

SERVING THE CONGRESS AND THE NATION



PERFORMANCE *and* ACCOUNTABILITY H I G H L I G H T S

ACCOUNTABILITY REPORT 2000

PERFORMANCE REPORT 2000

PERFORMANCE PLAN 2002





GAO's M I S S I O N

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

Core V A L U E S

ACCOUNTABILITY describes the nature of GAO's work. GAO helps the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's analysts, auditors, lawyers, economists, information technology specialists, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people. GAO accomplishes its mission through a variety of activities, including financial audits, program reviews, investigations, legal support, and program analyses.

INTEGRITY describes the high standards that GAO sets for itself in the conduct of its work. GAO takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all of its activities. Integrity is the foundation of reputation, and GAO's approach to its work ensures both.

RELIABILITY describes GAO's goal for how its work is viewed by the Congress and the American public. GAO produces high-quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

FROM THE COMPTROLLER GENERAL

SPRING 2001

I am pleased to present the highlights of GAO's performance and accountability report, which combines our assessment of what we were able to accomplish in fiscal year 2000 with our plans for continued progress through fiscal year 2002. Looking back at last year, I am proud to say that we served the Congress and the American people well.

Our work resulted in a number of significant improvements to government that will benefit all Americans. Among other things, by acting on our recommendations, the government improved public health and safety, strengthened national security, better protected consumers, and improved its financial management and information systems. We also contributed critical information to public debates on Social Security and Medicare reform and called attention to looming problems such as the security of government computer systems and the knowledge and skills needed in the federal workforce in coming years. Taxpayers benefited from the near-





FROM THE COMPTROLLER GENERAL

record \$23 billion in savings identified through our work—a \$61 return on every dollar invested in GAO.

I am particularly pleased that we were able to achieve these results in the midst of significant change within GAO. After completing our first strategic plan last year, we realigned our organization to better meet our goals and objectives, and we began to institute new ways of doing business. We also gained new legislative authorities that will help us address our human capital requirements and help ensure that GAO remains prepared to meet the Congress's needs in the future.

These needs are formidable. The nation's leaders are faced with a range of complex, controversial, and multidimensional issues that require a more strategic, long-range, and integrated perspective than in the past. Looking toward fiscal year 2002, we believe the work we plan to undertake and our efforts to become a model agency will help the Congress address those challenges.

As we move ahead, we look forward to the continued support of the Congress and to working even more closely with Members and their staffs. Their support—and the dedication and commitment of our GAO team—are the driving forces behind our continued success in serving the Congress and the American people.



DAVID M. WALKER
COMPTROLLER GENERAL
OF THE UNITED STATES



INTRODUCTION



As the investigative arm of the Congress, GAO evaluates the economy, efficiency, and effectiveness of a wide range of federal policies and programs. Primarily in response to congressional requests and mandates—but also through our own targeted research and development efforts—we publish thousands of reports and other documents each year and provide a number of related services to support legislative oversight and improve government operations. By making recommendations to improve government programs and services, GAO contributes to more effective federal spending. Our work also helps to raise the public’s trust and confidence in the federal government.

I N T R O D U C T I O N

Consistent with the spirit of the Government Performance and Results Act (GPRA) of 1993, GAO operates under a broad strategic plan, one that currently covers fiscal years 2000 through 2005. To drive our work toward the goals envisioned in the strategic plan, we developed detailed strategic objective plans and report our results yearly to the Congress and the public. In addition, we publish an annual performance plan to guide our day-to-day efforts to meet our strategic goals and objectives. This year, in response to the Congress's desire to have financial and performance management information presented in a more cohesive format, we have merged three documents into one:

- our performance report for fiscal year 2000,
- our accountability report for fiscal year 2000, and
- our performance plan for fiscal year 2002.

The combined, full-length report, available at www.gao.gov, represents one more step in GAO's efforts to lead by example. These highlights present (1) our performance in fiscal year 2000, (2) a brief look ahead at fiscal years 2001 and 2002, (3) the strategies we will employ and the challenges we face in meeting our strategic goals, and (4) condensed financial statements and the accompanying independent auditor's report for fiscal year 2000.

The logo features the text "GAO'S PERFORMANCE" in a large, blue, serif font. Below it, "FISCAL YEAR 2000" is written in a smaller, red, sans-serif font. To the left of the text is a large, stylized arrow pointing right, composed of blue and red segments. The background of the page is a faded image of a large, multi-story building with many windows.

GAO'S PERFORMANCE FISCAL YEAR 2000

In fiscal year 2000, GAO achieved more than \$23 billion in financial benefits for the American taxpayer and recorded more than 700 actions taken in response to our recommendations to improve how the federal government operates. We also completed a number of major initiatives to improve the way GAO itself operates, among them, our first strategic plan for the 21st century. Based on input from the Congress and supplemented by our own expertise and other outreach efforts, the plan established four strategic goals for our agency. Each of the four goals is supported by a set of strategic objectives that guide GAO's work, as the diagram on the next page shows.

