
provide employment support for people with disabilities, and that service inclusion and integration is consistent with disability civil rights laws. GAO agrees and included such programs to provide a more comprehensive picture of the services and supports available to help people with disabilities stay at work or return to work.

Four agencies—USDA, HHS, Labor, and SSA—highlighted unique characteristics of their programs, with respect to the actual services provided, program design used, and populations served. For example, USDA noted that the AgrAbility program is the only federally funded program that has developed expertise to accommodate disability among those working in agriculture. GAO revised the report to more clearly reflect program variation, as appropriate.

Labor questioned whether servicemembers and veterans should be considered similar populations. While there are obvious distinctions, GAO included programs serving these populations in one category because most DOD programs in the scope of this review reported facilitating the transition of servicemembers into veteran status. In addition, there are a number of programs that serve both servicemembers and veterans, such as Labor's America's Heroes at Work program and REALifelines program.

Two agencies commented on their programs' outcomes related to employment. SSA pointed out that a low return-to-work rate among its disability beneficiaries does not necessarily raise questions about the efficiency and effectiveness of its disability program, and also noted that programs that support employment for people with disabilities have varying definitions of disability, which may affect the return-to-work objectives of any given program. In addition, USDA noted that most participants in its AgrAbility program were able to continue working, and that the program has demonstrated a high return on investment. GAO modified language and added some additional information to the report to address these points.

Finally, Labor provided examples of coordination within and among agencies that GAO did not identify through its survey. GAO made changes to the report, as appropriate, and plans to include additional information on coordination among selected programs in its 2012 report.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products listed in the related GAO products section as well as additional work GAO conducted to be published as a separate product in 2012. GAO identified programs that support employment for people with disabilities by reviewing the Catalog of Federal Domestic Assistance and GAO's prior work and consulting stakeholders. GAO included programs that served only people with disabilities, as well as programs that served

a broader population but provided special consideration to people with disabilities or their employers.¹⁰ GAO did not conduct an independent legal analysis to identify relevant programs. GAO validated this list of programs with agency officials and fielded a web-based survey to these programs from August 2011 to October 2011. GAO used the survey to collect information on programs' objectives, eligibility criteria, services offered, and program obligations in fiscal year 2010, among other data. When programs were jointly administered by two or more federal agencies, GAO consulted with the agencies and asked them to designate one official to fill out the survey for that program. GAO incorporated data reliability checks into the survey instrument, reviewed documentation, and conducted follow-up interviews, as necessary. GAO followed up with some survey respondents based on electronic checks of data submissions and other criteria. GAO determined that the data used in this report were sufficiently reliable for the purposes of this report. GAO also interviewed researchers knowledgeable about employment and disability issues. Appendix III lists the programs GAO identified that may have similar or overlapping objectives, provide similar services, or be fragmented across government missions. Overlap and fragmentation may not lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Social Security Disability: Ticket to Work Participation Has Increased, but Additional Oversight Needed. GAO-11-324. Washington, D.C.: May 6, 2011.

High-Risk Series: An Update. GAO-11-278. Washington, D.C.: February 2011.

Highlights of a Forum: Actions that Could Increase Work Participation for Adults with Disabilities. GAO-10-812SP. Washington, D.C.: July 2010.

Federal Disability Programs: More Strategic Coordination Could Help Overcome Challenges to Needed Transformation. GAO-08-635. Washington, D.C.: May 20, 2008.

Highlights of a Forum: Modernizing Federal Disability Policy. GAO-07-934SP. Washington, D.C.: August 2007.

¹⁰Specifically, in order to be considered within GAO's scope, agencies must have reported that their programs met at least one of the following criteria and provided an employment-related service in fiscal year 2010: (1) people with disabilities are mentioned in the legislation as a targeted group, (2) people are eligible for the program wholly because of a disability, (3) people are eligible for the program partially because of a disability, (4) people with disabilities are given special consideration in eligibility determinations, (5) people with disabilities are given priority in being served, or (6) employers of people with disabilities are a targeted group.

Veterans' Employment and Training Service: Labor Could Improve Information on Reemployment Services, Outcomes, and Program Impact. GAO-07-594. Washington, D.C.: May 24, 2007.

Federal Disability Assistance: Wide Array of Programs Needs to Be Examined in Light of 21st Century Challenges. GAO-05-626. Washington, D.C.: June 2, 2005.

People with Disabilities: Federal Programs Could Work Together More Efficiently to Promote Employment. GAO-HEHS-96-126. Washington, D.C.: September 3, 1996.

Contact Information

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31. Science, Technology, Engineering, and Mathematics Education

Strategic planning is needed to better manage overlapping programs across multiple agencies.

Why This Area Is Important

Federal agencies obligated \$3.1 billion in fiscal 2010 on Science, Technology, Engineering, and Mathematics (STEM) education programs. These programs can serve an important role both by helping to prepare students and teachers for careers in STEM fields and by enhancing the nation's global competitiveness. In addition to the federal effort, state and local governments, universities and colleges, and the private sector have also developed programs that provide opportunities for students to pursue STEM education and occupations. However, research shows that despite this investment, the United States lacks a strong pipeline of future workers in STEM fields and that U.S. students continue to lag behind students in other highly technological nations in mathematics and science achievement.

Over the decades, Congress and the executive branch have continued to create new STEM education programs, even though there is a general lack of assessment of how well the programs are working. Recently, both Congress and the administration called for a more strategic and effective approach to the federal government's investment in STEM education. The America COMPETES Reauthorization Act of 2010 requires the Director of the Office of Science and Technology Policy (OSTP) within the Executive Office of the President to establish a committee under the National Science and Technology Council (NSTC) to (1) develop a 5-year strategic plan that includes common measures to assess progress towards the plan's goals, (2) coordinate STEM education activities and programs among respective federal agencies, and (3) develop an inventory of federal STEM education programs and identify areas of duplication among those programs.¹

What GAO Found

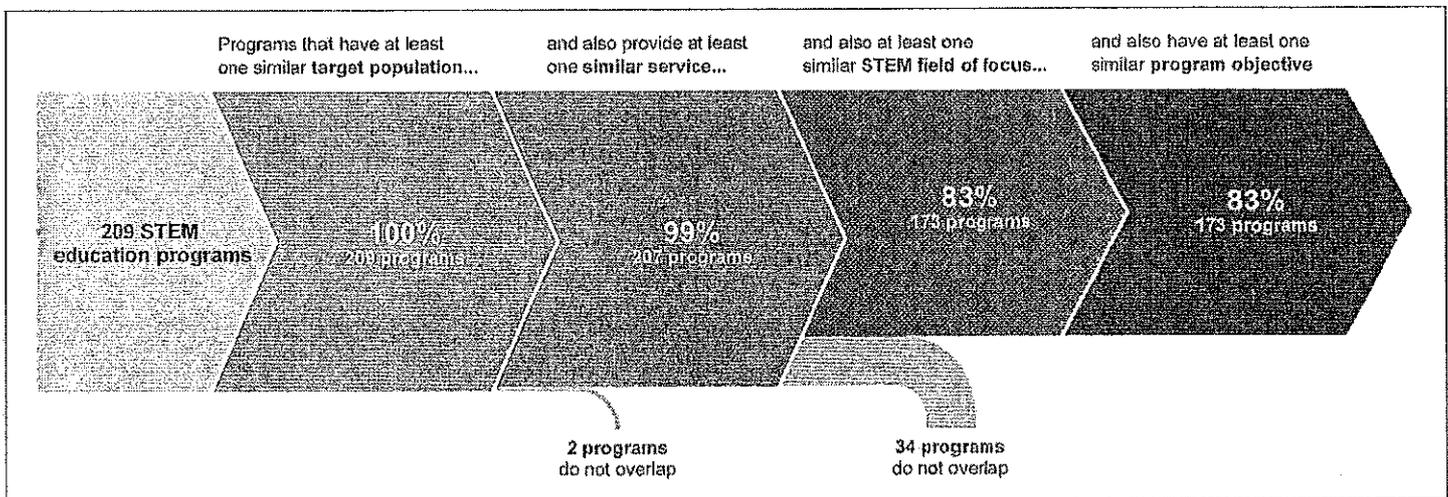
In fiscal year 2010, 173 of the 209 (83 percent) STEM education programs administered by 13 federal agencies overlapped to some degree with at least 1 other program in that they offered similar services to similar target groups in similar STEM fields to achieve similar objectives (see fig. below).² Federal STEM education programs are also

¹Pub. L. No. 111-358, § 101 (2011).

