

Performance Plan

Fiscal Year 2005



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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
ARM	Applied Research and Methods
ASM	Acquisition and Sourcing Management
CASO	Controller/Administrative Services Office
DCM	Defense Capabilities and Management
DOD	Department of Defense
EWIS	Education, Workforce, and Income Security
FMA	Financial Management and Assurance
FMCI	Financial Markets and Community Investment
GAO	General Accounting Office
HC	Health Care
HCO	Human Capital Office
HSJ	Homeland Security and Justice
IAT	International Affairs and Trade
IG	Office of the Inspector General
INTOSAI	International Organization of Supreme Audit Institutions
ISTS	Information Systems and Technology Services
IT	Information Technology
KS	Knowledge Services
NRE	Natural Resources and Environment
PDP	Professional Development Program
PI	Physical Infrastructure
QCI	Quality and Continuous Improvement
SEC	Securities and Exchange Commission
SI	Strategic Issues
VA	Department of Veterans Affairs

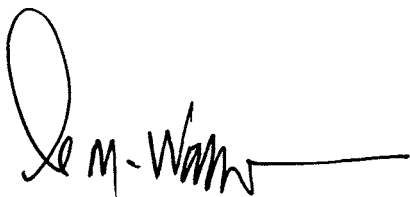
Comptroller General's Letter

May 2004

I am pleased to present the General Accounting Office's (GAO) *Performance Plan for Fiscal Year 2005*. In the spirit of the Government Performance and Results Act, this annual plan informs the Congress and the American people about what we expect to accomplish on their behalf in the coming fiscal year. It sets forth our plan to make progress toward achieving our strategic goals for serving the Congress and the American people. The plan is based on our strategic plan, which was prepared in consultation with members of the Congress and other key stakeholders and was issued in March 2004.

This performance plan takes into account that about 90 percent of our resources are devoted to current and anticipated congressional mandates and requests for our work. As such, this plan includes work related to long-standing national challenges, such as the educational needs of the nation's children, the long-term viability of Social Security and Medicare, the rising cost of health care and the millions of Americans who are uninsured, and the vulnerability of the government's computer systems to sabotage. At the same time, the plan recognizes the continuing impact of certain new and unprecedented challenges for the federal government, such as securing the safety of Americans at home and abroad and managing the large and growing long-term fiscal imbalance facing the nation. We also include information that would be useful for appropriations and oversight by the Congress and for major current and emerging congressional and executive branch initiatives. And we plan to invest a small percentage of our resources in important discretionary research and development work to identify and help the Congress address emerging issues facing the nation and its citizens.

Fiscal year 2005 promises to be a challenging year for us, especially given increasing budgetary constraints. Nonetheless, I believe that our planned work will, as in past years, result in an excellent return on the taxpayers' investment in us.

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

Our Mission and Structure

Our Mission

GAO is an independent, nonpartisan, professional services agency in the legislative branch that is commonly regarded as the audit, evaluation, and investigative arm of the Congress. Our mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. We accomplish our mission by providing information and making recommendations for improvement, when appropriate, on a wide variety of issues. Most of our work is undertaken in response to congressional requests. However, as authorized by our enabling legislation, we also independently initiate a limited portion of our resources for research and development that enables us to (1) invest in issues the Congress may need to address in the future and (2) provide products of broad institutional interest to the Congress. The three core values shown on the right form the basis for all of our work, regardless of its origin.

Our efforts to support the Congress and inform the general public include

- engaging in a range of oversight, insight, and foresight activities that span the full breadth and scope of federal programs, policies, operations, and performance;
- overseeing government operations through financial and other management audits to determine whether public funds are being spent efficiently and effectively;
- providing legal opinions to determine whether agencies are in compliance with applicable laws and regulations;
- investigating whether illegal or improper activities are occurring;
- analyzing the financing for government activities;
- conducting constructive engagements in which we work proactively with agencies, when appropriate, to help guide their efforts toward achieving positive results;
- studying national and international trends and

CORE VALUES

Accountability

We help the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's analysts, auditors, lawyers, economists, information technology specialists, investigators, 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.

Integrity

We set high standards for ourselves in the conduct of GAO's work. Our agency takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all activities. Integrity is the foundation of reputation, and the GAO approach is designed to ensure both.

Reliability

We at GAO want our work to be viewed by the Congress and the American public as reliable. We produce high-quality reports, testimonies, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

challenges to anticipate their implications for public policy;

- conducting policy analyses to assess needed actions and the implications of proposed actions;
- publishing thousands of reports and other documents annually; and
- testifying before the Congress.

By making recommendations to improve the accountability, operations, and services of government agencies, we contribute to increasing the effectiveness of federal spending and enhancing the taxpayers' trust and confidence in their government.

Our Goals

Our work is primarily aligned under three broad strategic goals that span both domestic and international issues that affect the lives of all Americans as well as the issues specific to governance that influence how well the nation's current and future interests are served by the U.S. government. In addition, we have a fourth internal strategic goal aimed at maximizing our productivity through such efforts as steady investments in information technology and ensuring the safety and security of our people, information, and assets.

Our four strategic goals are

- Strategic 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
- 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
- Strategic Goal 3: Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges
- Strategic Goal 4: Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization.

