Government at the Brink

Volume I.

Urgent Federal Government Management Problems Facing the Bush Administration

U.S. TREASURY

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Committee on
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A PREFACE BY SENATOR
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Like most Americans, I had heard about waste, fraud, and abuse committed in the federal government long before I came to Washington. But after being here for just a few years, I realized I didn't know the half of it. Because of its size and scope, and the terrible way it is managed, the

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Obviously we will never completely eliminate fraud, waste, and error in an operation as large and complex as the federal government. Some of the ludicrous situations we uncover, however, make you wonder if anyone is even trying.

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federal government wastes billions and billions of your tax dollars every year. The waste, fraud, and abuse reported to the Governmental Affairs Committee each year is staggering.

Of course, no one knows exactly how much fraud, waste, and mismanagement cost the taxpayers because the federal government makes no effort to keep track of it. But, based on *just a few examples* from reports by the General Accounting Office and agency Inspectors General, we came up with a figure of $220 billion--$35 billion in just one year alone.

Obviously we will never completely eliminate fraud, waste, and error in an operation as large and complex as the federal government. Some of the ludicrous situations we uncover, however, make you wonder if anyone is even trying. For example, Medicare paid millions of dollars for services allegedly rendered to beneficiaries after Medicare's own records showed they were deceased. Prisoners get food stamps and other federal benefits to which they're obviously not entitled. The Internal Revenue Service issued a $15,000 tax

refund to someone who actually owed $350,000 in delinquent taxes.

In this report, I hope to illuminate some of the root causes of the mismanagement that persist in the federal government. This report does not attempt to capture all of the serious management challenges that the government faces. Rather, we are focusing on four of the core problems that agencies face – workforce management, financial management, information technology management, and overlap and duplication.

More significant than just wasting money, these problems mean that the government can't do everything it is supposed to do. When the federal government wastes money, it can't use that money for the benefit of the American people. For instance, as I've mentioned, the Medicare program wasted almost $12 billion last year. That $12 billion could have gone to providing better health care for more of our elderly citizens. Or, it could help pay for the prescription drugs needed by most Medicare recipients.

These problems – workforce management, financial management, information technology management, and overlap and duplication – aren't

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The only thing we really need to solve these problems is leadership.

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new. They weren't created by the Clinton Administration. But the Clinton Administration didn't give them the attention they deserved, either. The Congress has passed law after law to address these problems, but nothing ever seems to improve. We have the tools to fix these problems. But the amount of money wasted each year just seems to grow. And like it or not, these are the problems the Bush Administration and the new Congress, both Republicans and Democrats, have inherited. If these problems are left to fester, they will further

erode Americans' trust in government. More importantly, Americans will not get the benefits they deserve from the investments they make with their taxes. And that money will continue being wasted.

The only thing we really need to solve these problems is leadership. If the President and the leadership in Congress make a priority out of solving these problems, they will get solved. If the White House demands that the Defense Department get its financial books in order, they will do it. If Congress joins together to insist that agencies reduce waste, they will do it. We have to put our money where our mouth is, of course. It will require an investment to solve these problems. But, solving them will reap rewards in the future.

After being Chairman of the Governmental Affairs Committee now for more than four years, I am convinced that the best way to secure our nation's economic future is to solve many of the management problems facing our government. If we don't solve them now, we will have surrendered our ability to address other problems in the future when the retirement of the baby boomers will place increased demand on our resources.

REPORT OVERVIEW

At the start of a new Administration, Washington's attention naturally centers on policy. Lurking below the surface, however, are a host of management problems that will severely test the Administration's ability to execute its policy agenda. Management problems of the nature and magnitude facing the federal government would attract the highest priority attention from private sector executives, who know they couldn't do business without first solving them. While the problems are just as devastating for the federal government, they tend to fester largely under the radar screen in Washington.

The Bush Administration has inherited a series of truly daunting problems, which have developed over many years.

The purpose of this report is to draw attention to these problems and highlight the urgent need to resolve them. The report lays down some markers on where we are today and what needs to be done to fix the management mess in Washington. The Bush Administration has inherited a series of truly daunting problems, which have developed over many years. While not of their making, the new Administration now faces the consequences of these problems. They need to take them on and solve them—something their predecessors failed to do. Otherwise, much that they try to accomplish will inevitably fail.

The work of the government's objective and nonpartisan internal auditors—the General Accounting Office (GAO) and agency

Inspectors General (IGs)—provides irrefutable evidence that the new Administration begins with an array of problems of unprecedented depth and breadth. The federal government's core management problems have persisted for years, and, in fact, have grown worse. GAO and IGs report on much the same problems — literally hundreds of them — year after year:

C   In 1990, GAO launched its biennial "high-risk list" of the areas throughout the federal government that are most vulnerable to fraud, waste, and abuse. It started with 14 problem areas. The current GAO high-risk list, issued just this year, contains 23 problem areas. Eight of the original 14 high-risk problems are still on the list today—more than a decade later.

C   The IGs report to Congress each year on the most serious management problems facing their agencies. For the most part, they also list the same problems year after year. (See Appendix.)

[T]he most pervasive and critical of all [problems] throughout the federal government: federal workforce management, financial management, information technology management, and program overlap and duplication.

Listed below are ten of the worst examples of waste, fraud, and abuse in the federal government's recent history. This report discusses in greater detail four overarching problem areas that are the most pervasive and critical of all throughout the federal

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The Federal Government's
Top Ten
Worst Examples of Mismanagement

1. **THE BIG DIG** – Boston's Central Artery –is the most expensive federal infrastructure project in the nation's history. Its cost continues to rise and is now estimated at $13.6 billion; an almost 525 percent increase from the original $2.6 billion.

2. **ABUSING THE TRUST OF AMERICAN INDIANS** – The Department of the Interior does not know what happened to more than $3 billion it holds in trust for American Indians. A judge overseeing this case called it "fiscal and governmental irresponsibility in its purest form."

3. **DEPARTMENT OF DEFENSE FINANCIAL MANAGEMENT** - there is widespread agreement that the Department of Defense finances are a shambles. It wastes billions of dollars each year, and can not account for much of what it spends.

4. **NASA Mismanagement Causes Mission Failures** - In spectacular example after example, NASA lost billions because of mismanagement of some of its biggest programs. The cause of the Mars Polar Lander failure, for example, was that one team used English measurements (inches, feet, and pounds) to design and program the vehicle, while another used metric measurements.

5. **MEDICARE WASTE, FRAUD, AND ABUSE** - Medicare wastes almost $12 billion _every_ _year_ on improper payments. It misspent that $12 billion last year from the fee-for-service part of Medicare alone, which was about 7 percent of the total fee-for-service budget. The amounts wasted on improper Medicare payments would go a long way toward funding a prescription drug benefit or other program enhancements.

6. **SECURITY VIOLATIONS AT THE DEPARTMENT OF ENERGY** - The Department does not adequately safeguarded America's nuclear secrets. In just one case, an employee was dead for 11 months before department officials noticed that he still had four secret documents signed out.

7. **IRS FINANCIAL MISMANAGEMENT** - The IRS manages its finances worse than most Americans. The agency does not even know how much it collects in Social Security and Medicare taxes. GAO found significant delays – sometimes up to 12 years – in recording payments made by taxpayers.

8. **VETERANS AFFAIRS PUTS PATIENT HEALTH AT RISK** – The Department of Veterans Affairs IG found that "[A hospital's Food Service] shares the loading dock with the Environmental Management Service's hazardous waste containers. Dirty Environmental Management Service and red biohazard carts were located next to the area where food is transported to the kitchen."

9. **BILKING TAXPAYERS OUT OF STUDENT FINANCIAL AID** - Federal student aid programs are rife with fraud and abuse. A cottage industry of criminals advise people on how to cheat to get federal loans and grants. In one case, scam artists passed off senior citizens taking crafts classes as "college students" who qualified for federal Pell grants.

10. **UNEMPLOYMENT INSURANCE FRAUD** - A Las Vegas, Nevada man illegally collected at least $230,500 in fraudulent Unemployment Insurance benefits from four different states between September, 1996 and November, 1999. He set up 13 fake companies and submitted bogus claims based on false reported wages for 36 non-existent claimants using the names and Social Security numbers of dead people, and then collected the claims by mail from California, Massachusetts, Texas and Nevada.

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government: workforce management, financial management, information technology management, and overlap and duplication. The second volume of this report includes descriptions of these and other critical problems at a number of individual agencies.

Workforce management. The federal government has a major "people" crisis whose full dimensions are just now emerging. Aging workforces compounded by the employee "downsizing" of recent years have left many agencies dangerously short of employees with the necessary skills and experience to do their jobs. Downsizing was conducted as a numbers game, carried out randomly to reduce employees to arbitrary predetermined levels. The federal government reduced staffing without cutting

back on anything that it does.

The situation will get worse since one-third to one-half of the remaining federal workforce may retire over the next 5 years. The Hart-Rudman Commission on National Security has reported that "the quality of personnel serving in government is critically important to U.S. national security in the 21st century." The federal government, like the private sector, will become increasingly reliant on information technology. But the federal government has trouble hiring and keeping employees with the high-tech skills it so badly needs.

On top of these problems, the federal civil service system—the process the federal government uses to hire and promote workers—is broken. One expert says it "underwhelms at almost every task it undertakes," including hiring, training, rewarding, and dealing with poor performers. Understandably, few of our young people express an interest in federal service. Concern is mounting that problems with the political appointment process are likewise discouraging many capable people from accepting top positions in public service.

Inadequate workforces affect everything that the government does and make all of its other management and performance problems that much worse. It came as no surprise when GAO recently designated workforce management, which it refers to as "human capital," a government-wide high-risk problem.

Financial management. The federal government as a whole and some of its largest agencies can't pass a basic financial audit. Last year, all major federal agencies got their financial statements in on time, and more got unqualified ("clean") opinions than ever before. That's a step in the right direction. However, it's only a first step. All that a clean opinion means is that the agency could balance its books for one day—September 30 (the last day of the government's fiscal year)—and it takes most agencies months after the end of the fiscal year to figure out what that balance was. Furthermore, many agencies pass their financial audits only after massive and costly accounting efforts that cover up their underlying problems and divert resources from fixing them.

This would be like an ordinary couple taking off work and spending two solid weeks at home trying to figure out what their checkbook balance was six months ago. They may be able to do it, but it doesn't help them manage their finances or avoid bouncing checks today. The same holds true for the federal government. Hardly any federal agency can actually use its financial systems for day-to-day management.

Financial management is the direct subject of four GAO high-risk problems and a contributing factor to many more. The IGs at almost all major agencies have designated financial management as a critical problem. Needless to say, the government can't operate efficiently when agencies don't know how much money they have, how much they spend, or how much their programs cost.

Information technology management. The advances in computers and information technology that revolutionized private sector business practices have yet to register with the federal government. Agencies seem unable to use technology to enhance their efficiency and effectiveness, and they have consistently mismanaged major computer projects. Weaknesses in government computer systems make them vulnerable to attacks from international and domestic terrorists, crime

rings, and everyday "hackers." These weaknesses threaten our national security and jeopardize the confidentiality of vast amounts of sensitive information on individuals that the government holds.

Information technology management is a critical problem at all major agencies. GAO has designated computer security a government-wide high-risk problem. We should expect the government to provide the same range and quality of services as the private sector, including service over the phone and via the Internet. But this won't happen until the government has the high tech equipment in place to deliver such services and knows how to use it.

Overlap and duplication. The federal government operates myriad spending programs, regulatory programs, subsidies, tax breaks, and other forms of federal intervention. They have accumulated randomly over the years, in response to the real or perceived needs of the moment. Once created, however, it is

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A degree of public skepticism toward our government is a healthy thing. Rampant cynicism is not.

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virtually impossible to eliminate any of these programs even if they have long since served their purpose. The Comptroller General recently testified before the Governmental Affairs Committee that, "[i]n program area after program area, we have found that unfocused and uncoordinated crosscutting programs waste scarce resources, confuse and frustrate taxpayers and program beneficiaries, and limit overall program effectiveness." The way the government is currently organized can only be

described as chaos.

Why do all these problems matter? Beyond the obvious waste of taxpayer money, they cause real hardships for all Americans. Mismanaged and ineffective programs cheat their intended beneficiaries. They pose safety and security risks for our citizens. They also have important implications for the major policy issues that Washington decision-makers face. Here are just a few examples that the report describes in more detail:

C   Staffing problems threaten the Social Security Administration's ability to provide timely and accurate service to the public.
•   Poor financial and information systems at the IRS benefit tax cheats and burden honest taxpayers.
C   Federal air traffic controllers are being held less accountable for errors that could affect public safety.
C   The Navy is investigating how hackers broke into one of its computers and stole the source codes to a missile guidance program.
C   Because dozens of our embassies overseas don't even have e-mail, foreign governments just bypass them and communicate directly with Washington.

Finally, these management problems exact a terrible toll on public trust and confidence in the federal government. A degree of public skepticism toward our government is a healthy thing. Rampant cynicism is not. Its effects can be seen in the increasing public apathy toward our political processes and lack of interest in public service. The combined effect of this cynicism and indifference creates a vicious cycle. The more detached the public is from Washington, the more insular and the less

responsive Washington will become. Furthermore, our leaders can't really be effective if the public feels it can't trust them.

What can the Bush Administration and Congress do to turn things around? First, the tools are in place to fix things. Congress has enacted an arsenal of management improvement laws over the last decade. They include the Chief Financial Officers Act, the Federal

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If we can develop the political will to take on these problems, solutions will surely follow. If not, we should probably hang it up.

Financial Management Improvement Act, the Government Performance and Results Act, the Clinger-Cohen Act, and the Government Information Security Act, which was enacted just last year. Second, the Bush Administration has the benefit of a host of recommendations that GAO and IGs have already offered to fix many of the problems. The Governmental Affairs Committee and its Subcommittee on Government Management also have issued recent reports containing recommendations addressing many of the problems.

However, even though federal agencies have a wealth of tools and proposed solutions, the same core problems persist year after year with little concrete evidence of progress. Why? The missing ingredient up to now has been leadership and sustained commitment from the President and Congress. If we can develop the political will to take on these problems, solutions will surely follow. If not, we should probably hang it up. Therefore, before we can get serious action on the specific recommendations already out there, several

other things first have to happen:

C Political leadership: The President and Congress must make clear in word and deed that resolving these management problems is one of their priorities, and that they will keep after the agencies and the government's key management agency, the Office of Management and Budget, until the job is done.

C Agency follow up: The Office of Management and Budget and the agencies must establish specific performance goals, measures, strategies, and timetables to resolve the problems. They should use as a starting point potential solutions that have already been identified.

C Investing in improvements: As part of their improvement strategies, agencies and the Office of Management and Budget must identify funding needed to resolve the problems and Congress must be willing to provide it. If done right, relatively modest investments in improvements will repay themselves many times over.

C Linking funding to results: Both the President and the Congress need to insist on reliable performance information to determine what's working and what's not, and then hold agencies and programs accountable where it counts—in their budgets. Where programs overlap, we should concentrate our resources on those that work best or can be made to work best. Of course, the fact that a program is not performing well doesn't automatically mean it should be defunded. Maybe it

needs a legislative fix or even more funding. However, letting non-performing programs simply continue as is should not be an option.

We are in a new millennium with a new economy. We need to get the federal government into the 21st Century, even if we have to drag it in kicking and screaming.

Will we actually move the federal government into a new era of sound management and effective performance? That's very much an open question at this point. However, there are some positive signs. Many dedicated career employees in the executive branch are working hard to turn things around. Also, there are early signs that the Bush Administration is taking management and performance improvement seriously.

This year may provide our best chance—and maybe our last chance—to jump-start real management reform. We can't afford to pass it by. We are in a new millennium with a new economy. We need to get the federal government into the 21st Century, even if we have to drag it in kicking and screaming. Once we do that—and only after we do that—can we expect to regain some of the confidence that the American people once had in their federal government. Hopefully, this report will help get things moving.

II. FOUR CORE PROBLEMS: THEIR NATURE, CONSEQUENCES, AND POTENTIAL SOLUTIONS

A. FEDERAL WORKFORCE PROBLEMS

Unfortunately, it took until [2000] for the [Clinton] administration to acknowledge that human resources is a government-wide management priority . . . What would have been far more useful for the next administration and Congress when they take office in January is not a list of ideas to solve problems, but a list of problems that have been solved.

Federal Times Editorial
October 30, 2000

The Bush Administration has inherited a real mess when it comes to the federal workforce. The government faces an emerging workforce—or, as some like to say, "human capital"—crisis. Many agencies lack the right employees with the right skills to do their jobs, or to furnish the public with the services it needs at the quality levels it deserves.

During the 1990's, the Clinton Administration set out to cut, or "downsize," agency staffs in order to make the federal government "smaller and smarter." They didn't meet either of these goals. Their downsizing hardly made a dent in the true size of government. What it did do was create a "brain drain" that cost the government many of its most experienced and valuable employees, as well as many lower level employees. Furthermore, they reduced staffing without cutting back on anything that the federal government does or improving how it does it. In short, the federal government wound up doing the same old things in the same old ways, but with fewer experienced workers.