²For purposes of GAO's engagement, we defined a federally funded STEM education program as a program funded in fiscal year 2010 by congressional appropriation or allocation that includes one or more of the following as a primary objective: (1) attracting and preparing students throughout their academic careers in STEM areas, (2) improving teacher education in STEM areas, (3) improving or expanding the capacity of K-12 schools or postsecondary institutions to promote or foster education in STEM fields, or (4) conducting research to enhance the quality of STEM education provided to students.

fragmented across a number of agencies. The number of programs each of the 13 agencies administered in 2010 ranged from 3 to 46. Three agencies—the Department of Health and Human Services, the Department of Energy, and the National Science Foundation—administer more than half of all programs—112 of 209. These programs range from being narrowly focused on a specific group or field of study to offering a range of services to students and teachers across STEM fields. Agencies obligated over \$3 billion to STEM education programs in fiscal year 2010. The National Science Foundation and the Department of Education programs account for over half of this funding. Almost a third of the programs had obligations of \$1 million or less, with 5 programs having obligations more than \$100 million each.

Overlapping Federal STEM Education Programs



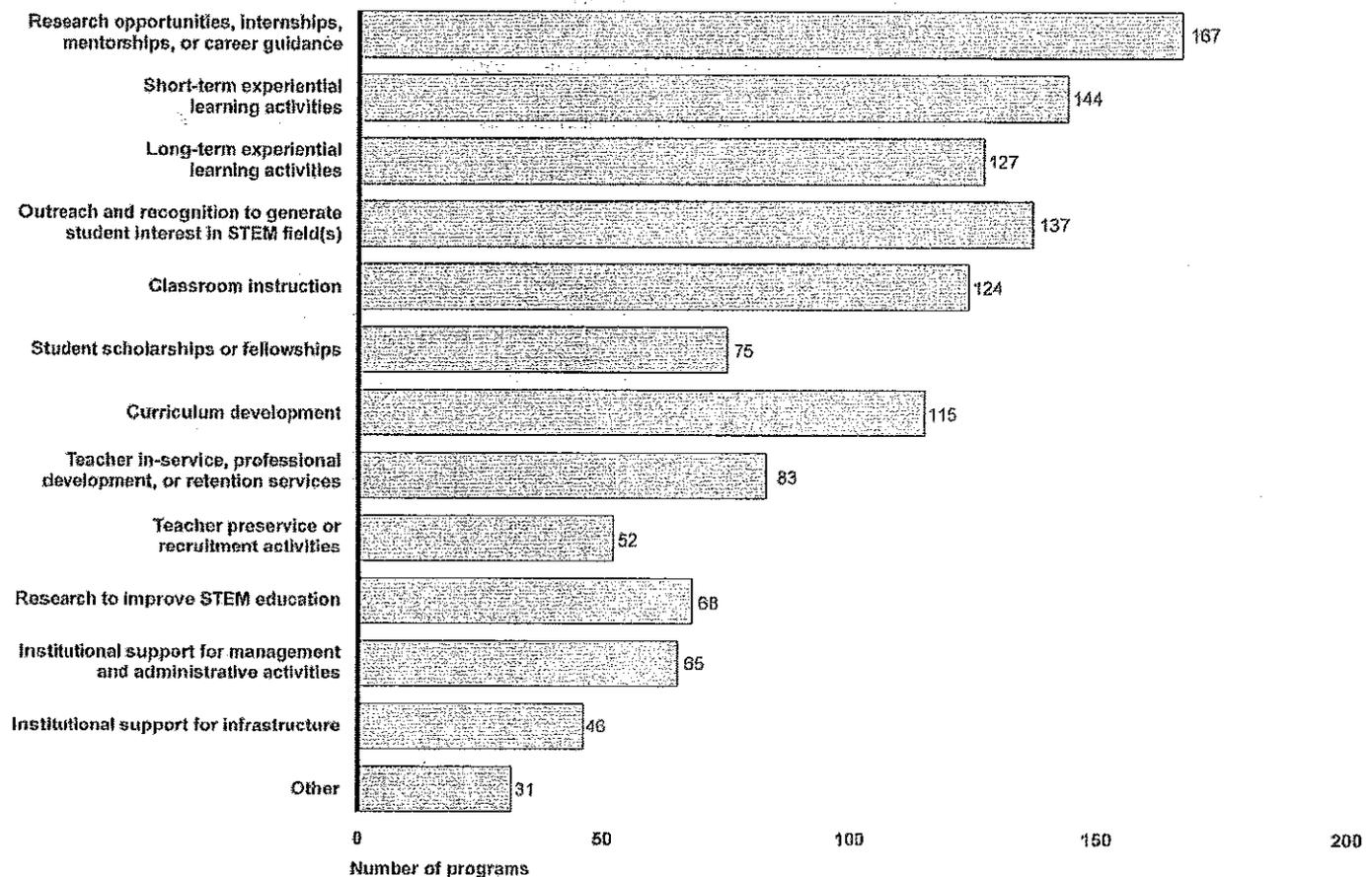
Source: GAO analysis of survey responses.

This complicated patchwork of fragmented and overlapping programs has largely resulted from federal efforts to both create and expand programs across many agencies in an effort to improve STEM education and increase the number of students going into STEM fields. Program officials reported that approximately one-third of STEM education programs funded in fiscal year 2010 were first funded between 2005 and 2010. Indeed, the creation of new programs during that time frame may have contributed to overlap and, ultimately, to inefficiencies in how STEM programs across the federal government are focused and delivered. Overlapping programs can lead to individuals and institutions being eligible for similar services in similar STEM fields offered through multiple programs. Without information sharing, this could lead to the same service being provided to the same individual or institution (see fig. below). Fragmentation and overlap can frustrate federal officials' efforts to administer programs in a comprehensive manner, limit the ability of decision makers to determine which programs are most cost-effective, and ultimately increase program administrative costs.

Many programs provided services to similar target groups, such as K-12 students, postsecondary students, K-12 teachers, and college faculty and

staff. The vast majority of programs (170) serve postsecondary students. Ninety-five programs served college faculty and staff, 75 programs served K-12 students, and 70 programs served K-12 teachers. In addition, many programs served multiple target groups. In fact, 177 programs were primarily intended to serve two or more target groups. In addition, as the figure below illustrates, many STEM education programs provide similar services.

Services Provided by Federal STEM Education Programs



Source: GAO analysis of survey responses.

Furthermore, it is important to compare programs' target groups and academic STEM fields that are a focus of the program (a STEM field of focus) together to get a better picture of the potential target beneficiaries that could be served within a given STEM discipline. As the table below illustrates, many programs are designed to serve multiple target groups across multiple STEM fields of focus. The majority of programs served target groups across four or more STEM fields of focus, with only 23 programs focusing on one specific STEM field.

STEM Fields of Focus and Target Groups of Federal STEM Education Programs

Target groups	Agricultural sciences	Biology	Chemistry	Computer science	Earth sciences	Engineering	Mathematics	Physics	Social sciences	Technology
K-12 students	8	40	36	30	38	32	33	31	19	43
Postsecondary students	22	99	85	84	64	89	79	76	62	87
K-12 teachers	5	36	33	25	39	26	28	29	17	38
College faculty and staff	17	49	42	43	35	47	37	36	30	50

Source: GAO analysis of survey responses

Note: Many STEM education programs serve multiple target groups with multiple STEM fields of focus. The totals cited in this table do not sum to 209, the number of programs in GAO's review. Earth sciences includes atmospheric and ocean sciences; social sciences includes psychology, sociology, anthropology, cognitive science, economics, and behavior sciences.

However, even when programs overlap, the services they provide and the populations they serve may differ in meaningful ways and would therefore not necessarily be duplicative. There may be important differences between the specific STEM field of focus and the program's stated goals. For example, there were 31 programs that provided scholarships or fellowships to doctoral students in the field of physics. However, one program's goal was to increase environmental literacy related to estuaries and coastal watersheds while another program focused on supporting education in nuclear science, engineering, and related trades. In addition, programs may be primarily intended to serve different specific populations within a given target group. Indeed, of the 34 programs providing services to K-12 students in the field of technology, 10 are primarily intended to serve specific underrepresented, minority, or disadvantaged groups and 2 are limited geographically to individual cities or universities. As NSTC develops its 5-year strategic plan, it will need to conduct more analysis of each program to avoid potential duplication and ensure that the federal investment in these programs advances the governmentwide goals expressed in the strategic plan.

In addition to the fragmented and overlapping nature of federal STEM education programs, little is known about the effectiveness of these programs. Since 2005, when GAO first reported on this issue, GAO found that the majority of programs have not conducted comprehensive evaluations of how well their programs are working. Agency and program officials would benefit from guidance and information sharing within and across agencies about what is working and how to best evaluate programs. This could not only help to improve individual program performance, but could also inform agency- and governmentwide decisions about which programs should continue to be funded. Without an understanding of what is working in some programs, it will be difficult to develop a clear strategy for how to spend limited federal funds.

Finally, although NSTC is in the process of developing a governmentwide strategic plan for STEM education consistent with the requirements of the America COMPETES Reauthorization Act of 2010, GAO found that agencies in its 2005 review do not use outcome measures for STEM

programs in a way that is clearly reflected in their own performance plans and performance reports—key strategic planning documents.³ The absence of clear links between the programs and agencies' planning documents may hinder decision makers' ability to assess how agencies' STEM efforts contribute to agencywide performance goals and the overall federal STEM effort. Moving forward, the GPRA Modernization Act of 2010 requires agencies to identify program activities and other activities that contribute to each performance goal, and as agencies implement this provision, more information about STEM education efforts in performance plans and reports can be expected. In addition, NSTC's ongoing strategic planning efforts provide an opportunity to develop guidance on how to incorporate STEM- and program-specific education goals and measures in agencies' performance planning and reporting process.

