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PAPERWORK REDUCTION ACT

Burden Reduction May Require a New Approach

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G A O

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Highlights of [GAO-05-778T](#), a testimony before the Subcommittee on Regulatory Affairs, Committee on Government Reform, House of Representatives

Why GAO Did This Study

Americans spend billions of hours each year providing information to federal agencies by filling out information collections (forms, surveys, or questionnaires). A major aim of the Paperwork Reduction Act (PRA) is to minimize the burden that these collections impose on the public, while maximizing their public benefit. Under the act, the Office of Management and Budget (OMB) is to approve all such collections and to report annually on the agencies' estimates of the associated burden. In addition, agency Chief Information Officers (CIO) are to review information collections before they are submitted to OMB for approval and certify that the collections meet certain standards set forth in the act.

For its testimony, GAO was asked to comment on OMB's burden report for 2004 and to discuss its recent study of PRA implementation ([GAO-05-424](#)), concentrating on CIO review and certification processes and describing alternative processes that two agencies have used to minimize burden. For its study, GAO reviewed a governmentwide sample of collections, reviewed processes and collections at four agencies that account for a large proportion of burden, and performed case studies of 12 approved collections.

www.gao.gov/cgi-bin/getrpt?GAO-05-778T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda Koontz at (202) 512-6240 or koontzl@gao.gov.

PAPERWORK REDUCTION ACT

Reducing Burden May Require a New Approach

What GAO Found

The total paperwork burden imposed by federal information collections shrank slightly in fiscal year 2004, according to estimates provided in OMB's annual PRA report to Congress. The estimated total burden was 7.971 billion hours—a decrease of 1.6 percent (128 million burden hours) from the previous year's total of about 8.099 billion hours. Different types of changes contributed to the overall change in these estimates, according to OMB. For example, adjustments to the estimates (from such factors as changes in estimation methods and estimated number of respondents) accounted for a decrease of about 156 million hours (1.9 percent), and agency burden reduction efforts led to a decrease of about 97 million hours (1.2 percent). These decreases were partially offset by increases in other categories, primarily an increase of 119 million hours (1.5 percent) arising from new statutes. However, because of limitations in the accuracy of burden estimates, the significance of small changes in these estimates is unclear. Nonetheless, as the best indicators of paperwork burden available, these estimates can be useful as long as the limitations are clearly understood.

Among the PRA provisions aimed at helping to achieve the goals of minimizing burden while maximizing utility is the requirement for CIO review and certification of information collections. GAO's review of 12 case studies showed that CIOs provided these certifications despite often missing or inadequate support from the program offices sponsoring the collections. Further, although the law requires CIOs to provide support for certifications, agency files contained little evidence that CIO reviewers had made efforts to improve the support offered by program offices. Numerous factors have contributed to these problems, including a lack of management support and weaknesses in OMB guidance. Because these reviews were not rigorous, OMB, the agency, and the public had reduced assurance that the standards in the act—such as minimizing burden—were consistently met.

In contrast, the Internal Revenue Service (IRS) and the Environmental Protection Agency (EPA) have set up processes outside the CIO review process that are specifically focused on reducing burden. These agencies, whose missions involve numerous information collections, have devoted significant resources to targeted burden reduction efforts that involve extensive outreach to stakeholders. According to the two agencies, these efforts led to significant reductions in burden on the public. In contrast, for the 12 case studies, the CIO review process did not reduce burden.

In its report, GAO recommended that OMB and the agencies take steps to improve review processes and compliance with the act. GAO also suggested that the Congress may wish to consider mandating pilot projects to target some collections for rigorous analysis along the lines of the IRS and EPA approaches. OMB and the agencies agreed with most of the recommendations, but disagreed with aspects of GAO's characterization of agencies' compliance with the act's requirements.

Madam Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the implementation of the Paperwork Reduction Act (PRA).¹ As you know, the primary goals of the act are to minimize the government paperwork burden on the public while maximizing the public benefit and utility of the information collections that the government undertakes. To achieve these goals, the PRA includes a range of provisions that establish standards and procedures for effective implementation and oversight. Among these provisions is the requirement for the Office of Management and Budget (OMB) to report annually to the Congress on the estimated burden imposed on the public by government information collections (forms, surveys, and questionnaires). Another requirement is that agencies not establish information collections without having them approved by OMB, and that before submitting them for approval, agencies' Chief Information Officers (CIO) certify that the collection meets 10 specified standards (for example, that it avoids unnecessary duplication and minimizes burden).