SERVING THE CONGRESS

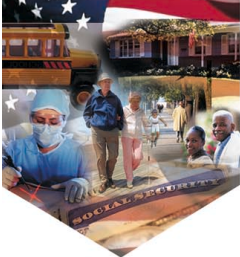
GAO'S STRATEGIC PLAN FRAMEWORK

MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

GOALS

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT



TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE

SUPPORT THE TRANSITION



TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE

MAXIMIZE THE VALUE OF GAO



BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT



TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT

THEMES

Demographics

Globalization

Quality of Life

Security

Technology

Government Performance and Accountability

OBJECTIVES

Health care needs and financing
Retirement income security
Social safety net
Education/workforce issues
Effective system of justice
Community investment
Natural resources use and environmental protection
Physical infrastructure

Diffuse security threats
Military capabilities and readiness
Advancement of U.S. interests
Global market forces

Fiscal position of the government
Government financing and accountability
Governmentwide management reforms
Economy, efficiency, and effectiveness improvements in federal agencies

Client relations
Strategic and annual planning
Human capital
Core business and supporting processes
Information technology services

CORE VALUES

Accountability

Integrity

Reliability

Charting Agencywide P E R F O R M A N C E

Our performance for the year exceeded all five of our annual quantitative targets for financial benefits, other benefits, recommendations implemented, testimonies given, and new recommendations made. Under a separate management measure of timeliness, we achieved a 96-percent success rate for delivering our products on time but fell short of our idealistic 100-percent target. As for our 3-year

qualitative performance goals, we expect to meet or exceed all 94 by the end of fiscal year 2002.

The chart below shows the trends in our annual results since 1997 and also provides 4-year rolling averages that serve to show those trends without the effects of one-time or unusual circumstances and shifts in congressional priorities and workloads.

Annual Quantitative Performance Measures, Fiscal Years 1997-2000							
Type	Measure	1997 Actual	1998 Actual	1999 Actual	2000 Target	2000 Actual	
Outcome	Financial benefits (billions)						
	Annual	\$20.9	\$19.7	\$20.1	\$22.0	\$23.2	
	4-year average	\$18.4	\$18.4	\$19.5	\$20.7	\$21.0	
	Other benefits						
	Annual	391	537	607	620	788	
	4-year average	266	354	451	539	581	
	Recommendations implemented						
	4-year implementation rate	74%	69%	70%	73%	78%	
	Intermediate outcome	Testimonies					
		Annual	182	256	229	230	263
4-year average		208	216	212	224	233	
Recommendations made							
Annual		836	987	940	950	1,224	
4-year average		946	848	898	928	997	
Annual Management Measure, Fiscal Years 1997-2000							
Management	Timeliness						
	Annual	91%	93%	96%	100%	96%	
	4-year average	—	—	88%	—	94%	
3-Year Qualitative Performance Goals, Fiscal Years 2000-2002							
Qualitative measure	Expect to meet or exceed	Do not expect to meet		Not started			
Performance goals: 94	100%	0%		0%			

Note: The full report provides details about the data in this table.

\$23.2 Billion in Direct Financial Benefits Were Realized. These results exceeded our target of \$22 billion and were up from the previous year's results of \$20.1 billion.

Financial B E N E F I T S

25 Dollars in billions



We achieve our financial benefits when our recommendations are implemented to make government services more efficient, to improve the budgeting and spending of tax dollars, and to strengthen the management of federal resources. Estimated financial benefits include budget reductions, costs avoided, resources reallocated, and revenue enhancements. Because it takes time for agencies to implement GAO's recommendations and document savings, the financial benefits we report in a given year may be based on work we performed in the current or previous years.

GAO *at Work*

Helping to Prevent FRAUD AND ABUSE IN MEDICARE

GAO had long advocated increased funding specifically for activities to prevent fraud and abuse in the Medicare program. In 1996, the Congress passed the Health Insurance Portability

and Accountability Act, which provided the additional funding. As a result of these activities, the Medicare program's net savings were about \$3 billion in fiscal year 2000.

Cutting Costs of the F-22 AIRCRAFT PROGRAM

In a series of reports beginning in the mid-1990s, GAO questioned various aspects of the Air Force's F-22 aircraft acquisition program. We reported that the acquisition strategy was risky and that the program was experiencing cost growth, manufacturing problems with test aircraft, and testing

delays. Our analysis helped the Congress reduce the final fiscal year 2000 appropriation request for the F-22 by about \$552 million and to identify conditions that should be met before the Department of Defense could begin full production.

GAO identified funding from

Recapturing Excess HUD FUNDING

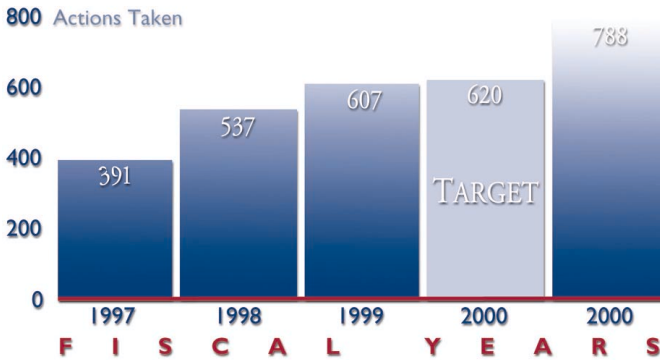
several sources in the Department of Housing and Urban Development's budget, including unexpended balances no longer needed, that could be recaptured in fiscal years 1998 and 1999. The Congress rescinded \$1.65 billion from the Section 8 housing program's fiscal year 1998 budget authority and rejected

\$1.3 billion of HUD's fiscal year 1999 request for housing assistance for a total reduction of \$2.95 billion. Subsequently, GAO and HUD worked together to revise HUD's analysis to show that, by using recaptured funds, HUD had sufficient funding to meet its needs.