Actions Needed and Potential Financial or Other Benefits

GAO recommended in January 2012 that the Director of OSTP direct NSTC to take several actions related to STEM education programs and related activities.

To ensure the federal government strategically invests limited funds in an efficient and effective manner that achieves the greatest impact in developing a pipeline of future workers in STEM fields, the Director of OSTP should direct NSTC to

- work with agencies, through its strategic planning process to identify programs that might be candidates for consolidation or elimination. Specifically, this could be achieved through an analysis that includes information on program overlap, similar to the analysis conducted by GAO in this report, and information on program effectiveness. As part of this effort, OSTP should work with agency officials to identify and report any changes in statutory authority necessary to execute each specific program consolidation identified by NSTC's strategic plan.

To ensure NSTC's strategic planning process enhances the federal government's ability to assess what works and the process for identifying potential program consolidation includes information on program effectiveness, the Director of OSTP should direct NSTC to

- develop guidance to help agencies determine the types of evaluations that may be feasible and appropriate for different types of STEM

³These strategic planning documents were required under the Government Performance and Results Act (GPRA) and continue to be required under the GPRA Modernization Act of 2010. We did not assess agencies' plans and reports for compliance with GPRA and the GPRA Modernization Act of 2010 requirements, and our findings that some agencies did not include STEM education programs in their plans and reports should not be read to suggest that we identified instances of noncompliance. For example, we did not assess whether a particular STEM education program is a "program activity" as that term is defined by GPRA for purposes of determining what STEM education programs are required to be covered in agency performance plans and reports: 31 U.S.C. § 1115(h)(11).

education programs and develop a mechanism for sharing this information across agencies. This could include guidance and sharing of information that outlines practices for evaluating similar types of programs.

To ensure agencies' efforts are better aligned to governmentwide STEM education goals and federal resources are concentrated on advancing those goals, the Director of OSTP should direct NSTC to

- develop guidance for how agencies can better incorporate each agency's STEM education efforts and the goals from NSTC's 5-year STEM education strategic plan into each agency's own performance plans and reports.

To improve transparency and strengthen accountability of NSTC's strategic planning and coordination efforts, the Director of OSTP should direct NSTC to

- develop a framework for how agencies will be monitored to ensure that they are collecting and reporting on NSTC strategic plan goals. This framework should include alternatives for a sustained focus on monitoring coordination of STEM education programs if the NSTC Committee on STEM terminates in 2015 as called for in its charter.

Agency Comments and GAO's Evaluation

GAO provided a draft of its January 2012 report to OSTP and the Office of Management and Budget (OMB) for review and comment. OSTP provided technical comments, which were incorporated as appropriate. OMB stated it had no concerns with GAO's report.

GAO also provided a draft of this report section to OMB and OSTP for review and comment. OMB provided technical comments, which were incorporated as appropriate. OMB stated that GAO's four recommendations are critical to improving the provision of STEM education across the federal government. OSTP provided written comments and noted that its analysis of overlap and duplication in STEM education programs identified no duplicative programs. In cases where it identified overlapping programs it found that some program characteristics differed. As an illustration, OSTP explained that there could be two STEM education programs, one that worked with inner city children in New York City and another with rural children in North Dakota. GAO notes that while it may be important to serve both of these populations, it is not clear that two separate administrative structures are necessary to ensure both populations are served. OSTP agreed to consider program consolidation or elimination as part of its strategic planning process, but also said that it would consider other approaches such as strategic alignment of program goals, joint solicitations, improved program design and execution, and memoranda of understanding to increase efficiency and effectiveness of federal STEM Education spending. OSTP stated that they will address GAO's recommendations in the NSTC 5-Year Federal STEM Education Strategic Plan, which will be

released in spring 2012. OMB added that joint administration of programs across agencies is also an effective measure at eliminating duplication and overlap and guaranteeing that the best resources are devoted to programming. As part of GAO's routine audit work, GAO will track agency actions to address these recommendations and report to Congress. All written comments are reprinted in appendix IV.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products listed in the related GAO products section as well as additional work GAO conducted. GAO reviewed relevant federal laws, regulations, and relevant literature and past reports. GAO interviewed officials from OSTP and OMB, and officials from other federal agencies that administer STEM education programs. In addition, to gather information on federal STEM education programs and to assess the level of fragmentation, overlap, and potential duplication, GAO surveyed over 200 programs across 13 agencies that met GAO's definition of a STEM education program, asking questions about program objectives, target populations, services provided, interagency coordination, outcome measures and evaluations, and funding. Furthermore, to gather information on program effectiveness, GAO reviewed evaluations provided by program officials, as well as agencies' annual performance plans and reports. Appendix III lists the programs GAO identified that may have similar or overlapping objectives, provide similar services or be fragmented across government missions. Overlap and fragmentation may not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Science, Technology, Engineering, and Mathematics Education: Strategic Planning Needed to Better Manage Overlapping Programs across Multiple Agencies. GAO-12-108. Washington, D.C.: January 20, 2012.

Science, Technology, Engineering, and Mathematics Education: Survey of Federal Programs (GAO-12-110SP, January 2012), an E-supplement to GAO-12-108. GAO-12-110SP. Washington, D.C.: January 20, 2012.

Higher Education: Federal Science, Technology, Engineering, and Mathematics Programs and Related Trends. GAO-06-114. Washington, D.C.: October 12, 2005.

Contact Information

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32. Financial Literacy

Overlap among financial literacy activities makes coordination and clarification of roles and responsibilities essential, and suggests potential benefits of consolidation.

Why This Area Is Important

Financial literacy plays an important role in helping to ensure the financial health and stability of individuals and families, and economic changes in recent years have further highlighted the need to empower all Americans to make informed financial decisions. As GAO reported in March 2011, federal financial literacy activities are fragmented among multiple federal agencies, which increases the risk of inefficient, uncoordinated, or redundant use of resources. This year's report provides updated information on coordination activities, as well as additional information on areas of overlap and on the evolving role of the new Bureau of Consumer Financial Protection.

What GAO Found

Federal financial literacy programs and resources are spread widely among many different federal agencies. A 2009 survey conducted by the Departments of the Treasury and Education, which GAO cited in its March 2011 report, asked federal agencies to self-identify their financial literacy efforts, and 56 programs related to financial literacy were reported by 20 federal agencies. However, GAO's subsequent analysis found that there was a high degree of inconsistency in how different agencies defined financial literacy programs and whether they counted related activities as one or multiple programs.

Using a more consistent set of criteria, GAO has identified 15 significant financial literacy programs or activities among 13 federal agencies. These efforts are defined as relatively comprehensive in scope or scale and include financial literacy as a key objective rather than a tangential goal.¹ As seen in appendix III, the estimated cost for 13 of these 15 financial literacy programs or activities was about \$30.7 million in fiscal year 2010; GAO is still in the process of developing cost estimates for the activities of

¹According to GAO's criteria, significant financial literacy and education activities and programs were those whose primary goals were to educate, inform, or encourage individuals to make informed judgments and take effective actions regarding the current and future use and management of money. However, GAO excluded (1) those for which financial literacy was only a minimal component; (2) programs that provided financial information related to the administration of the program itself (e.g., information on applying for student financial aid or evaluating Medicare choices) rather than information aimed at increasing the beneficiaries' financial literacy and comprehension more generally; (3) activities or programs that were purely internal to the agency, such as information provided to agency employees on their employment and retirement benefits; and (4) activities that represented individualized services or advice (e.g. assistance with tax preparation or development of a debt management plan). For the purposes of this report, GAO counted as a federal agency NeighborWorks® America, a government-chartered, nonprofit corporation that receives federal funding for housing counseling, including through an annual appropriation from Congress.

the Department of Defense (DOD) and for the Bureau of Consumer Financial Protection, which was not created until July 2010.

In addition, federal agencies spent about \$136.6 million in fiscal year 2010 on housing counseling. GAO has separated out costs for housing counseling programs because education is only a limited aspect of most housing counseling, which often consists largely of one-on-one service and assistance to address individual situations. For example, foreclosure mitigation counseling typically focuses on helping financially distressed homeowners avoid foreclosure by working with lenders to remedy mortgage delinquency.

Having multiple federal agencies involved in financial literacy efforts can have certain advantages. In particular, agencies may have deep and long-standing expertise and experience addressing specific issue areas or serving specific populations. For example, the Securities and Exchange Commission has efforts in place to protect securities investors from fraudulent schemes, while the Department of Housing and Urban Development (HUD) oversees most, but not all, federally supported housing counseling. Moreover, DOD may be the agency most able to efficiently and effectively deliver financial literacy programs and products to servicemembers and their families. However, as GAO stated in a June 2011 report, relatively few evidence-based evaluations of financial literacy programs have been conducted, limiting what is known about which specific methods and strategies—and which federal financial literacy activities—are most effective.