As you requested, I will begin by commenting briefly today on the estimates of government paperwork burden provided in the annual PRA report (known as the Information Collection Budget) that OMB recently released, which presents federal agencies' estimates of federal paperwork burden as of the end of fiscal year 2004. I will then discuss results from a report that we prepared on PRA processes and compliance, which is being released today.² I will concentrate on our findings regarding agencies' processes to certify that information collections meet PRA standards and on alternative processes that two agencies have used to minimize burden.

¹ The Paperwork Reduction Act was originally enacted into law in 1980 (Pub. L. 96-511, Dec. 11, 1980). It was reauthorized with minor amendments in 1986 (Pub. L. 99-591, Oct. 30, 1986) and was reauthorized a second time with more significant amendments in 1995 (Pub. L. 104-13, May 22, 1995).

² GAO, *Paperwork Reduction Act: New Approach May Be Need to Reduce Government Burden on Public*, GAO-05-424 (Washington, D.C.: May 20, 2005).

In preparing this testimony, we reviewed our testimonies on previous annual PRA reports as well as examining the most recent one. For our discussion of the certification process, we drew on our report, for which we performed detailed reviews of paperwork clearance processes and collections at four agencies: the Department of Veterans Affairs (VA), the Department of Housing and Urban Development (HUD), the Department of Labor, and the Internal Revenue Service (IRS). Together, these four agencies represent a broad range of paperwork burdens, and in 2003, they accounted for about 83 percent of the 8.1 billion hours of estimated paperwork burden for all federal agencies. Of this total, IRS alone accounted for about 80 percent.³ We also selected 12 approved collections as case studies (three at each of the four agencies) to determine how effective agency processes were. In addition, we analyzed a random sample (343) of all OMB-approved collections governmentwide as of May 2004 (8,211 collections at 68 agencies) to determine compliance with the act's requirements regarding agency certification of the 10 standards and consultation with the public. We designed the random sample so that we could determine compliance levels at the four agencies and governmentwide. Finally, although the Environmental Protection Agency (EPA) was not one of the agencies whose processes we reviewed, we analyzed documents and interviewed officials concerning the agency's efforts to reduce the burden of its information collections. Further details on our scope and methodology are provided in our report.

The work on which this testimony is based was conducted from May 2004 to May 2005, in accordance with generally accepted government auditing standards.

³Although IRS accounted for about 80 percent of burden, it did not account for 80 percent of collections: it accounted for 808 out of the total 8,211 collections governmentwide as of May 2004.

Results in Brief

The total paperwork burden imposed by federal information collections shrank slightly in fiscal year 2004, according to estimates provided in OMB's May 2005 annual PRA report to Congress. The estimated total burden was 7.971 billion hours, which is a decrease of 1.6 percent (128 million burden hours) from the previous year's total of about 8.099 billion hours. Different types of changes contributed to the overall change in the total burden estimates, according to OMB. For example, adjustments to the estimates (from such factors as changes in estimation methods and the population of respondents⁴) accounted for a decrease of about 156 million hours (1.9 percent), and agency burden reduction efforts led to a decrease of about 97 million hours (1.2 percent). These decreases were partially offset by increases in other categories, primarily an increase of 119 million hours (1.5 percent) arising from new statutes. However, because of limitations in the ability to develop accurate burden estimates, the degree to which agency burden-hour estimates reflect real burden is unclear, and so the significance of small changes in these estimates is also uncertain. Nonetheless, these estimates are the best indicators of paperwork burden available, and they can be useful as long as the limitations are clearly understood.

Among the PRA provisions intended to help achieve the goals of minimizing burden while maximizing utility is the requirement for CIO review and certification of information collections. Governmentwide, agency CIOs generally reviewed information collections before they were submitted to OMB and certified that the required standards in the act were met. However, our review of 12 case studies showed that CIOs provided these certifications despite often missing or inadequate support from the program offices sponsoring the collections. Further, although the law requires CIOs to provide support for certifications, agency files

⁴ That is, an agency may change its method for estimating the burden associated with a collection of information, or new information or circumstances may lead to a changed estimate of the number of respondents (the people or entities that can or must respond to an information collection).

contained little evidence that CIO reviewers had made efforts to improve the support offered by program offices. Numerous factors have contributed to these problems, including a lack of management support and weaknesses in OMB guidance. Because these reviews were not rigorous, OMB, the agency, and the public have reduced assurance that the standards in the act—such as avoiding duplication and minimizing burden—were consistently met.

In contrast, IRS and EPA have used additional evaluative processes that focus specifically on reducing burden. These processes are targeted, resource-intensive efforts that involved extensive outreach to stakeholders. According to these agencies, their processes led to significant reductions in burden on the public while maximizing the utility of the information collections.

