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HIGH-RISK SERIES

Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas

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Comptroller General of the United States

A Century of Non-Partisan Fact-Based Work

GAO-21-384T

Chairman Peters, Ranking Member Portman, and Members of the Committee:

Since the early 1990s, our high-risk program has focused attention on government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement, or that are in need of transformation to address economy, efficiency, or effectiveness challenges. This effort, supported by this committee and the House Committee on Oversight and Reform, has brought much needed attention to problems impeding effective government and costing billions of dollars each year.

Our 2021 High-Risk List, which is being released today, includes 36 areas, listed in the appendix.[1] In most areas, progress since our last high-risk update has been limited. Overall ratings for 20 high-risk areas remain unchanged from 2019. In five areas, the ratings actually declined, while in seven areas they improved.[2]

Where we have seen progress on high-risk issues, it has typically involved three essential elements: congressional action or oversight, commitment from top leaders at agencies, and active involvement by the Office of Management and Budget (OMB).

Congress continues to take important actions such as recently passing six laws that are helping to make progress on high-risk issues. However, further attention by Congress can make a big difference. For example, legislation is likely to be necessary to help address 14 of the 36 areas on the High-Risk List.

Dedicated agency leadership is essential to address the limited progress in most high-risk areas. Only 12 areas have met the leadership commitment criterion to address high-risk issues. Also, agency leaders need to do more to address the hundreds of open recommendations we have made to reduce the government's high-risk challenges.

OMB's leadership role is especially important because many high-risk areas are government-wide or involve multiple agencies. Also, there are

[1]*High Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP (Washington, D.C.: March 2, 2021).

[2]We use five criteria to assess progress in addressing high-risk areas: (1) leadership commitment, (2) agency capacity, (3) an action plan, (4) monitoring efforts, and (5) demonstrated progress. We rate each high-risk area's progress on the five criteria as met, partially met, or not met.

resource investments associated with correcting a number of the high-risk problems. In recent years, OMB has largely discontinued the regular meetings it held with the OMB Deputy Director for Management, top agency leaders, and GAO to discuss each of the high-risk areas. When these meetings were held, they led to greater progress on high-risk issues.

Where progress has been made in addressing high-risk areas, the results have been substantial. For example, over the past 15 years (fiscal year 2006 through fiscal year 2020), financial benefits totaled nearly $575 billion, or an average of about $38 billion per year. Since our last update in 2019, we recorded approximately $225 billion in financial benefits.[3]

Changes to the 2021 High Risk List

One area—Department of Defense (DOD) Support Infrastructure Management—improved to the point of removal from the list.

Two new areas—National Efforts to Prevent, Respond to, and Recover from Drug Misuse and Emergency Loans for Small Businesses—are being added to the list.

DOD Support Infrastructure Removed from the List

We are removing the DOD Support Infrastructure Management high-risk area. DOD has addressed the remaining actions and outcomes from our 2019 High-Risk Report. For example, under an OMB program to restrict the growth of excess or underutilized federal properties, DOD contributed to reductions of 68 percent of total government-wide office and warehouse space and 75 percent of other government-wide properties.

DOD also reduced base support costs by implementing our October 2018 recommendations to monitor and evaluate use of intergovernmental support agreements between military installations and local governments. In addition, DOD more efficiently utilized installation space through its reduction of leases, reportedly saving millions of dollars. For example, the Army reduced its leased footprint in the National Capital Region from a peak of 3.9 million square feet in 2011 to roughly 1 million square feet as of September 2019.

[3]Financial benefits are based on actions taken in response to our work, such as reducing government expenditures, increasing revenues, or reallocating funds to other areas.