In addition, fragmentation increases the risk of inefficiency and redundancy and highlights the need for strong coordination, or potential consolidation, of these efforts. In general, GAO has found that the coordination and collaboration among federal agencies with regard to financial literacy has improved substantially in recent years. The multiagency Financial Literacy and Education Commission (Commission) was created by Congress in 2003 and charged, among other things, with developing a national strategy to promote financial literacy and education, coordinating federal efforts, and identifying areas of overlap and duplication. Among other things, the Commission in concert with the Department of the Treasury, which provides its primary staff support, has served as a central clearinghouse for federal financial literacy resources—for example, it created a centralized federal website and has an ongoing effort to develop a catalog of federal research on financial literacy. The Commission's 2011 national strategy identified five action areas, one of which was to further emphasize the role of the Commission in coordination. The strategy's accompanying Implementation Plan lays out plans to coordinate communication among federal agencies, improve strategic partnerships, and develop channels of communication with other entities, including the President's Advisory Council on Financial Capability and the National Financial Education Network of State and Local Governments. The Commission's success in implementing these elements of the National Strategy is key given the inherently challenging task of coordinating the work of the Commission's many member

agencies—each of which has its own set of interests, resources, and constituencies. Further, the addition of the Bureau of Consumer Financial Protection, whose director serves as the Vice Chair of the Commission, adds a new player to the mix that will influence the Commission's success.

GAO's review thus far shows that there is little evidence of duplication among existing federal financial literacy activities—that is, cases where two or more agencies or programs are engaging in the same activities and providing the same services to the same beneficiaries. However, GAO did identify cases in which there is overlap—multiple agencies or programs with similar goals and activities—that raise questions about the efficiency of some federal financial literacy and housing counseling efforts. For example, four federal agencies and one government-chartered nonprofit corporation provide various forms of housing counseling to consumers—DOD, HUD, the Department of Veterans Affairs (VA), the Department of the Treasury, and NeighborWorks America.

- HUD obligated about \$65.4 million in fiscal year 2010 for certifying and overseeing housing counseling agencies, training housing counselors, and providing counseling agencies with competitive grants. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) required HUD to establish an Office of Housing Counseling, although as of October 2011, the office had not yet been established, in part due to budget constraints. HUD also has 15 other active programs that allow some portion of their funding to be used for housing counseling or have some housing counseling component.²
- The federally chartered nonprofit corporation NeighborWorks America received an appropriation from Congress in fiscal year 2010 that included \$65 million for the National Foreclosure Mitigation Counseling Program; the organization also spent \$2 million of its appropriated funds for other housing counseling activities.
- VA has loan counselors that address housing issues in its Regional Loan Centers to help veterans facing foreclosure or other financial problems. VA often recommends HUD-approved housing counseling to veterans who are seeking VA-guaranteed loans but does not require it.

²These programs are the Federal Housing Administration's Home Equity Conversion Mortgage, Community Development Block Grant, HOME Investment Partnership Program, Second Mortgage Assistance for First-Time Homebuyers, Rural Housing Stability Grant Program, Public Housing Operating Fund, Section 8 Tenant-Based Rental Assistance Homeownership Option, Demolition and Disposition of Public Housing, Family Self-Sufficiency, Public Housing Resident Homeownership Programs, Conversion of Distressed Public Housing to Tenant-Based Assistance, Low Income Housing Preservation and Resident Homeownership Act Prepayment Options, Native American Housing Assistance and Self Determination Act Housing Block Grants, Native Hawaiian Housing Block Grants, and Section 8 Rental Assistance.

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- DOD has a foreclosure counseling program for servicemembers returning from active duty abroad. This program is administered through the Military OneSource and the Military and Family Life Consultant Program.
 - The Department of the Treasury's Financial Literacy and Education Counseling Pilot Program, created by the Housing and Economic Recovery Act of 2008, provided \$4.15 million in grants in fiscal year 2010 for financial literacy counseling to prospective homebuyers.³

Another example of overlap lies in the financial literacy responsibilities of the Bureau of Consumer Financial Protection, created by the Dodd-Frank Act. The act established within the bureau an Office of Financial Education and charged this office with developing and implementing a strategy to improve financial literacy through activities including opportunities for consumers to access, among other things, financial counseling; information to assist consumers with understanding credit products, histories, and scores; information about saving and borrowing tools; and assistance in developing long-term savings strategies. This office presents an opportunity to further promote awareness, coordinate efforts, and fill gaps related to financial literacy. At the same time, the duties this office is charged with fulfilling are in some ways similar to those of a separate Office of Financial Education and Financial Access within the Department of the Treasury, a small office that also seeks to broadly improve Americans' financial literacy. In addition, the Dodd-Frank Act charges the Bureau of Consumer Financial Protection with developing and implementing a strategy on improving the financial literacy of consumers, even though the multiagency Financial Literacy and Education Commission already has its own statutory mandate to develop, and update as necessary, a national strategy for financial literacy. As the bureau has been staffing up and planning its financial education activities, it has been in regular communication with the Department of the Treasury and with other members of the Financial Literacy and Education Commission, and agency staff say they are seeking to coordinate their respective roles and activities.

In addition, the Dodd-Frank Act created within the Bureau of Consumer Financial Protection several offices that are charged by statute with duties that are in some ways similar to those of other federal agencies. For instance, the act created an Office of Service Member Affairs, which is responsible for developing and implementing initiatives for servicemembers and their families intended to educate and empower them to make better informed decisions regarding consumer financial products and services; monitoring complaints by service members and their families; and coordinating with federal and state agencies regarding

³The Financial Literacy and Education Counseling Pilot Program was appropriated \$2 million in fiscal year 2009 and \$4.15 million in fiscal year 2010; the program was not appropriated funds in fiscal years 2011 and 2012.

consumer protection measures relating to consumer financial products and services offered to, or used by, service members and their families. These activities potentially overlap with those of DOD's Financial Readiness Campaign, in which Personal Financial Managers on military bases provide financial educational programs, partnerships, counseling, legal protections, and other resources designed to help servicemembers and their families reach financial goals such as reducing debt, setting up a spending plan, saving for college, addressing consumer protection matters, and many others. Staff from the Bureau of Consumer Financial Protection and DOD told GAO they are working closely to coordinate their efforts.

The Dodd-Frank Act also creates within the bureau an Office of Financial Protection for Older Americans, which is charged with helping seniors recognize warning signs of unfair, deceptive, or abusive practices and protect themselves from such practices; providing one-on-one financial counseling on issues including long-term savings and later-life economic security; and monitoring the legitimacy of certifications of financial advisers who advise seniors. Potential overlap exists with the Federal Trade Commission, which also plays a role in helping seniors avoid unfair and deceptive practices. Further, the Department of Labor and the Social Security Administration both have initiatives in place to help consumers plan for retirement, and the Securities and Exchange Commission has recently initiated efforts to address concerns about the designations and certifications used by financial advisers.⁴ Officials at the Bureau of Consumer Financial Protection told GAO that they have been discussing and coordinating their financial literacy roles and activities with those of other federal agencies to avoid duplication of effort.

Actions Needed and Potential Financial or Other Benefits

GAO expects to recommend that Congress may wish to consider

- requiring federal agencies to evaluate the effectiveness of their financial literacy efforts and, if appropriate, to identify options for consolidating such efforts. Federal agencies could potentially make the most of scarce resources by consolidating financial literacy efforts into the activities and agencies that are most effective. In addition to improving effectiveness, such consolidation could have potential monetary savings, an issue GAO is examining as part of ongoing work; and

⁴The Federal Trade Commission's Division of Consumer and Business Education plans, develops, and implements various web-based financial literacy activities that focus on consumer protection, some of which has focused on scams targeted at seniors. The Department of Labor's Retirement Savings Education Campaign seeks to increase retirement savings through workplace plans so that employees are better prepared for a secure retirement. The Social Security Administration's Special Initiative to Encourage Savings focuses on saving and retirement issues and informing the public about SSA's programs related to old-age, survivors, and disability insurance system.

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- monitoring the implementation of the Bureau of Consumer Financial Protection's efforts. As the bureau's financial literacy activities evolve and are implemented, it will be important to evaluate how those efforts are working and make appropriate adjustments that might promote greater efficiency and effectiveness.

The Bureau of Consumer Financial Protection should

- delineate roles and responsibilities related to its new offices of Financial Education, Service Member Affairs, and Financial Protection for Older Americans. As these offices form more fully, they will need to continue their efforts to work with federal agencies that have overlapping responsibilities so as to carefully delineate their respective activities and avoid duplication.