The workforce crisis figures to get steadily worse as many more "baby boomer" federal employees retire. Over the next 5 years, up to half of the remaining federal employees may leave through normal or early retirement. Due to the hiring freezes and recruiting problems of recent years, agencies don't have good replacements for them.

These personnel problems add up to a recipe for disaster. The government has a host of other management problems, and sub-par workforces make all of them worse. The GAO just designated human capital management a government-wide "high-risk" problem. In doing so, Comptroller General David Walker, head of the GAO, stated: "Widespread inattentiveness to strategic human capital management has created a governmentwide risk—one that is fundamental to the federal government's ability to effectively serve the American people, both now and in the future."[1]

This means that workforce problems are one of the largest contributors to fraud, waste, and mismanagement in the federal government. The GAO and the agencies' own IGs have cited staff weaknesses as a top management problem at almost all the major federal agencies. See Appendix.

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[1]"Human Capital: Meeting the Governmentwide High-Risk Challenge," GAO-01-357T (February 1, 2001), p.3.

SHORTSIGHTED STAFF CUTS

The Clinton Administration's downsizing treated employee cuts strictly as a numbers game, designed to get down to arbitrary staff levels that largely ignored agency workforce

> ***The evidence suggests that the non-strategic way in which downsizing was accomplished actually <u>detracted</u> from the capacity of agencies to carry out essential functions and made them more vulnerable to fraud, waste, and mismanagement.***

needs. However, even the numbers didn't add up. According to one leading expert, Paul Light, the true federal workforce of today actually is larger than it was in 1993 when former President Clinton declared that "the era of big government is over." Light points out that most of the employee reductions of the 1990's were defense-related and were attributable primarily to the end of the Cold War. He also notes that a substantial but unknown number of former federal jobs migrated to a "shadow" federal workforce made up of private sector employees as well as state and local government employees who carry out federal mandates. This happens when the government contracts with a private company to do government work. According to Light, when this shadow workforce is taken into account, the "era of big government" is still very much with us.[2]

Likewise, there is no evidence that the 1990's

downsizing made the government more efficient or effective. Indeed, it clearly had the opposite effect. The cuts did not take into account the skills or performance of employees, or the importance of the jobs they did. The primary method of downsizing was to offer across-the-board cash "buyouts" in order to pay older employees to leave. Many were offered early retirement at age 50. This took away some of the government's best talent. The evidence suggests that the non-strategic way in which downsizing was accomplished actually <u>detracted</u> from the capacity of agencies to carry out essential functions and made them more vulnerable to fraud, waste, and mismanagement.

The Department of Housing and Urban Development is a poster child for the effects of irrational downsizing. It had been clear for years that the Department's workforce was inadequate to carry out its existing programs. The Clinton Administration's response was to further reduce the Department's staff while adding even more programs. The Department's IG criticized this approach:

> *The adequacy of staff resources in the Department has long been a concern of the Inspector General's Office and a root cause of many of HUD's material weaknesses. Our audits have consistently found a mismatch between the number and complexity of HUD's programs and the capability of HUD staff to administer those programs. . . . In my mind, adding more weight to an already weak foundation makes HUD a more vulnerable*

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[2] *See generally* Paul C. Light, "The True Size of Government" (1999).

organization.[3]

The federal government intended to compensate for employee staff reductions by making more efficient use of technology. This approach worked for many private sector businesses, but it didn't work for the federal government. It failed because the government shot itself in the foot by getting rid of the very people it needed to improve its use of technology:

C   Due to staff reductions through downsizing, agencies now lack the skilled employees needed to take advantage of information technology, and they are at a competitive disadvantage in hiring such professionals. They also lack the necessary in-house expertise to oversee information technology work that they have outsourced to contractors.[4]

TOP-HEAVY BUREAUCRACIES

The 1990's downsizing also made the federal workforce more top-heavy and less efficient since most cuts occurred at the lowest staff levels. In addition to letting more experienced workers retire, the government also eliminated jobs that were the easiest to cut, meaning those with the highest turnover rates and the lowest political profile. Supposed reductions in middle management levels often amounted to nothing more than changing titles. The number of

political appointees, senior career officials, and middle managers remained steady while layers of hierarchy actually expanded. This effect can be seen in the title inflation of recent years:

C   From 1993 to 1998, many new senior political positions were established with such titles as "deputy to the deputy secretary," "principal assistant deputy under secretary," and "associate principal deputy assistant secretary." There are now about 2,800 political appointee positions, and their elaborate titles pay by the word. Reducing these positions by just 600 would save taxpayers about $700 million over 10 years.[5]

THE FAILED CIVIL SERVICE SYSTEM

On top of the problems with the composition of the federal workforce, the civil service system—the process the federal government uses to hire and promote workers—is itself broken. The complex and outmoded federal civil service system takes too long to hire people. It fails to hold employees accountable for their performance. It shields poor performers and does little to encourage and reward conscientious and hard-working employees. Too many good workers don't get enough responsibility and support, so they become demoralized and leave. Too many poor or marginal workers slide by for 20 or 30-year careers, and even advance, without any real accountability. One expert observed that the civil service system "underwhelms at almost every task it undertakes. It is slow in the hiring, almost useless in the firing, overly permissive in the promoting, [and] out of touch with actual

[3]Testimony of Susan Gaffney, Inspector General of the Department of Housing and Urban Development, before the Subcommittee on Housing and Transportation of the Senate Banking Committee (September 26, 2000.)

[4]General Accounting Office, "Human Capital: Managing Human Capital in the 21st Century," GAO/T-GGD-00-77 (March 9, 2000).

[5]Congressional Budget Office, "Budget Options" (February 2001).

performance in the rewarding . . . ."[6]

The need for performance accountability is not just an internal government concern. The actions of federal employees can have an immediate impact on the public. Unfortunately, some agencies seem to be going in the wrong direction when it comes to holding their employees accountable for their performance:

C   "Operational errors," or violations of aircraft in-flight separation requirements, are a key air travel safety indicator. Operational errors have doubled in recent years and are now at a record high. However, the Federal Aviation Administration made air traffic controllers <u>less</u> accountable for these errors. A controller who had more than three such errors within a prescribed period used to be subject to reassignment, remedial training, or decertification. Now, the agency has agreed with its union to reduce operational errors to "technical violations" that carry no remedial consequences. The National Transportation Safety Board has objected to this change.[7]

Apart from its day-to-day problems, the basic federal civil service model—built around a cradle-to-grave career from entry level to retirement with virtually guaranteed job security—is outdated. Today's workers seek greater mobility and have different motivations,

needs, and wants than in the past:

> *Gone are the days when talented employees would endure hiring delays and a mind-numbing application process to get an entry-level government job. Gone, too, are the days when talented employees would accept slow but steady advancement through towering government bureaucracies in exchange for a thirty-year commitment. In the midst of a growing labor shortage, government is becoming an employer of last resort.*[8]

It will be hard to solve many of the challenges the federal government faces in attracting the kind of workforce it needs. However, the government doesn't even do a good job with simple things it can easily control. A recent survey of newly hired federal employees found serious complaints about the recruiting and hiring process. Many new hires said they were not even treated with common courtesy:

C   New hires reported that the time between submission of an application and being scheduled for an interview was unreasonably long. The delay between the time they were told they had a job and being able to report for work also was too long. The new hires complained of not receiving timely feedback, or receiving no feedback at all, on the status of their applications. Finally, they did not receive quality

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[6]Paul C. Light, "The New Public Service" (1999), p. 2.

[7]"FAA Policy on Controller Errors Questioned," *Government Executive Magazine Daily Briefing*, (February 20, 2001).

[8]Paul C. Light, "The New Public Service" (1999), p. 1.

service from federal hiring personnel.[9]

A recent study demonstrates how far Uncle Sam lags behind all other types of employers in attracting and retaining the high-tech workforce it needs to take advantage of modern technology to improve its efficiency, service, and accessibility. It's no surprise that the federal government has trouble competing with the private sector for these workers. However, the federal government also is less competitive than private, non-profit organizations, academic

THE PUBLIC CAN'T AFFORD
A SUB-PAR FEDERAL WORKFORCE

The government's personnel problems aren't just an "inside the Beltway" issue. They affect everything the government does and everyone it touches—in other words, all of us. Here are just a few examples:

C   The military services are struggling to meet their recruiting goals. More first-time enlistees are failing to re-enlist than ever before. There also are shortages of

Table I: What Factors Make a Worker Take a Job?

Employer	Salary	Work life/ benefits	Rewards/ recognition	Advancement/ training	Recruiting tools
Private	High	High	High	High	High
Academic	Medium	High	Medium	Medium	Medium
Non-profit	Medium	Medium	Medium	Medium	High
State government	Low	Medium	Medium	Medium	Medium
Local government	Low	Medium	Medium	Low	Low
Federal government	Low	High	Low	Low	Low

institutions, and state and local governments. The study rated all of these potential employers "high," "medium," or "low" on five factors for hiring and keeping high-tech workers. The federal government came in dead last. See Table I.[10]

junior officers, intelligence analysts, computer programmers, and pilots.

C   Untrained and inexperienced staff at the Interior Department mismanage billions of dollars in Indian Trust Funds.

C   Energy Department staff lack the contract management skills needed to oversee projects to clean up radioactive and hazardous waste sites.

C   Difficulties in replacing experienced federal fire personnel threaten

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[9]U.S. Merit Systems Protection Board, "Competing for Federal Jobs: Job Search Experiences of New Hires" (February 2000).

[10]National Academy of Public Administration, "Comparative Study of Information Technology Pay Systems," Executive Summary (March 2001), p. 10.

firefighting capabilities during catastrophic events.

C   The Veterans Affairs Department faces a nationwide shortage of nurses at its facilities that puts veterans at risk.

These examples are just the tip of the iceberg. Many others can be found at almost all major federal agencies. See Table II.

Numerous agencies that deal directly with the public don't have the staffs to provide our citizens timely and quality service. Each year, the Internal Revenue Service gets tens of millions of telephone calls from taxpayers seeking help on topics ranging from simple inquiries about the status of their returns to complex tax law questions. IRS has trouble hiring and keeping the staff needed to provide timely and quality responses to the public—and the public pays the price through poor customer service:

C   In random tests this year, IG auditors were unable to access IRS employees through the agency's toll-free number over one-third of the time. When the calls did go through, IRS employees incorrectly answered almost half the test questions that the auditors posed. (The questions were taken from IRS' own list of frequently asked questions.)[11]

The Social Security Administration is another agency that provides vital information and services to large segments of our population. In the past, the agency prided itself on providing good service to the public. However, the agency's own IG reports that staff downsizing and hiring restrictions, on the one hand, and the increasing volume and complexity of caseloads, on the other, threaten the agency's ability to serve the public. These concerns are echoed by Stanford Ross, Chairman of the Social Security Advisory Board. He says that the quality of service has deteriorated in recent years, and the problems are likely to grow:

> *Unless there's fundamental change, we will soon see disruptions of service. The Social Security agency lacks the ability to handle existing workloads, and those workloads are bound to increase over the next decade. . . . Everybody knows there's a long-term deficit in the financing of Social Security. But there's also a deficit in the agency's ability to provide good service, and that should be equally alarming to Congress and the public.*[12]

Among the problems at the Social Security Administration:

C   Beneficiaries often can't get accurate information over the phone.
C   People who visit Social Security offices find them overcrowded, and often wait two to four hours for assistance.
C   The quality of benefit determinations is falling, and some claimants must resort to a slow and overloaded appeals process.

[11]David C. Williams, Treasury Inspector General for Tax Administration, Statement for the Record before the House Ways and Means Oversight Subcommittee (April 3, 2001), p. 2.

[12]"Federal Panel Warns Bush of Social Security Problems," *New York Times* (February 19, 2001).

C   Two-thirds of initial disability benefit determinations are reversed on administrative appeal within the agency.

C   Payments are delayed or calculated incorrectly.

C   Bogus Social Security numbers have become a prime tool of illegal activity, in part because the agency issues Social Security numbers without sufficiently reviewing identity documents submitted to support the applications.

C   Fraud and error are on the increase in all of the agency's major programs.[13]

Unfortunately, the agency doesn't seem to be fully acknowledging or coming to grips with its personnel problems. It even sweeps some of them under the carpet. For example:

> The Social Security Administration reports that it meets its goal of answering 95 percent of calls to its 800 number within 5 minutes. However, this is misleading. In 1999, 20 million of the 79 million callers to the 800 number got a busy signal or abandoned their calls before they navigated through the process. In the end, only 59 million of the 79 million callers, or about 75 percent, actually talked to an agency employee or finished

using the agency's automated system.[14]

The government's personnel problems also have major national security consequences. The Hart-Rudman Commission on National Security singled out improving the federal workforce as one of the key things that must be done to protect our citizens from international terrorism and other threats to their security:

> *As it enters the 21st century, the United States finds itself on the brink of an unprecedented crisis of competence in government. The maintenance of American power in the world depends on the quality of U.S. government personnel, civil and military, at all levels. We must take immediate action to ensure that the United States can meet future challenges.*[15]

One of several national security concerns highlighted by the Hart-Rudman Commission and others is the impact of federal personnel problems on our intelligence capabilities. For example, the Commission emphasized the government's challenges in recruiting and retaining individuals with the language skills and cultural expertise needed to conduct policy and intelligence analysis for a wider range of countries, regions, and issues. The Commission also stressed the need for talented information

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[13]The agency reported the following overpayment levels for last year: $1.334 billion for Old Age and Survivors Insurance, $1.281 billion for Disability Insurance, and $1.644 billion for Supplemental Security Income. Social Security Administration, "Performance and Accountability Report for Fiscal Year 2000," p. 51. Each of these overpayment figures is higher than for the previous year.

[14]Testimony of Stanford Ross, Chairman of the Social Security Advisory Board, before the House Ways and Means Social Security Subcommittee (February 10, 2001).

[15]U.S. Commission on National Security/21st Century, "Road Map for National Security: Imperative for Change" (February 2001).

technology professionals to run sophisticated intelligence platforms.[16]

Many agencies have their own security problems brought on in part by inadequate security staffs within their agencies. The following examples illustrate this problem:

C   The Defense Department's security clearance process "virtually collapsed" during the 1990's. The Department has a backlog of almost a half-million security clearance investigations for employees. It takes well over a year to complete a top secret clearance. This means that vital positions dealing with the government's most sensitive national security data go unfilled, or the people in those positions operate with grossly outdated clearances. These problems stem, in part, from productivity problems among investigators and ill-considered staff cuts.[17]

C   As of May 2000, the Commerce Department's Patent and Trademark Office had failed to request required background checks on 113 employees hired since October 1997, all of whom had access to sensitive proprietary business data. For 1,626 employees hired since 1970, there was no documentation of security investigations in the Office's database.[18]

C   A White House panel formed to investigate security problems at the Energy Department found that: "Organizational disarray, managerial neglect and a culture of arrogance—both at Energy Department headquarters and the labs themselves—conspired to create an espionage scandal waiting to happen." The panel's public report cited the example of a Department employee who was dead for 11 months before officials noticed that he still had four secret documents signed out.[19]

THE NEED FOR LEADERSHIP AND PRIORITY ATTENTION

As with many other critical problems, approaches to workforce management represent a stark contrast between the private sector and the federal government. Private sector firms take a strategic approach to workforce issues. They analyze which of their functions are important and systematically identify the

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[T]he federal government has virtually ignored its workforce problems up to now.

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employee skills and characteristics needed to perform those functions well. Then, they make

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[16]*Ibid*., p. 98.

[17]Testimony of Robert Lieberman, Defense Department Acting IG, before the House Government Reform Subcommittee on National Security (March 2, 2001).

[18]Inspector General, Department of Commerce, "Improved Internal Controls Needed for Office of Human Resources," BTD-12830 (September 2000).

[19]Doyle McManus and Bob Drogin, "Nuclear Security Panel Assails Energy Department," *Los Angeles Times* (June 15, 1999), p. A1.

the investments needed to hire, develop, and retain employees with these skills and characteristics. By contrast, the federal government has virtually ignored its workforce problems up to now. Only in its last year did the Clinton Administration start paying attention to personnel problems—and then only after the Comptroller General and some Members of Congress sounded the alarm bell.

WHAT CAN BE DONE?

After years of neglect, the full range of the federal government's workforce problems is just starting to surface. Clearly, the government is way behind the curve and has much ground to make up. The problems obviously won't be solved overnight, but we can begin with a few basics.

C   Identifying the right number of employees with the right skills: Agencies have to figure out how many employees with what kinds of skills they need to accomplish their missions. Then, they have to compare the workforce they have with the one they need and pinpoint the gaps. This kind of workforce planning may seem like nothing more than common sense. Yet, it must be a radical concept for the federal government since it's never really been done before in a systematic way.