788 Actions Were Taken to Improve Government Operations or Services.

Our results exceeded our target of 620 actions taken and were up from the previous year's total of 607 actions taken.

Other B E N E F I T S



These benefits represent improved government operations and services. We measure these benefits by tabulating the number of cases in which our recommendations have prompted federal agencies or the Congress to take action. The 788 actions reported for fiscal year 2000 include measures to improve public safety and consumer protection, to establish more effective and efficient government operations, and to safeguard the nation's physical and information infrastructure.

GAO *at Work*

Improving

NURSING HOME QUALITY OF CARE

The Health Care Financing Administration (HCFA) and several states—including California, Maryland, and Michigan—improved their oversight and enforcement of nursing homes' quality of care standards in response to GAO's recommendations highlighting weaknesses in existing processes. Improvements included increased funding for nursing home surveyors,

more prompt investigation of complaints alleging serious harm to residents, more immediate enforcement actions for homes with repeated serious problems, a reorganization of HCFA's regional staff to improve consistency in oversight, and increased funding for administrative law judges to reduce the backlog of appealed enforcement actions.

Our work on human capital issues

Improving

HUMAN CAPITAL PRACTICES

helped focus the attention of the executive and legislative branches on the importance of these issues, particularly in managing for results. We helped spur the administration to make human capital a priority management objective in the fiscal year 2001 budget submission, and our framework for human capital self-assessment is being used at other agencies, including the Social Security Administration, the Small Business Administration, the National

Aeronautics and Space Administration, and the Environmental Protection Agency. The framework is also used throughout GAO to help guide our research and development work and our congressionally driven examinations of how well agencies are pursuing strategic human capital management.

GAO has evaluated the security of

Strengthening

INFORMATION SECURITY

critical information systems at federal agencies and recommended numerous improvements, most recently at three Treasury agencies, the Department of Energy, the Department of Veterans Affairs, and the Environmental Protection Agency. In September 2000, GAO issued a governmentwide perspective on federal information security that

covered Inspector General and GAO audit findings reported since July 1999. We concluded that weak security continues to be a widespread problem that places critical and sensitive federal operations at risk of tampering, disruption, and inappropriate disclosure.

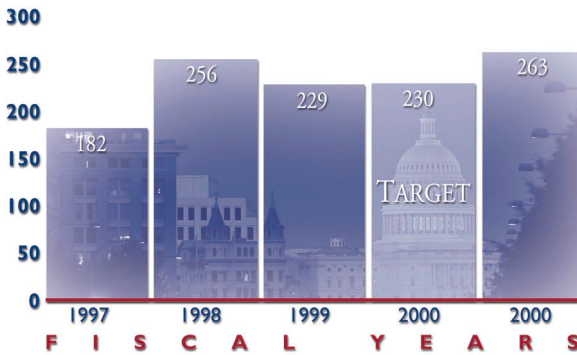
78 Percent of the Recommendations We Made 4 Years Ago Were

Implemented. Our results exceeded our target of 73 percent and were up from the previous year's rate of 70 percent.

We measure our progress in improving the government's accountability, operations, and services by tracking the percentage of recommendations we made 4 years ago that have since been implemented. For example, 78 percent of the recommendations we made in fiscal year 1996 had been implemented by the end of fiscal year 2000. We use a 4-year interval because our historical data show that agencies often need this time to take action on our recommendations. Implemented recommendations correct the underlying causes of problems, weaknesses in internal controls, failures to comply with laws or regulations, or other matters impeding effective and efficient performance.

263 Testimonies Were Given Before the Congress. Our results exceeded our target of 230 and were up from the previous year's total of 229 testimonies.

Testimonies



Because one of GAO's primary functions is to support the Congress in carrying out its decision-making and oversight responsibilities, the number of times our experts testify before congressional panels each year is an indicator of our responsiveness and the impact, importance, and value of our work. In fiscal year 2000, GAO witnesses testified before 104 different congressional committees and subcommittees on a broad range of topics, including arms control, health care, Social Security, human capital, nuclear waste cleanup, wildfires, aviation safety and security, international trade, computer security, financial management reform, and budget issues.

1,224 Recommendations Were Made During the Year. Our results exceeded our target of 950 recommendations and were up from the previous year's total of 940.

Our investigations and analyses can lead to improved government performance when we make recommendations to federal agencies. We recommend specific actions to improve the economy, efficiency, and effectiveness of federal operations and aim to effect significant financial and other benefits to taxpayers. We therefore track the number of recommendations contained in the products we issue each year.