In our report, we recommended that OMB and the agencies take steps to improve review processes and compliance with the act. We also suggested that the Congress may wish to consider mandating pilot projects to target some collections for rigorous analysis along the lines of the IRS and EPA approaches. OMB and the agencies agreed with most of the recommendations, but disagreed with aspects of GAO's characterization of agencies' compliance with the act's requirements.⁵

Background

Collecting information is one way that federal agencies carry out their missions. For example, IRS needs to collect information from taxpayers and their employers to know the correct amount of taxes owed. The U.S. Census Bureau collects information used to apportion congressional representation and for many other

⁵ For example, OMB, the Treasury, Labor, and HUD disagreed with our position that the PRA requires agencies both to publish a *Federal Register* notice and to otherwise consult with public. Our position, however, is that the PRA's language is unambiguous: agencies shall "provide 60-day notice in the *Federal Register*, and otherwise consult with members of the public and affected agencies concerning each proposed collection..." Pub. L. 104-13, 109 Stat. 173, 44 U.S.C. 3506(c)(2).

purposes. When new circumstances or needs arise, agencies may need to collect new information. We recognize, therefore, that a large portion of federal paperwork is necessary and often serves a useful purpose.

Nonetheless, besides ensuring that information collections have public benefit and utility, federal agencies are required by the PRA to minimize the paperwork burden that they impose. Among the act's provisions aimed at this purpose are detailed requirements, included in the 1995 amendments to the PRA, spelling out how agencies are to review information collections before submitting them to OMB for approval. According to these amendments, an agency official independent of those responsible for the information collections (that is, the program offices) is to evaluate whether information collections should be approved. This official is the agency's CIO,⁶ who is to review each collection of information to certify that the collection meets 10 standards (see table 1) and to provide support for these certifications.

⁶The 1995 amendments used the 1980 act's reference to the agency "senior official" responsible for implementation of the act. A year later, Congress gave that official the title of agency Chief Information Officer (the Information Technology Management Reform Act, Pub. L. 104-106, Feb. 10, 1996, which was subsequently renamed the Clinger-Cohen Act, Pub. L. 104-208, Sept. 30, 1996).

Table 1: Standards for Information Collections Set by the Paperwork Reduction Act

Standards
The collection is necessary for the proper performance of agency functions.
The collection avoids unnecessary duplication.
The collection reduces burden on the public, including small entities, to the extent practicable and appropriate.
The collection uses plain, coherent, and unambiguous language that is understandable to respondents.
The collection will be consistent and compatible with respondents' current reporting and recordkeeping practices to the maximum extent practicable.
The collection indicates the retention period for any recordkeeping requirements for respondents.
The collection informs respondents of the information they need to exercise scrutiny of agency collections information (the reasons the information is collected; the way it is used; an estimate of the burden; whether responses are voluntary, required to obtain a benefit, or mandatory; and a statement that no person is required to respond unless a valid OMB control number is displayed).
The collection was developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to be collected.
The collection uses effective and efficient statistical survey methodology (if applicable).
The collection uses information technology to the maximum extent practicable to reduce burden and improve data quality, agency efficiency and responsiveness to the public.

Source: Paperwork Reduction Act, Pub. L. 104-13, 109 Stat. 173-4, sec. 3506(c)(3).

In addition, the original PRA of 1980 (section 3514(a)) requires OMB to keep Congress “fully and currently informed” of the major activities under the act and to submit a report to Congress at least annually on those activities. Under the 1995 amendments, this report must include, among other things, a list of any increases in burden. To satisfy this requirement, OMB prepares the annual PRA report, which reports on agency actions during the previous fiscal year, including changes in agencies’ burden-hour estimates.

In addition, the 1995 PRA amendments required OMB to set specific goals for reducing burden from the level it had reached in 1995: at least a 10 percent reduction in the governmentwide burden-hour estimate for each of fiscal years 1996 and 1997, a 5 percent governmentwide burden reduction goal in each of the next 4 fiscal years, and annual agency goals that reduce burden to the “maximum practicable opportunity.” At the end of fiscal year 1995, federal agencies estimated that their information collections imposed about 7 billion burden hours on the public. Thus, for these reduction goals

to be met, the burden-hour estimate would have had to decrease by about 35 percent, to about 4.6 billion hours, by September 30, 2001. In fact, on that date, the federal paperwork estimate had increased by about 9 percent, to 7.6 billion burden hours.