C   Getting the right employees hired: Agencies have to figure out how to get the people they need on board.

[W]e need to send the signal that public service is an honorable and worthwhile calling.

Obviously, the government must improve its recruiting and hiring processes. Agencies can start by streamlining their administrative processes to eliminate unreasonable delays in hiring decisions and actions. More fundamentally, they must find ways to get good people to want to work for the federal government. This means making public service more attractive to our best and brightest—both those just getting out of school and those with more experience.

We need to send the signal that public service is an honorable and worthwhile calling. There was a time when salary limits and other perceived disadvantages of government service were at least partially offset by the sense that those entering public service could help their fellow citizens and "make a difference." We need to restore this way of thinking. For starters, we need to stop criticizing federal employees unfairly. Federal employees themselves are not the problem. The vast majority of them work hard and serve the taxpayers as well as they can, given the conditions under which they operate.

C   Keeping employees motivated and productive: Once agencies get good people on board, they must keep them motivated and productive. They must have meaningful work and enough freedom and responsibility to get it done. We can reduce management hierarchies and improve methods of doing business in ways that will encourage innovation and initiative. Of course, restructuring management levels must be done in a thoughtful and strategic way to ensure that it enhances the ability of agencies to perform their

missions. Employees must be held accountable for their performance, and they must be evaluated and rewarded in a meaningful, performance-based way. Today's federal performance appraisal and pay systems don't do nearly enough either to reward good performers or to deal with poor performers.

Clearly, the new Administration has its work cut out for it as it starts to tackle the massive workforce challenges it has inherited. However, we're finally recognizing these challenges. Hopefully, the new Administration will prove ready to tackle these problems and eventually solve them.

TABLE II: AGENCIES WITH REPORTED SERIOUS WORKFORCE PROBLEMS[20]

Agency	Problem(s)
Agriculture Department	Resistance from the Department's organizational units and employees impedes efforts to reorganize and modernize the Department. As a result, little has changed in how the Department serves its customers.
	The nation's food safety system suffers from inconsistent oversight, poor coordination, and inefficient use of staff.
	Shortages of experienced fire personnel in the Forest Service threaten firefighting capabilities during catastrophic events. The impact was felt during the 1999 Big Bar and Kirk fires in California, according to a recent report released by the Forest Service. Forest Service personnel who were certified to manage wild fires did not participate and/or were not made available by management; in some instances, there were not enough qualified personnel.
	Employee complaints of discrimination have been a problem at the Department for years. Due to management turnover and inadequate staff expertise, the Department doesn't process complaints within required time lines.
Commerce Department	Lack of sufficient experienced staff with the right skills, along with limited funds for training and travel, limit the ability of Commerce and other trade agencies to monitor and enforce trade agreements and to obtain favorable resolutions of compliance problems.
	Increasing applications and inexperienced staff at the Patent and Trademark Office result in undeserving patents slipping through. This, in turn, poses a critical threat to an economy that runs on intellectual property.
	The Patent and Trademark Office failed to request required background checks on 113 employees hired since October 1997, all of whom had access to sensitive proprietary business data. For 1,626 employees hired since 1970, there was no documentation of security investigations in the Office's database.

[20]This table is based on examples taken from many GAO and IG reports. It does not attempt to cover all significant federal workforce problems.

Defense Department	The military services struggle to meet recruiting goals. Attrition among first-time enlistees is at an all time high. There are shortages among junior officers, and problems in retaining intelligence analysts, computer programmers, and pilots.
	On the civilian side, the lack of sufficiently skilled and experience staff, following downsizing, threatens contracting and logistics activities.
	The Hart-Rudman Commission on National Security reports that the United States is "on the brink of an unprecedented crisis of competence in government" that reaches civilian and military personnel at all levels.
	Due to lengthy delays and huge backlogs in completing security clearances, vital positions dealing with the government's most sensitive national security data go unfilled or the people in those positions operate with grossly outdated clearances. The security clearance problems themselves stem from staffing inadequacies within the Department.
Education Department	The Department's staff may lack the knowledge and skills to manage their information technology operations.
Energy Department	Employees lack the contract management skills needed to oversee large projects, such as the cleanup of radioactive and hazardous waste sites.
	Estimates for the National Ignition Facility have expanded from $2.1 billion with completion in 2002 to $3.5 billion with completion in 2008. Neither the Department's headquarters staff nor its field managers have the skills to oversee the managerial and technical complexities of this large project. The cost overruns and schedule delays caused in part by this skills gap have the potential to reappear on other large contracts.
	The Stockpile Stewardship Program is faced with a shortage of skilled management and technical staff. The proportion of offices with vacant or acting managers has increased from 17 percent in 1996 to almost 65 percent in 2000. In light of the competitive job market and the attrition of skilled staff, many believe that staffing shortages will reach crisis proportions by the end of this decade.
	Numerous studies have identified pervasive security weaknesses at the Department. A White House panel condemned the Department as a "dysfunctional bureaucracy that has proven it is incapable of reforming itself" when it comes to security. The panel concluded that "organizational disarray, managerial neglect and a culture of arrogance — both at Energy Department headquarters and the labs themselves — conspired to create an espionage scandal waiting to happen." One employee was dead for 11 months before Department officials noticed that he still had four secret documents signed out.
Health and Human Services Department	Responsibility for running the Medicare program is fragmented. Frequent leadership changes hamper long-term Medicare initiatives and consistent management strategies. The Department's Health Care Financing Administration, which operates Medicare, has had 19 administrators or acting administrators in the 24 years of its existence.

Health and Human Services Department (continued)	The Department's workforce doesn't have the skills needed to meet recent statutory requirements relating to Medicare. For example, employees lack experience overseeing preferred provider organizations, private fee-for-service plans, and medical savings accounts, and monitoring the performance of health maintenance organizations. Inadequate staff capacity likewise could leave Medicare unprepared to handle future population growth and medical technology advances. Employees who lack basic accounting skills and training handle enormous transactions. Inexperienced Department employees made accounting errors in Medicare trust funds (ultimately discovered and resolved) that totaled $32 billion.
Housing and Urban Development Department	Workload imbalances and insufficient or inexperienced staff pose problems for many of the Department's programs. Despite these workload imbalances, the Department recently invested 10 percent of its resources in employees called "Community Builders," who reported that they spent more than half their time on public relations activities.
Interior Department	Management of the $3 billion in Indian trust funds is left to untrained and inexperienced staff in the Bureau of Indian Affairs. As a result, trust beneficiaries have no assurance that their account balances are accurate or that their assets are safe. Difficulties replacing experienced fire personnel threaten firefighting capabilities. Insufficient fire safety training contributes to fire safety risks at visitor centers, hotels, and other national park buildings. The National Park Service can't monitor the performance of park managers or hold them accountable for the results of park operations. The park concessions program suffers because of the inadequate qualifications and training of the National Park Service's concession specialists and concessions contracting staff. The Bureau of Land Management has only four rangers to patrol over one million acres at the Algodones Dunes in California. The result is chaos. According to an internal agency report, the Dunes have become "unsafe for family recreation activity," due to drug and alcohol use and general lawlessness. Near-riots on weekends feature crowds hurling beer cans and other objects at rangers, and yelling, "Kill the cops." During President's Day weekend, one ranger was hit with a bag of fecal matter, while another was injured when deliberately run over by a dune buggy.
Justice Department	The Immigration and Naturalization Service lacks the staff to perform intelligence functions. This, in turn, hampers efforts to combat the growing problem of alien smuggling. The Immigration and Naturalization Service also has problems hiring and retaining Border Patrol agents. It missed its Congressionally mandated goal to hire 1,000 new agents in fiscal year 1999.
Labor Department	The Pension Benefit Guarantee Corporation may not have the right mix of contractor and federal employees needed to meet future workload challenges.

State Department	Quality of life problems at overseas posts, limited career development opportunities, and personnel management weakness hamper recruitment and retention of Foreign Service Officers. The Department is short 700 Foreign Service officers, or 15 percent of its requirements. Staffing shortfalls hamper counter-narcotics programs and efforts to combat visa fraud. The Department processes about 9 million visa applications annually. Attempts to falsify or alter visas are a constant problem. The Department has inexperienced staff and insufficient training for consular line officers, and overseas anti-fraud units receive inadequate supervision. The Hart-Rudman Commission on National Security describes the State Department as "demoralized and dysfunctional."
Transportation Department	Federal Aviation Administration air traffic control modernization is fraught with cost, schedule, and performance problems due in part to an organizational "culture" and management structures that impair the acquisition process. Operational errors by air traffic controllers that violate aircraft in-flight separation requirements are at a record high. Yet, the Federal Aviation Administration recently made the controllers less accountable for their operational errors. The National Transportation Safety Board objected to this action since air separation violations are a key safety indicator. Coast Guard personnel routinely perform extra duty and serve on overly long deployments with too little experience and training. This leads to a host of readiness problems. For example, 30 percent of Vessel Traffic System radar jobs are not filled. The average time in grade for chief aviation mechanics has dropped 50 percent since 1995. More than 80 percent of small boat stations stand 24-hour duty for three days straight. Lost workdays from shore injuries are up 29 percent. Mishap rates for some boats have risen. Aircraft ground mishap rates are up almost 50 percent.
Treasury Department	Customs Service officers annually processes over 20 million import entries, valued at almost one trillion dollars, and over 450 million persons entering the United States. Despite this vast workload, the agency lacks reliable systems and data to assign its employees where they are most needed. IRS lacks reliable cost and operational information to measure the effectiveness of its tax collection and enforcement programs and to judge whether it is appropriately allocating its staff resources among competing management priorities. IRS provides poor service to the public. In random tests this year, IG auditors were unable to access the IRS toll-free number over one-third of the time. When the calls did go through, IRS employees incorrectly answered almost half (47 percent) of the test questions that the auditors posed. (The questions were taken from IRS' own list of frequently asked questions.) The IG auditors found similar problems when they visited 47 taxpayer assistance centers in 11 states. IRS employees incorrectly answered 49 percent of their test questions.

Veterans Affairs Department	A national nursing shortage could adversely affect efforts to improve patient safety at the Department's medical facilities and could put veterans at risk. The Department missed by wide margins its Fiscal Year 1999 performance goals for processing veterans' benefit claims timely and accurately. Training and recruitment programs are inadequate to ensure a sufficient workforce of competent claims processors, which undermines efforts to reduce claims processing backlogs and errors.
Agency for International Development	Staffing shortfalls in the procurement area have hampered the Agency's ability to initiate and monitor contracts, thus delaying reconstruction assistance in the wake of natural disasters in Central America and the Caribbean.
Environmental Protection Agency	The EPA has no systematic means to determine the right size or skills its workforce needs to carry out the agency's mission. It faces demands for new skills due to technological changes, shifts in its environmental responsibilities, and the growing retirement eligibility of its staff. The EPA's employees have suffered from abuses. In August 2000, a senior manager won a $600,000 verdict in a race and sex discrimination suit against the agency. In another case, the EPA was found to have retaliated against the director of its Office of Research and Development laboratory in Athens, GA, after she testified before Congress about problems in the agency.
General Services Administration	As a result of downsizing and restructuring, major program streamlining, and personnel reductions through attrition and buyouts, many of the agency's knowledgeable and experienced staff have been lost. The remaining workforce is aging, and nearly half of its employees will be eligible to retire in the next 5 years. These staff weaknesses threaten the agency's ability to operate efficiently and effectively, and increase vulnerability to fraud and waste.
National Aeronautics and Space Administration	According to several internal studies, the reduction of NASA's shuttle workforce by one-third since 1995 has led to an overworked and fatigued workforce. Staff and skill losses pose potentially serious problems for the safety and feasibility of the increased launch rates planned to support the International Space Station. In 1999, NASA lost all four of its spacecraft bound for Mars, costing taxpayers $360 million and bringing the entire Mars program to a halt. The problems resulted from simple negligence, such as forgetting to convert feet to meters, caused in part by inexperienced staff.
Nuclear Regulatory Commission	The Commission's organizational culture is struggling with the new "risk- informed" regulatory approach. Further, the Commission's ability to maintain the skills needed to achieve its mission and fill the gaps created by growing retirement eligibilities could be threatened by the decline in university enrollments in nuclear engineering and other fields related to nuclear safety.
Office of Personnel Management	With its government-wide responsibilities for personnel management, the Office of Personnel Management is at the center of the federal workforce crisis. It needs to do much more than it has in the past to direct, support, and review workforce improvement efforts throughout the federal government.

Small Business Administration	Improving personnel management is one of the Small Business Administration's most serious challenges. Its workforce has decreased by more than 20 percent over the last decade, while it has made major changes in the way it delivers goods and services. For example, the Small Business Administration now uses public-private partnerships to perform many functions previously done by its own employees. The agency needs to make sure it has a workforce with the right skills to handle its new ways of doing business.
Social Security Administration	Increasing demand for services, the imminent retirement of a large part of its workforce, changing customer expectations, and mixed success in past technology investments challenge the Social Security Administration's ability to meet its service delivery demands. These demands include faster and more accurate benefit claims determinations and increased emphasis on returning the disabled to work.

In the coming years, applications for disability insurance will more than double over 1999 levels, applications for retirement benefits will increase by 20 percent over 1999 levels, and the number of non-English speaking customers will continue to rise. This will place an enormous strain on the agency as one-half of its current employees become eligible to retire by 2009.

Customer service problems already are emerging. About 20 million calls to the agency's 800-number in 1999 were not completed. Almost 20 percent of answers to callers with general questions that did not relate to their specific benefits were inaccurate. Also in 1999, the Social Security Advisory Board reported that people who visited an agency field office encountered crowded waiting areas and long waiting times for service. |

B. FINANCIAL MANAGEMENT PROBLEMS

> *The Defense Department, which is talking about needing an additional $50 billion – they want $50 more for every minute since Jesus Christ was born; that is $50 billion – a year to meet readiness requirements. Yet the Defense Department does not know with any certainty how much money it currently has available.*

<div align="right">

Senator Robert Byrd (WV)
Statement on Department of Defense
Financial Management
July 10, 1998

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Most Americans balance their checkbooks on a regular basis. Both small businesses and major corporations have to make certain that their books are balanced—that they know how much money is coming in, how much money is going out, and where that money is going. This is not true of the federal government.

Neither the federal government as a whole nor many major agencies can pass a basic financial audit. The books don't add up, major expenditures are missing, large amounts of property and equipment can't be located, and often, agencies don't even know how much they have. These problems are longstanding, but they have been worsened by the growth of the federal government.

Take, for example, the Department of Defense. In 1999, the Department of Defense made about 14.8 million individual purchases totaling about $140 billion in goods and services.[1] This means that the officials at the Defense Department are making more than 57,000 purchases a day! Unfortunately, these same officials can't tell us what they bought or whether they even needed what they got.

Senator Robert Byrd (WV) recently took to the Senate floor to describe the problems facing the Defense Department. He said:

> *The Defense Department, which is talking about needing an additional $50 billion dollars a year to meet readiness requirements, does not know*

> *Officials at the Defense Department are making more than 57,000 purchases a day! Unfortunately, these same officials can't tell us what they bought or whether they even needed what they got.*

> *with any certainty how much money it currently has available and cannot pass the test of receiving a clean audit opinion on its financial statements. . . . Examples of DOD's financial*

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[1]Department of Defense Inspector General, Semiannual Report to the Congress (April 1, 2000 - September 30, 2000).

management weaknesses abound. For instance, the GAO found that the Defense Department could not reconcile a $7 billion difference between its available fund balances and the Treasury's. GAO also discovered that the Department of Defense was unable to substantiate the $378 billion it had reported as total net reporting costs in 1999. [2]

Senator Charles Grassley (IA) also took to the Senate floor to rail against the Department of Defense's financial mismanagement. He began with a quote of Senator Byrd's: "The Pentagon's books are in such utter disarray that no one knows what America's military actually owns or spends." Senator Grassley continued:

As Senator Byrd knows, this quote contains a very powerful message. This is the message that I glean from that quote: The Pentagon does not know how much it spends. It does not know if it gets what it orders in goods and services. And the Pentagon, additionally, does not have a handle on its inventory. If the Pentagon does not know what it owns and spends, then how does the Pentagon know if it needs more money? We, as Senators, presume already that the Pentagon needs more money—because there is kind of a bipartisan agreement to that, and President Bush won an election with that as one of his

key points. We need to know more, and a sound accounting system is the basis for that judgment. [3]

When you're talking about such a large organization and so much money, it's hard to grasp the breadth of the problem. But in example after example, the Defense Department's poor financial management has resulted in spectacular waste. Some of those examples:

- The GAO reported recently that the Navy wrote off more than $3 billion in inventory as "lost in transit." A lot of this property was later delivered. But, because it had no record of the property, the Navy may have ended up making a number of unnecessary purchases. [4]

- The Navy also wrote off as "lost" almost $600,000 in generators. Although those generators were later found, the Navy had already purchased more than $1 million worth of replacement generators and had initiated purchase orders for additional generators valued at about $2 million. [5]

- In 1999, the Army took an inventory of

[3] 147 Cong. Rec. S1249 (daily ed. February 13, 2001) (statement of Senator Grassley).