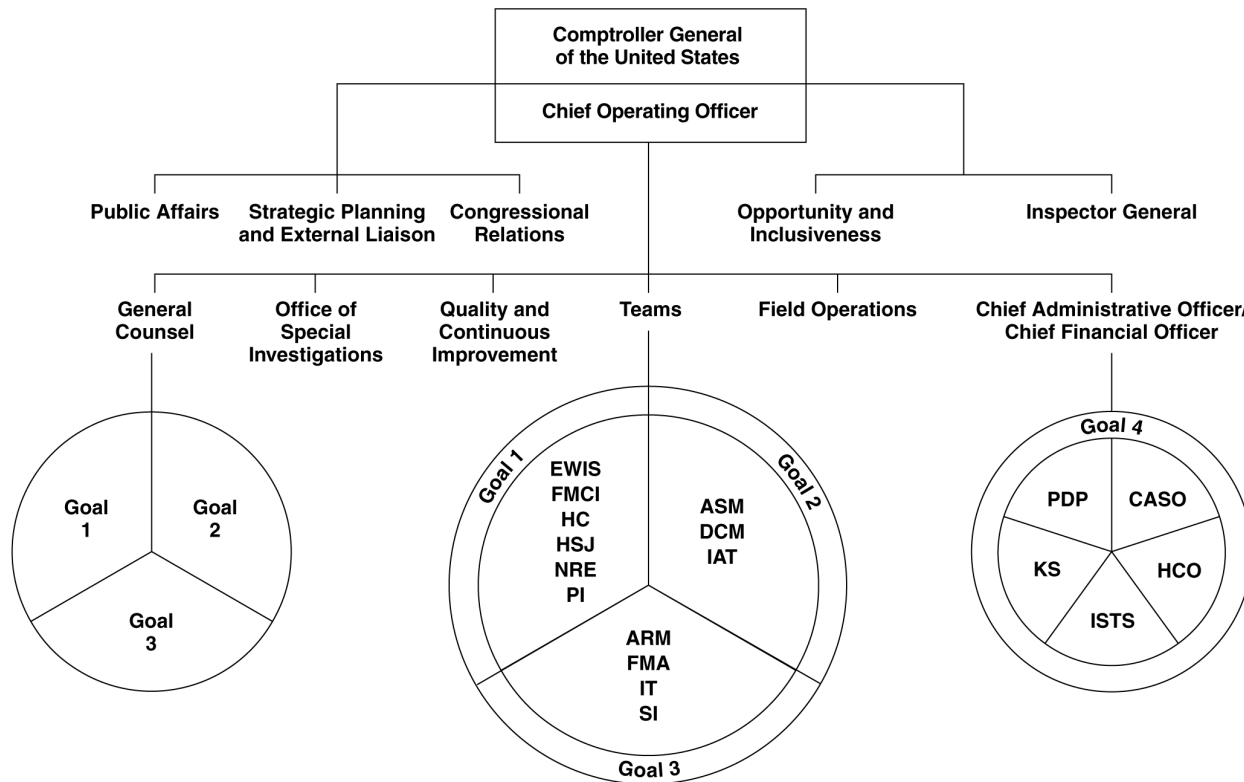
We revisit the focus and appropriateness of these four strategic goals as we update our strategic plan and reassess the needs of the Congress and the nation in light of rapidly changing trends and developments here at home and around the world. Our strategic plan covering fiscal years 2004 to 2009, our annual performance plans since fiscal year 1999, and our performance and accountability reports since fiscal year 2001 are available through our Web site at www.gao.gov.

Our Organizational Structure

As the Comptroller General of the United States, David M. Walker is the head of GAO and is serving a 15-year term that began in November 1998. The Comptroller General is assisted by an executive committee consisting of Chief Operating Officer Gene L. Dodaro, Chief Administrative Officer/Chief Financial Officer Sallyanne Harper, and General Counsel Anthony Gamboa. To achieve our strategic goals, we maintain a workforce of highly trained professionals with degrees in many academic disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our

approximately 3,300 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country. These staff are arrayed in 13 research, audit, and evaluation teams supported by staff offices and mission support units (see fig. 1).

Figure 1: Organizational Structure



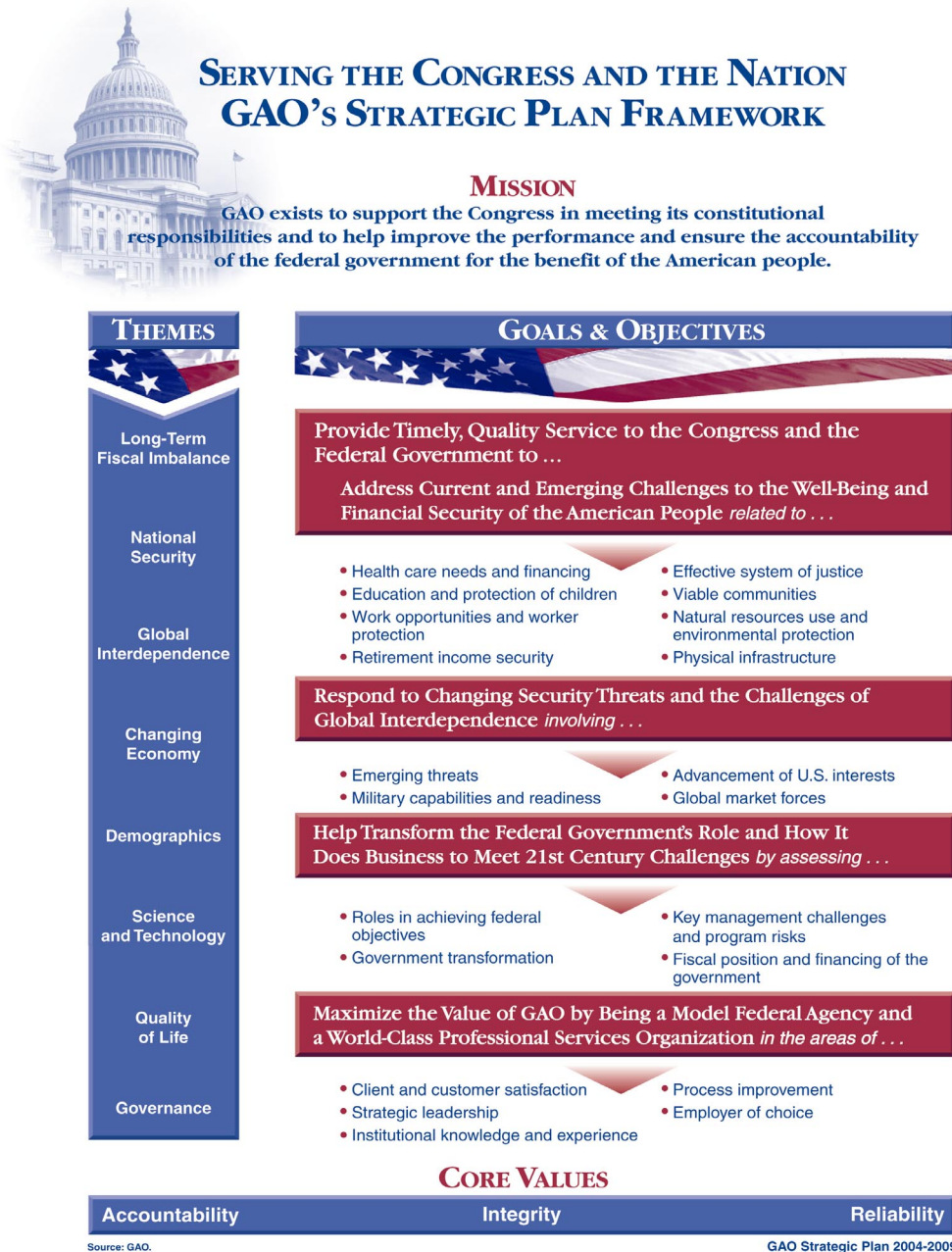
Source: GAO.

