



Highlights of GAO-05-207, a report to Congress on GAO's High-Risk Series

## Why Area Is High Risk

GAO's audits and evaluations identify federal programs and operations that, in some cases, are high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement. Increasingly, GAO also is identifying high-risk areas to focus on the need for broad-based transformations to address major economy, efficiency, or effectiveness challenges. Since 1990, GAO has periodically reported on government operations that it has designated as high risk. In this 2005 update for the 109th Congress, GAO presents the status of high-risk areas identified in 2003 and new high-risk areas warranting attention by the Congress and the administration. Lasting solutions to high-risk problems offer the potential to save billions of dollars, dramatically improve service to the American public, strengthen public confidence and trust in the performance and accountability of our national government, and ensure the ability of government to deliver on its promises.

## What Remains to Be Done

This report contains GAO's views on what remains to be done for each high-risk area to bring about lasting solutions. Perseverance by the administration in implementing GAO's recommended solutions and continued oversight and action by the Congress are both essential.

[www.gao.gov/cgi-bin/getrpt?GAO-05-207](http://www.gao.gov/cgi-bin/getrpt?GAO-05-207).

To view the full product, including the scope and methodology, click on the link above. For more information, contact George H. Stalcup at (202) 512-9490 or [stalcupg@gao.gov](mailto:stalcupg@gao.gov).

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# HIGH-RISK SERIES

## An Update

## What GAO Found

In January 2003, GAO identified 25 high-risk areas; in July 2003, a 26<sup>th</sup> high-risk area was added to the list. Since then, progress has been made in all areas, although the nature and significance of progress varies by area. Federal departments and agencies, as well as the Congress, have shown a continuing commitment to addressing high-risk challenges and have taken various steps to help correct several of the problems' root causes. GAO has determined that sufficient progress has been made to remove the high-risk designation from three areas: student financial aid programs, FAA financial management, and Forest Service financial management. Also, four areas related to IRS have been consolidated into two areas.

This year, GAO is designating four new high-risk areas. The first new area is establishing appropriate and effective information-sharing mechanisms to improve homeland security. Federal policy creates specific requirements for information-sharing efforts, including the development of processes and procedures for collaboration between federal, state, and local governments and the private sector. This area has received increased attention but the federal government still faces formidable challenges sharing information among stakeholders in an appropriate and timely manner to minimize risk.

The second and third new areas are, respectively, DOD's approach to business transformation and its personnel security clearance program. GAO has reported on inefficiencies and inadequate transparency and accountability across DOD's major business areas, resulting in billions of dollars of wasted resources. Senior leaders have shown commitment to business transformation through individual initiatives in acquisition reform, business modernization, and financial management, among others, but little tangible evidence of actual improvement has been seen in DOD's business operations to date. DOD needs to take stronger steps to achieve and sustain business reform on a departmentwide basis. Further, delays by DOD in completing background investigations and adjudications can affect the entire government because DOD performs this function for hundreds of thousands of industry personnel from 22 federal agencies, as well as its own service members, federal civilian employees, and industry personnel. OPM is to assume DOD's personnel security investigative function, but this change alone will not reduce the shortages of investigative personnel.

The fourth area is management of interagency contracting. Interagency contracts can leverage the government's buying power and provide a simplified and expedited method of procurement. But several factors can pose risks, including the rapid growth of dollars involved combined with the limited expertise of some of agencies in using these contracts and recent problems related to their management. Various improvement efforts have been initiated to address this area, but improved policies and processes, and their effective implementation, are needed to ensure that interagency contracting achieves its full potential in the most effective and efficient manner.