[4] General Accounting Office, "Defense Inventory: Continuing Challenges in Managing Inventories and Avoiding Adverse Operational Effects," GAO/T-NSIAD-99-83 (February 25, 1999), p. 4, 7-8.

[5] General Accounting Office, "Department of the Navy: Breakdown of In-Transit Inventory Process Leaves It Vulnerable to Fraud," GAO/OSI/NSIAD-00-61 (February 2, 2000).

[2] 147 Cong. Rec. S1236, (daily ed. February 8, 2001) (statement of Senator Byrd).

its assets. It found 56 airplanes, 32 tanks, and 36 Javelin-command launch units for which it had no centrally located records. The problems associated with a lack of accountability over such equipment should be obvious. But when managers have no records of classified and sensitive items, such as aircraft guided-missile launchers, the consequences could be disastrous.[6]

As you can see, the problems of the Defense Department's financial management are legion. But the Department of Defense is not alone. Many other agencies of the federal government have similar problems:

- The Internal Revenue Service, the agency that collects your taxes, does not know how much it actually collects in Social Security and Medicare taxes. It allocates money to those programs based on an estimate given to it by the Treasury Department.[7]

- The Education Department reported in its financial statements that it had $7.5 billion in the bank, when it actually owed that money to the U.S. Treasury. In addition, because of its poor financial management, $1.9 million in Department of Education funds was wired to bank accounts when fraudulent direct deposit forms were submitted to the Department on behalf of two South Dakota school

districts. The perpetrators then used this money to purchase two luxury cars valued at nearly $97,000 and a house worth $135,000. The fraud was discovered only after a car salesman contacted the FBI because of apparent false credit information, not because it was discovered by the Department of Education.[8]

- The Department of Agriculture was unable to account for more than $5 billion of receipts and expenditures. That means it could not tell you who some of that $5 billion was collected from, where it had gone or to whom some of it was owed. The Department's financial mismanagement has also resulted in food stamp overpayments, large errors in accounting records, and accountability breakdowns.[9]

- An estimated $1.3 billion—or 7 percent—of the Agriculture Department's fiscal year 1999 food stamp payments was determined to be overpayments. That means the federal government provided food stamp recipients over $1 billion in food stamps that they were not entitled to receive.[10]

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[6]General Accounting Office, "Defense Inventory: Army Needs to Strengthen and Follow Procedures to Control Shipped Items," GAO/NSIAD-00-109, (June 23, 2000).

[7]General Accounting Office, "Financial Audit: IRS's Fiscal Year 2000 Financial Statements," GAO-01-394 (March 1, 2001).

[8]Department of Education Inspector General, "Semiannual Report to the Congress" (April 1, 2000 - September 30, 2000).

[9]Department of Agriculture Inspector General, Testimony before the Senate Committee on Agriculture, Nutrition, and Forestry's Subcommittee on Research, Nutrition, and General Legislation on the Status of Financial Management at the Department of Agriculture (September 27, 2000).

[10]*Ibid.*

- Accounting system records at the Agriculture Department showed purchases of a motor vehicle valued at $97 million, 5 other motor vehicles with a recorded value of over $8 million, and a microscope with a recorded value of $11 million.[11]

- Auditors also identified numerous instances in which accountable officers were unable to locate property listed in the Agriculture Department's personal property inventory records.[12]

Federal agencies have a big problem with overpayments, which often result when agencies lack good information about their debts and their debtors. Some of the more egregious examples of improper payments include the following:

- Between 1994 and 1999, contractors with the Department of Defense voluntarily returned nearly $1.2 billion they were paid inadvertently. In addition, according to the GAO, the Defense Department was seeking to recover $3.6 billion in problem payments to contractors, at least $225 million of which was the result of duplicate payments, overpayments, and payments for goods not received.[13]

- According to the IG at the Department of Education, the Department made duplicate payments totaling about $151 million during fiscal year 2000. Again,

the Department didn't discover the errors. Someone else did.[14]

- The Department of Housing and Urban Development's severe financial management weaknesses caused it to make over $900 million in erroneous payments to subsidize low income housing. In addition, because it didn't keep track of what it was spending, the Department didn't spend $151 million which Congress had specifically authorized for public housing.[15]

- The Medicare program makes billions of dollars in improper payments annually. Last year, $12 billion in improper payments were made in the fee-for-service program alone. Some of the payments made were for medically unnecessary services, non-covered services, or were the result of coding errors. In many cases, Medicare is billed for services that were never provided.[16]

One of the main reasons federal agencies and departments can't keep track of their finances is that they don't have the right systems in place to record the transactions they make. The Defense

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[11]*Ibid.*

[12]*Ibid.*

[13]General Accounting Office, "Financial Management: Billions in Improper Payments Continue to Require Attention," GAO-01-44 (October 2000) page 23.

[14]Department of Education Inspector General, Semiannual Report to the Congress (April 1, 2000 - September 30, 2000).

[15]Department of Housing and Urban Development Inspector General, Testimony before the House Committee on Government Reform, Subcommittee on Government Management, Information, and Technology (March 22, 2000).

[16]Department of Health and Human Services Inspector General, "Improper Fiscal Year 2000 Medicare Fee-for-Service Payments," A-17-00-02000 (February 5, 2001).

Department, for example, doesn't have a single one of its major parts that can pass an audit. Many agencies have systems and procedures that are so complicated that one simple mistake can

> *[M]ost agencies check their books once a year to make sure the numbers add up. But they only do it only because the law requires that their financial statements be audited.*

cost millions of dollars. But because the agencies aren't trying hard enough to catch such errors, they can go undetected for months or years. Take, for example, an official at the Department of Health and Human Services. The GAO recently reported that a clerical error made month after month by this inexperienced member of the staff at the Health Care Financing Administration "resulted in the [Hospital Insurance] Trust Fund being overinvested by approximately $14 billion and the [Supplementary Medical Insurance] Trust Fund being underinvested by approximately $18 billion." As a result, GAO reports, "the [Hospital Insurance] Trust Fund realized excess

> *[N]o private sector firm could stay in business if it had the same financial problems as the federal government.*

interest earnings of about $112 million and the [Supplementary Medical Insurance] Trust Fund suffered a loss of about $232 million in interest earnings."[17] This error occurred because of

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[17]General Accounting Office, "Medicare Financial Management: Clerical Errors in the Medicare Hospital Insurance and Supplementary Medical

weaknesses in fundamental problems like inadequate training and supervision in the Medicare program. Luckily, the agency caught the error and corrected it. But the oversight raises the question of how many other errors go undetected. You can bet there are a lot.

According to the GAO, many leading private organizations it has studied "have already implemented, or are in the process of implementing, an enterprisewide system to integrate financial and operating data to support both management decision-making and external reporting requirements. . . . [T]hese systems provide financial analysts, accountants, and business unit managers access to the same cost, performance, and profitability information."[18] The systems currently in place throughout the federal government certainly do not have this objective. In fact, it's often difficult to discern the reason for the systems, if there's any reason at all. When you look at the method the Department of Defense uses for tracking its contract payments, as you can see below in Table III, it's immediately apparent why the Department doesn't know to whom it owes money, doesn't know to whom it has paid money, or why it makes innumerable contract payment errors.

HOW OFTEN DO YOU BALANCE *YOUR* CHECKBOOK?

Even though their systems don't produce reliable information about agency spending on a regular basis, most agencies check their books once a year to make sure the numbers add up. But they only do it only because the law requires


Insurance Trust Funds," Report Number GAO-01-39R (October 31, 2000).

[18]General Accounting Office, "Executive Guide: Creating Value Through World Class Financial Management," GAO/AIMD-00-134 (April 2000).

that their financial statements be audited. Some agencies pass financial audits—meaning they've balanced their books—only by undertaking "heroic" efforts that mask problems with their financial systems. At the end of each year, they actually pay large accounting firms to come up with the amounts listed on their balance sheet. These are numbers that should be produced automatically by the agencies' systems. This process, in an organization as large as the federal government, costs the taxpayers millions and millions each year. It clearly diverts resources from the problems they were meant to address. As the GAO wrote in its most recent High-Risk Series:

Many agencies have been able to obtain unqualified audit opinions only through heroic efforts, which include using extensive ad hoc procedures and billions of dollars in adjustments to derive numbers as of a single point in time—the end of the fiscal year. These efforts are often completed months after the end of the fiscal year. The fundamental problem is that agency financial systems cannot routinely provide the information.[19]

Table III: SYSTEM USED BY THE DEPARTMENT OF DEFENSE TO TRACK CONTRACT AND VENDOR PAYMENTS
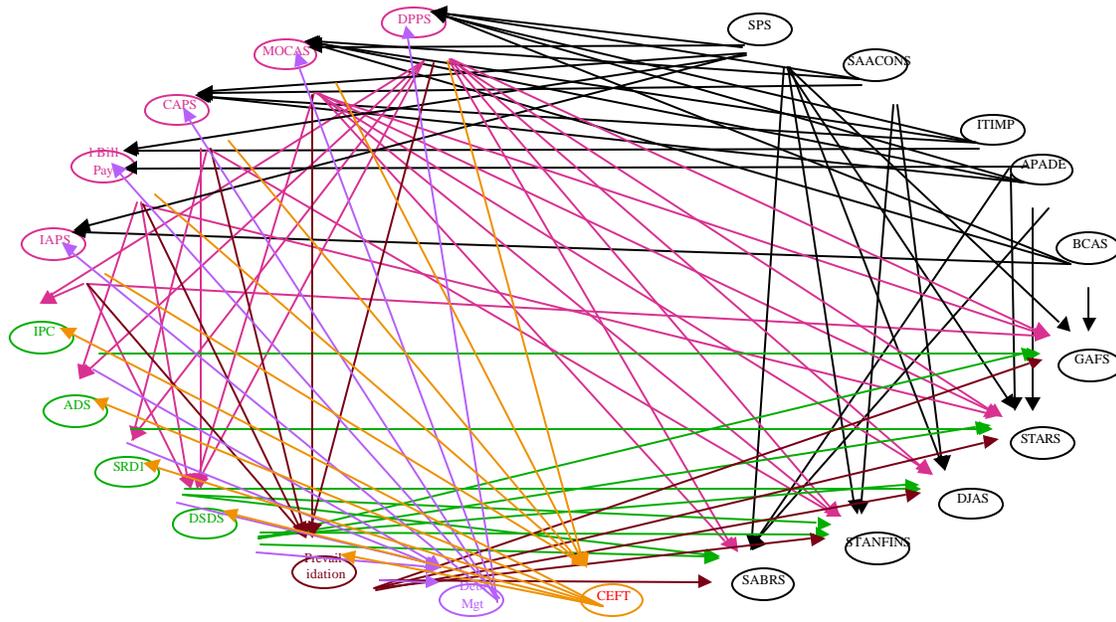
Source: The Department of Defense

[19]General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (January 2001).

It is important to put the government's financial management in perspective. Private corporations are required to file financial statements periodically with the Securities and Exchange Commission. According to the Securities and Exchange Commission, "All investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it. To achieve this, the [Commission] requires public companies to disclose meaningful financial and other information to the public, which provides a common pool of knowledge for all investors to use to judge for themselves if a company's securities are a good investment. Only through the steady flow of timely, comprehensive and accurate information can people make sound investment decisions."[20] Although the Securities and Exchange Commission, a federal government agency, places these requirements on private companies, the federal government cannot produce the same information on a regular basis. But the fact is, no private sector firm could stay in business if it had the same financial problems as the federal government.

Few federal agencies can actually use their financial systems for day-to-day management. Agencies can't tell you how much programs cost. Sure, at the end of the year, they can say what they spent, at least in some cases. But they can't tell you what they spent in overhead, staffing costs, etc. Agriculture Department IG Roger Viadero testified recently, "[T]he Department, as a whole, does not know whether it correctly reported monies to be collected in total, how much money is collected, the cost of its operations, or any other meaningful measure of

financial performance."[21] Agencies just don't have that information. And the consequences of the government's poor financial management are severe.

WHY DOES FINANCIAL MANAGEMENT MATTER?

If we don't know how much programs cost or how much agencies are spending, we can't tell whether the American people are getting what they paid for. Moreover, waste, fraud, and abuse, exacerbated by poor financial management, take away scarce resources from federal activities. According to the Comptroller General, the consequences of this mismanagement mean that "federal funds are diverted from their intended uses or beneficiaries, revenues owed are not effectively identified or collected, [and] excessive inventories and procurement costs drive federal costs higher than they need to be for some areas."[22]

One of the clearest cases where financial mismanagement cheats the American citizen is when agencies or programs distribute federal funds to those who are not entitled to receive them. In 1999, the Governmental Affairs Committee asked the GAO to find out how much money was given out improperly each year by federal agencies. Astonishingly, we discovered that only a few agencies even keep track of such things. But in the 17 programs for which improper payments have been recorded,

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[20]Securities and Exchange Commission website (can be found at www.sec.gov).

[21] Testimony before the Senate Agriculture Committee's Subcommittee on Research, Nutrition, and General Legislation (September 27, 2000).

[22]General Accounting Office, "Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance," GAO/T-AIMD-00-96 (February 17, 2000).

agencies estimate that an incredible $19.1 billion was improperly distributed in one year. These programs included Medicare, Food Stamps, and Disability Insurance. In 2000, we asked GAO to look at improper payments again. And with just 21 programs reporting, the amount of money wasted the next year grew even higher—to $20.7 billion!

- When Medicare makes almost $12 billion annually in improper payments, it takes money out of the Medicare Trust Fund that would otherwise go to provide health care to the elderly. Twelve billion dollars is a big piece of what it would cost to provide prescription drug benefits to the nation's senior citizens.

- The Department of Agriculture pays $1.3 billion in food stamps to those who shouldn't receive them. But it also fails to provide food stamps to eligible families who may be going hungry.

- When the Department of Housing and Urban Development pays out money to house the poor, it often gives cash to those who don't deserve it—$935 million worth. There are millions of Americans who need a helping hand. When the Housing Department wastes money on those who may not need it, it cheats those who really need housing assistance.

One of the agencies that makes the most improper payments is the Internal Revenue Service. The Congress set a policy that individuals who make a low income, but pay a high amount of Social Security and Medicare taxes may be entitled to a tax refund. Those people—low-income working people—are entitled to money back from the federal government. Yet a recent study by the IRS's IG

Table IV : Improper Payments made in 1999 - $20.7 billion
(in billions)
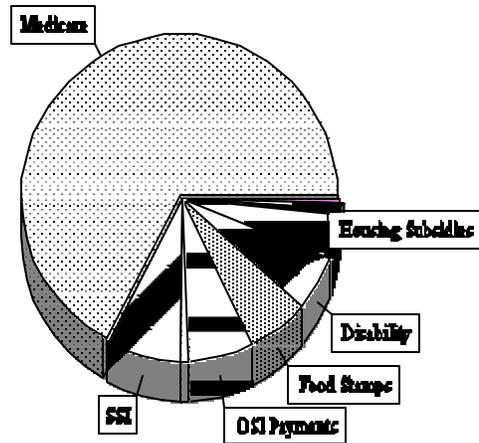
Medicare ($13.5)
Supplemental Security Income ($1.58)
Unemployment Insurance ($.142)
Old Age and Survivors Insurance ($1.92)
Food Stamps ($1.29)
Disability Insurance ($1.12)
Housing Subsidies ($.935)
Federal Employees' Health Benefits ($.099)
Federal Employees' Retirement ($.084)
Military Retirement Fund ($.025)
Federal Employees' Compensation Act ($.019)
Customs ($.004)
Federal Employees' Group Life Insurance ($.002)

cited one study that said only 65 percent of those entitled to it actually received the tax refund. That report also cited studies that found that 25 to 30 percent of Earned Income Tax Credits were paid improperly.[23] That means that between $5 to 10 billion was paid to those who

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[23]General Accounting Office, "Financial Management: Billions in Improper Payments Continue to Require Attention," GAO-01-44 (October 2000).

Table V: Overpayments Made by the Defense Supply Center, Philadelphia

Type of Overpayment	Identified	Recovered
Discounts Owed to the Government		
The Discount was not offered to the Supply Center but it was offered to commercial customers.	$12,033,919	$1,709,855
The Supply Center was notified of the discounted price on its bill, but paid full price anyway.	609,373	306,656
A discount was deducted from the price charge to the Supply Center, but at the wrong rate	104,237	98,858
Vendor charged the Supply Center more than its "most favored" customer, who paid the lowest price.	1,851,865	925,943
The Supply Center paid the same bill more than once.	597,153	437,549
Unposted credit memorandum (As a result of returned merchandise, vendor sent a credit memo that remained outstanding.)	1,429,998	1,267,435
Accounting error	440,985	450102
Price protection (Losses to the value of a retailer's inventory, should a vendor reduce prices to other retailers.)	519,128	124,329
Allowances (The vendor failed to give financial considerations in exchange for meeting specific requirements, such as advertising or promotional sales.)	33,797	0
Shortage discrepancy (Vendor sent fewer than the quantity ordered.)	421	421
All other errors	266,000	23,130
Total	$17,886,876	$5,344,278

Source: Profit Recovery Group International

were not entitled to the payments. The program that Congress designed was meant to serve the working poor, but because of the way the program is mismanaged, those who aren't entitled to the benefits are getting federal tax dollars improperly while those who should be getting them are going without.