For the most recent PRA report, the OMB Director sent a bulletin in September 2004 to the heads of executive departments and agencies requesting information to be used in preparing its report on actions during fiscal year 2004. In May 2005, OMB published this report, which shows changes in agencies' burden-hour estimates during fiscal year 2004.

Reported Paperwork Burden Decreased Slightly in 2004

According to OMB's most recent PRA report to Congress, the estimated total burden hours imposed by government information collections in fiscal year 2004 was 7.971 billion hours; this is a decrease of 128 million burden hours (1.6 percent) from the previous year's total of about 8.099 billion hours. It is also about a billion hours larger than in 1995 and 3.4 billion larger than the PRA target for the end of fiscal year 2001 (4.6 billion burden hours).

The reduction for fiscal year 2004 was a result of several types of changes, which OMB assigns to various categories. OMB classifies all changes—either increases or decreases—in agencies' burden-hour estimates as either “program changes” or “adjustments.”

- Program changes are the result of deliberate federal government action (e.g., the addition or deletion of questions on a form) and can occur as a result of new statutory requirements, agency-initiated actions, or the expiration or reinstatement of OMB-approved collections.⁷

⁷ When an agency allows OMB approval of a collection to lapse but continues to collect the information, this is a violation of the PRA. However, the expired collection is accounted for as a decrease in burden. When the approval is reinstated, the reinstatement is accounted for as an increase in burden in OMB's accounting system. The lapse and reinstatement thus generally cancel each other out, unless the reinstatement involves changed burden estimates based on new analysis.

- Adjustments do not result from federal burden-reduction activities but rather are caused by factors such as changes in the population responding to a requirement or agency reestimates of the burden associated with a collection of information. For example, if the economy declines and more people complete applications for food stamps, the resulting increase in the Department of Agriculture’s paperwork estimate is considered an adjustment because it is not the result of deliberate federal action.

Table 2 shows the changes in reported burden totals since the fiscal year 2003 PRA report.

Table 2: Changes in Governmentwide Reported Burden Totals by Category

In millions	Change from fiscal year 2003 PRA report total (hours and percentage)	
Category of change		
Baseline: Fiscal year 2003 total	8,098.79	
Fiscal year 2004 program changes:		
Changes due to agency action	–96.84	(–1.2%)
Changes due to new statutes	119.00	(1.5%)
Changes due to lapses in OMB approval	6.39	(0.1%)
Total program changes	28.54	(0.4%)
Fiscal year 2004 adjustments	–156.15	(–1.9%)
Fiscal year 2004 total	7971.18	(–1.6%)

Source: OMB annual PRA reports.

As table 2 shows, the change in the “adjustments” category was the largest factor in the decrease for fiscal year 2004. These results are similar to those for fiscal year 2003, in which adjustments of 181.7 million hours led to an overall decrease of 116.3 million hours (1.4 percent) in total burden estimated. The slight decreases that occurred in fiscal years 2004 and 2003 followed several years of increases, as shown in table 3. As table 3 also shows, if adjustments are disregarded, the federal government paperwork burden would have increased by about 28.5 million burden hours in fiscal year 2004 (“total program changes” in table 2).

Table 3: Increases in Burden Hours Due to Program Changes Between Fiscal Years 1998 and 2004

In millions		
Fiscal year	Total governmentwide burden-hour estimate	Net increase in burden hours due to program changes
2004	7,971.2	28.5
2003	8,105.4	72.1
2002	8,223.2	294.1
2001	7,651.4	158.7
2000	7,361.0	188.0
1999	7,183.9	189.0
1998	6,951.1	41.1

Source: OMB.

The largest percentage of governmentwide burden can be attributed to the IRS. In fiscal year 2004, IRS accounted for about 78 percent of governmentwide burden: about 6210 million hours. No other agency's estimate approaches this level: As of September 30, 2004, only five agencies had burden-hour estimates of 100 million hours or more (the Departments of Health and Human Services, Labor, and Transportation; EPA; and the Securities and Exchange Commission). Thus, as we have previously reported, changes in paperwork burden experienced by the federal government have been largely attributable to changes associated with IRS.⁸

However, in interpreting these figures, it is important to keep in mind their limitations. First, as estimates, they are not precise; changes from year to year, particularly small ones, may not be meaningful. Second, burden-hour estimates are not a simple matter. The "burden hour" has been the principal unit of paperwork burden for more than 50 years and has been accepted by agencies and the public because it is a clear, easy-to-understand concept. However, it is challenging to estimate the amount of time it will take for a respondent to collect and provide the information or how many