Note: These teams, which are composed of headquarters and field staff, include Acquisition and Sourcing Management (ASM); Applied Research and Methods (ARM); Defense Capabilities and Management (DCM); Education, Workforce, and Income Security (EWIS); Financial Management and Assurance (FMA); Financial Markets and Community Investment (FMCI); Health Care (HC); Homeland Security and Justice (HSJ); Information Technology (IT); International Affairs and Trade (IAT); Natural Resources and Environment (NRE); Physical Infrastructure (PI); and Strategic Issues (SI). Several of the teams perform work in support of multiple strategic goals. Units supporting strategic goal 4 include Controller/Administrative Services Office (CASO); Human Capital Office (HCO); Information Systems and Technology Services (ISTS); Knowledge Services (KS); and Professional Development Program (PDP).

Measuring Our Performance

Our Planning Structure

In order to discuss how we measure our performance, we should first describe the terminology that we use here, as well as in our strategic plan and our performance and accountability report. At the broadest level, we describe our performance in terms of four strategic goals, which were introduced earlier in this plan. These strategic goals and the 21 strategic objectives that support them are listed in the Strategic Plan Framework shown below.



The strategic objectives are further defined by about 100 qualitative performance goals that describe major areas in which we expect to make a contribution over 2 or more years. These performance goals constitute our strategies for achieving our strategic goals and objectives; they are listed later in this plan in the sections describing the performance goals and targets for each strategic goal. Finally, more than 400 key efforts describe the work we must do to accomplish our performance goals. This hierarchy can best be illustrated using the following example:

- Strategic goal 1 consists of eight strategic objectives that cover issues ranging from health care needs and financing to a secure and effective national physical infrastructure. One of these strategic objectives—addressing the health needs of an aging and diverse population—is supported by seven performance goals. And one of the performance goals—evaluating Medicare reform, financing, and operations—has five key efforts, two of which are analyzing the potential consequences of Medicare structural reforms and evaluating Medicare payment methods for health care providers.

Our strategic plan, which includes a list of all of our key efforts, is available on our Web site at <http://www.gao.gov/sp/d04534sp.pdf>.

Our organizational units often contribute to achieving more than one strategic objective, with some units working toward more than one strategic goal as well. This collaborative process, which we refer to as matrixing, increases our effectiveness, flexibility, and efficiency in using our expertise and resources to meet congressional requests on complex issues.

Annual Performance Assessments

Each year, we measure our performance by (1) assessing our progress in performing work related to the qualitative performance goals and (2) evaluating our annual performance on measures that cover some of the outcomes, intermediate outcomes, and outputs related to our work. We also are working toward adding measures related to how well we deal with our clients and how well we treat our people. For more information on how we ensure the completeness and reliability of our performance data, see the section of this plan called Verification and Validation of Performance Data.

Assessing Qualitative Performance Goals

Our performance goals generally are established in our strategic plan. If we have met most of our performance goals, we have made progress in achieving our strategic objectives and the broader set of four goals. To make assessments, we examine the work completed under the performance goal's key efforts. For a performance goal to be met, the responsible senior executive considers the amount of work conducted or recommendations made for each key effort as well as any other assistance provided to the client or customer that is related to these key efforts. These senior executives then judge whether the work completed collectively for all key efforts achieved the performance goal.

With our strategic plan that was updated in March 2004 to cover fiscal years 2004 through 2009, we established new performance goals and initiated a new multiyear cycle. In the fiscal year 2004 performance and accountability report, which will be issued in the fall of 2004, we will assess the extent to which we are on track to meet the new performance goals. And in the fiscal year 2005 performance and accountability report, we will assess the extent to which we met these performance goals.

Evaluating Annual Performance Measures

For several years, we have measured our performance using indicators that are related to the results of our work and its usefulness to our primary client—the Congress. Beginning with fiscal year 2005, we are including several indicators related to how well we manage our people. We anticipate that these indicators, which we have been developing over the last 4 years, will help us develop a more balanced, comprehensive view of our performance. This approach recognizes that in a knowledge-based age, investments in an organization's intangible assets—employees, databases, and information technologies—are as critical to its success as its tangible assets—physical assets and access to capital. Thus, the balanced approach to measuring performance will supplement measures of the outcomes of our work performance with other measures that indicate, for example, how well the organization is developing, nurturing, and mobilizing its employees to accomplish the mission of the organization.

The balanced set of measures that we are developing reflects our mission and strategic goals for serving the Congress and will focus on three key areas: results, clients, and people.

- **Results.** Focusing on results and the effectiveness of the processes needed to achieve them is fundamental to accomplishing our mission. Our strategy in this area has been to revisit, modify, and restructure our current measures. To assess our results, we will continue to use the performance measures that we have used for the past several years: financial benefits, other (nonfinancial) benefits, recommendations implemented, recommendations made, and percentage of new products with recommendations.
- **Clients.** Our strategy in this area draws upon a variety of data sources to obtain information on the services we are providing to our congressional clients. To judge how well we are serving our clients, we will continue to measure the number of times we are asked to present expert testimony at congressional hearings as well as our timeliness in delivering products to the Congress.
- **People.** As our most important asset, our people define our character and capacity to perform. Our strategy in this area draws upon a variety of data sources to create a comprehensive picture of our performance. Specifically, we plan to measure how well we are attracting and retaining high-quality staff and how well we are developing, supporting, using, and leading staff. Our annual confidential survey of employees will provide some of the information that we will use to gauge our performance on how well staff believe their skills are being developed and used and whether we engender a positive, productive work environment and provide effective leadership.

To establish targets for these measures, we examine what we have been able to achieve in the past and the external factors that influence our work (those factors are discussed in the section of this plan called Strategies and Means). The teams and offices that are directly engaged in the work discuss their views of what must be accomplished in the upcoming fiscal year with our top executives, who then establish targets for the performance measures. Once approved by the Comptroller General, the targets become final and are published in our annual performance plan. In some cases, we may adjust the future targets after they are initially published, based on our analysis of our past performance and expected future work or based on the level of funding provided. In these cases, we include the modified targets in later documents, such as a performance and accountability report, and annotate them as being modified.