The federal government also has a hard time making the right payments to contractors and grantees. While you shop around for the best offers, clip coupons, and check your receipts, the government pays the same bills twice, never looks for discounts, and regularly pays more than it owes. Table V lists $18 million in overpayments made to contractors at the Defense Supply Center in Philadelphia. (See Table V.)

In addition to wasting scarce resources, financial mismanagement often interferes substantially with an agency's ability to serve the American people. Take, for instance, the Internal Revenue Service. Although its financial management has improved, the agency still suffers major problems. In a recent audit of the IRS, the GAO found the following:

• Significant delays—*of up to 12 years*—in crediting taxpayers with the payments they made. GAO discovered many payments that were never credited to the right account, some dating back as far as the 1980's.

• The IRS credited the wrong account

with a $68 million payment from a deceased individual's estate. Even though that estate was owed a $7 million refund, the IRS didn't correct its error until 2 years had passed.[24]

• Sometimes, because it didn't record a taxpayer's payment, the IRS didn't release liens it held on properties owned by those taxpayers. In one case, a taxpayer had paid off his three outstanding taxes by October 1998. However, as of December 1999—14 months later—IRS had not released the lien against the taxpayer's property.[25]

Another consequence of poor financial management and agencies' failure to accurately report the costs of the programs they operate is that Congress and the President end up distributing federal revenue without knowing how much an agency actually needs, how much it will actually spend, or, perhaps most important, whether the expenditure of those funds will actually produce the intended result. If the federal government is to improve its service to the American people while safeguarding the taxes it invests, it must improve its financial management.

WHAT CAN BE DONE?

Poor financial management in the federal government has been a problem for many years. Like a family that doesn't balance its checkbook, the federal government has to try and figure out where its money was spent. We should insist that agencies keep track of what they spend and what they owe on a regular basis. Clearly, the most important thing the federal government can do is design and install the systems that will track the government's assets, expenditures, and debts in an efficient and reliable way. According to the IGs and other auditors, only 3 of 24 major federal agencies have systems in place today. We should expect that <u>every</u> federal agency has systems in place that provide reliable, useful, and timely information to manage day-to-day operations, and that appropriate emphasis be placed on these systems to ensure that this occurs sooner rather than later.

There are many other things the federal government can do to better track what it owes and what it spends. In a recent report, the GAO made a series of recommendations on how to create "value through world-class financial management." GAO analyzed the financial management practices of high performing private sector organizations, like Boeing, Pfizer, and Hewlett-Packard, as well as some in the public sector, like the states of Massachusetts, Texas and Virginia.[26] The report detailed several seemingly simple ideas that the federal government could implement to improve its financial management. In that report, some of GAO's recommendations included the following:

• <u>Make financial management an entity-wide priority</u>: Strong leadership is

[24]General Accounting Office, "Financial Audit: IRS' Fiscal Year 2000 Financial Statements" (GAO-01-394), March 1, 2001.

[25]General Accounting Office, "Internal Revenue Service: Recommendations to Improve Financial and Operational Management" (GAO-01-42), November 19, 2000.

[26]General Accounting Office, "Executive Guide: Creating Value Through World Class Financial Management," GAO/AIMD-00-134 (April 2000).

needed to ensure that everyone in the organization understand the importance of sound financial management. This includes training employees on good financial management practices.

- Design financial accounting systems to provide information that managers and employees need to assess the quality and efficiency of what they are doing. Agency managers and employees will understand the importance of financial management only if they can use financial information to do their job better.

From the experience of the federal government thus far, it is clear that the design and implementation of financial management systems is difficult. Time after time, government agencies have invested millions—sometimes billions—on systems that don't work. Once a sound design has been developed, agency management must gain the support of Congress and the President and follow through on the rapid implementation of the system and processes necessary to provide accurate financial information on a regular basis.

In addition to these recommendations, agencies should evaluate their progress throughout the year to ensure that the processes in place are working, that agency activities are efficient and effective, and that taxpayers' dollars are not being wasted. Accordingly, agencies should do the following:

- Report the amount wasted each year. With this annual estimate, agencies can begin to understand why they waste and work to reduce the waste in the future.

- Communicate and coordinate payments with other agencies. One of the most outrageous examples of waste in the federal government is when one agency makes a payment that another agency would have recommended be withheld. For instance, the IRS often gives tax refunds to individuals who are delinquent in paying their student loans. Likewise, the Department of Health and Human Services pays health care costs for some individuals whom the Social Security Administration knows are dead. We must improve the ways in which agencies share information so these mistakes don't continue in the future. We need to avoid these types of errors before they occur.

- Recover the money. When we do identify cases where the government has overpaid, we should employ every tactic we can to recover the money. The government can use a process called "recovery auditing" to recoup overpayments, and it should do so.

C. INFORMATION TECHNOLOGY PROBLEMS

The United States is currently confronting what can best be described as another industrial revolution. The rapid acceleration of computer and telecommunications technology is a major reason for the appreciable increase in our productivity in this expansion, and is likely to continue to be a significant force in expanding standards of living into the twenty-first century.

> Alan Greenspan
> Chairman
> Federal Reserve System
> July 10, 1998

During the last decade, people have become more dependent on computers to do business with the private and public sectors. For example, agencies like the IRS allow taxpayers to file their returns electronically, states provide residents with the ability to renew their car registrations online, and more and more federal departments are posting benefit information on their Web sites. These technological advances have offered unprecedented opportunities for the public. Unfortunately, the federal government still lags behind the private sector in managing its technology assets for proven results.

Over the past several years, the United States has witnessed amazing innovations in the ability of technology to store, manipulate, display, exchange, and transmit data. Private companies have harnessed these new technologies, which

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Table VI: Recent Innovations in Information Technology

- Since the 1960's, the number of transistors placed on a computer chip have doubled roughly every 18 months.
- The capacity of today's data storage technologies is doubling every nine months and the average price per megabyte of storage has declined from $11.54 in 1998 to an estimated $0.02 in 1999.
- Similar improvements have occurred in communications technologies. The carrying capacity of fiber optics is currently doubling every 12 months.
- Between 1994 and 1998, the price of telecommunications equipment declined by 2 percent per year.
- In January 2000, the World Wide Web contained more than one billion unique pages, compared to 100 million in October 1997.

Source: Department of Commerce
Digital Economy 2000

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federal government to use information technology (IT) to improve agency performance, reduce costs, and enhance its responsiveness to the public.

they are using to increase dramatically the speed of business transactions, the accessibility of information, and the storage capacity of

complex databases. All types of information are instantly available through the Internet, and ordering products online has never been easier. Meanwhile, the federal government is still at the entrance ramp to the information superhighway. Even with $40 billion dollars devoted solely to information technology, the government is barely making any progress.

Many Americans look at the federal government and wonder, "Where is my money going? Why hasn't the government used these incredible advances to improve the efficiency of its services?" *The Washington Post*, for example, recently highlighted problems that the State Department was having with its e-mail and computers:

- Many [employees overseas] do not have e-mail. Indeed the department depends on a cable system developed during World War II for much of its diplomatic communications.
- The State Department's computer system is so outdated that Germany and some other foreign governments have been bypassing American embassies because it is easier to e-mail Washington directly than American diplomats down the block.
- The Department runs four separate, incompatible computer systems that cannot access the Internet. Some officials have three computers on their desks so they can use all the systems.[1]

Four years ago, Congress passed legislation requiring agencies to implement new

management procedures aimed at increasing their ability to make better use of their information technology assets. The law, known as the Clinger-Cohen Act, was a result of the Governmental Affairs Committee's reviews of failed computer system acquisitions such as the

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Many Americans look at the federal government and wonder, "Where is my money going? Why hasn't the government used these incredible advances to improve the efficiency of services?"

IRS's $7 billion Tax Systems Modernization project and the National Weather Service's more than $500 million Advanced Weather Interactive Processing System. A recent investigation into federal agencies' compliance with the Clinger-Cohen Act revealed that most agencies are not using common sense to determine what computer systems they need, to manage their systems effectively, or to determine the costs of their systems. For example, 17 of 24 agencies do not follow the best practices used by the private sector to manage their major information technology projects, and a quarter of the agencies listed projects that were significantly over budget and behind schedule.[2]

ALIGNING TECHNOLOGY WITH THE ROLE OF THE AGENCY

A big part of the problem is that officials don't know what type of technology they need to do their jobs. Information technology raises a

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[1]Alan Sipress, "Trying to Turn Around a Strapped State Department: Powell Tackles Old Technology, Personnel Woes," *The Washington Post* (February 23, 2001).

[2]Investigative Report of Senator Fred Thompson on Federal Agency Compliance with the Clinger-Cohen Act (October 20, 2000).

range of thorny issues, such as how to manage and integrate complex information management processes, computer hardware and software, telecommunications, and networks. Also, most importantly, agencies don't properly align information technology purchases with their needs. More often than not, agencies don't evaluate or review their programs to determine what type of technologies should be used to help them achieve their goals. In fact, during the investigation, it was discovered that agencies were all too often unable to determine the impact of information technology on overall performance.

CONTINUOUS IMPROVEMENT

The government does not use computer technology to streamline administrative processes. Like the private sector, government could eliminate unnecessary costs by analyzing the way current computer systems set up repeatable processes needed to conduct business on a daily basis.[3] With new innovations in office administration, it is simple to determine if technologies could streamline current practices and thereby reduce costs. Agencies need to find out the value of their business processes either prior to or as part of major system purchases or upgrades. For instance, agencies like the Department of Agriculture have initiated efforts to overhaul their services because of their work in reconfiguring their administrative processes. However, agencies like the Department of Education and the

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[3]Businesses intent on taking full advantage of innovative technologies often find they have to rethink the way they operate and reorganize their operations. This process of reorganization has, in itself, sometimes produced its own round of innovation. Entire steps in the production and distribution of goods and services are being eliminated in favor of, for example, just-in-time inventory.

Department of Interior have only done the analysis and have not applied the results of their efforts to making any agency-wide business process changes.

OVERCOMING THE
TIME-TECHNOLOGY DILEMMA

Technology changes at a rapid rate, and yet, the government adopts these technologies at a much slower pace. Part of the reason for this is that the government contracting process is different and therefore more time consuming. Determining what an agency needs to buy, receiving funding approval, and evaluating bids prior to awarding a contract can be long and arduous. During this lengthy process, technology advances. This is especially true when the government decides to buy large, complicated systems. Because it seems as though the federal government is incapable of completing large, technical projects on schedule or within budget, or incorporating new technologies fast enough, the Clinger-Cohen Act requires agencies to buy systems on a much smaller scale. This is referred to as modular contracting and allows agencies to buy in incremental modules so they can integrate new technologies into the systems faster.

Below are a number of examples of how inefficiently the government manages large scale technical projects. Table VIII, at the end of this section, describes the case of the "Railway Killer," the worst example of what can happen when technology projects are not managed appropriately.

- In 1999, the Bureau of Land Management pulled the plug on its much-anticipated electronic system for instant online access to millions of land and mineral lease records. The

Automated Land and Mineral Record System could not be made to work even after 15 years of development at a cost of $67 million. According to reports, Bureau officials continued to hold out hope that the system eventually would work despite repeated warnings of significant cost overruns and missed deadlines by government auditors.[4]

- For the first quarter of Fiscal Year 2000, the Department of Transportation could not identify about $16 million worth of projects in the cost accounting system due to computer programming and technical design flaws with the labor distribution system. According to the Department's IG, important internal controls to offset design problems and identify reporting errors had not been put in place when the system was designed.[5]

- Faced with rapidly growing traffic volume and aging equipment, the Federal Aviation Administration initiated an ambitious Air Traffic Control modernization program in 1981. This project entailed acquiring new facilities, as well as a vast network of radar, automated data processing, navigation, and communications equipment. Over the past 19 years, the project "has experienced cost overruns, schedule delays, and performance

shortfalls of large proportion."[6] In 1986, it was estimated that the modernization would be completed at a cost of $12 billion. It is now estimated the modernization will cost $45 billion through 2005.[7] According to GAO, some of the causes of the program's problems include the way the agency buys complex software, the lack of an effective information technology management structure, and an organizational culture that has impaired the acquisition process.

- Major projects within the Air Traffic Control modernization also continue to experience cost overruns and schedule delays. According to the IG, 11 programs "were averaging a 29 percent cost growth and a 17-month schedule delay."[8] As a matter of illustration, Table VII[9] shows the cost growth and schedule slippage for one major component, the Wide Area Augmentation System (WAAS).[10]

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[4]"Federal Agency Scraps Costly Computer System," Associated Press State and Local Wire, June 3, 1999.

[5]Department of Transportation, Office of Inspector General, "Report on Design of the Cost Accounting System for Research and Acquisitions," Report No. FI-2001-013 (December 18, 2000), p. 3.

[6]General Accounting Office, "High-Risk Series: An Update," GAO-01-263 (January 2001), p. 108.

[7]A portion of this growth has resulted because the capacity of the system has increased.

[8]Department of Transportation, Office of Inspector General, "Survey of the Federal Aviation Administration's Integrated Product Development System," AV-2000-110 (August 29, 2000).

[9]General Accounting Office, "Major Management Challenges and Program Risks: Department of Transportation," GAO-01-253 (January 2001), p. 29.

[10]The Wide Area Augmentation System (WAAS) is a ground-and satellite-based navigation system that is intended to improve the current ground-

<table>
<tr><td colspan="5" align="center">**Table VII: Delay in the Implementation of and Growth in the Cost of
the Wide Area Augmentation System, a Major Component of the
Modernization of America's Air Traffic Control System**</td></tr>
<tr><td></td><td>1994</td><td>January 1998</td><td>January 1999</td><td>September 1999</td></tr>
<tr><td>System Cost Estimate</td><td>$508 million</td><td>$1.007 billion</td><td>$1.007 billion</td><td>$2.484 billion</td></tr>
<tr><td>Date System was to be
Partially Available</td><td>June 1997</td><td>July 1999</td><td>September 2000</td><td>September 2000*</td></tr>
<tr><td>Date System to be
Fully Available</td><td>December 2000</td><td>December 2001</td><td>To Be Determined</td><td>December 2006</td></tr>
</table>

Note: Since 1996, the Federal Aviation Administration has included life-cycle costs for developing, operating, and maintaining projects. WAAS development costs have changed essentially because costs for such things as technical engineering and program support were left out of the earlier estimates and the cost for satellites was not included as a development cost but was included as a WAAS operating cost. In June 2000, GAO reported that while FAA estimated that the life-cycle cost for the Wide Area Augmentation System was $3.188 billion, this cost could grow by at least $200 million.

* The Federal Aviation Administration did not meet this milestone and has not yet determined when it will be able to do so.

Note: The Federal Aviation Administration recently announced that it would begin providing precision landing and guidance by September 2003. This capability provides less precision than what the FAA promised to deliver in the timeframes depicted in the table. Currently, the FAA does not know when it can deliver WAAS' promised capability.

- Over a decade ago, the IRS began modernizing the inefficient and outdated systems it used to process tax returns and respond to taxpayer inquiries. The goal was to create a virtually paper-free work environment where taxpayer account updates are rapid, and taxpayer information is readily available to IRS employees to respond to taxpayer inquiries. In 1996, however, GAO warned that, "IRS continues to spend billions more on [the Tax System Modernization] with little assurance of successfully delivering effective systems within established time frames and cost figures."[11] Spending was suspended in 1996, after it was reported that the IRS had spent over $3 billion without receiving comparable value. Congress now requires the IRS to submit plans to incrementally modernize its systems.[12]

[11]General Accounting Office, "Tax Systems Modernization: Management and Technical Weaknesses Must Be Overcome To Achieve Success," GAO/T-AIMD-96-75 (March 26, 1996).

[12]Using this approach, organizations take large, complex modernization efforts and break them into projects that are narrow in scope and brief in duration. This enables organizations to determine whether a project delivers promised benefits within cost

based navigation system, which requires pilots to fly less efficient routes to arrive at their destination.