⁸ GAO, *Paperwork Reduction Act: Agencies' Paperwork Burden Estimates Due to Federal Actions Continue to Increase*, GAO-04-676T (Washington, D.C.: Apr. 20, 2004).

individuals an information collection will affect.⁹ Therefore, the degree to which agency burden-hour estimates reflect real burden is unclear. (IRS is sufficiently concerned about the methodology it uses to develop burden estimates that it is in the process of developing and testing alternative means of measuring paperwork burden.) Because of these limitations, the degree to which agency burden-hour estimates reflect real burden is unclear, and so the significance of small changes in these estimates is also uncertain. Nonetheless, these estimates are the best indicators of paperwork burden available, and they can be useful as long as the limitations are clearly understood.

Agency Review Processes Were Not Rigorous

Among the PRA provisions intended to help achieve the goals of minimizing burden while maximizing utility are the requirements for CIO review and certification of information collections. The 1995 amendments required agencies to establish centralized processes for reviewing proposed information collections within the CIO's office. Among other things, the CIO's office is to certify, for each collection, that the 10 standards in the act have been met, and the CIO is to provide a record supporting these certifications.

The four agencies in our review all had written directives that implemented the review requirements in the act, including the requirement for CIOs to certify that the 10 standards in the act were met. The estimated certification rate ranged from 100 percent at IRS and HUD to 92 percent at VA. Governmentwide, agencies certified that the act's 10 standards had been met on an estimated 98 percent of the 8,211 collections.

However, in the 12 case studies that we reviewed, this CIO certification occurred despite a lack of rigorous support that all standards were met. Specifically, the support for certification was

⁹ See GAO, *EPA Paperwork: Burden Estimate Increasing Despite Reduction Claims*, GAO/GGD-00-59 (Washington, D.C.: Mar. 16, 2000), for how one agency estimates paperwork burden.

missing or partial on 65 percent (66 of 101) of the certifications.¹⁰
Table 4 shows the result of our analysis of the case studies.

Table 4: Support Provided by Agencies for Paperwork Reduction Act Standards in 12 Case Studies

Standards	Total ^a	Support provided		
		Yes	Partial	No
The collection is necessary for the proper performance of agency functions.	12	6	6	0
The collection avoids unnecessary duplication.	11	2	2	7
The collection reduces burden on the public, including small entities, to the extent practicable and appropriate.	12	5	7	0
The collection uses plain, coherent, and unambiguous language that is understandable to respondents.	12	1	0	11
The collection will be consistent and compatible with respondents' current reporting and recordkeeping practices to the maximum extent practicable.	12	3	0	9
The collection indicates the retention period for any recordkeeping requirements for respondents. ^b	6	3	3	0
The collection informs respondents of the information they need to exercise scrutiny of agency collections (i.e., the reasons the information is collected; the way it is used; an estimate of the burden; whether responses are voluntary, required to obtain a benefit, or mandatory; and a statement that no person is required to respond unless a valid OMB control number is displayed). ^b	12	4	8	0
The collection was developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to be collected.	11	2	0	9
The collection uses effective and efficient statistical survey methodology (if applicable).	1	1	0	0
The collection uses information technology to the maximum extent practicable to reduce burden and improve data quality, agency efficiency, and responsiveness to the public.	12	8	4	0
Totals	101	35	30	36

Sources: Paperwork Reduction Act, GAO.

^aThe total number of certifications is not always 12 because not all certifications applied to all collections.

^bFor these two standards, the presence on the forms of the information indicated was categorized as support, the absence of some elements was categorized as partial support, and the absence of all elements was categorized as no support.

For example, under the act, CIOs are required to certify that each information collection is not unnecessarily duplicative. According to OMB instructions, agencies are to (1) describe efforts to identify duplication and (2) show specifically why any similar information already available cannot be used or modified for the purpose described.

¹⁰The total number of certifications does not total 120 (12 cases times 10 standards) because some standards did not apply to some cases.

In 2 of 11 cases, agencies provided the description requested; for example:

Program reviews were conducted to identify potential areas of duplication; however, none were found to exist. There is no known Department or Agency which maintains the necessary information, nor is it available from other sources within our Department.

In an additional 2 cases, partial support was provided. An example is the following, provided by Labor:

[The Employer Assistance Referral Network (EARN)] is a new, nationwide service that does not duplicate any single existing service that attempts to match employers with providers who refer job candidates with disabilities. While similar job-referral services exist at the state level, and some nation-wide disability organizations offer similar services to people with certain disabilities, we are not aware of any existing survey that would duplicate the scope or content of the proposed data collection. Furthermore, because this information collection involves only providers and employers interested in participating in the EARN service, and because this is a new service, a duplicate data set does not exist.