Measuring the Results of Our Work

We measure the results of our work by using five annual measures to assess our efforts to provide the kind of information and recommendations that will lead to benefits for the American people. These measures are briefly described in table 1.

Table 1: Annual Measures of Results

Measure	Description
Financial benefits	Benefits to the federal government that can be estimated in dollar terms, such as decreased costs, increased revenues, or monetary resources that are made available for other purposes as a result of work that we completed over the past several years
Other benefits	Benefits to the federal government that cannot be estimated in dollar terms, such as improved services to the public, improved statutes or regulations, or improved government business operations that occurred as a result of work that we completed over the past several years
New recommendations made	The number of recommendations made in products issued within the fiscal year
Past recommendations implemented	Of the recommendations made 4 fiscal years prior to the current fiscal year, the percentage of recommendations that were implemented
Percentage of products with recommendations ^a	Of the written products issued in the fiscal year, the percentage that included at least one recommendation

Source: GAO.

^aNot all products that we issue during the fiscal year contain recommendations—some are purely informational. This measure allows us to respond to a variety of requests that may not result in recommendations.

For financial benefits, other benefits, and new recommendations made, we first set targets for the agency as a whole and then we set targets for each of the external goals—that is, goals 1, 2, and 3—so that the sum of the targets for the goals will equal the agencywide targets. For the remaining two measures—past recommendations implemented and percentage of products with recommendations—we set targets and report performance for the agency as a whole because we want our performance on these measures to be consistent across goals. We track our performance by strategic goal in order to understand why we met or did not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas in which they need to improve.

Financial benefits and other benefits provide quantitative and qualitative information, respectively, on the outcomes or results that were achieved from our work. They often represent outcomes that occurred over a period of several years. The remaining measures are intermediate outcomes in that they often lead to achieving outcomes that are ultimately captured in our financial or other benefits.

Measuring Client Service

We use two performance measures—the number of testimonies and the timeliness of our products—as indicators of how well we are meeting our clients' needs (see table 2). We consider requests to present testimony as an indicator that our clients are sufficiently satisfied with our work that we would add value to their decision-making process. We set a target at the

agencywide level for the number of testimonies and then assign a portion of the testimonies as a target for the teams that contribute to each of the external goals—that is, goals 1, 2, and 3—based on their expected contribution to the agencywide total. We track our progress on this measure at the goal level.

We also believe that our ability to provide products by the agreed-upon date means that we have met the clients' needs for providing information in time for it to be of value to them. We set agencywide targets for timeliness because we want our performance on these measures to be consistent across goals. We track our timeliness by strategic goal in order to understand why we met or did not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas in which they need to improve.

Table 2: Annual Measures of Client Service

Measure	Description
Testimonies	The number of hearings at which we presented testimony
Timeliness	Of the products issued in the fiscal year, the percentage that were issued by the date agreed upon with the client or, for our research and development work, by the date agreed to internally

Source: GAO.

Measuring Our Management of People

As our most important asset, our people determine our capacity to perform. Therefore, beginning with fiscal year 2005, we are adding performance measures that will help us determine how well we are attracting, retaining, using, and leading our human resources. Table 3 describes the measures that we are using to assess our performance in this area. Each year, we will set an agencywide target for each of these measures. The information needed for these measures will come from a variety of sources, including the Department of Agriculture's National Finance Center database—which handles payroll and personnel data for GAO and other agencies—and our annual confidential survey of employees.

Table 3: Measures Related to Our People

Measure	Description
New hire rate	The ratio of the number of people hired to the number we planned to hire
Acceptance rate	The ratio of the number of applicants accepting offers to the number of offers made
Retention rate	The ratio of the number of people who did not leave GAO during the fiscal year to the average number of people on board during the year
Staff development	From the annual employee survey, the percentage of people responding favorably to questions on internal, external, and on-the-job training
Staff utilization	From the annual employee survey, the percentage of people responding favorably to questions on our use of staff's knowledge and skills

Leadership

From the annual employee survey, the percentage of people responding favorably to questions about specific qualities of our managers, such as whether leaders treated staff fairly, made timely decisions, demonstrated GAO's core values, implemented change effectively, and dealt effectively with diversity issues

Organizational climate

From the annual employee survey, the percentage of people responding favorably to questions on teamwork, morale, and overall satisfaction

Source: GAO.

Our Planned Performance for Fiscal Year 2005

Agencywide Performance

While much of our performance is planned, managed, and tracked at the goal level, to gauge our collective performance, we set targets for the agency as a whole for our annual performance measures. Table 4 reflects our agencywide performance during the last 5 fiscal years for these measures, along with the agencywide targets for fiscal years 2004 and 2005.

Table 4: Agencywide Annual Performance Results and Targets

Performance measure	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Target	2005 Target
Financial benefits (dollars in billions)	\$20.1	\$23.2	\$26.4	\$37.7	\$35.4	\$35.0	\$36.0
Other benefits	607	788	799	906	1,043	900 ^a	950
New recommendations made	940	1,224	1,563	1,950	2,175	1,500 ^a	1,800
Past recommendations implemented	70%	78%	79%	79%	82%	79% ^a	80%
Percentage of products with recommendations	33%	39%	44%	53%	55%	50%	50%
Testimonies	229	263	151	216	189	190 ^a	180
Timeliness	96%	96%	95%	96%	97%	98%	98%
New hire rate ^b	N/A	N/A	N/A	96%	98%	N/A	97%
Acceptance rate ^b	N/A	N/A	N/A	81%	72%	N/A	75%
Retention rate ^b	N/A	N/A	N/A	91%	92%	N/A	90%
Staff development ⁿ	N/A	N/A	N/A	71%	72%	N/A	70%
Staff utilization ^b	N/A	N/A	N/A	67%	71%	N/A	70%
Leadership ^b	N/A	N/A	N/A	75%	78%	N/A	75%
Organizational climate ^b	N/A	N/A	N/A	67%	71%	N/A	70%

Source: GAO.

Note: N/A indicates that the data are not available.

^aOn the basis of past performance and expected future work, we revised four targets after we issued our performance plan for fiscal year 2004. The targets increased from 820 for other benefits, from 77 percent for past recommendations, and from 1,250 for new recommendations made. The target for testimonies decreased from 200.