- The Department of Defense spent $41.3 million on a project to create a system to track the Department's ammunition. Unfortunately, according to the IG, after 8 years of work, "the [Department of Defense] did not produce a working system or even have one near completion."[13]

- The Department of Defense spent more than $76 million on the Defense Security Case Control Management System, which was meant to track the myriad security investigations conducted by the Department and was expected to reduce processing time for all cases. According to the Department's IG, however, the system "did not meet performance expectations" and "times for investigations were not reduced."[14]

- The Defense Joint Accounting System was originally designed to unify the accounting systems of various entities within the Department of Defense, but several Defense organizations, namely the Navy and the Air Force, were allowed to opt out of it. Nonetheless, the Department continued with the more than $700 million project (originally estimated at $500 million), despite the

fact that its projected savings decreased dramatically. According to the Inspector General, "These cost increases, combined with a decreasing return on investment, represent an increased risk that the system will not be the most cost-effective alternative to perform [Department of Defense] general fund accounting."[15]

- The Defense Environmental Security Corporate Information Management Program would have provided better coordination of the Department of Defense's environmental mission. However, after expenditures of over $100 million and 9 years of work, the project could not demonstrate success and the Department's IG recommended scrapping it.[16]

- In 1997, the State Department provided posts worldwide with a software package, the "Resource Allocation Budget Integration Tool." In 1998, just one year later, the State Department decided that the program had a number of deficiencies and needed to be replaced.[17]

and risk limitations and allows them to correct problems before significant dollars are expended, which in turn reduces the risk of program failure.

[13]Department of Defense, Office of Inspector General, "Development and Implementation of a Joint Ammunition System," D-2001-014 (December 6, 2000).

[14]Department of Defense, Office of Inspector General, "Program Management of the Defense Security Service Case Control Management System," D-2001-019 (December 15, 2000).

[15]Department of Defense, Office of Inspector General, "Acquisition of the Defense Joint Accounting System," D-2000-151 (June 16, 2000).

[16]Department of Defense, Office of Inspector General, "Defense Environmental Security Corporate Information Management Program," D-2001-015 (December 7, 2000).

[17]Department of State and the Broadcasting Board of Governors, Office of Inspector General, "Inquiry Into The Procurement of Contractor Support For the International Affairs Global Resource Database," 01-PP-002 (November 2000).

• In 1992, the Health Care Financing Administration initiated the Medicare Transaction System, which was intended to replace Medicare's multiple contractor-operated claims-processing systems with a single system. It was to be fully implemented before the end of 1998. According to GAO, the system originally was supposed to cost $151 million. By 1997, the estimated cost of the project had increased to about $1 billion. Faced with serious technical and managerial problems and runaway costs, the agency terminated the contract in 1997.[18]

• The Department of Energy duplicated procurement efforts because it had not developed software standards or effectively used Department-wide software contracts.[19] As a result, 45 different offices awarded separate contracts for the same major database program. Twenty-four offices awarded separate contracts for the same Internet security program. A lack of a consistent policy also led to significant price variations for the same program. Two separate offices purchased the same word processing software at prices that differed by 44 percent, $232 versus $335 per user license. One office spent

$200,000 to purchase software to permit the use of data received from other Department locations. About 23 percent of the organizations that provided information indicated that they used three or more different electronic mail and word processing applications.[20]

• In July 1995, the Department of Energy implemented a database to contain up-to-date and reliable real property information. Upon investigation, however, it was determined that the data in the system was inaccurate and incomplete. Some data had never been entered into the system. This occurred because some field sites maintained their own site-specific real property systems and did not use the new system to manage property. Department of Energy managers at the Savannah River Site identified more than 176 pieces of property that had not been entered in the system. On the other hand, 416 pieces of property that had been entered into the system could not be located.[21]

• The Department of Agriculture initiated "Info Share" in 1993 to improve the delivery of services to its constituents by coordinating the planning, acquisition, development, implementation, and management of information. In 1994, the program was reevaluated because of numerous difficulties it was experiencing. Managers had made

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[18]General Accounting Office, "Medicare Transaction System: Success Depends Upon Correcting Critical Managerial and Technical Weaknesses," GAO/AIMD-97-78 (May 1997).

[19]Developing and implementing an effective software acquisition policy is a well-recognized best practice. An effective acquisition strategy helps to guarantee the compatibility of data that is shared between locations and computer systems and also enables the purchaser to take advantage of volume discounts.

[20]Department of Energy, Office of Inspector General, "Commercial Off-The-Shelf Software Acquisition Framework," DOE/IG-0463 (March 2000).

[21]Department of Energy, Office of Inspector General, "Facilities Information Management System," DOE/IG-0468 (April 2000).

commitments to new technologies without adequately defining requirements, performing the necessary analyses, or conducting sufficient testing. In 1995, the IG reported that over $33 million had already been spent on the project. The Info Share system was subsequently terminated, although the concept of consolidating the Department's administrative areas continued. The goal of combining the Department's various information databases, however, has been extended indefinitely.[22]

• The U.S. Agency for International Development initiated the New Management System to perform eight accounting and management functions.[23] After considering opportunities to use an off-the-shelf accounting system, the Agency decided in 1994 to develop its own system. Because the Agency did not follow accepted software development practices, the system they developed had design deficiencies, software defects, and could not operate effectively across the agency's network. Despite these problems, the Agency deployed the system worldwide as the primary system for conducting its

business in 1996.[24] After one year, the Agency had to suspend operations at overseas missions and to limit the processing of financial transactions to Washington, D.C., offices. By the end of fiscal year 1998, even though the Agency had invested about $100 million to develop the New Management System,[25] officials decided to replace it with an off-the-shelf system known as Phoenix.[26]

• The Department of Commerce began planning for the acquisition and development of a new financial system in 1992 and awarded a contract for system development in 1994. It was to be fully implemented by 1998. In 1994, the Department estimated that it would cost $41 million for an integrated system. By 1996, the estimated cost had increased to $56 million.[27] In addition, the deployment schedules had been

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[24]Such a high-risk approach deviated from guidance calling for agencies to thoroughly test system performance and demonstrate that the system could work effectively in an operational environment.

[25]More precise estimates are not possible because the agency lacked a reliable cost methodology to properly segregate the system and non-system work.

[26]During the pre-implementation phase of Phoenix, the agency employed external assessments to make sure that it was using best practices as a risk reduction measure. Phoenix is being implemented in several phases and continued attention is needed to ensure success. To attain this goal, the agency is faced with the challenges to integrate various overseas subsystems that feed financial information into the financial system in Washington, D.C.

[27]The revised development costs, however, do not include substantial costs projected for in-house staff resources and earlier "pre-development" costs.

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[22]This figure did not fully take into account agency costs for employees who worked on Info Share strategies and the cost of procurements made utilizing Info Share contracts. When these costs were considered, the total cost exceeded $115 million.

[23]However, it was developed and deployed to perform only four of the functions: accounting, budgeting, procurement, and operations.

significantly extended. When the contract was awarded, the Department believed that the system it was buying satisfied about 80 percent of its requirements. The remaining requirements were to be completed through contractor-provided software modifications in six months under a fixed price contract. However, the contractor was not able to deliver the modifications, and some of the existing capabilities did not perform as expected. Although the software package was accepted in 1996, it still did not satisfy the necessary requirements. In 1998, the scope of the system was scaled back when several administrative functions were dropped. The new system will cost more, arrive later, and do less than what was first envisioned. Despite this, the Department believes the new system will meet its requirements, but it is not projected to be fully implemented until 2003.

- The Customs Service launched a major initiative in 1994 to reorganize, streamline, and modernize the automated system that supports operations. The "Automated Commercial Environment" system was intended to collect, analyze, and disseminate import-related data in a way that would facilitate the movement of goods into the United States. In 1996, GAO reported that the Customs Service was not "effectively applying critical management practices" to the project. Specifically, the Customs Service started buying equipment before it determined where and how the import, passenger, and export process would occur, and they did not identify the

information needs of the organization and consider alternative ways of meeting them.[28] In 1999, GAO stated that the management approach being undertaken "failed consistently on other agency modernization efforts over the past two decades, [and] has been abandoned by successful organizations." Finally, GAO determined that the Customs Service "lacks the capability to develop or acquire [the system's] software effectively."[29]

- In 1987, the Office of Personnel Management initiated the "Automated Processing System" to process retirement benefits for the Federal Employee Retirement System. In September 1995, the agency decided to temporarily stop the development process. A review board recommended that the project be terminated unless major changes were implemented. Four months later, the Office of Personnel Management and the Office of Management and Budget agreed that the project should be terminated. According to the review board's report, the Office of Personnel Management had invested over 8 years and $25 million on the project.

- The Department of Housing and Urban Development initiated the "Financial

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[28]General Accounting Office, "Customs Service Modernization: Strategic Information Must Be Improved for National Automation Program to Succeed," GAO/AIMD-96-57 (May 1996).

[29]General Accounting Office, "Customs Service Modernization: Serious Management and Technical Weaknesses Must Be Corrected," GAO/AIMD-99-41 (February 1999).

Systems Integration" program in 1991 with a goal of implementing an integrated financial management system. While this goal has remained the same, the strategy for achieving it — along with the costs and completion dates—has changed dramatically.[30] In 1991, the Department proposed replacing about 100 financial and management systems with nine integrated systems at an estimated cost of $103 million. In 1993, the Department abandoned this plan and developed a new strategy. The new plan called for the Department to develop a "core" financial system and various program offices to develop financial and management systems to support their specific requirements. These systems would then be integrated with the core system at a cost of about $209 million and would be fully deployed by December 1998. In 1997, the plan changed once more. The schedule slipped again, and the deployment was delayed until October 1999. New systems were also added. According to GAO, the cost increases and schedule delays were the result of "inadequate project management and oversight." The IG agreed with this analysis: "These frequent changes have made it difficult for the Department to measure performance and progress, and control costs."[31]

- Similar problems existed with components of the Department of Housing and Urban Development's Financial Systems Integration program. The Single Family Acquired Asset Management System, for example, which was developed and deployed as part of the 1993 project, was delivered late and over budget. Furthermore, the system did not meet user needs because it was poorly managed.[32] The Department originally estimated that the system would be developed and deployed for about $3.2 million in 6 months. But the Department awarded the contract to develop the system before adequately defining its requirements. As a result, the cost of the system grew to over $32 million, it was deployed 10 months late, and it failed to meet the needs of its users.

- The IG at the Department of Housing and Urban Development reviewed six high-profile IT projects that were funded between 1992 and 1999. The results of the review found that the "[a]verage productivity of the projects is 10 times less than industry average for similar projects."[33] Also, the projects did not follow the Department's system development guidelines and documentation requirements or industry-accepted practices for project planning and risk assessment.

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[30]General Accounting Office, "HUD Information Systems: Improved Management Practices Needed to Control Integration Cost and Schedule," GAO/AIMD-99-25 (December 18, 1998).

[31]Department of Housing And Urban Development, Office of Inspector General, "Attempt to Audit the Fiscal Year 1999 Financial Statements," 00-

FO-177-0003 (March 1, 2000), p. 18.

[32]*Op Cit.* GAO/AIMD-99-25.

[33]Department of Housing and Urban Development, Office of Inspector General, "HUD Information Technology Investment Practices," 00-DP-166-0001 (October 29, 1999).

COMPUTER SECURITY WEAKNESSES

Part of the mismanagement of agency information technology systems results from the government's inability to protect its systems and data from internal or external attack. Since 1997, the Committee on Governmental Affairs has heard from security experts, senior government officials and the GAO about the persistent security risks associated with the government's information holdings. The security of federal government computer

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The federal government's dependence on computers makes it susceptible to devastating disruptions in critical services, as well as in computer-based safety and financial controls. Such disruptions could be caused by sabotage, natural disasters, or widespread system faults.

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systems is of great importance to the Committee and the nation. Advancements in technology have forced us to look more closely at the factors that may compromise our government's security. Those factors – widely accessible data and instantaneous communication — increase the risks that information will be misused, possibly to commit fraud or other crimes, or that sensitive information will be inappropriately disclosed. The federal government's dependence on computers makes it susceptible to devastating disruptions in critical services, as well as in computer-based safety and financial controls. Such disruptions could be caused by sabotage, natural disasters, or widespread system faults. Hearings of the Committee on Governmental Affairs have uncovered and identified failures of information security affecting our international security and

vulnerability to domestic and international terrorism. The Committee also directed GAO to prepare a "best practices" guide on computer security for federal agencies to use and asked GAO to study computer security vulnerabilities at several federal agencies.

The Governmental Affairs Committee's hearings highlighted our nation's vulnerability to computer attacks—from international and domestic terrorists to crime rings to everyday hackers. And while there has been some action to improve federal information security, more improvement is needed. Last year, members of the Committee worked to ensure passage of the Government Information Security Act, which builds on the basic framework for managing information security by better defining roles among federal agencies to begin to develop a fully secure government. GAO has issued a number of reports on the ineffectiveness of government computer security controls. Below are a few examples of inadequate government information security.

- "[C]ontinued weaknesses . . . increase the risk of disruption in services and make [the Department] of Education's loan data vulnerable to unauthorized access, inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction, all of which could occur without detection."[34]

- "[P]ervasive computer security weaknesses at the Department of the Treasury's Financial Management Service placed billions of dollars of

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[34]General Accounting Office, "Major Management Challenges And Program Risks: Department of Education," GAO-01-245 (January 2001), p. 15.

payments and collections at significant risk of loss from fraud, vast amounts of sensitive data at risk of inappropriate disclosure, and critical computer-based operations at risk of serious disruption."[35]

- "[C]omputer systems at the Department of Energy's laboratories supporting civilian research had become a popular target of the hacking community with the result that the threat of attacks had grown dramatically in recent years. . . . [B]ecause of security breaches, several laboratories had been forced to temporarily disconnect their networks from the Internet, disrupting the laboratories' ability to do scientific research for up to a full week on at least two occasions."[36]

- "[P]ervasive weaknesses in the Corps of Engineers' computer controls at its data processing centers and other Corps' sites could allow both hackers and numerous legitimate users to improperly modify, inappropriately disclose, and/or destroy sensitive and financial data, including Privacy Act data such as social security numbers and other personal information. These weaknesses also increase the vulnerability of other Department of Defense networks and systems to which the Corps' network is linked."[37]

- Allegations were made that the Idaho

National Engineering Laboratory sold surplus computer equipment that contained sensitive data to an Idaho businessman. GAO concluded that some of the computers sold may have contained sensitive data, but did not determine how many.[38]

- A contractor at the Savannah River Site "failed to comply with Department and Savannah River Site requirements for disposal of surplus computers. Specifically, [the contractor] did not clear stored information, including sensitive unclassified information and Unclassified Controlled Nuclear Information, from all surplus computers."[39]

- In 1996, GAO reported that unknown and unauthorized individuals had been increasingly attacking and gaining access to highly sensitive unclassified information at the Department of Defense. These attacks ranged from being nuisances to being a serious threat to national security.[40]

- To determine the extent to which the State Department's systems are vulnerable to unauthorized attack, GAO directed and supervised penetration

[35]General Accounting Office, "High-Risk Series: An Update," GAO-01-263 (January 2001), p. 101.

[36]Ibid., p. 101.

[37]Ibid., p. 101.

[38]General Accounting Office, "Department of Energy Procedures Lacking to Protect Computerized Data," GAO/AIMD-95-118 (June 1995).

[39]Department of Energy, Office of the Inspector General, "Semiannual Report to the Congress" (September 30, 2000), p. 17.

[40]General Accounting Office, "Information Security: Computer Attacks at Department of Defense Pose Increasing Risks," GAO/AIMD-96-84 (May 1996).

testing of State Department systems. GAO's reviews and testing revealed the susceptibility of the State Department's systems to unauthorized access and that unauthorized retrieval of sensitive information from such systems was possible. Testers were able to download, delete, and modify data, add new data, shut down servers, and monitor network traffic. This activity went largely undetected, further underscoring the State Department's serious vulnerability to attack.[41]

- The GAO conducted an evaluation of the National Aeronautics and Space Administration's information technology security program in 1999. GAO determined that NASA's program did not include key elements of a comprehensive information technology security management program because it did not assess risks, effectively implement controls, provide training, monitor policy compliance, or provide incident response capabilities.[42]

- A teenage hacker was nabbed by an Army cybercrimes investigation unit after he successfully hacked three Army servers, an Air Force server, and two private sector computers. The military servers were domain servers, computers that function as the "white pages of the Internet." According to the Army, when

hackers get access to such servers they can redirect network traffic anywhere they wish.[43]

PRIVACY

Governmentwide management weaknesses not only lead to lax computer security practices, but also undermine the ability of the government to keep the trust of the public. Because weak computer security management puts personal information at risk of being viewed, modified or altered, the government is unable to protect the very information it collects. And while it is up to a consumer to choose which company he or she will do business with based on their privacy policies, they have no choice but to provide the government with financial, health, and other personal information in order to comply with federal requirements and to be able to receive certain government program benefits. Below are a number of examples of how the government has been unable to protect sensitive personal data.

- **Social Security Administration:** According to a 1997 Price Waterhouse audit of the Social Security Administration, the agency has several deficiencies that could "adversely affect [its] ability to meet internal objectives," such as the failure to properly record and account for transactions. The auditors also suggested that the Social Security Administration work to strengthen its agency-wide computer security program to protect against the risk of unauthorized access to sensitive benefits

[41]General Accounting Office, "Computer Security: Pervasive, Serious Weaknesses Jeopardize State Department Operations," GAO/AIMD-98-145 (May 1998).