96 Percent of Our Products Were Delivered on Time. While our results fell short of our idealistic target of 100-percent on-time delivery, we delivered the vast majority of our products on time.

In addition to the five performance measures already discussed, we monitor timeliness through a management measure. For our work to be useful, our congressional clients must have it on a timely basis. Therefore, we compare actual product delivery dates with the dates we agreed to with our clients. We set an idealistic target of 100 percent to emphasize the importance we place on being responsive to our clients. Although we did

not meet this target—and we believe it will remain a challenge because of our increasing workload and external factors beyond our control—we will continue to emphasize timeliness. Fully implementing our new matrix and risk management strategies should help improve our on-time delivery.

100 Percent of Our Qualitative Performance Goals Are on Track. As of the end of fiscal year 2000, we expected to meet or exceed all 94 of our 3-year performance goals, although progress toward some had been slowed because we did not receive all the resources we requested. We will evaluate our success at the end of fiscal year 2002.

These 94 qualitative performance goals lay out the key efforts and potential outcomes we hope to achieve for each of our strategic objectives. Our performance on these goals will meet expectations when we provide information or make recommendations on the key efforts when viewed collectively. Our performance will exceed expectations when we provide information or make recommendations that congressional decisionmakers and others use toward achieving the potential outcomes. Our performance goals are listed in the full-length version of this report.



Highlights of PERFORMANCE

BY STRATEGIC GOAL



To present a fuller picture of how we served the Congress in fiscal year 2000, the following pages provide details on each of our four strategic goals. They present the goals' strategic objectives, additional examples of our fiscal year 2000 accomplishments, and some of the issues we testified on at the request of our congressional clients.



United States General Accounting Office
Report to the Subcommittee on Aviation,
Committee on Transportation and
Infrastructure,
House of Representatives

AVIATION SAFETY

Safer Skies Initiative
Has Taken Initial Steps
to Reduce Accident
Rates by 2007

United States General Accounting Office
Report to the Banking, Oversight, and
Investigations Subcommittee,
Committee on Armed Services, House of
Representatives

DOD PERSONNEL

Inadequate Personnel
Security Investigations
Pose National Security
Risks

United States General Accounting Office
Briefing Report to the Chairman
Subcommittee on Civil Service,
Committee on Government Reform,
House of Representatives

SENIOR EXECUTIVE SERVICE

Retirement Trends
Underscore the
Importance of
Succession Planning

United States General Accounting Office
Report to Congressional Requesters

FOSTER CARE

HHS Should Ensure
That Juvenile Justice
Placements Are
viewed

STRATEGIC GOAL 2

Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence



Congressional Testimonies

Issues we testified on included:

AIDS crisis in Africa
Anthrax vaccine immunization
Arms control
Aviation security
Bosnia
Chemical and biological defense
Colombian drugs
Combating terrorism
Critical infrastructure
Defense acquisitions
Drug control
Export controls
I Love You virus
International child abductions
Micronesia
Military personnel
Peacekeeping operations
Trade with European Union
United Nations management reforms
Weapons of mass destruction
World Trade Organization

Strategic Objectives

- *Responding to diffuse threats to national and global security*
- *Ensuring military capabilities and readiness*
- *Advancing and protecting U.S. international interests*
- *Responding to the impact of global market forces on U.S. economic and security interests*

Selected Accomplishments

Revamping Navy's In-Transit Inventory

At the request of several Members of Congress, GAO examined how the Navy reconciled its in-transit inventory records and found that the Navy had lost accountability over \$3 billion in inventory. In response, the Navy established a task force that, for fiscal years 1999 and 2000, resolved errors valued at about \$802 million. Had this reconciliation not occurred, the Navy could have bought additional inventory not knowing that it already had the items in stock.

Stabilizing the Balkans

Despite the presence of two large NATO-led forces, the Balkans remain volatile. GAO's work has shown that the international operations in Bosnia and Kosovo face severe obstacles to achieving enduring peace and stability. Most local leaders and members of their respective ethnic groups have not embraced the political and social reconciliation needed to build multiethnic, democratic societies. Our work has also shown that the international community has not provided the resources that the United Nations mission in Kosovo says it needs. If progress is not made in these matters, violence may escalate or armed conflict may result.

Evaluating Trade Agreements

GAO identified procedural and structural problems in the government's monitoring and enforcement of its trade agreements. We found inconsistencies and weaknesses in trade archiving practices that prevented the government from determining the number of agreements it is party to. We also identified human capital and other capacity weaknesses that limited key agencies' trade monitoring and enforcement abilities. In response, the key agencies improved the accuracy and utility of their trade archives and are enhancing efforts to achieve compliance with trade agreement provisions, to improve coordination and teamwork in monitoring and enforcement activities across the government, and to update mechanisms for obtaining private sector input on trade policy.