^bThese measures are new beginning in fiscal year 2005. We provide actual data where available.

To set targets, we start with our past performance. We then hold discussions with senior managers regarding internal and external factors that might influence future work and we set targets accordingly. In some cases, this means that the target for a future year will be lower than the actual performance in a past year. We also try to set targets that are in round numbers in order to reflect that they are estimates and not precise targets. While we try to attain the target levels that we set, we expect that actual performance may deviate from the targets by as much as 5 percent. Therefore, we would consider a target that is missed by less than 5 percent to be in the expected range of performance, given the many factors outside of our control that can influence our performance; and, in those cases, we would take corrective measures only if we identified that the target was missed because of factors within our control.

The following sections describe the targets for goals 1, 2, and 3—our external goals—for the annual measures that we assess at the goal level. The sections also include a description of the qualitative performance goals, which we will assess by examining the work completed under the performance goal’s key efforts over a multiyear time period.

Goal 1’s Performance Goals and Targets

Strategic 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

In keeping with our mission to support the Congress in carrying out its constitutional responsibilities, our first strategic goal focuses on helping the Congress and the federal government address the challenges that affect the well-being and financial security of the American people. The stakes involved with the federal policies and programs covered under Goal 1 are high, because their benefits are critical to the well-being of families, businesses, state and local governments, and other key

sectors of the nation’s economy and society. Moreover, as the nation addresses the challenges of homeland security, it is becoming apparent that a wide range of domestic policies and programs are relevant to protecting the nation against terrorist threats. At the same time, the reemergence of deficits should prompt greater scrutiny of the performance and costs of many of these programs, and we expect to be a major contributor to the debates on these issues through our audit and evaluation work.

Our objectives for this goal are to support congressional and federal efforts on

- the health needs of an aging and diverse population;
- the education and protection of the nation’s children;
- the promotion of work opportunities and the protection of workers;
- a secure retirement for older Americans;
- an effective system of justice;
- the promotion of viable communities;
- responsible stewardship of natural resources and the environment; and
- a safe, secure, and effective national physical infrastructure.

These objectives are discussed in more detail in the sections that follow; the qualitative performance goals for each objective are listed as well. The results achieved for strategic goal 1 under our annual performance measures during the last 5 fiscal years are shown in table 5 below, along with the goal's targets for fiscal years 2004 and 2005.

Table 5: Strategic Goal 1's Annual Performance Results and Targets

Performance measure	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Target ^a	2005 Target ^b
Financial benefits (dollars in billions)	\$13.8	\$14.1	\$8.9	\$24.1	\$23.6	\$23.3	\$18.8
Other benefits	140	182	210	226	217	215	215
New recommendations made	350	435	396	524	557	328	390
Testimonies	123	131	73	111	80	77	74

Source: GAO.

^aOn the basis of past performance and expected future work, we revised these targets after we issued our performance plan for fiscal year 2004. The target for financial benefits increased from \$21.3 billion, the target for new recommendations made decreased from 363, and the target for testimonies decreased from 90. The target for other benefits was rounded from 216 to 215.

^bThese targets are based on projected work within the goal. In some cases, this means that a target for fiscal year 2005 is lower than actual performance in prior years.

The Health Needs of an Aging and Diverse Population

Several issues form the context of our work on health care. Federal health care spending has grown at an average annual rate three times that of the rest of the federal budget over the last 20 or so years. Expenditures on health-related programs are one of the largest components of federal spending, totaling about \$468 billion in fiscal year 2002, or about 23 percent of all federal spending that year. The Medicare Hospital Insurance Trust Fund is projected to begin running a deficit in 2004 and to be depleted by 2019. The Department of Veterans Affairs' (VA) \$23 billion-a-year health system has many obsolete facilities with excess capacity and the size and requirements for the Department of Defense's (DOD) health system requirements also are at issue.

The efficiency and effectiveness of the government's public health programs are other areas of concern; these programs include those administered by the National Institutes of Health, the Food and Drug Administration, the Centers for Disease Control and Prevention, and the Health Resources and Services Administration. These programs support and conduct research; provide grants to states for public health programs, such as maternal and child health services and AIDS prevention and treatment; and conduct regulatory oversight of the United States' new drug and medical device research.

The threat of terrorists using biological weapons of mass destruction, such as anthrax and smallpox, has raised concerns about the nation's ability to adequately respond to bioterrorist attacks. This has heightened concern about the adequacy of trained personnel, laboratory capacity, disease surveillance systems, and coordinated communication systems among state and local emergency responders. Greater attention has been given to state and local communities' capacity to develop coordinated plans for dealing with a potential biological attack

and to develop emergency response systems linking hospitals, health personnel, and fire and police efforts to respond to any form of terrorism.

Finally, the baby boom generation will undoubtedly place increasing pressure on the federal/state Medicaid program to help pay for nursing home and other community-based forms of long-term care services. At the other end of the population spectrum are millions of children whose families have no health insurance. Accounting for and overseeing Medicaid and the State Children's Health Insurance Program, which help cover the health insurance costs of these low-income Americans, represent a formidable challenge for the federal government because of the variation in state policies, procedures, and delivery systems.

To support efforts by the Congress and the federal government to address these issues, we will

- evaluate Medicare reform, financing, and operations;
- assess trends and issues in private health insurance coverage;
- assess actions and options for improving VA's and DOD's health care services;
- evaluate the effectiveness of federal programs to promote and protect the public health;
- evaluate the effectiveness of federal programs to improve the nation's preparedness for the public health and medical consequences of bioterrorism;
- evaluate federal and state program strategies for financing and overseeing long-term health care; and
- assess state experiences in providing health insurance coverage for low-income populations.

The Education and Protection of the Nation's Children

Educating and protecting children are key to the continued vitality of our democratic society and to our long-term ability to compete in a global marketplace. To this end, the federal government, through multiple departments and programs, invests more than \$110 billion a year on programs that foster the development, education, and protection of children from infancy through postsecondary education. In spite of these investments, there is concern about program fragmentation, overlap, and effectiveness. The United States places a high priority on educating its children at the elementary and secondary levels and has increased the Department of Education's investment from over \$20 billion in fiscal year 2000 to about \$35 billion in fiscal year 2003. The increased investment is accompanied by an increased emphasis on accountability for schools to raise all students to proficient levels in math, reading, and science. With recent passage of the No Child Left Behind Act, the Congress has placed additional requirements on states for student testing and teacher qualifications and mandated actions for schools that fail to improve student performance.