[42]General Accounting Office, "Information Security: Many NASA Mission-Critical Systems Face Serious Risks," GAO/AIMD-99-47 (May 1999).

[43]Joshua Dean, "Teen Convicted of Hacking Military Computers," *GovExec* (March 27, 2001).

information.[44]

- **Environmental Protection Agency:** The Department's IG discovered in 1997 that the agency was vulnerable to hacker attacks. Hackers raided the EPA six times from October 1992 to November 1997. In its 1998 Federal Managers' Financial Integrity Act report, EPA acknowledged that its computer security plans were "deficient or non-existent, potentially placing agency organizations in a state of non-compliance with federal and agency regulations."

- **State Department:** In March 1998, State Department officials shut down systems after investigators found data indicating that an unauthorized person had used computers at two undisclosed overseas posts. As a result of an October 1997 intrusion, the two posts were limited in their access to the network, which forced the State Department to circulate delicate information on paper via courier.[45]

- **State Department:** During extensive tests at the State Department in 1996 and 1997, GAO investigators, with assistance from a major accounting firm, succeeded in breaking into State Department networks by dialing in from modems. The investigators also thwarted building security and walked into areas where there were unattended computers and servers. A user identification and password were taped to one computer. Once inside the Department's networks, GAO reported, "We were able to access sensitive information. In addition, we could have performed system administration actions that would have allowed us to download, delete and modify these data, add new data, shut down servers, and monitor network traffic." The systems that GAO penetrated held performance appraisals, international financial data, travel arrangements, e-mail, and passwords."[46]

- **Department of Commerce:** In August 2000, a Commerce Department security official in charge of investigating the private backgrounds of Department employees, was suspended for downloading and storing a "monolithic" stash of porn files on his government computer and on the Department's Intranet, posing a security risk for the entire system. The official allegedly maintained files with pictures and graphics of female employees which he juxtaposed with pornographic material of naked women posing in sexual positions and performing sex acts. In the past, several female employees had filed sexual harassment complaints against him, but the complaints were allegedly "overlooked" by the director of the security office.[47]

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[44] Alison Maxwell, "SSA Audit Sees Fraud Potential ," *GovExec.com* (December 5, 1997).

[45] "State Dept. Computers Vulnerable," *GovExec.com*, (March 24, 1998).

[46] General Accounting Office, "Computer Security: Pervasive, Serious Weaknesses Jeopardize State Department Operations," GAO/AIMD-98-145 (May 1998).

[47] Paul Sperry, "Cyberporn Scandal Hits Commerce Department," *WorldNetDaily* (September 27, 2000).

- **Department of Agriculture:** The Agriculture IG has found over 600 security vulnerabilities in agency computer systems. Systems which have been easily hacked include the following: the National Agricultural Statistics Service quantity/price database which, if altered, could "drastically impact world commodity markets"; the Rural Development's $56 billion loan portfolio; and the Food Safety and Inspection Service database that ensures a safe meat and poultry supply.[48]

- **Internal Revenue Service:** During last year's tax filing season, the IRS did not take adequate steps to protect the security of electronic filing systems and electronically transmitted taxpayer data. As a result, unauthorized individuals, both inside and outside the IRS, could have gained access to the IRS electronic filing systems and viewed and modified taxpayer data.[49]

WHAT CAN BE DONE?

In order to remedy some of the central problems underlying the way the government does business, agencies must fully implement the Clinger-Cohen Act by investing wisely, ensuring they are aligning technology with business needs, continuously improving processes, and using contracting procedures that allow them to keep up with the pace of technology. In short, agency managers need to understand that technology is changing the way business is conducted in both the private and the public sectors. Automating for automating's sake neither achieves results nor savings. Automating in connection with mission goals and program needs will help agencies produce results.

Executive agencies and departments should:

- Emphasize early oversight and planning: Target oversight of computer acquisitions on the early phases of programs to encourage agencies to reevaluate how they do business before spending money on automation.

- Avoid reinventing existing technology: Ensure that developing unique systems is the exception rather than the rule. It should be rare for the government to purchase anything but commercially available hardware and software.

- Size projects to manageable levels: Adopt an evolutionary approach to systems acquisition by splitting acquisitions in smaller stand-alone segments. Each subsequent piece should be required to be compatible with its predecessors.

- Encourage innovation: As technology changes, what is appropriate in today's environment may be obsolete tomorrow. The government needs to be flexible in incorporating new technology.

- Create incentives for contractors to perform better: Consider past management performance in meeting cost, schedule, and performance goals as

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[48]Testimony of Roger C. Viadero, before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies (February 17, 2000), p. 21.

[49]General Accounting Office, "Information Security: IRS Electronic Filing Systems," GAO-01-306 (February 2001).

one factor in selecting a contractor.

- **Communicate lessons learned**: Encourage the foundation of interagency advisory working groups to share experience about computer systems acquisitions.

- **Review existing large computer systems acquisitions**: Review existing acquisitions to determine if current plans for automation will achieve the best value for the taxpayer.

With regard to security issues, executive agencies and departments should:

- **Examine the security risks**: Assess the organization's security risks and develop ways to reduce the most critical risks in a cost-effective manner.

- **Implement risk reduction approaches**: As risk factors change, the approaches should be updated.

- **Educate users**: Help users understand the importance of reducing security risks. This will enable users to think twice before revealing sensitive data and more likely to report suspicious activity.

- **Monitor the effectiveness of the risk reduction approaches**: Since new technology is being introduced rapidly, and related security approaches are often lagging behind, the organization must keep abreast of new risks and new ways to reduce those risks.

Table VIII: The Case of the "Railway Killer"

Sufficient computer capabilities can make the difference in catching a deadly criminal. . .

Senator William S. Cohen
Investigative Report [50]

Much of the discussion concerning mismanagement in the federal government deals with wasted resources and missed opportunities. In some cases, however, mismanagement has real human costs and involves real human lives. One such example involves the Department of Justice and six years of mismanagement within the Immigration and Naturalization Service.

In 1994, the computer systems at the Immigration and Naturalization Service were woefully inadequate. In fact, information was primarily located in paper files that had to be manually shipped to immigration offices. The process, which takes months, led to the Service being unable to identify, apprehend, and deport criminal aliens.

In 1995, the Immigration and Naturalization Service began work to improve its automated systems through 12 initiatives. In 1996, the 12 initiatives were reorganized into 8 functional program areas. According to the IG, these 8 functional program areas were mismanaged from the start. The IG, for example, reported that the Service "does not adequately manage its automation programs despite the fact that it has now spent over $800 million on these programs during [fiscal years] 1995 to 1997."[51] The IG went on to say that, "INS still cannot sufficiently track the status of its projects to determine whether progress is acceptable. . . . Also, INS staff were unable to adequately explain how funds were spent."

One of the 12 initiatives was for biometrics identification systems.[52] Supposedly, the Service had given the deployment of the biometrics identification systems, or IDENT, a high priority, especially at Border Patrol facilities in the Southwest.

Despite this priority, the systems encountered immediate problems. In 1998, the IG reported that the Service was "not making consistent and effective use of IDENT as a tool for border

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[50]"Computer Chaos: Billions Wasted Buying Federal Computer Systems", Investigative Report of Senator William S. Cohen (October 12, 1994).

[51]Department of Justice, Office of Inspector General, "Follow-up Review: Immigration and Naturalization Service Management of Automation Programs," 99-19 (July 1999).

[52]Biometrics are individually-unique biological measurements such as fingerprints, hand geometry, facial recognition, or retinal patterns. The system is an automated identification system that allows Service employees to identify and track illegal or criminal aliens through the rapid and accurate electronic comparisons of their fingerprints. Fingerprints are the most commonly used biometrics.

enforcement."[53] The IG went on to identify the following specific problems:

- "[T]he Border Patrol must enroll all apprehended aliens in IDENT. Currently, the Border Patrol is enrolling less than two-thirds of apprehended aliens in IDENT."
- "[The Service] must enter the fingerprints of all deported aliens and known criminal aliens into the . . . database. INS is failing in this regard. INS has entered the fingerprints of only 41 percent of the aliens deported and excluded in Fiscal Year 1996. . . [T]his results in previously deported aliens (including aggravated felons) being released from INS custody when subsequently apprehended because INS is unaware of their immigration or criminal histories."
- "INS needs to coordinate with the United States Attorney for each district along the Southwest border to establish a border enforcement and prosecution strategy that takes advantage of IDENT."
- "[T]here were virtually no controls in place to ensure the quality of data entered into the [system's] lookout database.[54] As a result, we found duplicate records and invalid data. . . Contributing to IDENT data quality problems has been a lack of IDENT training."

These deficiencies led to tragic human consequences in the case of Rafael Resendez-Ramirez, a Mexican national who has an extensive criminal record and is accused of committing several murders in the United States.[55] He was implicated in a murder near Houston in 1998. In early 1999, the Houston police contacted INS investigators several times seeking assistance in the search for Resendez. In June 1999, the Federal Bureau of Investigation formed a multi-agency task force in Houston to capture Resendez and also placed him on its list of "Ten Most Wanted Fugitives."

Unfortunately, if the INS had done its job, these events never would have occurred because:

- Resendez had been apprehended by the Border Patrol "seven times in 1998 while crossing the border illegally, had been enrolled in IDENT each time, and had been 'voluntarily returned' to Mexico each time without formal proceedings."[56]
- On June 1, 1999 - at the same time that state and federal warrants for Resendez were outstanding - Border Patrol agents had "apprehended him crossing the border illegally, processed him in IDENT, and voluntarily returned him to Mexico the same day. Upon investigation, the IG found that none of the INS employees who were contracted by other law enforcement agents seeking Resendez had placed a "lookout" for him in the system.

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[53]Department of Justice, Office of Inspector General, "Review of the Immigration and Naturalization Service's Automated Biometric Identification System (IDENT)," I-98-10 (March 1998).

[54]The lookout database contains fingerprints and photographs of approximately 400,000 aliens who have been previously deported by the INS or who have a significant criminal history.

[55]Department of Justice, Office of Inspector General, "The Rafael Resendez-Ramirez Case: A Review of the INS's Actions and the Operation of Its IDENT Automated Fingerprint Identification System" (March 20, 2000).

[56]*Ibid.*

When agents apprehended Resendez as he attempted to illegally cross the border, nothing alerted employees to the fact that he was wanted or had an extensive criminal record. The IG concluded that the problems found in the Resendez case were indicative of, and partly caused by, larger problems in the design and implementation of IDENT.[57] Specifically,

- "IDENT was not . . . linked with other INS or criminal databases."
- "Although one of the stated missions of IDENT is to help the INS identify and apprehend criminal aliens, . . . many INS employees viewed it primarily as a database to help the Border Patrol track repeat illegal border crossers, not as a useful tool for other INS components."
- "IDENT training . . . was ineffective or non-existent. . . . We found a distinct and widespread lack of knowledge about the lookout policy among the Houston investigators . . . many of whom acknowledged that they did not know about the lookout policy and did not use IDENT."

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[57]*Ibid.*

D. OVERLAP AND DUPLICATION

No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear. Actually, a government bureau is the nearest thing to eternal life we'll ever see on this earth!

Ronald Reagan
October 27, 1964

Overlap and duplication abound in the federal government. In virtually all things that the government touches, multiple programs operated by multiple agencies try to solve the same problems. Table IX provides a number of examples. Here are just a few:

C   Seven different federal agencies administer 40 different programs aimed primarily at job training.
C   Eight different federal agencies operate 50 different programs to assist the homeless.
C   Nine agencies operate 27 teen pregnancy programs.
C   Seventeen agencies monitor and enforce over 400 international trade agreements.
C   There are about 100 different funded programs serving at-risk or delinquent youths.
C   Seventy different agencies gather and analyze statistical data.
C   Seventeen departments and agencies operate 515 research and development laboratories.
C   Over 40 agencies are engaged in activities to combat terrorism.

Where did they all come from? Federal agencies and programs have mushroomed over time, evolving more-or-less randomly in response to the real or perceived needs of the moment. As former President Reagan aptly noted, agencies and programs hardly ever die—even after they have clearly outlived their usefulness. Rather than fixing, replacing, or eliminating dubious programs, we tend to layer new programs on top of the existing ones. Charles Bowsher, the former U.S. Comptroller General and head of the GAO, stated in testimony some years ago before the Senate Governmental Affairs Committee:

The case for reorganizing the federal government is an easy one to make. Many departments and agencies were created in a different time and in response to problems very different from today's. Many have accumulated responsibilities beyond their original purposes. As new challenges arose or new needs were identified, new programs and responsibilities were added to departments and agencies with insufficient regard to their effects on the overall delivery of services to the public.[1]

[1] General Accounting Office, "Government Reorganization: Issues and Principles," GAO/T-GGD/AIMD-95-166 (May 17, 1995), pp. 2-3.

Nothing has changed since then. Indeed, the problem has only grown worse.

Redundant federal programs obviously are wasteful and inefficient. They also do a disservice to those people who depend on them. The current Comptroller General, David Walker, made this point in his recent testimony before the Governmental Affairs Committee:

> [O]ur work has repeatedly shown that mission fragmentation and overlap are widespread. Unfocused and uncoordinated programs waste scarce funds, confuse and frustrate program customers, and limit overall program effectiveness.[2]

More usually doesn't mean better when it comes to federal programs. Ironically, multiple and overlapping programs, each with its own unique processes and requirements, often work against the very beneficiaries they are intended to help. Sometimes the intended beneficiaries just fall through the cracks. For example, GAO found:

> There are over 90 early childhood programs in 11 federal agencies and 20 offices. The "system" of multiple early childhood programs with firm cutoffs could lead to disruptions in services from even slight changes in a child's family status. While multiple programs target disadvantaged preschool-
> aged children, most such children do not participate in any preschool program.[3]

Likewise, services aren't coordinated among the diffuse 130 programs in 19 agencies that serve the disabled. As a result, some people with disabilities may receive duplicate services while others face service gaps.[4]

Overlapping programs often have different, and even inconsistent, eligibility standards. This limits the ability of state and local governments, which often administer these programs, to make sense out of them. It also confuses and frustrates potential applicants. For example, of the 40 different programs with job training as their main purpose, 33 primarily serve single target groups. Ten of these programs are targeted at Native Americans. However, there are distinctions even within the targeted populations. One of the Native American programs serves only disabled people while another serves only Native Hawaiians.[5] Also, there may be fine distinctions within the same eligibility factor. For example, "economically disadvantaged" is defined differently among some job training programs. A member of a family of four with an income of $20,040 would be eligible to participate in one of these

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[2]General Accounting Office, "Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century," GAO/T-OCG-00-9 (March 29, 2000), p. 22.

[3]General Accounting Office, "Management Reform: Continuing Attention Is Needed to Improve Government Performance," GAO/-GGD-00-128 (May 4, 2000), p. 13. (Emphasis supplied)

[4]General Accounting Office, "Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap," GAO/AIMD-97-146 (August 1997), p. 27.

[5]General Accounting Office, "Multiple Employment and Training Programs: Overlapping Programs Indicate Need for Closer Examination of Structure," GAO-01-71 (October 2000), pp. 5-6.

programs, but would be ineligible for another.[6]

With respect to community development programs aimed at improving poor or distressed neighborhoods, GAO reported:

> *The fragmentation of federal programs among at least 12 federal departments and agencies imposes a burden on distressed urban communities seeking assistance. Historically, there has been little coordination among the agencies, which have been protective of their own resources and separate organizational missions. . . . [C]ommunity organizations have to piece together a complex web of funding from private and public sources.*[7]

The fact that multiple agencies and programs have similar purposes is not necessarily a bad thing. Some overlap is inevitable given the size and complexity of the federal government's legitimate responsibilities. Indeed, overlap sometimes provides valuable checks and balances. However, no rational person could defend the scattershot, uncoordinated maze of agencies and programs that make up today's federal government. We probably need more than one program dealing with at-risk youths, but 131 programs? The sheer numbers of

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[6]General Accounting Office, "Managing for Results: Barriers to Interagency Coordination," GAO/GGD-00-106 (March 2000), pp. 12-13.

[7]General Accounting Office, "Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap," GAO/AIMD-97-146 (August 1997), p. 23.

agencies and programs in area after area defy reason and common sense. No one could seriously argue that all these overlapping agencies and programs are necessary or that they are equally effective.

WHAT CAN BE DONE?

Few would dispute that the government in Washington cannot do effectively all it is now charged with doing. There's an obvious need to bring some order out of this chaos. However, meaningful reform of the federal government won't come from just reshuffling current organizational boxes and redistributing current programs. We need to take a fresh look at what Washington does and how it does it. Our Founding Fathers designed a government of defined and limited powers. Imagine their dismay if they knew the size and scope of the federal government today. We need to return to the limited but effective government that the Founders intended. This means divesting the federal government of functions it is not well suited to perform. However, and every bit as important, it also means ensuring that the federal government does a better job of performing its core responsibilities.