While this example shows that the agency attempted to identify duplicative sources, it does not discuss why information from state and other disability organizations could not be aggregated and used, at least in part, to satisfy the needs of this collection.

In 7 cases, moreover, support for these certifications was missing. An example is the following statement, used on all three IRS collections:

We have attempted to eliminate duplication within the agency wherever possible.

This assertion provides no information on what efforts were made to identify duplication or perspective on why similar information, if any, could not be used. Further, the files contained no evidence that the CIO reviewers challenged the adequacy of this support or provided support of their own to justify their certification.

A second example is provided by the standard requiring each information collection to reduce burden on the public, including

small entities,¹¹ to the extent practicable and appropriate. OMB guidance emphasizes that agencies are to demonstrate that they have taken every reasonable step to ensure that the collection of information is the least burdensome necessary for the proper performance of agency functions. In addition, OMB instructions and guidance direct agencies to provide specific information and justifications: (1) estimates of the hour and cost burden of the collections and (2) justifications for any collection that requires respondents to report more often than quarterly, respond in fewer than 30 days, or provide more than an original and two copies of documentation.

With regard to small entities, OMB guidance states that the standard emphasizes such entities because these often have limited resources to comply with information collections.¹² The act cites various techniques for reducing burden on these small entities,¹³ and the guidance includes techniques that might be used to simplify requirements for small entities, such as asking fewer questions, taking smaller samples than for larger entities, and requiring small entities to provide information less frequently.

Our review of the case examples found that for the first part of the certification, which focuses on reducing burden on the public, the files generally contained the specific information and justifications called for in the guidance. However, none of the case examples

¹¹OMB's instructions to agencies state that a small entity may be (1) a small business, which is deemed to be one that is independently owned and operated and that is not dominant in its field of operation; (2) a small organization, which is any not-for-profit enterprise that is independently owned and operated and is not dominant in its field; or (3) a small government jurisdiction, which is a government of a city, county, town, township, school district, or special district with a population of less than 50,000.

¹²"Particularly for small businesses, paperwork burdens can force the redirection of resources away from business activities that might otherwise lead to new and better products and services, and to more and better jobs. Accordingly, the Federal Government owes the public an ongoing commitment to scrutinize its information requirements to ensure the imposition of only those necessary for the proper performance of an agency's functions." H. Report 104-37 (Feb. 15, 1995) p. 23.

¹³These include (a) establishing different compliance or reporting requirements or timetables for respondents with fewer available resources; (b) clarifying, consolidating, or simplifying compliance and reporting requirements; and (c) exempting certain respondents from coverage of all or part of the collection.

contained support that addressed how the agency ensured that the collection was the least burdensome necessary. According to agency CIO officials, the primary cause for this absence of support is that OMB instructions and guidance do not direct agencies to provide this information explicitly as part of the approval package.

For the part of the certification that focuses on small businesses, our governmentwide sample included examples of various agency activities that are consistent with this standard. For instance, Labor officials exempted 6 million small businesses from filing an annual report; telephoned small businesses and other small entities to assist them in completing a questionnaire; reduced the number of small businesses surveyed; and scheduled fewer compliance evaluations on small contractors.

For four of our case studies, however, complete information that would support certification of this part of the standard was not available. Seven of the 12 case studies involved collections that were reported to impact businesses or other for-profit entities, but for 4 of the 7, the files did not explain either

- why small businesses were not affected or
- even though such businesses were affected, that burden could or could not be reduced.

Referring to methods used to minimize burden on small business, the files included statements such as “not applicable.” These statements do not inform the reviewer whether there was an effort made to reduce burden on small entities or not. When we asked agencies about these four cases, they indicated that the collections did, in fact, affect small business.

OMB’s instructions to agencies on this part of the certification require agencies to describe any methods used to reduce burden only if the collection of information has a “significant economic impact on a substantial number of small entities.” This does not appropriately reflect the act’s requirements concerning small business: the act requires that the CIO certify that the information collection reduces burden on small entities in general, to the extent practical and appropriate, and provides no thresholds for the level

of economic impact or the number of small entities affected. OMB officials acknowledged that their instruction is an “artifact” from a previous form and more properly focuses on rulemaking rather than the information collection process.