There are also concerns about protecting children and ensuring that families are financially able to provide for their needs. While responsibility in these areas falls primarily to state child protective service agencies, the federal government invests approximately \$7 billion annually in related areas.

Beyond providing for basic educational needs, a competitive national economy depends, in part, on effectively preparing workers to compete in the labor workforce. To this end, the federal government currently provides about \$63 billion annually to enhance the quality and access to postsecondary, vocational, and adult education. A major concern with the nation's investment in

postsecondary education is its exposure to significant losses. To support the Congress and the federal government in addressing these matters, our performance goals are to

- analyze the effectiveness and efficiency of early childhood education, care, and nutrition programs in serving their target populations;
- assess options for federal programs to effectively address the educational and nutritional needs of elementary and secondary students;
- determine the effectiveness and efficiency of child support enforcement and child welfare programs in serving their target populations; and
- identify opportunities to better manage postsecondary, vocational, and adult education programs and deliver more effective services.

The Promotion of Work Opportunities and the Protection of Workers

A strong national economy depends, in part, on effectively preparing youth and new workers to compete in the labor force, efficiently helping employers locate qualified job candidates, providing a work environment that safely promotes productivity, finding ways to help workers when they become unemployed, and providing assistance to workers with disabilities. To this end, the federal government currently invests more than \$150 billion annually on programs that help new entrants to the workforce, support those who have become dislocated from their jobs and assist them to become reemployed, rehabilitate disabled and injured workers, help employers obtain adequate supplies of high-quality skilled labor, as well as protect employees' rights to fair and safe workplaces without unduly burdening employers. In addition, federal policies for providing income support for the low-income population have increasingly focused on promoting work in exchange for government assistance.

Technology is redefining the labor market for workers and employers, and federal employment support and worker protection programs must deal with these new challenges. New technologies, increased marketplace competition, and very tight labor markets have prompted employers to downsize, change employment patterns, move abroad, or seek qualified foreign workers to meet their needs. To support the Congress and the federal government in addressing this challenge, our performance goals are to

- assess the effectiveness of federal efforts to help adults leave welfare for work and to assist other low-income individuals,
- analyze the impact of programs designed to maintain a skilled workforce and ensure that employers have the workers they need,
- assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing work environment, and
- identify ways to improve federal support for people with disabilities.

A Secure Retirement for Older Americans

Social Security has long served as the foundation of the nation's retirement income system. For nearly one-fifth of the elderly, Social Security is the sole source of retirement income. Yet Social Security expenditures are expected to exceed payroll tax revenues in the future, which may ultimately result in the trust fund being depleted. Also, tens of millions of U.S. workers have no individual pension coverage. Of those with pensions, some workers are increasingly being

enrolled in a new kind of plan—a defined contribution plan. Further, some employers are shifting to hybrid systems that retain the defined benefit structure while adopting certain features of defined contribution plans. These changes pose new challenges to workers, government regulators, and policy makers. Accordingly, to help the Congress and the federal government provide a secure retirement for older Americans, our performance goals are to

- assess the policy challenges facing the future of the Social Security system and the need for reform;
- bolster retirement security by identifying opportunities to foster greater pension coverage, raise personal saving, and increase the employment earnings of seasoned workers;
- identify opportunities to improve the ability of government agencies to administer and protect workers' retirement benefits; and
- assess the role of the Social Security number in improving government operations, minimizing fraud and abuse, and protecting citizens from identity theft and other illegal activity.

An Effective System of Justice

Spending on the administration of justice continues to grow. In constant 2004 dollars, the federal government will disburse over \$39 billion in fiscal year 2004, up from \$18 billion in 1994. Most of the increase has been to accommodate a shift in focus at the federal level from helping local governments control crime to emphasizing more distinct federal responsibilities, such as controlling illegal immigration and, more recently, preventing terrorist attacks.

During the past several years, overall crime levels have been reduced. For example, preliminary data for 2002 from the Federal Bureau of Investigation's Uniform Crime Reporting Program indicate a 0.2 percent decrease in the nation's Crime Index from the 2001 figure. Nevertheless, the Congress and the public remain concerned and look to the federal government for leadership in controlling domestic and transnational crime, including terrorism, while protecting civil liberties; reducing illegal drug use; protecting the nation's borders; and controlling prison costs. The USA Patriot Act, passed in October 2001, significantly expanded federal law enforcement and investigative authority and, with billions of dollars in additional funding, greatly increased the federal counterterrorism role. In addition, the newly created Department of Homeland Security is expected to lead efforts to detect, prepare for, prevent, respond to, and recover from terrorist attacks within the United States. Many of these functions are the primary roles of law enforcement at the federal, state, and local levels—a fact that heightens the importance of effective coordination and cooperation. Also, the Justice Department has begun to restructure the Federal Bureau of Investigation and is in the process of redefining its mission and priorities in light of the increased focus on antiterrorism.

After several years of mandatory minimum sentencing, “three strikes and you’re out” laws, and truth-in-sentencing grants, federal and state prisons are overcrowded. The size of the prison population will be the subject of increasing public debate as these policies’ cost to the public escalates. Moreover, in constant 2004 dollars, the federal judiciary will disburse an estimated \$5.7 billion in fiscal year 2004—more than one and a half times its fiscal year 1994 spending of about \$3.2 billion. In addition, the judiciary has faced an imbalance in its workload in recent years, particularly its criminal caseload, with some courts facing much higher workloads than others. Thus, the judiciary faces a major challenge in determining how to use its resources efficiently and effectively to address such workload imbalances and to coordinate its strategy with other affected agencies, particularly along the southwest border. Also, the number of

prisoners being released from federal prisons is growing rapidly, making successful reintegration an increasingly important issue.

To support efforts by the Congress and the federal government to address these issues, we will

- identify ways to improve federal agencies' ability to prevent and respond to terrorism and other major crimes,
- assess the effectiveness of federal programs to control illegal drug use,
- assess federal efforts to enforce immigration and customs laws, and
- assess the administrative efficiency and effectiveness of the federal court and prison systems.