It won't be easy. For one thing, there are major political hurdles to clear. Everyone can agree in the abstract that the federal government has bitten off more than it can chew, and that it spends too much on wasteful or ineffective programs. When it comes to specifics, however, the going gets tougher. Over time, virtually every agency and program breeds an entrenched constituency that feeds off it and defends any challenges to the status quo. These constituencies are often very effective. They may believe quite sincerely in their pet programs. After all, one person's wasteful program is another person's livelihood. In any

event, such narrowly focused and intense special interests can often trump broad-based reform efforts. Hence, Ronald Reagan's axiom that the closest thing to immortality is a government agency or program. Jonathan Rauch made the same point in a recent article:

> *The government is, of its nature, inseparable and inalienable from the million commitments it has made and the million interest groups it has spawned. Converting the electorate's shuddering waves of discontent into the hundreds or thousands of alterations to programs affecting specific groups is like converting earthquake energy into steam power: possible in theory but elusive in practice.*[8]

There are various ways to try to overcome, or get around, the special interests. Some have proposed mandatory periodic "sunset" reviews to force agencies and programs to re-justify themselves from time to time. Another idea is a government restructuring commission that would develop objective reform proposals for

expedited Congressional up-or-down votes. A third possibility is to give the President broader authority to reorganize the government.

Even if we can muster the political will to seriously rethink what Washington does, the task will be daunting. Most agencies and programs can't explain in a clear and meaningful what they're trying to accomplish, and they can't measure in a credible way how well they're accomplishing it. Right now, we simply don't have the information we need to make rational judgments about which programs are working and which are not—much less to compare their relative performance.

Obviously, questions about the merit and relative merit of federal programs involve subjective value judgments. This is the essence of our political system. However, such judgments should be the product of honest and open debate that is informed by objective and fact-based analysis. We need to muster useful and reliable information about how programs are performing in order to engage in such debates and make such judgments. Getting that kind of information should be the first step toward trying to make sense out of what we do in Washington.

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[8]Jonathan Rauch, "Government's End," National Journal, January 8, 2000.

TABLE IX: EXAMPLES OF PROGRAM OVERLAP AND FRAGMENTATION[9]

PROGRAM AREAS	OVERLAP AND FRAGMENTATION
Border control	There are long-standing coordination problems between the two agencies responsible for primary inspections at U.S. land border points of entry: the Customs Service and the Immigration and Naturalization Service. These problems complicate efforts to deal with changing and expanding international business as well as increasing international migration flows. The FBI, the Customs Service, the Drug Enforcement Agency, the Coast Guard, and the Immigration and Naturalization Service all investigate illegal alien smugglers.
Combating terrorism	Over 40 federal agencies are involved in activities to combat terrorism. Their combined spending on these activities exceeds $10 billion annually.
Community development	The federal government assists urban communities through a complex web involving at least 12 federal agencies and hundreds of programs in the areas of housing, economic development, and social services. For example, the Department of Housing and Urban Development operates 23 self-sufficiency and economic opportunity programs that target tenants of public and assisted housing, or low and moderate income residents in certain geographic areas. According to GAO, many of these categorical programs may make sense when considered individually; taken together, however, they often work at cross purposes. Historically, there has been little coordination among the federal agencies, which are protective of their own resources and separate organizational missions. This imposes burdens on distressed urban communities seeking assistance, as they try to piece together and navigate through a complex web of funding.

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[9]The examples in this table are compiled from many different GAO reports and other sources. They are by no means exhaustive. Virtually all federal functions involve multiple agencies and programs.

Drug control, prevention, and treatment	Responsibility for federal drug control strategies and their implementation is fragmented among more than 50 federal agencies. There is duplication and overlap in the analysis and reporting of drug intelligence data by federal agencies. Four agencies are responsible for coordinating or developing narcotics detection technologies. Some of them have differing views on the need for various detection technologies. At least 70 programs in 13 federal departments and agencies could be used to provide substance abuse prevention services for youths. These overlapping programs create difficulties for those seeking the most appropriate services and funding sources. Insufficient information exists on the accomplishments of the different federal programs. The number of federal agencies involved in substance abuse treatment and prevention has increased from 12 to 16 in recent years. There are at least 19 federal programs devoted exclusively to substance abuse prevention.
Early childhood development	There are over 90 early childhood programs scattered among 11 federal agencies and 20 offices. The "system" of multiple early childhood programs with firm cutoffs can lead to disruptions in service from even slight changes in a child's family status. While multiple programs target disadvantaged preschool-aged children, most such children do not participate in any preschool program. Nine federal agencies and departments administer 69 programs supporting education and care for children under age 5. The Departments of Education and Health and Human Services have 4 different programs addressing low-income child care or education: the Child Care and Development Fund, Social Services Block Grant, and Head Start program at HHS, and Education's "Title I" program.

Economic development	There are 342 federal economic development-related programs administered by a multitude of agencies. A majority of these programs are in the Departments of Agriculture, Commerce, Health and Human Services, and Housing and Urban Development, as well as the Small Business Administration. However, 13 of the 14 federal cabinet departments and many more agencies and administrations operate economic development programs. Consolidation or elimination of similar programs, such as those managed by the Department of Housing and Urban Development, the Department of Commerce's Economic Development Administration, and the Appalachian Regional Commission would help eliminate duplication and fragmentation of federal assistance programs aimed at economic development.

Education	Seven agencies administer 40 different programs that have job training as their main purpose. Of the 40 programs, 33 primarily serve single target groups. For example, 10 serve Native Americans, 5 serve youths, and 5 serve veterans. Many of the targeted programs overlap by providing similar services, but not all members of the target group may participate. For example, one of the Native American programs serves only disabled people while another serves only Native Hawaiians.
	Despite decades of efforts to better coordinate job training programs, conflicting eligibility requirements and differences in annual operating cycles still hamper the provision of needed services. For example, nine programs which target the economically disadvantaged use several different standards for measuring income level, defining family or household, and determining what is included in income. Sixteen programs that target youth have four different operating cycles.
	There are 29 federal programs that provide early education and care as their primary purpose. While the Education Department administers most of these programs, the Department of Health and Human Services administers most of their funding—$8 billion of the total $9 billion annually. The two Departments are trying to develop common performance outcome indicators for these programs (e. g., children will leave kindergarten ready to learn to read). However, it is too soon to tell if these efforts will be sufficient to improve services for children.
	Migrant education is another area where better coordination is needed. Different federal eligibility requirements for programs targeting migrant children create service gaps, impede service delivery, and complicate transfers between programs.
	At least nine agencies engage in a variety of activities to promote math and science education, with total expenditures of about $ 2.5 billion annually. However, because these agencies don't submit their materials to a central clearinghouse, as required by law, educators lack a comprehensive list of federally funded materials and may have trouble learning what materials are available.
	At least 86 teacher training programs in 9 federal agencies fund similar types of services.

Environmental programs	The Department of Health and Human Services and the Environmental Protection Agency need to better coordinate their efforts to reduce, monitor, and develop methods for measuring human exposure to toxic chemicals. At least five federal agencies have spent nearly $1 billion in support of 12 international environmental agreements. There were significant differences in both the amount of their spending and in the purposes for which the money was spent. At least 72 federal programs and other initiatives in 8 departments and agencies assist states, municipalities, individuals, and others in their efforts to improve and protect water quality from various pollution threats.
Federal land management	The Interior Department's National Park Service, Fish and Wildlife Service, and Bureau of Land Management, and the Agriculture Department's Forest Service all deal with federal land management. Their responsibilities have become increasingly similar over time. The issues they address, such as managing forested areas and controlling wildfires, transcend their administrative boundaries and require increased collaboration with each other and with other entities, such as states and private landowners. All four of the agencies acquire new recreational lands. The Bureau of Land Management and the Forest Service both operate land exchange programs, which are poorly managed. GAO has suggested that Congress consider reorganizing or streamlining federal land management programs and agencies.
Federal property management	The Departments of Justice and Treasury maintain separate forfeited asset funds that have inventories totaling about $1.8 billion. According to GAO, the Departments could save the taxpayers money and improve efficiency by consolidating the management of their two funds. For example, the two Departments use separate contractors to handle seized assets, such as cars, at the same locations. However, the Departments have consistently rejected a GAO recommendation dating back to 1991 to consolidate management of the two funds.

Financial regulation	The Treasury Department, Federal Reserve, Securities and Exchange Commission, and Commodities Futures Trading Commission assess risks that cut across regulatory and industry boundaries. A number of different federal agencies conduct examinations of various types of financial institutions. Four federal agencies—the Federal Reserve System, the Federal Trade Commission, and the Departments of Justice and Housing and Urban Development—all handle fair lending issues. These agencies need to develop procedures to share information on consumer complaints.
Food safety	Federal responsibilities for ensuring the safety of the Nation's food are highly fragmented, with as many as 12 different federal agencies spending more than $1 billion annually to administer over 35 food safety laws. For example, the Agriculture Department inspects meat pizzas while the Department of Health and Human Service inspects non-meat pizzas. Until these responsibilities are consolidated, federal food safety efforts will continue to suffer from inconsistent oversight, poor coordination, and inefficient allocation of resources.
Foreign relations	Countries formerly part of the Soviet Union have received assistance through over 200 federal programs operated by 23 different federal departments and agencies. Sixteen federal agencies fund international educational, cultural, and training exchange activities through about 75 programs.
Homelessness	There are 50 different federal homeless assistance programs, administered by 8 different agencies. About 15 to 17 of these programs are targeted specifically at the homeless. The programs are highly fragmented since each program has its own eligibility criteria, application procedures, and other requirements.

International trade	At least 17 federal agencies monitor and enforce over 400 U.S. trade agreements. As the number of trade agreements and partners increases, monitoring and enforcing foreign compliance with these agreements has become more complex. They include far-reaching World Trade Organization agreements, which cover about $1.4 trillion in annual U.S. trade with 135 countries, as well as significant bilateral agreements with key trading partners like Japan and China.

Ten federal agencies offer services that promote U.S. exports, often in an inefficient and confusing manner. This fragmentation adversely affects the U.S. business community and taxpayers.

At least 12 federal agencies have some responsibility for addressing sanitary measures of other countries that may prohibit the importation of U.S. agricultural products. However, no single agency exercises overall direction of federal efforts in this area. For example, it was unclear which agency should lead federal efforts to address a Chinese ban on certain U.S. wheat products. |
| Law enforcement | At least 45 different federal agencies conduct federal criminal investigations. Collectively, these agencies employ about 50,000 investigators.

Many federal agencies maintain their own internal "police departments." |
| Military acquisitions | The military services and defense agencies purchase guided weapons on the basis of their individual requirements. They have refused to consolidate overlapping and redundant acquisition programs. Consequently, the Defense Department has a proliferation of acquisition programs for guided weapons with a total investment of about $16.6 billion over the next 10 years. This will result in doubling the inventory of guided weapons that may be necessary to meet national objectives.

Military services and defense agencies also have long procured and operated multiple long-haul telecommunications systems to meet their individual needs. This has resulted in at least 87 independent telecommunications networks, costing more than $89 million annually, that are fragmented and redundant. |

Military health care	The Army, Navy, and Air Force provide services through medical centers and clinics involving about 580 treatment facilities with annual costs of about $16 billion. There is much redundancy and waste. For example, the Washington, D.C., area has three large military health facilities—Walter Reed, Bethesda, and Malcolm Grow. These facilities provide duplicative services, and in some cases lack sufficient workloads. Yet, the military services have resisted any efforts to consolidate their medical departments into a single health agency. The Defense Department and the Department of Veterans Affairs have failed to cooperate on sharing medical resources for veterans health care. According to GAO, Congress may need to intervene to provide direction and guidance to the Departments.
Nuclear health and safety	The Environmental Protection Agency and the Nuclear Regulatory Commission are responsible for setting the standards to regulate certain radiation levels. However, they can't agree on the level of radiation that is safe.
People with disabilities	The federal government operates at least 70 programs to assist people with disabilities. About 30 of these programs, with estimated expenditures of $110 billion annually, are aimed primarily at assisting the disabled. However, because of lack of coordination among these programs, some people with disabilities receive duplicate services while others face service gaps.
Research and development	Seventeen federal departments and agencies operate a total of 515 federal research and development laboratories, including those run by contractors. The Department of Agriculture reported the largest number of laboratories (185). Laboratories in the Departments of Defense, Energy, Health and Human Services, and the National Aeronautics and Space Administration accounted for 88 percent of the funding. The Environmental Protection Agency, the National Science Foundation, and the Departments of Commerce, Energy, and Transportation all are working to create fuel-efficient automobiles. Several agencies are conducting research and development to counter chemical and biological threats. Most are within the Defense and Energy Departments. However, the two Departments are not coordinating sufficiently to ensure that potential overlaps, gaps, and opportunities for collaboration are addressed.

Rural development	Using data from the Bureau of the Census and the Catalog of Federal Domestic Assistance, GAO identified 88 federal rural development programs. The web of policies, programs, and regulations accompanying federal funding for rural development makes service delivery inefficient, according to local and regional officials. At least 28 federal programs administered by 15 federal agencies provide funds that were either specifically designated for telecommunications projects in rural areas or could be used for that purpose. Rural development experts and public officials have pointed to the need to make these multiple telecommunications programs easier to identify and use. Federal water programs, which are intended to promote the efficient use of finite water resources for the Nation's agriculture and rural water systems, are inconsistent and work at cross purposes. As many as 8 different federal agencies administer 17 different programs just in the area of rural water and wastewater systems. Each of these programs has its own set of regulations. The complexity and number of programs hamper the ability of rural areas to use them.
Satellite control systems	Federal defense, intelligence, and civilian agencies operate separate satellite control systems to ensure that satellites reach their planned orbits and perform as intended. The agencies need to make more efficient use of the several hundred million dollars spent annually on these efforts. However, the Defense Department has done little to foster integrated and compatible satellite control for all government space activities since it was directed to do so by the 1996 national space policy.
Statistical programs	At least 70 different federal agencies engage in statistical activities, at a total annual cost of over $2.75 billion. These fragmented and decentralized activities cause inefficiency, poor allocation of taxpayer resources, and barriers to data sharing among agencies. They also impose burdens on those who provide statistical data to the federal government, as well those who use the data.

Teen pregnancy prevention	The Department of Health and Human Services has 27 different programs and services to prevent teen pregnancy; eight other agencies also operate such programs. These programs spend at least $200 million annually. However, with so many programs and agencies, coordination is increasingly necessary and complex.
Telemedicine	"Telemedicine" refers to communication technologies that help deliver medical care by linking medical personnel with patients at distant or remote locations. Over 35 federal organizations within nine departments and independent agencies operate or support telemedicine efforts at an annual cost of at least $646 million. Opportunities exist to share the lessons learned and benefits of these initiatives, but there is no government-wide strategy to do so.
Youth programs	There are about 130 federal programs on the books to serve at-risk or delinquent youths. About 100 of these programs are actually funded, at a total annual cost of more than $4 billion. Most of these are relatively small programs with budgets of about $10 million that provide multiple services and have multiple target groups, raising questions about their overall efficiency. Eight federal agencies administer at least 46 programs earmarked for youth development.

APPENDIX: TOP MANAGEMENT CHALLENGES MOST FREQUENTLY IDENTIFIED BY INSPECTORS GENERAL (DECEMBER 2000)

Agency	Information Technology Management & Security	Results Act Compliance, Implementation & Accountability	Financial Management & Annual Statements	Procurement & Grant Management	Human Capital & Staffing	Service to the Public	Public Health & Safety	Physical Infrastructure
1. USAID	X	X	X		X			
2. Agriculture	X		X	X		X	X	
3. Commerce	X	X	X	X		X		
4. Defense	X		X	X	X		X	X
5. Education	X	X	X	X		X		
6. Energy	X			X	X		X	X
7. HHS	X	X	X	X		X	X	
8. HUD	X	X	X	X	X	X		
9. Interior	X	X	X	X		X	X	
10. Justice	X		X	X	X		X	X
11. Labor	X	X	X	X		X		
12. State	X	X	X	X	X		X	X
13. Transportation	X	X	X	X	X	X	X	X
14. Treasury	X	X	X			X		
15. Veterans Affairs	X	X	X			X	X	
16. EPA	X	X	X	X	X		X	
17. FEMA	X	X	X	X		X	X	
18. FDIC	X	X		X	X			
19. GSA	X	X		X	X	X	X	X
20. IRS	X	X	X		X	X		
21. NASA	X	X	X	X	X		X	
22. NSF	X	X		X	X			X
23. NRC	X	X	X	X	X	X	X	
24. OPM	X	X	X		X	X		
25. SBA	X	X	X	X	X			
26. SSA	X	X			X	X		
27. Postal Service	X	X			X	X	X	
TOTAL	**27**	**23**	**21**	**20**	**18**	**17**	**15**	**7**