Agency Comments and GAO's Evaluation

GAO provided a draft of this report section to the Bureau of Consumer Financial Protection, the Department of the Treasury, and the Department of Housing and Urban Development for review and comment. The Bureau of Consumer Financial Protection and the Department of the Treasury provided written comments. The Department of Housing and Urban Development provided technical comments, which were incorporated as appropriate. GAO also provided selected portions of the draft report section to those agencies listed in appendix III for their technical review, and GAO incorporated those technical comments as appropriate. All written comments are reprinted in appendix IV.

The Department of the Treasury said that it agreed that federal agencies should evaluate the effectiveness of their financial literacy efforts and, if appropriate, identify options for consolidating such efforts. However, the department noted that it would be necessary for funding to be appropriated for such evaluation. In addition, the department said it believed that continued and enhanced coordination among agencies may lead to greater effectiveness, in some cases, than consolidation. The Bureau of Consumer Financial Protection's written response highlighted the bureau's efforts to coordinate its activities, avoid duplication with other agencies, and promote the evaluation of financial literacy efforts.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the products listed in the related GAO products section and additional work GAO conducted. GAO collected information on the purpose, beneficiaries, costs, and subject matter of federal financial literacy programs and activities through interviews with staff of federal agencies and through budget justifications, strategic plans, and other documents. In some cases, costs provided are estimates because financial literacy activities are not organized as separate budget line items or cost centers within an agency. GAO also reviewed the Financial Literacy and Education Commission's 2011 national strategy and implementation plan and memorandums of understanding and other documents related to collaborations among federal agencies. Appendix III lists the programs

GAO identified that may have similar or overlapping objectives, provide similar services or be fragmented across government missions. Overlap and fragmentation may not necessarily lead to actual duplication, and some degree of overlap and duplication may be justified.

Related GAO Products

Highlights of a Forum: Financial Literacy: Strengthening Partnerships in Challenging Times. GAO-12-299SP. Washington, D.C.: February 9, 2012.

Financial Literacy: A Federal Certification Process for Providers Would Pose Challenges. GAO-11-614. Washington, D.C.: June 28, 2011.

Financial Literacy: The Federal Government's Role in Empowering Americans to Make Sound Financial Choices. GAO-11-540T. Washington, D.C.: April 12, 2011.

Financial Literacy and Education Commission: Progress Made in Fostering Partnerships, but National Strategy Remains Largely Descriptive Rather Than Strategic. GAO-09-638T. Washington, D.C.: April 29, 2009.

Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy. GAO-07-100. Washington, D.C.: December 4, 2006.

Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy. GAO-05-93SP. Washington, D.C.: November 15, 2004.

Contact Information

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Section II: Areas in Which GAO Has Identified Other Cost Savings or Revenue Enhancement Opportunities

This section summarizes 19 additional opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury.

33. Air Force Food Service

The Air Force has opportunities to achieve millions of dollars in cost savings annually by reviewing and renegotiating food service contracts, where appropriate, to better align with the needs of installations.

Why This Area Is Important

The Air Force has 149 main dining facilities at installations nationwide.¹ According to Air Force officials, most installations have their own individual contracts for food service, ranging from full-service contracts, providing cooking, cashiering, and cleaning services at Air Force dining facilities, to contracts that cover only basic cleaning services. The cost for these contracts, according to Air Force officials, ranges from \$725,000 to \$21.4 million per year, with a total cost of approximately \$150 million per year for all Air Force installations. GAO has previously reported that, when contracting for services, properly defined requirements are a prerequisite to obtaining value for the department.

As GAO reported in July 2011, the Air Force recently undertook an initiative to improve food service at six pilot installations, with intentions to eventually expand this initiative to more Air Force installations in the United States over the next 5 years. This Food Transformation Initiative is primarily designed to improve the quality, variety, and availability of food. In the process, however, according to Air Force officials, the first group of pilot installations achieved cost savings compared to their previous contracts while increasing hours in the dining facilities and serving an additional 500,000 meals per year.

What GAO Found

The Air Force has opportunities to reduce its overall food service costs at installations by reviewing food service contracts and adjusting them, when appropriate, to better meet the needs of the installation, including aligning labor needs with the actual number of meals served by the dining facilities. The Food Transformation Initiative contract was awarded to Aramark, a large company experienced in food service. The new contractor reviewed and adjusted staffing levels for contractor staff at the main dining facilities to better meet the needs of the facilities. As GAO reported in July 2011, the Air Force and Aramark anticipated reducing labor hours at five of the six Food Transformation Initiative pilot locations and using the savings to offset the costs of the Food Transformation Initiative contract. According to Air Force officials, savings for fiscal year 2010 were approximately 8 percent compared to the cost of the previous contracts. GAO compared the estimated amount of food service labor for which the Air Force contracted at the six pilot installations prior to the implementation of the Food Transformation Initiative to Aramark's projected work schedules under the

¹The Air Force calls its main dining facilities "mission essential feeding facilities." GAO uses the term main dining facilities to refer to these appropriated fund dining facilities in this report.

initiative and found that, even with expanded hours of operation and anticipated increases in the number of meals served, Aramark reduced the total number of labor hours at five of the six pilot installations by 53 percent. For example, at Travis Air Force Base, the number of labor hours for the mess attendant contract decreased by more than half—from approximately 2,042 hours per week to 920 hours per week. At Elmendorf Air Force Base, labor hours decreased from approximately 1,350 hours per week to 588 hours per week. The table below shows the change in the number of labor hours at all six pilot locations:

Comparison of Labor Hours under Previous Contract to Labor Hours under the Food Transformation Initiative Contract

Air Force base	Estimated weekly labor hours under the previous contract	Estimated weekly labor hours under the new contract
Elmendorf	1,350	588
Fairchild	979	476
Little Rock	1,548	303
MacDill	1,201	1,063
Patrick	1,218	1,349
Travis	2,042	920
Total	8,338	4,699

Source: GAO analysis of Air Force data.

Patrick Air Force Base was the only pilot base where the labor hours were not reduced and the only one of the pilot installations where the previous food service contract had recently been audited. The results of the audit, conducted by the Air Force Audit Agency in 2009, showed that the food service personnel did not align with the contract workload estimates with actual meals served. Specifically, meal counts were overstated, resulting in the installation paying more for contracted food services than necessary. As a result of this audit, in October 2009, Patrick Air Force Base renegotiated its workload estimates and pay rates, resulting in savings of approximately \$77,000 annually.

Although it is unclear whether the opportunity for savings at the pilot installations is representative of the savings that could be realized by other installations, the potential exists for other Air Force installations that rely on contracts to meet their food service needs to achieve similar financial benefits. Prior to the implementation of the Food Transformation Initiative, the Air Force did not closely monitor the number of labor hours required to provide food services. Air Force officials told GAO that they did not realize how poorly their food service contracts were structured, in that these contracts might not be matched to the labor needs of the installation.

Actions Needed and Potential Financial or Other Benefits

The Air Force has opportunities to significantly reduce its food service costs at Air Force installations that are not part of the Food Transformation Initiative pilot.² During GAO's review of the Air Force's Food Transformation Initiative, GAO discussed this potential opportunity for savings with Air Force officials. As a result, the Air Force issued a memorandum to the Major Commands directing a review of existing food service contracts to determine if the contracts meet current mission needs. For example, the memorandum indicates that special attention must be given to whether the food service contract workload estimates were properly aligned with the actual number of meals served. GAO believes that this is a good first step toward addressing this issue. GAO recommended in July 2011 that the Secretary of the Air Force should

- monitor the actions taken by the Air Force Major Commands in response to the direction to review food service contracts, and take actions, as appropriate, to ensure that cost-savings measures are implemented.

Agency Comments and GAO's Evaluation

GAO provided a draft of its July 2011 report to the Department of Defense for review and comment. The Department of Defense agreed with this recommendation and stated that the Commander of the Air Force Services Agency requested that each Air Force Major Command task its bases to conduct a 100 percent review of existing food service to determine if their current contract workload estimates meet current mission needs or if the contracts require modifications. According to Air Force officials, eight installations have recently reviewed and renegotiated their food service contracts for a total savings of over \$2.5 million per year. Further, Air Force officials told GAO that the Air Force continues to review contracts for additional savings opportunities. The Department of Defense further noted that it intends to share the results of the Air Force's review of its food service labor costs to achieve cost savings with the other services, where similar reviews could result in substantial financial benefits. GAO agrees that the other services should similarly consider reviewing their food service contracts for potential cost savings where appropriate. As part of its routine audit work, GAO will track the extent to which progress has been made to address the identified action and report to Congress.