Additionally, congressional oversight was vital to progress. For example, Congress:

- established a rigorous oversight structure for implementation of Base Realignment and Closure (BRAC) rounds, including GAO's role as an independent and objective observer of the BRAC process[4];
- regularly directed us to review and report on infrastructure issues, such as the condition of facilities; real property data, including on utilization; and excess capacity[5];
- asked DOD to testify annually on its infrastructure budget and policy, focusing on its priorities and risks related to sustainment and modernization needs; and
- periodically required DOD to report on infrastructure issues such as its actions to improve real property data.[6]

While we are removing DOD Support Infrastructure from the High-Risk List, we will continue to examine DOD's efforts, including improving the completeness and accuracy of its real property data, as part of our high-risk areas on Managing Federal Real Property and DOD Financial Management.

National Efforts to Prevent, Respond to, and Recover from Drug Misuse Added to the High-Risk List

National Efforts to Prevent, Respond to, and Recover from Drug Misuse is being added to the High-Risk List. National rates of drug misuse have been increasing, and drug misuse has resulted in significant loss of life and harmful effects to society and the economy.

Almost 800,000 people died of drug overdoses in the United States from 2002 through 2019. During this time period, rates of drug misuse increased, and the rates of drug overdose deaths have also generally increased nationally from the early 2000s through 2019, as shown in figure 1.

In December 2020, the Centers for Disease Control and Prevention (CDC) reported, based on its analysis of National Center for Health

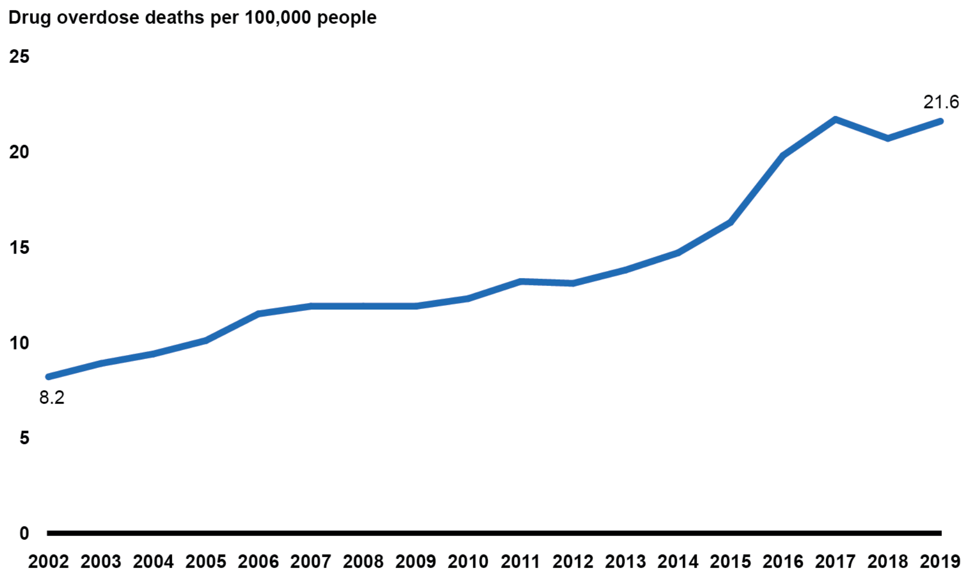
[4]10 U.S.C. § 2687.

[5]*See* H. Rep. 114-102, at 353 (2015); 113-102, at 324–325 (2013); H. Rep. 111-491, at 506–507 (2010).

[6]*See* William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, div. A, title XXVIII, § 2861, 134 Stat. 3388, 4356–4357 (2021); National Defense Authorization Act for Fiscal Year 2020, Pub. L. No. 116-92, § 2823(a), 133 Stat. 1198, 1889 (2019).

Statistics provisional data available at the time, that the largest recorded increase of drug overdose deaths occurred during the 12-month period ending in May 2020. In particular, CDC reported a concerning acceleration of the increase in drug overdose deaths from March 2020 to May 2020, coinciding with the implementation of widespread mitigation measures for the Coronavirus Disease 2019 (COVID-19) pandemic. Provisional data from the CDC indicate that about 80,000 people died from a drug overdose in the 12-month period ending in May 2020.