STRATEGIC GOAL 3

Support the Transition to a More Results-Oriented and Accountable Federal Government



Strategic Objectives

- *Analyzing the federal government's long-term and near-term fiscal position, outlook, and options*
- *Strengthening approaches for financing the government and determining accountability for the use of taxpayer dollars*
- *Facilitating governmentwide management and institutional reforms needed to build and sustain high-performing organizations and more effective government*
- *Recommending economy, efficiency, and effectiveness improvements in federal agency programs*

Congressional Testimonies

Among the issues we testified on:

- Budget issues
- Computer security
- District of Columbia reforms
- Electronic government
- Federal management challenges
- Financial management reform
- Government facility security
- Government in the 21st century
- Government program oversight
- GPRa congressional oversight
- Human capital
- Managing in the new millennium
- Money laundering
- Security breaches at federal agencies
- U.S. government financial statement audit
- Y2K leadership and partnership

Selected Accomplishments

Improving SBA's Disaster Loan Program Estimates

In reviewing information the Small Business Administration developed and used to prepare its financial statements for fiscal years 1997 and 1998, GAO identified errors in the method SBA used to estimate the cost of the Disaster Loan Program. In response, SBA developed a new approach to estimate its program's costs using actual historical data, which decreased the estimated cost of the loan program. During fiscal years 1999 and 2000, about \$609 million in benefits resulted.

Informing Congressional Deliberations on Tax Policy

The nation's evolving economy and the size and complexity of the current IRS Code raise policy issues for the Congress. For example, the rapid development of electronic commerce has fueled debate about whether online transactions should be taxed. During the debate over whether to modify states' authority to require out-of-state retailers, including Internet retailers, to collect taxes due on their sales, GAO provided the Congress with a unique perspective on the potential revenue losses to state and local governments. In addition, our prior work on better targeting the Earned Income Credit continued to generate substantial savings of over \$600 million.

Implementing the Government Performance and Results Act

GAO assisted the Congress and executive branch agencies with the difficult cultural changes needed to create high-performing agencies. As part of this work, we assessed agencies' efforts under GPRa and made specific recommendations on how the Congress and the executive branch could work together to ensure that results-oriented processes are useful to and used by decisionmakers. We also worked with the Congress to ensure that agencies resolve management problems that undercut or undermine programs. Our work for the Senate on the key attributes of high-performing organizations is being used as a basis for oversight and decision-making.

STRATEGIC GOAL 4



Maximize the Value of GAO by Being a Model Organization for the Federal Government

Strategic Objectives

- ▶ *Cultivate and foster effective congressional and agency relations*
- ▶ *Implement a model strategic and annual planning and reporting process*
- ▶ *Align human capital policies and practices to support GAO's mission*
- ▶ *Develop efficient and responsive business processes*
- ▶ *Build an integrated and reliable information technology infrastructure*

Selected Accomplishments

Managing Strategically With Accountability

GAO developed its first strategic plan for the 21st century, based on input from the Congress and supplemented by GAO's expertise and other outreach efforts. We subsequently developed our performance plan for fiscal year 2001 to directly link our strategic goals with what managers and staff do day to day. Also in fiscal year 2000, GAO issued its first accountability report to the Congress, documenting our performance and accountability during fiscal year 1999.

Improving Service to the Congress

In fiscal year 2000, GAO piloted congressional protocols to guide our interactions with the Congress and to ensure our accountability. The final protocols have since been issued and reflect refinements made in response to feedback from Members of the Congress and their staffs. The protocols will allow us to better serve the Congress, improve satisfaction with our work, and ensure equitable treatment for all congressional requesters.

Managing Human Capital

Because of our work with key congressional committees during fiscal year 2000, the Congress passed the GAO Personnel Flexibility Act, which provides the Comptroller General with the authority to better position our workforce for the future. Separately, we completed our first human capital self-assessment and a computerized knowledge and skills inventory, significantly increased our recruiting and college relations efforts, and enhanced training opportunities. We also established an employee advisory council and an employee suggestion program.

Other actions in fiscal year 2000 included:

- ▶ realigning our operations to better support the Congress, eliminate a layer of management, reduce the number of internal "silos" and field offices, and better align resources with our strategic plan;
- ▶ continuing to improve our information technology and knowledge-sharing applications; and
- ▶ organizing a global working group of 14 nations' chief accountability officers who met for the first time to discuss emerging issues.



LOOKING AHEAD

FISCAL YEARS 2001 AND 2002



In fiscal year 2001, our work will continue to focus on the major issues facing the Congress, including Social Security solvency, education, economic development, Medicare reform, national security, international affairs, and government management reforms and computer security. Our teams are in the field, gathering facts, providing analyses, and developing recommendations to assist congressional decisionmakers.

Annual Quantitative Performance Targets, Fiscal Years 2001-2002			
Type	Measure	2001	2002
Outcome	Financial benefits (billions)		
	Annual	\$23.0	\$24.0
	4-year average	\$21.5	\$22.6
	Other benefits		
	Annual	700	720
	4-year average	658	704
	Recommendations implemented		
4-year implementation rate	75%	75%	
Intermediate outcome	Testimonies		
	Annual	150	233
	4-year average	225	219
	Recommendations made		
	Annual	975	1,000
	4-year average	1,032	1,035
Annual Management Target, Fiscal Years 2001-2002			
Management	Timeliness		
	Annual	100%	100%
	4-year average	—	—

Note: We reset our originally published fiscal year 2001 targets for other benefits and testimonies. The full-length report discusses these revisions.