²The National Defense Authorization Act for Fiscal Year 2012 contains a provision requiring the Secretary of the Air Force to submit certain information regarding the Food Transformation Initiative prior to further implementation. See Pub. L. No. 112-81, § 352 (2011). The report may provide an opportunity to evaluate the opportunities for reducing food service costs under the initiative.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the product listed in the related GAO products section as well as additional work GAO conducted. GAO obtained documentation from the pilot installations regarding labor hours under the previous contracts, including memoranda showing how the contract prices were negotiated and contractor price proposals that estimated the number of labor hours for these contracts. Although these documents do not contain the precise number of labor hours for the main dining facilities, they provided the best estimates of labor costs available. GAO reviewed this information from the Air Force about the amount of labor included in previous food service contracts at the six pilot locations and compared this to information from the Air Force and Aramark presented in projected work schedules for the Food Transformation Initiative contract. Further, GAO talked with Air Force officials about opportunities for reducing food service costs outside of the Food Transformation Initiative. Finally, GAO spoke with Air Force officials about cost savings achieved from reviewing food service contracts.

Related GAO Product

Defense Management: Actions Needed to Improve Management of Air Force's Food Transformation Initiative. GAO-11-676. Washington, D.C.: July 26, 2011.

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34. Defense Headquarters

The Department of Defense should review and identify further opportunities for consolidating or reducing the size of headquarters organizations.

Why This Area Is Important

In 2010, the Secretary of Defense expressed concerns about the dramatic growth in Department of Defense's (DOD) headquarters and support organizations that had occurred since 2001, including increases in spending, staff, numbers of senior executives, and proliferation of management layers. DOD has multiple layers of headquarters management with complex, overlapping relationships. Such layers include, but are not limited to, the Office of the Secretary of Defense, the Joint Staff, and portions of the military departments, defense agencies, and DOD field activities. In DOD Instruction 5100.73, DOD defines those headquarters whose primary mission is to manage or command the programs and operations of DOD and its components, and their major military units, organizations, or agencies as major DOD headquarters activities.¹ Since the mid-1980s, Congress has enacted statutory limits on the number of major DOD headquarters activity personnel, to include the Office of the Secretary of Defense; the headquarters of the combatant commands; the Office of the Secretary of the Army and the Army Staff; the Office of the Secretary of the Air Force and the Air Staff; the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, and the Headquarters, Marine Corps; and the headquarters of the defense agencies and DOD field activities.² In addition, Congress has enacted various reporting requirements related to major DOD headquarters activity personnel.

In 2010, the Secretary of Defense directed DOD to undertake a departmentwide initiative to assess how the department is staffed, organized, and operated, with the goal of reducing excess overhead costs and reinvesting these savings toward sustainment of DOD's current force structure and modernizing its weapons portfolio. This effort identified efficiency initiatives totaling about \$178 billion in projected savings across the military departments and other DOD components from fiscal year 2012 through fiscal year 2016, about \$24.1 billion of which is estimated to be achieved in fiscal year 2012. DOD's efficiency initiatives included a broad range of efforts, such as holding the civilian workforce at fiscal year

¹Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007).

²Applicable limits to major DOD headquarters personnel are included in sections 143, 194, 3014, 5014, and 8014 of Title 10 of the U.S. Code. In some circumstances, statutory waivers, exceptions, exemptions and authorities to adjust those limits may apply. For example, acquisition personnel hired under an expedited hiring authority are exempt from the baseline personnel limitations, established under the previously mentioned sections of Title 10.

2010 levels; reducing the numbers of senior leaders, both officer and civilian; and reducing reliance on service support contractors. Some headquarters were planned to be closed and their missions and functions absorbed into other organizations, while others were reorganized. More recently, in January 2012, the administration released strategic guidance to guide defense priorities and spending over the coming decade. It lays out several principles to guide the development of DOD's force structure, such as reducing DOD's cost of doing business by finding further efficiencies in headquarters and other overhead.

What GAO Found

Based on ongoing work for a report that GAO plans to issue in 2012, GAO found that DOD has taken some steps to examine its headquarters resources for efficiencies, but additional opportunities for cost savings may exist. For purposes of the Secretary of Defense's efficiency initiative, DOD components, including the military departments, were asked to focus, in particular, on headquarters and administrative functions, support activities, and other overhead in their portfolios. DOD's fiscal year 2012 budget request included several initiatives related to headquarters organizations or personnel. Two organizations, the Joint Forces Command and Business Transformation Agency, were disestablished and some of their functions were absorbed into other organizations. DOD estimated that closing these two organizations would save approximately \$2.2 billion through fiscal year 2016.

Other headquarters-related efficiency initiatives that GAO reviewed generally fell into two categories: (1) consolidating or eliminating organizations based on geographic proximity or span of control, and (2) centralizing overlapping functions and services.³ For example, the Navy merged the staff of the U.S. Fleet Forces Command and the U.S. 2nd Fleet. The missions of the two organizations were found to have converged over time, and the Navy decided that an integrated staff could better adapt to changing missions than two separate staffs and doing so would have the added benefit of eliminating redundant personnel. The result was the elimination of 344 military personnel for an expected cumulative savings of \$100.8 million by fiscal year 2016. In another example, the Air Force is centralizing installation support functions, such as civil engineering, environmental quality and planning programs, real property programs, and family support services, among others, at field operating agencies or Air Force headquarters, eliminating 354 positions for an expected cumulative savings of \$148.1 million by fiscal year 2016.

The DOD efficiencies that GAO reviewed to reduce headquarters resources are expected by DOD to save about \$2.9 billion through fiscal year 2016, less than 2 percent of the \$178 billion in savings DOD

³Span of control refers to the number of subordinates or activities under the control of a single commander.

projected departmentwide. In January 2012, DOD announced it had found about \$60 billion in additional efficiencies and overhead savings over fiscal years 2013 to 2017, but did not indicate what portion of these savings were specific to headquarters. GAO's work indicates that DOD may be able to find additional efficiencies by further examining opportunities to consolidate organizations or centralize functions at headquarters. DOD may not have identified all areas where reductions in headquarters personnel and operating costs could be achieved because, according to DOD officials, the department was working quickly to identify savings in the fiscal year 2012 budget. To accomplish this quickly, DOD used a top-down approach that identified several targets of opportunity to reduce costs, to include headquarters organizations, but left limited time for a detailed data-driven analysis.

One key factor inhibiting DOD from conducting systematic analyses of headquarters is the lack of complete and reliable data about the resources being devoted to such headquarters. According to GAO internal control standards, an agency must have relevant, reliable, and timely information in order to run and control its operations. Moreover, accurate, timely, and useful financial information is essential for sound management analysis, decision making, and reporting within DOD. The department has had long-standing challenges in identifying and tracking personnel and other resources devoted to headquarters; in the late 1990s, GAO reported that the number of personnel and costs associated with major DOD headquarters activities were significantly higher than DOD reported to Congress due to inconsistencies in how DOD tracked headquarters data.

GAO's ongoing work has found that these problems are unresolved and the data on major DOD headquarters activities are still incomplete and unreliable for decision making. As the department did not have reliable major DOD headquarters activity data, DOD gathered information from multiple sources to compile headquarters-related information for the Secretary of Defense's 2010 efficiency initiative. According to DOD officials, the ever-changing statutory reporting requirements have contributed to DOD's failure to report to Congress about the numbers of headquarters personnel. DOD is required to report major DOD headquarters activities annually in the Defense Manpower Requirements Report, which is to be submitted to Congress no later than 45 days after the President's budget.⁴ Specifically, DOD is to report the number of military and civilian personnel assigned to major DOD headquarters activities in the preceding fiscal year and estimates of such numbers for the current and subsequent fiscal year. It must also include a summary of the replacement of contract workyears providing support to major DOD headquarters activities with military or civilian personnel during the

⁴National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, §1109 (2009), codified at 10 U.S.C. §115a. The Defense Manpower Requirements Report is an annual report to Congress that displays DOD's manpower requirements, to include military and civilians, as reflected in the President's budget request for the current fiscal year.

preceding fiscal year, including an estimate of the number of contract workyears associated with the replacement of contracts performing inherently governmental or exempt functions. DOD must also report on the plan for continued review of contract personnel supporting major DOD headquarters activities for possible conversion to military or civilian positions in accordance with other legal requirements. Additionally, DOD must report the amount of any adjustment in personnel limits made by the Secretary of Defense or the secretary of a military department, and for each adjustment made pursuant to section 1111(b)(2) of the fiscal year 2009 National Defense Authorization Act, the purpose of the adjustment.⁵ DOD officials are aware of the reporting requirements and expect to report some of the major DOD headquarters activity data to Congress in the fiscal year 2012 Defense Manpower Requirements Report; however, it is unclear what information will be included in the report.

Furthermore, DOD Instruction 5100.73, which guides the compilation of data on major DOD headquarters activities, is outdated and does not identify all organizations that should be included, such as the component command headquarters of the Departments of Navy and Air Force at U.S. Africa Command and certain Marine Corps components; this potentially omits hundreds of personnel and associated operating costs from being counted as part of headquarters. Second, the Instruction does not explicitly address how and to what extent the thousands of contractors that work at headquarters around DOD should be included as part of its major headquarters activity data. DOD has increasingly relied on contractors to provide a range of services at headquarters, such as management and administrative support, information technology, and base operations support. Some of the services and functions performed by contractors could be considered as major DOD headquarters activities.