The lack of support for these certifications appears to be influenced by a variety of factors. In some cases, as described above, OMB guidance and instructions are not comprehensive or entirely accurate. In the case of the duplication standard specifically, IRS officials said that the agency does not need to further justify that its collections are not duplicative because (1) tax data are not collected by other agencies so there is no need for the agency to contact them about proposed collections and (2) IRS has an effective internal process for coordinating proposed forms among the agency’s various organizations that may have similar information. Nonetheless, the law and instructions require support for these assertions, which was not provided.

In addition, agency reviewers told us that management assigns a relatively low priority and few resources to reviewing information collections. Further, program offices have little knowledge of and appreciation for the requirements of the PRA. As a result of these conditions and a lack of detailed program knowledge, reviewers often have insufficient leverage with program offices to encourage them to improve their justifications.

When support for the PRA certifications is missing or inadequate, OMB, the agency, and the public have reduced assurance that the standards in the act, such as those on avoiding duplication and minimizing burden, have been consistently met.

Two Agencies Have Developed Processes to Reduce Burden Associated with Information Collections

IRS and EPA have supplemented the standard PRA review process with additional processes aimed at reducing burden while maximizing utility. These agencies’ missions require them both to

deal extensively with information collections, and their management has made reduction of burden a priority.¹⁴

In January 2002, the IRS Commissioner established an Office of Taxpayer Burden Reduction, which includes both permanently assigned staff and staff temporarily detailed from program offices that are responsible for particular information collections. This office chooses a few forms each year that are judged to have the greatest potential for burden reduction (these forms have already been reviewed and approved through the CIO process). The office evaluates and prioritizes burden reduction initiatives by

- determining the number of taxpayers impacted;
- quantifying the total time and out-of-pocket savings for taxpayers;
- evaluating any adverse impact on IRS's voluntary compliance efforts;
- assessing the feasibility of the initiative, given IRS resource limitations; and
- tying the initiative into IRS objectives.

Once the forms are chosen, the office performs highly detailed, in-depth analyses, including extensive outreach to the public affected, the users of the information within and outside the agency, and other stakeholders. This analysis includes an examination of the need for each data element requested. In addition, the office thoroughly reviews form design.¹⁵

The office's Director¹⁶ heads a Taxpayer Burden Reduction Council, which serves as a forum for achieving taxpayer burden reduction

¹⁴"IRS is committed to reducing taxpayer burden and established the Office of Taxpayer Burden Reduction (OTBR) in January 2002 to lead its efforts." Congressional testimony by the IRS Commissioner, April 20, 2004, before the Subcommittee on Energy Policy, Natural Resources, and Regulatory Affairs, House Committee on Government Reform.

¹⁵In congressional testimony, the IRS Commissioner stated that OMB had referred another agency to IRS's Office of Taxpayer Burden Reduction as an example of a "best practice" in burden reduction in government.

¹⁶The Director reports to the IRS Commissioner for the Small Business and Self-Employed Division.

throughout IRS. IRS reports that as many as 100 staff across IRS and other agencies can be involved in burden reduction initiatives, including other federal agencies, state agencies, tax practitioner groups, taxpayer advocacy panels, and groups representing the small business community.

The council directs its efforts in five major areas:

- simplifying forms and publications;
- streamlining internal policies, processes, and procedures;
- promoting consideration of burden reductions in rulings, regulations, and laws;
- assisting in the development of burden reduction measurement methodology; and
- partnering with internal and external stakeholders to identify areas of potential burden reduction.

IRS reports that this targeted, resource-intensive process has achieved significant reductions in burden: over 200 million burden hours since 2002. For example, it reports that about 95 million hours of taxpayer burden were reduced through increases in the income-reporting threshold on various IRS schedules.¹⁷ Another burden reduction initiative includes a review of the forms that 15 million taxpayers use to request an extension to the date for filing their tax returns.¹⁸

Similarly, EPA officials stated that they have established processes for reviewing information collections that supplement the standard PRA review process. These processes are highly detailed and

¹⁷In addition, the office reports that IRS staff positions could be freed up through its efforts to raise the reporting threshold on various tax forms and schedules. Fewer IRS positions are needed when there are fewer tax forms and schedules to be reviewed.

¹⁸ We did not verify the accuracy of IRS's reported burden-hour savings. We have previously reported that the estimation model that IRS uses for compliance burden ignores important components of burden and has limited capabilities for analyzing the determinants of burden. See GAO, *Tax Administration: IRS Is Working to Improve Its Estimates of Compliance Burden*, GAO/GGD-00-11 (Washington, D.C.: May 22, 2000). Moreover, IRS has an effort under way to revise the methodology used to compute burden. That new methodology, when completed, may result in different estimates of reduced burden hours.

evaluative, with a focus on burden reduction, avoiding duplication, and ensuring compliance with PRA. According to EPA officials, the impetus for establishing these processes was the high visibility of the agency's information collections and the recognition, among other things, that the success of EPA's enforcement mission depended on information collections being properly justified and approved: in the words of one official, information collections are the "life blood" of the agency.