The Promotion of Viable Communities

Federal commitment to strong and stable communities is demonstrated through the diversity of federal economic development assistance programs. More than 100 federal programs provide direct economic development assistance in the form of grants, loans, loan guarantees, and other types of assistance for community and economic development involving billions of dollars each year. The federal government supports housing finance through various programs, incentives, and requirements. America's small businesses also play a critical role in the nation's economy. In addition, the federal government provides assistance to victims of disasters and emergencies.

To promote home ownership, a key element of a vibrant community, the federal government provides mortgage assistance through mortgage guarantees provided by the Federal Housing Administration and the Department of Veterans Affairs and guarantees of mortgage securities by the Government National Mortgage Association. It also provides a federal charter and other direct and indirect benefits to three government-sponsored enterprises—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—that support the mortgage market. Recently, the effectiveness of the regulatory structure for government-sponsored enterprises has been called into question. The federal government also promotes home ownership through tax incentives and requirements placed on mortgage market participants. It must balance the benefits of increasing home ownership, especially among the underserved, against the financial risk taken on directly (through mortgage guarantees) or indirectly (through government-sponsored enterprises).

To help promote sound, sustainable investment in America's communities and aid the Congress and the federal government in the decision-making process on these issues, our performance goals are to assess

- federal community and economic development assistance and its impact on communities,
- the effectiveness of federal initiatives to assist small and minority-owned businesses,
- how the federal government can balance the promotion of home ownership with financial risk,
- federal efforts to enhance national preparedness and capacity to respond to and recover from natural and man-made disasters, and
- how well federal programs that support affordable rental housing meet objectives, manage financial risk, and improve recipients' well-being.

Responsible Stewardship of Natural Resources and the Environment

The nation's natural resources and the systems associated with their use are under unprecedented stress, generating intense debate and posing daunting challenges to policy makers at all levels of government. In part, this is the consequence of the country's growing population and economy, but other stress factors exist as well, such as the globalization of the world's economy. Additionally, the need to protect ourselves from those that would attack our nation by contaminating our air, water, and food or damaging our energy supplies has added a new dimension to managing our nation's natural resources. In addition, this strategic objective covers 6 sectors—energy, water, chemical industry and hazardous materials, agriculture, food (except meat and poultry), and meat and poultry—out of the 14 critical infrastructure sectors listed in the President's decision document "National Strategy for Homeland Security."

In recent decades, the United States has experienced multiple energy crises—the 2000 and 2003 electricity emergencies affecting much of the country were notable examples—and remains perpetually on the cusp of critical supply/demand imbalances. If prudence and foresight are not applied in crafting the nation's strategic energy plan, then the electricity, natural gas, heating oil, and gasoline markets are at risk of being thrown into turmoil at any time. Stress is also evident in the management of the country's lands and waters, where difficult choices must be made on balancing the demands of often competing objectives—namely, economic growth for today versus natural resource protection for the future.

The increasing globalization of natural resource issues also affects environmental protection matters, as seen in the federal government's discussions with other governments about global warming and what should be done about it. Such discussions add a new layer of complexity to the already difficult question of how to sustain economic growth when the engines of that growth—factories, cars and trucks, fertilizers, electricity generating plants—can adversely affect our air and water quality. Significant challenges also remain in cleaning the country's hazardous and nuclear waste sites. These sites' continued existence poses not only potential health and safety problems, but also fiscal and economic problems as well. Finally, food safety lies at the forefront of concerns about the country's agricultural resources, an urgent matter given the potential for agricultural bioterrorism. To support the Congress and help the federal government carry out its land management and environmental protection responsibilities, our performance goals are to assess

- the nation's ability to ensure reliable and environmentally sound energy for current and future generations;
- federal strategies for managing land and water resources in sustainable fashion for multiple uses;
- environmental protection strategies and programs;
- efforts to reduce the threats posed by hazardous and nuclear wastes; and
- federal programs' ability to ensure a plentiful and safe food supply, provide economic security for farmers, and minimize agricultural environmental damage.

A Safe, Secure, and Effective National Physical Infrastructure

The nation's economic vitality and the safety of its citizens are heavily dependent on a physical infrastructure composed of, among other things, transportation networks, telecommunications systems, water supply systems, wastewater treatment and solid waste disposal facilities, federal

real property, and postal facilities. The nation faces important infrastructure challenges as federal, state, and local governments confront aging systems; new demands created by changes in demographics, technology, and lifestyles; and our infrastructure's vulnerability to terrorist threats. Our nation's responses to these challenges will have important consequences in the future because of their effects on the quality of our lives and their significant costs. To support the Congress in addressing this challenge, our performance goals are to assess

- strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's transportation infrastructure challenges;
- the impact of transportation and telecommunications policies and practices on competition and consumers;
- the federal government's role in fostering and overseeing telecommunications in the public interest;
- efforts to improve safety in moving people and goods across the nation's transportation system;
- efforts to improve security in all transportation modes;
- the U.S. Postal Service's transformation efforts to ensure its viability and accomplish its mission; and
- federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets.

Goal 2's Performance Goals and Targets

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

The nature of the threats to national and international security and the means of attack have changed significantly in the post-Cold War era, and even more so since the terrorist attacks of September 11, 2001. The nation must assess and defend against a wide range of means and methods of attack against U.S. interests both at home and abroad. Adversaries are more likely to strike vulnerable civilian or military targets at home and overseas in nontraditional ways to avoid direct

confrontation with U.S. military forces or their allies on the battlefield. Nonetheless, the United States faces the challenge of transforming its military capabilities to maintain its technological edge while executing a global war on terrorism and recognizing that military power alone cannot respond to today's new threats. Responding to those threats requires new rules and new roles for all levels of government, best represented by the federal government's structural changes associated with creation of the new Department of Homeland Security.

As the world grows increasingly interconnected through more open markets and rapidly developing technology, the globalization of markets has created new opportunities for the nation as a whole and for American producers and consumers. At the same time, the United States is facing increasing challenges and threats to its security and economy from sources that range from terrorism to regional conflicts to instability sparked by adverse economic conditions, corruption, ethnic hatred, nationalism, and disease. In today's environment, advancing and

protecting U.S. international interests has required interventions abroad to address terrorism at its roots or other interventions to make or keep the peace. While seeking to anticipate and address emerging threats to the nation's security and economy, the federal government also tries to promote foreign policy goals, sound trade policies, and other strategies to advance the interests of the United States and those of U.S. trading partners and allies in every corner of the world. In light of the globalization, technology, and security trends, our second strategic goal is to help the Congress and the federal government respond to changing security threats and the challenges of global interdependence.