GAO's work over the past decade on DOD's contracting activities has noted the need for DOD to obtain better data on its contracted services and personnel to enable it to make more informed management decisions, ensure departmentwide goals and objectives are achieved, and to have the resources to achieve desired outcomes, which could include reducing overhead. GAO reported in January 2011 that further action was needed by DOD to better implement its requirements for conducting an inventory of its service contractor activities and made two recommendations, to include that DOD develop a plan of action to collect manpower data from contractors. In response to GAO's report, DOD has outlined its approach for collecting these data, but does not anticipate complete reporting until 2016.

⁵Section 1111 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417 (2008), allows for the adjustment of statutory personnel limits to fill a gap in DOD's civilian workforce, identified by the Secretary of Defense in a strategic human capital plan submitted to Congress, or to accommodate increases in workload or modify the type of personnel required to accomplish work for purposes specified in section 1111(c) of the Act.

In light of changes in DOD's strategic priorities, complete and reliable headquarters information will be even more important to support a systematic examination of DOD's future structure. Without such information, efforts to re-examine its headquarters resources on a more comprehensive basis to identify additional efficiencies will be hampered, and DOD may miss opportunities to further shift resources from overhead to forces.

Actions Needed and Potential Financial or Other Benefits

In the report that GAO anticipates issuing in March 2012, GAO expects to recommend several actions to facilitate reliable reporting on headquarters staffing and improve information available for decision making. Specifically, DOD should

- revise its Instruction on tracking of headquarters resources to include all major DOD headquarters activity organizations;
- specify how contractors performing headquarters functions will be identified and included in headquarters reporting;
- clarify how components are to compile the major DOD headquarters activities information needed to respond to the reporting requirements in section 1109 of the fiscal year 2010 National Defense Authorization Act; and
- establish time frames for implementing the actions above to improve tracking and reporting headquarters resources.

In addition, to further DOD's ability to find efficiencies in headquarters and other overhead, GAO expects to recommend in the March 2012 report that DOD should

- continue to examine opportunities to consolidate or eliminate defense headquarters organizations that are geographically close or have similar missions, as well as seek further opportunities to centralize administrative and command support services, functions, or programs.

GAO is unable to quantify the potential for further financial benefits because reliable headquarters data are unavailable. Although GAO cannot quantify the potential for additional financial benefits, further efforts by DOD to examine its headquarters resources and improve its headquarters data could present opportunities for additional cost savings.

Agency Comments and GAO's Evaluation

GAO provided a draft of this report section to DOD for review and comment. DOD provided technical comments, which were incorporated as appropriate. DOD officials generally agreed with the actions needed identified by GAO. Specifically, DOD officials told GAO that the department focused on broader reductions for purposes of the Secretary of Defense's 2010 efficiency initiative, not merely those activities identified as major DOD headquarters activities. GAO recognizes that major DOD headquarters activities are a subset of what DOD considered

for its efficiency initiatives. However, given the Secretary's focus on finding efficiencies in headquarters, both as part of his overall efficiency initiative, as well as DOD's recent 2012 strategic guidance, GAO believes complete and reliable headquarters-specific data is even more important in guiding an examination of DOD resources. Without this data on headquarters personnel and operating costs, DOD will not have the information it needs, which could impact its efforts to direct resources toward its main priorities.

How GAO Conducted Its Work

The information in this draft is based on findings from the reports listed in the related GAO products section as well as additional work GAO conducted to be published as a separate product in 2012. GAO selected and assessed DOD efficiency initiatives related to headquarters based on GAO's analysis of information included in DOD's fiscal year 2012 budget request and the Secretary of Defense's *Track Four Efficiency Initiatives Decisions memo*. GAO then obtained and analyzed documentary and testimonial evidence on these selected headquarters-related efficiency initiatives, including the analysis conducted to identify headquarters-related resources and the approach taken to develop selected headquarters-related efficiency initiatives. GAO also obtained and analyzed documentary and testimonial evidence from DOD components detailing the policies and procedures, as well as roles and responsibilities, for tracking and reporting headquarters personnel and operating costs, such as DOD Instruction 5100.73 *Major DOD Headquarters Activities*.⁶

Related GAO Products

Defense Acquisitions: Further Action Needed to Better Implement Requirements for Conducting Inventory of Service Contract Activities. GAO-11-192. Washington, D.C.: January 14, 2011.

Defense Headquarters: Status of Efforts to Reduce Headquarters Personnel. GAO/NSIAD-00-224. Washington, D.C.: September 6, 2000.

Defense Headquarters: Status of Efforts to Reduce Headquarters Personnel. GAO/NSIAD-99-45. Washington, D.C.: February 17, 1999.

Defense Headquarters: Total Personnel and Costs Are Significantly Higher Than Reported to Congress. GAO/NSIAD-98-25. Washington, D.C.: October 30, 1997.

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⁶Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007).

35. Defense Real Property

Ensuring the receipt of fair market value for leasing underused real property and monitoring administrative costs could help the military services' enhanced use lease programs realize intended financial benefits.

Why This Area Is Important

With a real estate portfolio of over 539,000 facilities and 28 million acres of land, the Department of Defense (DOD) has been challenged to effectively manage deteriorating facilities and underused and excess property. To address these challenges, DOD has pursued a multipart strategy involving the base realignment and closure process, housing privatization, and demolition of facilities that are no longer needed. In addition, DOD has pursued a strategy it calls enhanced use leasing, which involves leasing underused real property to gain additional resources for the maintenance and repair of existing facilities or the construction of new facilities.¹ According to the military services, enhanced use leases (EUL) offer significant opportunities to reduce DOD's infrastructure costs and could provide hundreds of millions of dollars to improve installation facilities, rather than financing these improvements through annual appropriations.

The secretaries of the military departments have authority² to lease nonexcess military real property under the control of the respective departments in exchange for cash or in-kind consideration that is not less than the fair market value³ of the lease interest, subject to certain conditions. Some EULs involve complex agreements and long terms. For example, an EUL might provide for a 50-year lease of military land to a private developer that would be expected to construct office or other commercial buildings on the land and then rent the facilities to private sector tenants for profit. As consideration, the military might receive cash or in-kind services valued at an amount equal to a share of the net rental revenues from the developed property. As of the end of fiscal year 2010, the military services reported that 17 EULs were in place—the Army reported 7, the Navy reported 5, and the Air Force reported 5. The services also reported that 37 additional EULs were in various phases of review or negotiation for possible future implementation. However, as GAO previously reported in June 2011, the services did not always realize expected financial benefits from the EUL program.

¹Section 2667 of Title 10 of the United States Code provides authority to secretaries of the military departments to lease nonexcess real property under the control of the respective departments, subject to certain conditions.

²10 U.S.C. § 2667.

³In the enhanced use leasing context, the fair market value of the lease is determined by the appropriate departmental secretary.

What GAO Found

GAO's detailed case studies of nine EULs found that the services' management of the EUL program contains internal control weaknesses related to policies and procedures and performance monitoring. Specifically, it is not clear how and to what extent the services have ensured the receipt of the fair market value of the lease interest, as required by the authorizing statute. In addition, GAO found that the services have not regularly monitored or performed periodic analyses of EUL program administration costs. Therefore, it is unclear whether such costs are in line with the potential program benefits.

While the statute leaves the determination of fair market value to the discretion of the secretary of each military service, and thus a particular methodology for determining fair market value is not required, GAO found cases where receipt of fair market value was questionable, largely because service guidance for determining and ensuring the receipt of fair market value for proposed EULs was not clear. In implementing an internal controls framework, as outlined in GAO's *Standards for Internal Control in the Federal Government*,⁴ management is responsible for developing detailed policies, procedures, and practices to fit their agency's operations and to ensure that those controls are built into and are an integral part of operations. However, GAO found, in the absence of clear guidance, at least one instance where the Air Force agreed to an amount of lease consideration below one estimate of the value of the leased property. For example, in an Eglin Air Force Base EUL, referred to as the Okaloosa County Regional Airport Enhanced Use Lease, the Air Force hired a company to estimate the fair market value of the property. Although the company estimated a value of \$1,274,000 annually, after negotiations with the lessee, the Air Force agreed to accept \$318,000 annually as consideration. Thus, the negotiated amount was \$956,000, or 75 percent, less per year than the appraised value of the property. Because the services lack clear and consistent guidance on how the fair market value of lease interest should be determined and how the receipt of the fair market value can be best ensured, it is not clear how the officials involved in this and other cases determined whether the services received the fair market value of the leased property.