Figure 1: Rate of Drug Overdose Deaths in the United States, 2002—2019



Source: GAO analysis of Centers for Disease Control and Prevention (CDC) National Center for Health Statistics data. | GAO-21-384T

Note: CDC adjusts drug overdose death rates for age and the population size to control for the changing age distribution and size of the population, and thereby allows comparisons of rates over time. Data are not yet available for all of 2020.

We identified several challenges in the federal government's response, such as a need for greater leadership and coordination of the national effort, strategic guidance that fulfills all statutory requirements, and more effective implementation and monitoring. Since fiscal year 2015, we have made over 110 recommendations to National Drug Control Program agencies, including the Office of National Drug Control Policy, related to preventing, responding to, and recovering from drug misuse. Agencies have generally agreed with our recommendations, but as of December 2020, more than 65 of our recommendations had not yet been implemented.

Emergency Loans for Small Businesses Added to the High-Risk List

Emergency Loans for Small Businesses is also being added to the list. The Small Business Administration (SBA) has provided hundreds of billions of dollars' worth of loans and advances to help small businesses cope with adverse economic impacts created by COVID-19. While loans have greatly aided many small businesses, evidence of significant program integrity risks need much greater oversight and management attention. Specifically, SBA lacks finalized plans to oversee its Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program, despite risk of hundreds of millions of dollars in improper payments.

In December 2020, SBA's independent financial statement auditor issued a disclaimer of opinion on SBA's consolidated financial statements as of and for the year ended September 30, 2020, meaning the auditor was unable to express an opinion due to insufficient evidence. As the basis for the disclaimer, the auditor stated that SBA was unable to provide adequate documentation to support a significant number of transactions and account balances related to PPP and EIDL due to inadequate processes and controls.

In its work, the auditor noted that PPP loans and EIDLs went to potentially ineligible borrowers. For example, the auditor noted that there were over 2 million approved PPP loans (with an approximate total value of $189 billion) flagged by SBA that were potentially not in conformance with the CARES Act and related legislation. The auditor also identified over 6,000 disbursed EIDLs (with a total value of over $212 million) that were issued to potentially ineligible borrowers.

In January 2021, we reported that between May and October 2020, financial institutions filed more than 21,000 and 20,000 suspicious activity reports related to PPP and EIDL, respectively, with the Financial Crimes Enforcement Network (FinCEN). According to FinCEN officials, these financial transactions involved questionable activity and potential fraud committed by PPP and EIDL loan recipients, such as the rapid movement of funds, and possible identity theft and forgeries.

According to SBA's Office of Inspector General (OIG), as of October 1, 2020, it had received tens of thousands of complaints of potential wrongdoing on its hotline and initiated hundreds of investigations into complaints of fraud associated with SBA loan programs, including PPP. In October 2020, the OIG reported that its preliminary review revealed strong indicators of widespread potential fraud in the EIDL program.

According to the report, the OIG and other law enforcement agencies had seized over $450 million from over 15,000 fraudulent EIDL loans.

The Department of Justice (DOJ) has publicly announced charges in more than 90 cases related to PPP and EIDL. The charges—filed across the U.S. and investigated by a range of law enforcement agencies—include allegations of making false statements and engaging in identity theft, wire and bank fraud, and money laundering. As of November 2020, DOJ estimated that the defendants in the PPP-related cases sought more than $260 million from PPP.

Since June 2020, we have made three recommendations to strengthen the management and integrity of emergency loans and advances. For example, we recommended that SBA develop and implement plans to identify and respond to risks in the PPP to ensure program integrity, achieve program effectiveness, and address potential fraud.

Consistent with our recommendation, the Consolidated Appropriations Act, 2021 requires SBA to submit to the Senate and House Small Business Committees an audit plan that details the policies and procedures for conducting forgiveness reviews and audits of PPP loans within 45 days of enactment and to provide monthly updates thereafter.[7]

High Risk Areas Needing Significant Attention

Several long-standing high-risk areas would especially benefit from more focused attention.