Another top priority in fiscal year 2001 will be working with leaders on the Hill to help the Congress strengthen its approach to oversight, with an emphasis on looking hard at what government does, how it does it, and the long-term consequences of today’s policy choices. GAO’s *2001 Performance and Accountability Series and High-Risk Update* will serve as a solid foundation for congressional oversight. We also have several key initiatives in progress to improve how we serve the Congress, among them:

- an expanded client feedback system;
- protocols governing our dealings with federal agencies; and
- new high-level advisory bodies to gain the expertise of business leaders, former Cabinet officials, and other experts and to open new avenues for sharing our own expertise with other accountability organizations.





We are also preparing to carry out two new responsibilities assigned by the previous Congress. We will chair a panel to review the government's A-76 process for obtaining services through competitive sourcing. If the needed funding is provided, we will also review the costs and benefits of major regulations under the Truth in Regulating Act (P.L. 106-312, Oct. 17, 2000).

To continue our efforts to support the Congress and maintain current operations, we have requested a budget for fiscal year 2002 of about \$430.3 million. This funding level will allow us to fully staff at our authorized total level of 3,275 full-time equivalent personnel. We will increase

our emphasis on areas of congressional and public interest and, internally, will continue initiatives addressing our two major management challenges: human capital and information technology. Our request includes \$5.2 million to carry out responsibilities created by the Truth in Regulating Act.

GAO'S PROPOSED BUDGET BY STRATEGIC GOAL

2002
FISCAL YEAR

Strategic goal		Dollars in thousands	Full-time equivalent staff
 Goal 1	Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people	\$100,737	965
 Goal 2	Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence	78,936	720
 Goal 3	Support the transition to a more results-oriented and accountable federal government	112,814	976
 Goal 4	Maximize the value of GAO by being a model organization for the federal government	137,808	614
Total		\$430,295	3,275



STRATEGIES AND CHALLENGES

Achieving OUR GOALS



The Government Performance and Results Act directs agencies to articulate not just goals, but also strategies for achieving their goals. The strategies emphasize the need to work with other organizations on crosscutting issues and to mitigate internal and external factors that could impair performance. For GAO, achieving our strategic goals and objectives rests, for the most part, on providing professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information. We support the Congress in a variety of ways:

STRATEGIES AND CHALLENGES

- evaluations of federal policies and the performance of agencies;
- oversight of government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigations to assess whether illegal or improper activities are occurring;
- analyses of the financing for government activities;
- various engagements in which we consult proactively with agencies, when appropriate, to help guide their efforts toward positive results;
- legal opinions to determine whether agencies are in compliance with applicable laws and regulations;
- policy analyses to assess needed actions and the implications of proposed actions; and
- additional assistance to the Congress in support of its oversight and decision-making responsibilities.

As part of these strategies, we are coordinating with the wider accountability community, both domestically and internationally, and are confronting challenges inside GAO and in the environment in which we and the Congress operate.



Coordination to Address Crosscutting I S S U E S

Although GAO is unique in the scope of its activities to support the Congress and to improve the performance and accountability of government, it shares similar visions and values with other members of the accountability community. To coordinate more effectively with these organizations on crosscutting domestic and international issues, we conduct four types of activities:

- In consultation with other accountability organizations, we update government auditing standards to address emerging issues; participate in the development of federal accounting and financial management systems standards; and, as required by the law, issue and update standards for internal controls in the federal government. For example, GAO and the President's Council on Integrity and Efficiency will soon issue a jointly developed manual on performing federal financial statement audits.

➤ We develop and promote best practices to build and sustain high-performing organizations throughout the government. For example, federal agencies are using an executive guide we developed to maximize the success of their chief information officers, positions created by the Congress to promote the efficient design and operation of all major information resources for executive branch agencies.

➤ We leverage our resources and services by working with accountability organizations at every level, local to international; our sister congressional agencies; and executive branch agencies. For example, the Federal Aviation

Accountability Community

Organizations we work with include:

Association of Government Accountants
Chief Financial Officers Council
Chief Information Officers Council
Congressional Budget Office
Congressional Research Service
Domestic Working Group
Executive Council on Integrity and Efficiency
Federal Accounting Standards Advisory Board
Financial Accounting Standards Board
Global Working Group
Government Accounting Standards Board
Inspectors General
Intergovernmental Audit Forum
International Auditor Fellowship Program
International Organization of Supreme Audit Institutions
Joint Financial Management Improvement Program
Office of Management and Budget
President's Council on Integrity and Efficiency
Private Sector Council
State and Local Auditors

Administration (FAA) is presenting the training we developed at its request to prepare safety inspectors to conduct effective internal audits. In return, FAA has loaned us one of its training platforms to help our analysts gain a fuller understanding of the air traffic control system, new navigational systems, and other topics.



We help convene and participate in forums, boards, and councils to share knowledge with other government audit organizations, including international congresses and a new informal domestic working group launched by the Comptroller General in March 2001 that includes federal inspectors general and state and local auditors. We also coordinate with the Chief Financial Officers Council to address crosscutting accounting, financial systems, internal control, and financial reporting issues and with the Chief Information Officers Council to address governmentwide information technology issues.