According to these officials, the CIO staff are not generally closely involved in burden reduction initiatives, because they do not have sufficient technical program expertise and cannot devote the extensive time required.¹⁹ Instead, these officials said that the CIO staff's focus is on fostering high awareness within the agency of the requirements associated with information collections, educating and training the program office staff on the need to minimize burden and the impact on respondents, providing an agencywide perspective on information collections to help avoid duplication, managing the clearance process for agency information collections, and acting as liaison between program offices and OMB during the clearance process. To help program offices consider PRA requirements such as burden reduction and avoiding duplication as they are developing new information collections or working on reauthorizing existing collections, the CIO staff also developed a handbook²⁰ to help program staff understand what they need to do to comply with PRA and gain OMB approval.

In addition, program offices at EPA have taken on burden reduction initiatives that are highly detailed and lengthy (sometimes lasting years) and that involve extensive consultation with stakeholders (including entities that supply the information, citizens groups, information users and technical experts in the agency and elsewhere, and state and local governments). For example, EPA

¹⁹These officials added that in exceptional circumstances the CIO office has had staff available to perform such projects, but generally in collaboration with program offices.

²⁰EPA Office of Environmental Information, Collection Strategies Division, *ICR Handbook: EPA's Guide to Writing Information Collection Requests Under the Paperwork Reduction Act of 1995*, draft (revised March 2005).

reports that it amended its regulations to reduce the paperwork burden imposed under the Resource Conservation and Recovery Act. One burden reduction method EPA used was to establish higher thresholds for small businesses to report information required under the act. EPA estimates that the initiative will reduce burden by 350,000 hours and save \$22 million annually. Another EPA program office reports that it is proposing a significant reduction in burden for its Toxic Release Inventory program.²¹

Overall, EPA and IRS reported that they produced significant reductions in burden by making a commitment to this goal and dedicating resources to it. In contrast, for the 12 information collections we examined, the CIO review process resulted in no reduction in burden. Further, the Department of Labor reported that its PRA reviews of 175 proposed collections over nearly 2 years did not reduce burden.²² Similarly, both IRS and EPA addressed information collections that had undergone CIO review and received OMB approval and nonetheless found significant opportunities to reduce burden.

In summary, government agencies often need to collect information to perform their missions. The PRA puts in place mechanisms to focus agency attention on the need to minimize the burden that these information collections impose—while maximizing the public benefit and utility of government information collections—but these mechanisms have not succeeded in achieving the ambitious reduction goals set forth in the 1995 amendments. Achieving real reductions in the paperwork burden is an elusive goal, as years of PRA reports attest.

Among the mechanisms to fulfill the PRA's goals is the CIO review required by the act. However, as this process is currently implemented, it has limited effect on the quality of support provided

²¹We did not verify the accuracy of EPA's burden reduction estimates.

²²These reviews did result in a 1.3 percent reduction in calculated burden by correcting mathematical errors in program offices' submissions.

for information collections. CIO reviews appear to be lacking the rigor that the Congress envisioned. Many factors have contributed to these conditions, including lack of management support, weaknesses in OMB guidance, and the CIO staff's lack of specific program expertise. As a result, OMB, federal agencies, and the public have reduced assurance that government information collections are necessary and that they appropriately balance the resulting burden with the benefits of using the information collected.

The targeted approaches to burden reduction used by IRS and EPA suggest promising alternatives to the current process outlined in the PRA. However, the agencies' experience also suggests that to make such an approach successful requires top-level executive commitment, extensive involvement of program office staff with appropriate expertise, and aggressive outreach to stakeholders. Indications are that such an approach would also be more resource-intensive than the current process. Moreover, such an approach may not be warranted at all agencies that do not have the level of paperwork issues that face IRS and similar agencies. Consequently, it is critical that any efforts to expand the use of the IRS and EPA models consider these factors.

In our report, we suggested options that the Congress may want to consider in its deliberations on reauthorizing the act, including mandating pilot projects to test and review alternative approaches to achieving PRA goals. We also made recommendations to the Director of OMB, including that the office alter its current guidance to clarify and emphasize issues raised in our review, and to the heads of the four agencies to improve agency compliance with the act's provisions.

Madam Chairman, this completes my prepared statement. I would be pleased to answer any questions.

Contacts and Acknowledgments

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