- The Ensuring the Cybersecurity of the Nation high-risk area's leadership commitment rating declined from met in 2019 to partially met in 2021. This regression is due to the absence of (1) important characteristics of a national strategy in the White House's September 2018 National Cyber Strategy and the National Security Council's accompanying June 2019 Implementation Plan, and (2) a statutorily-established central leader for coordinating the White House's approach to managing the nation's cybersecurity.[8] Such a position was created in January 2021 but has not yet been filled.

  In September 2020, we reported that the strategy and implementation plan address some, but not all, of the desirable characteristics of national strategies. For example, although the implementation plan

[7]Pub. L. No. 116-260, div. N, § 307(a)(3), 134 Stat. 1182, 1998 (2020). The audit plan is to also detail the metrics that SBA will use to determine which loans will be audited.

[8]Pub. L. No. 116-283, div. A, title XVII, § 1752, 134 Stat. at 4144–4149.

detailed 191 activities that federal entities are to undertake, the plan did not include goals and timelines for 46 of the activities, identify the resources needed to execute 160 activities, or specify a process for monitoring agency progress.

Since 2010, we have made more than 3,300 recommendations to agencies aimed at addressing cybersecurity challenges facing the government. More than 750 of the recommendations had not been fully implemented as of December 2020.

- The Strategic Human Capital Management high-risk area's leadership commitment rating declined from a met rating in 2019 to partially met in 2021. This regression is due, in part, to the absence of Senate-confirmed leadership at the Office of Personnel Management (OPM) for 18 of the last 24 months, as of January 2021. As a result, the federal government has lacked the attention from the highest levels needed to address long-standing and emerging skills gaps. Insufficient number of staff, inadequate workforce planning, and a lack of training in critical skills are contributing to our designating 22 of the 35 other areas as high risk.
- The federal government currently invests more than $90 billion annually in information technology (IT), and the Improving the Management of IT Acquisitions and Operations high-risk area continues to face significant challenges. These challenges include (1) 21 of 24 major federal agencies not modifying their practices to fully address the role of their chief information officers; (2) agencies not documenting modernization plans or not including key elements identified in best practices in their plans; (3) agencies needing to take further action to reduce duplicative IT contracts; (4) the General Services Administration (GSA) and OMB having fewer funds available than anticipated to award to new projects for replacing aging IT systems; and (5) agencies not implementing our remaining 400 open recommendations related to this high-risk area.
- The federal government has not made measurable progress to reduce its fiscal exposure to climate change; therefore, the Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks high-risk area also warrants significant attention. Among other things, the federal government needs to (1) address structural issues in flood and crop insurance programs that send inaccurate price signals to policyholders; (2) safeguard assets, as one of the nation's largest property holders, including structures, land, and military installations domestically and abroad;(3) reform disaster assistance to build in up front resilience and mitigation strategies; and (4) lead the formation of a national climate strategy that prioritizes

working on infrastructure and investment projects with state and local governments, the private sector, and nonprofit organizations.

- The federal government's environmental liability will likely continue to grow even as billions are spent each year on cleanup efforts. The Department of Energy (DOE) and DOD are responsible for the largest shares of the U.S. government's environmental liability. For fiscal year 2020, DOE's estimated environmental liability was $512 billion and DOD's was $75 billion. The U.S. Government's Environmental Liability high-risk area warrants significant attention as it has received not met ratings for capacity, action plan, monitoring, and demonstrated progress in both the 2019 and 2021 High-Risk Reports. For example, DOE's Office of Environmental Management has not developed a strategic plan that incorporates the principles of risk-informed decision-making.
- The U.S. Postal Service (USPS) Financial Viability high-risk area declined from a partially met rating in 2019 to not met in 2021 for capacity. The decline was due to the continued imbalance between USPS's revenues and expenses. USPS's labor compensation costs continued to increase by about $1 billion a year while total mail volume continued to decline from 146 billion pieces in fiscal year 2018 to 129 billion pieces in fiscal year 2020. These factors combined to result in a total net loss of $18 billion for fiscal years 2019 and 2020, as compared to a total net loss of about $6.7 billion for fiscal years 2017 and 2018.

