA, has ensured that small businesses were engaged from the earliest stages of the OS2 effort. During the development of the acquisition requirements, GSA sought input from small businesses on changes that could be made to the requirements to help small businesses be more competitive. GSA took that input and made several changes, including extending the standard delivery time from next day to 4 days, and increasing the minimum order quantity to \$100. We are told that, as a result of these changes, several small businesses were able to offer lower prices than the large businesses. In fact, when we look at the market basket prices offered by the OS2 vendors, the three vendors with the lowest prices are small businesses. Additionally, GSA structured the acquisition to focus on small businesses by establishing pools for which small business participation was preferred.

- c) How many small businesses are currently participating in the program? How many total businesses are participating in the program?

**Response:** GSA awarded the OS2 BPAs to fifteen vendors, of which thirteen are small businesses. Sales to these small businesses have been growing and currently represent 73% of cumulative sales through OS2.

- 3) As you know, OFPP was required by law to develop a single and consistent definition of inherently governmental function. OFPP produced a "proposed policy letter" in March 2010 and said it would have a final letter in early 2011. The proposed letter would adopt the FAIR Act definition of inherently governmental: a function "so intimately related to the public interest as to require performance by Federal Government employees." What OFPP has not done is define armed security as inherently governmental, or even 'closely associated.' Instead, OFPP has asked for public comment on how to define the use of deadly force and other actions that relate to activities private security contractors use.

- a) Can you tell me what your timeline is for completing this process?

**Response** - OFPP received a significant number of public comments about the proposed Policy Letter, and we want to ensure that all comments have been appropriately considered. We have also been working with agencies to consider revisions to the letter, and we hope to issue the final the document very soon.

- b) Do you know what effect does OFPP's continued delay in issuing final guidance have on agency officials' efforts to plan and budget their federal employee workforce?

**Response** - We do not expect the delay to have significant impact. In OMB's November 2010 guidance on service contract inventories, we instructed agencies to use all available guidance on inherently governmental functions, including OMB Memorandum M-09-26, issued on July 29, 2009, and to take into consideration, as appropriate, OFPP's proposed policy letter, "Work Reserved for Performance by Federal Government Employees," or the final form of that policy letter when issued. Our ongoing communication with agencies confirmed that they are moving forward with their work in this regard.

- c) Can you explain why the private security contracting component is left to agencies to decide and whether this will result in inconsistent determinations that potentially harm our diplomatic efforts in contingency operations?

**Response** - The issue of contracting for security guards is a complex one. Within the United States, routine security guard services are generally not viewed as inherently governmental functions. Indeed, building security guards are commonly used in the commercial sector, and in some buildings under certain circumstances, security guards can be considered commercial services, rather than inherently governmental functions. However, providing security in contingency operations is a more challenging issue, and we expect to address it in the final policy letter.

ANSWERS TO QUESTIONS FOR THE RECORD  
OF A HEARING BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY  
AND INTERNATIONAL AFFAIRS

*“How to Save Taxpayer Dollars: Case Studies of Duplication in the Federal Government”*

May 25, 2011

Questions for Mr. Kundra from Senator McCaskill

- 1) **In your written statement you highlighted that enterprise architecture must meet the needs of the particular agency and be nimble and practical instead of a costly paperwork exercise. However, isn't part of the issue here that there is not sustained leadership that has made this a priority? And if so, how do you plan to change this culture?**

**Response** - Sustained leadership within the agencies is critical to ensuring that enterprise architecture moves from a compliance and documentation exercise to a valued-added activity used to drive smart business decisions. CIOs and program managers who assess and fund projects based on conformance with a well-planned enterprise architecture will find that the quality and relevance of architecture in their organization will naturally increase, along with the odds for success. Leading the effort at OMB is Dr. Scott Bernard, the Federal Chief Architect, with years of practical and academic experience in the field of enterprise architecture. In close coordination with the Federal EA community, Dr. Bernard is leading an effort to re-energize and refocus the community on transforming the way the government uses architecture, working directly with agency CIOs and Chief Architects to ensure that EA programs are supporting innovation and mission success by enabling decision making.

- 2) **As an example of cost savings you referred to the Department of Justice leveraging the National Information Exchange Model and the Department of Defense and the Department of Veterans Affairs collaborated to share one system of health records. Can you explain the role of enterprise architecture in facilitating these changes?**

**Response** - A central part of any enterprise-wide architecture is the data domain (sub-architecture) which closely relates to the business and application domains in terms of the data aspect of workflows and the IT systems that enable data and information exchanges. The National Information Exchange Model (NIEM) is an OMB-endorsed method for agencies to use in developing standards for sharing information between multiple entities. The Department of Justice worked closely with the Information Sharing Environment (ISE) Program Management Office and the Department of Homeland Security's NIEM Program Office to develop the Global Justice XML Data Model (GJXDM) to reconcile data definitions and to develop an XML-based framework that enabled the justice and public safety communities to effectively share information at all levels. Similarly, the

Department of Defense and the Department of Veterans Affairs worked together re-using the NIEM framework to identify a standard set of data elements for electronic patient records which will be adopted for use by IT systems and business processes that handle these types of records within and between both Departments.