In addition, GAO found that the services have not regularly monitored or performed periodic analyses of EUL program administration costs to help ensure that such costs are in line with program benefits. According to internal control standards, activities need to be established to monitor performance measures and indicators, such as analyses of data relationships, so that appropriate actions can be taken, if needed. Without regular monitoring and analysis, the services have less assurance that their EUL program administration costs are in line with program benefits. While the services have no criteria for how much they should be spending

⁴GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

on EUL program administration costs relative to program benefits, GAO's analysis showed that EUL program administration costs ranged from 31 percent to 135 percent of the total EUL consideration received during fiscal years 2006 through 2010. Specifically, GAO's analysis of information provided by the services concluded that EUL program administration costs, including personnel and consultant costs, equaled about 31 percent of the total EUL consideration received by the Army and the Navy and about 135 percent of the total EUL consideration received by the Air Force. The Air Force spent about \$10.4 million more to administer its EUL program than the amount of consideration received from its five EULs during fiscal years 2006 through 2010.

Actions Needed and Potential Financial or Other Benefits

To help effectively implement the EUL program in order to maximize the potential economic benefits, GAO recommended in June 2011 that the departmental secretaries should

- review and clarify guidance describing how the fair market value of the lease interest should be determined and how the receipt of fair market value can be best ensured; and
- develop procedures to regularly monitor and analyze EUL program administration costs to help ensure that the costs are in line with program benefits.

Agency Comments and GAO's Evaluation

GAO provided a draft of its June 2011 report to DOD for review and comment. DOD agreed with GAO's previous recommendations and stated that the military services were taking appropriate measures to implement the recommendations. According to a DOD official, as of January 19, 2012, DOD did not have the formal status of actions taken to respond to the recommendations in GAO's report, but verified that they have begun the process of making those changes. As part of its routine audit work, GAO will track the extent to which progress has been made to address the identified actions and report to Congress.

How GAO Conducted Its Work

The information contained in this analysis is based on findings from the reports listed in the related products section. GAO reviewed statutory requirements; examined military service policies, instructions, and other guidance; and interviewed officials from the Office of the Secretary of Defense, the Army, the Navy, and the Air Force to discuss implementation of the EUL program. While GAO reviewed information on all 17 EULs in place at the end of fiscal year 2010, GAO selected 9 of the 17 EULs for detailed case study review. The EULs were selected non-randomly to include three from each service and a range of lease purposes, estimated financial benefits, and geographic locations. For the nine case studies, GAO reviewed how the services provided for the receipt of the fair market value of the leased property and how the services monitored program administration costs in relation to program benefits.

Related GAO Products

Defense Infrastructure: The Enhanced Use Lease Program Requires Management Attention. GAO-11-574. Washington, D.C.: June 30, 2011.

Federal Real Property: Authorities and Actions Regarding Enhanced Use Leases and Sale of Unneeded Real Property. GAO-09-283R. Washington, D.C.: February 17, 2009.

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36. Military Health Care Costs

To help achieve significant projected cost savings and other performance goals, DOD needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives.

Why This Area Is Important

As GAO reported in February 2005, the Department of Defense's (DOD) health care system is an example of a key challenge facing the U.S. government in the 21st century, as well as an area in which DOD could achieve economies of scale and improve delivery of services.¹ Currently, health care costs constitute nearly 10 percent of DOD's baseline budget request. For its fiscal year 2012 budget, according to DOD documentation, DOD received \$52.7 billion² to provide health care to approximately 9.6 million active duty servicemembers, reservists, retirees, and their dependents. According to a 2011 Congressional Budget Office report, military health spending could reach \$59 billion by 2016, and is projected to grow to \$92 billion by 2030.³ In 2009, the Defense Business Board,⁴ a group of private sector experts who advise DOD on its overall management and governance, expressed concern at the rise in military health care costs and noted such spending could eventually begin to divert funding away from other priorities such as critical national security initiatives, compensation and personnel costs, and the acquisition of equipment.

Congressional leaders also share concerns over rising military health costs. For example, the House Committee on Armed Services' Print accompanying the Ike Skelton National Defense Authorization Act for Fiscal Year 2011⁵ noted that DOD had not yet developed a comprehensive plan to enhance quality, efficiencies, and savings in the Military Health System.⁶ Furthermore, DOD officials also agree that the

¹GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

²DOD's fiscal year 2012 budget of \$52.7 billion for its Unified Medical Budget includes \$32.5 billion for the Defense Health Program, \$8.3 billion for military personnel, \$1.1 billion for military construction, and \$10.8 billion for the Medicare Eligible Retiree Health Care Fund. The total excludes overseas contingency operations funds and other transfers.

³Congressional Budget Office, *Long-Term Implications of the 2012 Future Years Defense Program*, Pub. No. 4281, June 2011.

⁴Defense Business Board, *Focusing a Transition*, January 2009.

⁵The Ike Skelton National Defense Authorization Act for Fiscal Year 2011 (Pub. L. No. 111-383 (2010)) was not accompanied by a conference report. In lieu of a formal conference report and joint explanatory statement, House Armed Services Committee Print No. 5 (Dec. 2010) was provided to show congressional intent and maintain legislative history.

⁶The Military Health System refers to DOD's health operations as a whole, and consists of the Office of the Assistant Secretary of Defense for Health Affairs; the medical departments of the Army, the Navy, the Air Force and Joint Chiefs of Staff; the Combatant Command surgeons; and the TRICARE network of health care providers.

rate at which health care costs are rising must be addressed, as noted in the *2010 Quadrennial Defense Review*,⁷ which stated that DOD intends to continue to develop health care initiatives that will improve the quality and standard of care, while reducing growth in overall costs.

Under the current structure of DOD's Military Health System, the responsibilities and authorities for its management are distributed among several organizations—including the Assistant Secretary of Defense for Health Affairs and the military services. Health Affairs⁸ is responsible for creating and submitting a unified medical budget and allocating funds to the military services for their respective medical systems; however, Health Affairs lacks direct command and control of the services' military treatment facilities. Additionally, the three departments each have Surgeons General to oversee their deployable medical forces and operate their own health care systems, including training for medical personnel. In GAO's first report issued in response to its mandate to report on duplication, overlap, and fragmentation within the federal government,⁹ GAO stated that realigning DOD's military medical command structures and common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually.¹⁰ GAO is currently conducting additional work to look beyond these potential governance transformation efforts and to examine other initiatives DOD is undertaking that could help contain its rising health care costs. These other initiatives—with the exception of one which is related to governance—are focused on reducing per capita costs,¹¹ improving its servicemembers' medical readiness, and improving its beneficiaries' overall health and experience of care.

What GAO Found

GAO's ongoing work has found that DOD has begun a number of health care initiatives intended to slow the rise in its health care costs, but it has not fully applied results-oriented management practices to its efforts, which limits its effectiveness in implementing these initiatives and achieving related cost savings and other performance goals. The Senior Military Medical Advisory Committee—a committee that functions as an

⁷DOD, *Quadrennial Defense Review Report*, (Washington, D.C.: Feb. 1, 2010).

⁸For purposes of this report, the Office of the Assistant Secretary of Defense for Health Affairs will be called Health Affairs.

⁹GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: March 1, 2011).

¹⁰This estimate is based on a May 2006 report by the Center for Naval Analyses and were adjusted by GAO from 2005 to 2010 dollars.

¹¹DOD monitors the annual increase in costs for enrollees in its TRICARE Prime benefit and measures it against a civilian benchmark.

executive-level discussion and advisory group,¹² has approved 11 strategic initiatives that it believes will help reduce rising health care costs. DOD's strategic initiatives consist primarily of changes to clinical and business practices in areas ranging from primary care to psychological health to purchased care reimbursement practices. DOD was experiencing a 5.5 percent annual increase in per capita costs for its enrolled population, according to data available as of December 2011, but DOD had set its target ceiling for per capita health care cost increases for fiscal year 2011 at a lower rate of 3.1 percent. According to DOD calculations using 2011 enrollee and cost data, if DOD had met its target ceiling of a 3.1 percent increase as opposed to a 5.5 percent increase, the 2.4 percent reduction would have resulted in approximately \$300 million in savings.

Partly in response to GAO's ongoing work assessing DOD's management of its initiatives, the department has taken some initial steps toward managing their implementation. GAO found that, in addition to developing a number of high-level, non-monetary metrics and corresponding goals for each strategic initiative, DOD has developed a dashboard management tool that will include elements such as an explanation of the initiative's purpose, measures, and funding requirements for implementation. In December 2011, the Senior Military Medical Advisory Committee approved 6 dashboards that were significantly, but not entirely completed. A Health Affairs official stated that only one initiative out of 11 currently has a cost savings estimate associated with it. Cost savings estimates are critical to successful management of the initiatives so that DOD can achieve its goal of reducing growth in medical costs as stated in the *2010 Quadrennial Defense Review*. In addition, DOD has developed a template, or a more detailed implementation plan, that is to be completed for each dashboard and is intended to include general timelines and milestones, key risks, and cost savings estimates. DOD currently has one completed implementation plan, which also contains the one available cost savings estimate among all the initiatives. See the table below for a list of the 11 initiatives and their current status as of January 13, 2012.

¹²This group is chaired by the Assistant Secretary of Defense for Health Affairs and includes the Surgeons General from the Army, the Navy, and the Air Force; the Joint Staff Surgeon; and four Deputy Assistant Secretaries of Defense.