Major Management Challenges—Internal Factors
THAT COULD AFFECT OUR PERFORMANCE

Like any organization, GAO faces major management challenges in accomplishing our strategic goals and objectives. With most of our resources devoted to staff salary and benefits, the area of human capital presents a major challenge. A significant percentage of our workforce is nearing retirement age while marketplace, demographic, economic, and technological changes indicate that competition for skilled workers will be greater in the future. With our agency realigned to facilitate our work for the Congress and new legislative authority in hand to manage our workforce more effectively, we are pursuing several initiatives to strengthen our human capital. For example, we are recruiting diverse, high-caliber staff with the skills and abilities we need to achieve our strategic goals and objectives. We will be putting into place a competency-based performance appraisal system and using the results of our staff knowledge and skills inventory to help us in workforce planning. We have also reestablished and are expanding training opportunities for our staff—from the senior executives to the new hires.

Another major management challenge is building an integrated and reliable information technology (IT) infrastructure that supports the achievement of our goals. We are conducting a comprehensive review to identify opportunities to increase our efficiency, effectiveness, and productivity. We are mapping our business processes to our IT architecture and will link future IT investments to our business goals. We plan to continue initiatives to increase our employees' productivity, maximize the use of technology, and enhance the Web-based knowledge-sharing applications on the desktop. We must also increase the security of our network.



External Factors THAT COULD AFFECT OUR PERFORMANCE

A number of external factors could affect our ability to meet our goals and objectives. Among them are emerging national issues, international developments, and the resources we receive. For instance, during fiscal year 2001, both a new Congress and a new administration are beginning work. The many new committee chairs in the House, a 50/50 split in the Senate, and the extended transition in progress may affect our planned work. The priorities set under the previous Congress may change, new

STRATEGIES AND CHALLENGES

issues may emerge, and the number of requests we receive for testimony and other work may be lower than expected.

At the international level, to protect the safety of GAO employees, we may have to restrict the scope of work on certain issues. Moreover, because we do not have audit authority with respect to foreign government entities, our ability to conduct thorough analyses of some issues is affected by the level of openness and voluntary cooperation we can obtain. In addition, while we continue to make progress toward our strategic goals, achieving them will depend on having sufficient budgetary resources available, particularly for technology and process improvements that support our goal to serve as a model agency.

Although these external factors are beyond our control, we will continue to work closely with our congressional clients, to monitor domestic and international events, and to maintain broad-based staff expertise so that we can quickly adapt to meet emerging needs.



C O N D E N S E D FINANCIAL STATEMENTS



Condensed financial statements for GAO appear at the end of these highlights. Our detailed statements with their accompanying notes appear in the full-length version of this report. Our financial statements for the fiscal year that ended September 30, 2000, were audited by an independent auditor, Clifton Gunderson LLP. The independent auditor rendered an unqualified opinion on GAO's financial statements and an unqualified opinion on the effectiveness of GAO's internal controls over financial reporting and compliance with laws and regulations. In addition, the independent auditor found no reportable instances of noncompliance with selected provisions of laws and regulations. In the opinion of the independent auditor, the financial statements are presented fairly in all material respects and in conformity with generally accepted accounting principles.



Financial Systems and Internal C O N T R O L S

GAO recognizes the importance of strong financial systems and internal controls to ensure our accountability, integrity, and reliability. To achieve a high level of quality, management maintains a quality control program and seeks advice and evaluation from both internal and external sources. Specifically, through internal and peer reviews, GAO obtains reasonable assurances that our audit and evaluation work conforms to all applicable professional requirements, including generally accepted government auditing standards. Additionally, GAO's Inspector General conducts audits and investigations, and an Audit Advisory Committee assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal controls, and processes to ensure compliance with laws and regulations.

GAO is committed to fulfilling the internal control objectives of 31 U.S.C. 3512, formerly the Federal Managers' Financial Integrity Act, and the objectives of the Federal Financial Management Improvement Act (FFMIA) of 1996. We assessed our internal controls as of September 30,

2000, and we believe we had effective controls in place as of that date. In addition, on the basis of assessments of our financial systems, we believe GAO has implemented and maintained financial systems that comply substantially with the objectives of FFMIA for the fiscal year that ended September 30, 2000.

FINANCIAL STATEMENTS
 UNITED STATES GENERAL ACCOUNTING OFFICE

CONDENSED BALANCE SHEET
 As of September 30, 2000 and 1999

Dollars in Thousands	2000	1999
Assets		
Intragovernmental funds with the U.S. Treasury	\$55,115	\$53,343
Property and equipment, net	74,863	62,617
Other assets	856	1,604
Total Assets	\$130,834	\$117,564
Liabilities		
Accounts payable and payroll	\$32,143	\$31,812
Accrued annual leave	27,573	26,334
Workers' compensation and retirement	12,562	12,642
Capital leases	7,730	6,671
Deferred lease revenue	8,550	—
Total Liabilities	88,558	77,459
Net Position		
Unexpended appropriations	\$23,515	\$22,777
Cumulative results of operations	18,761	17,328
Total net position	42,276	40,105
Total Liabilities and Net Position	\$130,834	\$117,564