- 3) **Executive Order 13571 recently issued by the President directs agencies to provide services in a streamlined manner and improve the experience of its customers. As part of this effort, agencies are identifying websites that can be consolidated or eliminated to simplify access to government services and lower the cost of government operations.**

- a) **What is the time period for compliance by government agencies and the expected cost savings?**

**Response** – OMB’s guidance related to this Executive Order, specifying the compliance timeline, can now be found at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-24.pdf>. Of note, by July 13, 2011, GSA will make publicly available on Data.gov a list of all registered top-level .gov domain names. This list will be updated regularly. By August 13, 2011, GSA will provide agency-specific lists on MAX and the Federal CIO will issue instructions for how agencies should identify opportunities to improve content as well as eliminate duplicative and outdated websites. By October 13, 2011, each agency will use the agency-specific domain name list and related instructions to identify domain names that are no longer needed, websites that should be consolidated or eliminated, and website content that needs to be improved. Agencies will post on their Open Government page the actions they will take as a result of their review. OMB expects that moves to self-service options will produce both direct and indirect savings to the government and the public over time while also improving customer service.

- 4) **The “25-point plan” recently announced by OMB to reform the way the federal government procures and manages its IT appears to be directly antithetical to the current IAE approach taken by GSA. At a time when the government is looking to decrease its costs, eliminate wasteful spending, and decrease the project deliverables and completion timelines, it is my understanding that GSA has yet to do a comparison/business case as to how a Software-as-a-Service/Cloud approach could help achieve the government’s goals in this regard.**

- a) **How does the IAE approach comply with Cloud-first policy?**

**Response** - The Administration’s cloud-first policy is intended to accelerate the pace at which the government will realize the value of cloud computing by requiring agencies to evaluate safe, secure cloud computing options before making any new investments. Under the 25-Point-Plan, agencies, including GSA, are migrating three services to the cloud by June 2012; one of these migrations must be complete by December 2011. Additionally, as per the Federal Cloud Computing Strategy, each

agency will re-evaluate its technology sourcing strategy to include consideration and application of cloud computing solutions as part of the budget process. Consistent with the Cloud First policy, agencies will modify their IT portfolios to fully take advantage of the benefits of cloud computing in order to maximize capacity utilization, improve IT flexibility and responsiveness, and minimize cost.

The investment of \$38 million into a System of Award Management (SAM) will allow GSA to improve operating capabilities, eliminate redundancy, increase data accuracy and improve agility of the application for future expansion. SAM will consolidate the eight procurement systems by consolidating eight databases into one, which will greatly improve unnecessary duplication and redundancy and improve data quality for both the acquisition workforce and the public. Specific benefits include:

- **Improving Functionality and Reducing Operations & Maintenance Costs** – Due to the age and complexity of the eight systems currently supported, it is difficult to make changes quickly and making changes to eight systems is costly. In the current state, it is expensive and increasingly more difficult to make changes required by legislation, executive order or the Federal Acquisition Regulation (FAR). However, once integration is complete, the cost savings will be significant. SAM, a single system versus the current eight systems, will allow for more active management and for active competition of support services through the life of the integrated system.
- **Single Login and Data Entry** – SAM will result in one online location for data entry that will increase functionality and accessibility for the federal contracting community and interested businesses. For example, there will only be one input for a vendor's name and address, which will be used to support multiple functions and appear in multiple reports. A unified system will make it possible to have a single log on and single reporting system that enables the acquisition workforce and public to retrieve and analyze procurement data and ensure accurate data from the vendors who do business with the federal government.
- **Single Data Source** – SAM will enable centralized, normalized data to eliminate potential conflicting value when agencies and public are conducting searches for contract data. SAM will simplify and reduce the number of interfaces that each agency must maintain thereby also benefitting the vendors who provide agencies with procurement systems. The processes that each of the eight systems performs are being analyzed and redundancies will be removed resulting in such improvements as the quality of standardized reports.
- **Single Hosting Site** – SAM will consolidate hosting for multiple websites. Consistent with the Administration's "Cloud First" policy, GSA is deploying an infrastructure as a service cloud environment, hosted in a private cloud, which is the definition of cloud computing developed by the National Institute for Standards and Technology (NIST). Among other things, the definition emphasizes that cloud technologies that are inherently more reliable and flexible. The consolidation will also bring immediate benefits from a security and accreditation standpoint since each of the systems share common solutions for physical and internet security, so one set of documentation/process can be used for all eight systems.