  This imbalance further limits USPS' ability to address its long-standing capital needs, such as new vehicles and equipment to handle packages more efficiently. USPS also did not make $63.2 billion in required payments to fund postal retiree health and pension benefits through fiscal year 2020. USPS reported that it did not make these payments so that it could cover operating costs and make necessary capital investments. We found in August 2018 that based on OPM projections, the fund supporting postal retiree health benefits would be depleted in fiscal year 2030 if USPS continues to miss all payments.
- The Transforming EPA's Process for Assessing and Controlling Toxic Chemicals high-risk area declined from a partially met rating in 2019 to not met in 2021 for monitoring. Additionally, three criteria in each of the two segments declined to a not met rating in 2021. First, the Integrated Risk Information System (IRIS) Program did not issue a completed chemical assessment between August 2018 and December 2020. Second, the Office of Pollution Prevention and Toxics, which implements the Toxic Substances Control Act (TSCA), did not complete workforce or workload planning to demonstrate

capacity to successfully produce TSCA requirements by statutory deadlines.

- The Decennial Census high-risk area declined from a met rating in 2019 to partially met in 2021 for leadership commitment. This regression is because the Department of Commerce requested that the Census Bureau shorten data collection time frames and response processing of census data in an effort to meet the apportionment deadline of December 31, 2020, even though COVID-19 had forced the Census Bureau to pause field data collection operations for approximately 3 months. Compressing the time frame to collect data and process responses has increased the risk of compromised data quality.

  The Census Bureau found data anomalies during the processing of census responses that have delayed the delivery of apportionment numbers, which as of February 2021 had not been delivered to the President.

Emerging Issues Requiring Close Attention

In addition to specific areas that we have designated as high risk, we have ongoing and planned work on two other major issues—the Department of Health and Human Services' (HHS) leadership and coordination of public health emergencies and the management of the federal prison system—that may lead us to designate the issues as high risk when that work is completed.

The current pandemic has underscored concerns that we have previously raised and the recommendations we have made regarding HHS's leadership and coordination of public health emergencies.

Through our previous work on public health emergencies and the current pandemic, we have made a number of recommendations, many of which are based on the following four principles of an effective response: (1) establish clear goals and define roles and responsibilities among those responding to a crisis; (2) create mechanisms early on for accountability and transparency; (3) provide clear and consistent communication; and (4) collect and analyze adequate information to inform future decisions.

We have ongoing and planned work to continue to assess HHS's leadership and coordination of the COVID-19 response, as well as its leadership and coordination of biodefense preparedness efforts, state and local preparedness efforts, and the medical product supply chain and Strategic National Stockpile, among other work.

Our work on the management of the federal prison system since 2010 includes 19 prison-related reports and 39 recommendations. Sixteen of these recommendations have not yet been addressed.

Our work has shown that the Bureau of Prisons' (BOP) deficiencies can generally be categorized into three themes: (1) inadequate management of staff and resources, (2) inadequate planning for new programs or initiatives that help inmates prepare for a successful return to the community, including drug treatment programs; and (3) insufficient monitoring and evaluation of these inmate programs, which has led to imprudent spending.

Furthermore, BOP has experienced significant leadership instability, with the turnover of five different acting or permanent directors from 2016 through 2020. We also have found that many of BOP's program evaluations are almost 20 years old, and that outdated or limited program evaluation has hampered BOP's ability to gauge the benefits of its efforts.

Among our ongoing and planned studies reviewing BOP's management and operations, our work to assess BOP's implementation of the First Step Act of 2018 will be critical to determining BOPs progress in enhancing inmate programs and reducing recidivism.

Substantial efforts are needed on all high-risk areas to achieve greater progress and to address regress in some areas since the last high-risk update in 2019. Tens of billions of dollars in additional benefits and substantial improvements to the health, well-being, and security of the nation would be achieved by fully addressing high-risk issues. Sustained congressional attention, agency leadership, and OMB involvement remain key to success.