FINANCIAL STATEMENTS
 UNITED STATES GENERAL ACCOUNTING OFFICE

CONDENSED STATEMENT OF NET COST
 For Fiscal Years Ended September 30, 2000 and 1999

Dollars in Thousands	2000	1999
Net Costs by Program Area		
National Defense, Security and International Relations, and Other Related Issues	\$87,094	\$84,942
Financial Audits, Systems, Information Management and Technology Issues	83,159	83,620
Energy, Agriculture, Environment, Housing, Transportation, and Natural Resources Issues	75,927	73,815
Justice, Tax Policy, Financial Institutions, and General Management Issues	63,750	57,712
Education and Employment, Health Care and Income Security Issues	58,989	55,115
Legal Services	26,017	24,461
Special Investigations and Investigative Support	6,275	6,288
Senior management and staff	3,627	4,778
Less reimbursable services not attributable to programs	(712)	(456)
Net Cost of Operations	\$404,126	\$390,275

FINANCIAL STATEMENTS
 UNITED STATES GENERAL ACCOUNTING OFFICE

CONDENSED STATEMENT OF CHANGES IN NET POSITION
 For Fiscal Years Ended September 30, 2000 and 1999

Dollars in Thousands	2000	1999
Net Cost of Operations	\$404,126	\$390,275
Financing Sources (other than reimbursable services)		
Appropriations used	376,640	365,009
Employees benefit costs imputed to GAO	19,009	19,839
Other	(53)	(1,176)
Total Financing Sources	395,596	383,672
Net Results of Operations	(8,530)	(6,603)
Net Increase (Decrease) in Unexpended Appropriations	738	(10,003)
Change in Net Position	(7,792)	(16,606)
Net Position - Beginning of Fiscal Year	40,105	56,711
Reinstatement of the GAO Building and Land as a Multi-Use Heritage Asset	9,963	—
Net Position - End of Fiscal Year	\$42,276	\$40,105

FINANCIAL STATEMENTS
UNITED STATES GENERAL ACCOUNTING OFFICE

CONDENSED STATEMENT OF BUDGETARY RESOURCES
For Fiscal Years Ended September 30, 2000 and 1999

Dollars in Thousands	2000	1999
Budgetary Resources Made Available		
Current year appropriations and transfers	\$377,686	\$355,268
Unobligated appropriations, beginning of fiscal year	4,477	2,166
Reimbursements	8,490	11,161
Total Budgetary Resources Made Available	\$390,653	\$368,595
Status of Budgetary Resources		
Obligations incurred	\$386,081	\$363,856
Unobligated appropriations, end of fiscal year	4,264	4,477
Lapsed budget authority	308	262
Total Status of Budgetary Resources	\$390,653	\$368,595
Outlays		
Obligations incurred	\$386,081	\$363,856
Less: Reimbursements	(8,490)	(11,161)
Obligated balance, net - beginning of fiscal year	48,866	55,632
Less: Obligated balance, net - end of fiscal year	(50,851)	(48,866)
Total Outlays	\$375,606	\$359,461

FINANCIAL STATEMENTS
 UNITED STATES GENERAL ACCOUNTING OFFICE

CONDENSED STATEMENT OF FINANCING
 For Fiscal Years Ended September 30, 2000 and 1999

Dollars in Thousands	2000	1999
Obligations and Nonbudgetary Resources		
Obligations incurred	\$386,081	\$363,856
Less: Reimbursements	(8,490)	(11,161)
Employee benefit costs imputed to GAO	19,009	19,839
Other	(53)	(1,176)
Total obligations as adjusted, and nonbudgetary resources	396,547	371,358
Resources That Do Not Fund Net Cost of Operations		
Net (increase) decrease in unliquidated obligations	(951)	12,314
Costs capitalized on the balance sheet	(9,204)	(8,425)
Expenses to be funded by future appropriations	1,159	215
Total resources that do not fund net cost of operations	(8,996)	4,104
Costs That Do Not Require Resources		
Depreciation	16,575	14,813
Net Cost of Operations	\$404,126	\$390,275



Independent Auditor's Report

We have audited the balance sheet of the General Accounting Office (GAO) as of September 30, 2000 and 1999, and the related statements of net costs, changes in net position, budgetary resources, and financing for the years then ended. In our report dated December 15, 2000, we expressed an unqualified opinion on those financial statements. We performed our audits in accordance with U. S. generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget's (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Our report also included our opinion that GAO maintained effective internal control over financial reporting (including the safeguarding of assets) and compliance with laws and regulations as of September 30, 2000. We did not evaluate all internal controls relevant to operating objectives. In addition, because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in condition or that the degree of compliance with controls may deteriorate.

We also reported that we found no reportable noncompliance with laws and regulations tested and that GAO's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations, and we do not express such an opinion. We did not test compliance with all laws and regulations applicable to GAO. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2000. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes. Our conclusion on compliance with laws and regulations is intended for Congress and GAO's management and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
December 15, 2000

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UNITED STATES GENERAL ACCOUNTING OFFICE