Our high-risk program continues to be a top priority at GAO. We will maintain our emphasis on identifying high-risk issues across government and on providing recommendations and sustained attention to help address them, by working with Congress, agency leaders, and OMB.

As a key part of this constructive approach, I plan to reach out to top leaders as their nominations are confirmed to discuss solutions to address high-risk issues. I also encourage Congress to actively engage new leaders about high-risk areas and provide oversight and legislation to make lasting improvements.

This high-risk update is intended to help inform the oversight agenda for the 117th Congress and to guide efforts of the administration and agencies to improve government performance and reduce waste and risks.

Thank you, Chairman Peters, Ranking Member Portman, and Members of the Committee. This concludes my testimony. I would be pleased to answer any questions.

For further information on this testimony, please contact Michelle Sager at (202) 512-6806 or SagerM@gao.gov. Contact points for the individual high-risk areas are listed in the report and on our high-risk website. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

Appendix: GAO's 2021 High-Risk List

GAO's 2021 High-Risk List

High-risk area	Change since 2019
Strengthening the Foundation for Efficiency and Effectiveness	
Strategic Human Capital Management	↓
Managing Federal Real Property[a]	↑
Funding the Nation's Surface Transportation System[b c]	n/a
Modernizing the U.S. Financial Regulatory System[b]	●
Resolving the Federal Role in Housing Finance[b]	●
USPS Financial Viability[b]	↓
Management of Federal Oil and Gas Resources[a]	●
Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks[b]	●
Improving the Management of IT Acquisitions and Operations	●
Improving Federal Management of Programs That Serve Tribes and Their Members	●
Decennial Census	↓
U.S. Government's Environmental Liability[b]	●
Emergency Loans for Small Businesses (new)[c]	n/a
Transforming DOD Program Management	
DOD Weapon Systems Acquisition	●
DOD Financial Management	↑
DOD Business Systems Modernization	●
DOD Approach to Business Transformation	●
Ensuring Public Safety and Security	
Government-wide Personnel Security Clearance Process[b]	↑
Ensuring the Cybersecurity of the Nation[b]	↓
Strengthening Department of Homeland Security Management Functions	●
Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	●
Improving Federal Oversight of Food Safety[b]	●
Protecting Public Health through Enhanced Oversight of Medical Products	●
Transforming EPA's Process for Assessing and Controlling Toxic Chemicals	↓
National Efforts to Prevent, Respond to, and Recover from Drug Misuse (new)[c]	n/a
Managing Federal Contracting More Effectively	
VA Acquisition Management[d]	n/a
DOE's Contract and Project Management for the National Nuclear Security Administration and Office of Environmental Management	↑
NASA Acquisition Management	↑
DOD Contract Management[a]	●
Assessing the Efficiency and Effectiveness of Tax Law Administration	
Enforcement of Tax Laws[b]	●

High-risk area	Change since 2019
Modernizing and Safeguarding Insurance and Benefit Programs	
Medicare Program & Improper Payments[e]	●
Strengthening Medicaid Program Integrity[b]	●
Improving and Modernizing Federal Disability Programs	●
Pension Benefit Guaranty Corporation Insurance Programs[b c]	n/a
National Flood Insurance Program[b]	●
Managing Risks and Improving VA Health Care[b]	↑

(↑ indicates area progressed on one or more criteria since 2019; ↓ indicates area declined on one or more criteria; ● indicates no change; n/a = not applicable)

Source: GAO. | GAO-21-384T

[a]Ratings for a segment within this high-risk area improved sufficiently that the segment was removed.

[b]Legislation is likely to be necessary in order to effectively address this high-risk area.

[c]Not rated, because this high-risk area is newly added or primarily involves congressional action.

[d]Rated for the first time, because this high-risk area was newly added in 2019.

[e]Only rated on one segment; we did not rate other elements of the Medicare program.

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