Our specific objectives are to support congressional and federal efforts to

- respond to emerging threats to security,
- ensure military capabilities and readiness,
- advance and protect U.S. international interests, and
- respond to the impact of global market forces on U.S. economic and security interests.

These objectives are discussed in more detail in the sections that follow; the qualitative performance goals for each objective are listed as well. The results achieved for strategic goal 2 under our annual performance measures during the last 5 fiscal years are shown in table 6 below, along with the goal's targets for fiscal years 2004 and 2005.

Table 6: Strategic Goal 2's Annual Performance Results and Targets

Performance measure	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Target ^a	2005 Target ^b
Financial benefits (dollars in billions)	\$3.0	\$5.5	\$10.5	\$8.4	\$7.1	\$7.0	\$9.2
Other benefits	80	129	188	218	273	244	275
New recommendations made	255	376	618	618	846	602	750
Testimonies	37	56	34	38	48	56	50

Source: GAO.

^aWe increased these targets after we issued our performance plan for fiscal year 2004. The original targets were financial benefits, \$5.6 billion; other benefits, 200; new recommendations made, 521; and testimonies, 43.

^bThese targets are based on projected work within the goal. In some cases, this means that a target for fiscal year 2005 is lower than actual performance in prior years.

Respond to Emerging Threats to Security

National and international security threats stem not only from differences in national or state ideologies and geopolitical economic and strategic considerations, but now increasingly from religious conflicts and the aims of non-state-sponsored groups. Adversaries are more likely to strike vulnerable targets at home and overseas in nontraditional ways to avoid direct confrontation with U.S. military forces or their allies.

These threats put at risk the nation's values, economic interests, and way of life and the personal security of its citizens at home and abroad. National strategies propose homeland security and combating terrorism initiatives to address these threats, yet their implementation and their

associated costs, both direct and indirect, remain unclear. Decision-making approaches based on risk analysis and cost-benefit effectiveness and the alignment of federal funding with state, local, and private sector investments are still works in progress. In the international arena, U.S. efforts to prevent the proliferation of weapons of mass destruction directly support domestic homeland security missions, yet much remains to be done.

Preparing for and responding to emerging security threats will entail a national effort involving defense and domestic federal agencies and programs; state, local, and regional governments and organizations; the private sector; and the international community. At the federal level, the effectiveness of major structural changes to provide leadership will be important. The primary mission of the newly formed Department of Homeland Security is to prevent, reduce vulnerability to, and aid in recovery from domestic terrorist attacks. Responsibility for oversight and coordination across the executive branch with the Executive Office of the President is also still evolving.

Internationally, the cooperation of the United States and its allies is needed to prevent terrorists and others from using dangerous weapons to carry out threats to the nation's security. In addition, long-term success in homeland security will mean seamlessly integrating homeland security concepts into normal business decisions and practices across government and within the areas of the private sector responsible for critical infrastructures and key assets so that efforts are sustainable over the long term and balanced with important non-homeland-security objectives.

To support congressional and federal decision making on national preparation for and response to emerging threats to security, we will

- assess federal homeland security management, responsibility, effectiveness, and achievement of mission goals;
- identify ways to strengthen strategies related to homeland security and their implementation;
- evaluate homeland security resource priorities, costs, and approaches to stimulate desired investments;
- identify opportunities to embed homeland security concepts in ongoing national initiatives;
- evaluate ways to strengthen government information security and protect computer and telecommunications systems that support the nation's critical infrastructures; and
- assess the effectiveness of U.S. and international efforts to prevent the proliferation of nuclear, biological, chemical, and conventional weapons and sensitive technologies.

Ensure Military Capabilities and Readiness

After dropping below \$300 billion in prior years, the total defense budget authority will exceed \$465 billion in fiscal year 2004, including substantial supplemental funding to support ongoing military operations. The budget included additional resources for operations and maintenance, quality-of-life programs, pay raises, and improvements to crumbling facilities. The most recent Quadrennial Defense Review charts a new defense strategy emphasizing homeland security, military transformation, joint operations, and advanced capabilities related to information technology (IT), intelligence, and space operations. DOD has begun reassessing U.S. force structure and capabilities and DOD's presence and location of its bases overseas. The new defense strategy also highlights the criticality of reforming DOD's business practices and human capital management, streamlining organizational structures, and eliminating excess

infrastructure that unnecessarily diverts resources from other defense priorities. The debate about what capabilities DOD must maintain and develop, where they should exist, and to what extent additional defense spending is required will be significantly shaped by the debate over the military's role in homeland security and the augmentation of the civilian agencies' roles in the fight against terrorism. To support the Congress and the federal government's efforts to improve military capabilities and readiness, our performance goals are to

- assess DOD's ability to maintain adequate readiness levels while addressing the force structure changes needed in the 21st century;
- assess overall human capital management practices to ensure a high-quality total force;
- assess the ability of weapon system acquisition programs and processes to achieve desired outcomes;
- identify ways to improve the economy, efficiency, and effectiveness of DOD's support infrastructure and business systems and processes;
- assess the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile;
- assess whether DOD and the services have developed integrated systems, procedures, and doctrines to support joint and coalition forces on the battlefield safely and effectively; and
- analyze and support DOD's efforts to improve planning, programming, budgeting, execution, and program performance.

Advance and Protect U.S. International Interests

Although U.S. leaders agree on the ultimate goal of promoting global peace, prosperity, and stability, intense debate is occurring over how to achieve that goal. Military and humanitarian interventions to make or keep the peace, stabilize and rebuild failed states, and deal with humanitarian emergencies have become major activities for the United States. These interventions include U.S. and coalition activities intended to stabilize and rebuild Iraq and Afghanistan and manage their transition to a secure, sustainable, and desired outcome. Countries in transition to democracy and a private market structure are critical to U.S. economic and security interests. Strategic alliances established decades ago are undergoing changes to better reflect current and future needs and priorities. Conducting foreign affairs is becoming more complicated as the lines between domestic and international issues blur and the threat of terrorist attacks on U.S. facilities and personnel overseas changes how America does business. To help the Congress and the federal government advance and protect U.S. international interests, our performance goals are to

- analyze the plans, strategies, roles, costs, and results of the United States and its allies in conflict interventions;
- analyze the effectiveness and management of U.S. foreign aid and developmental and humanitarian programs and the tools used to implement them;
- analyze the plans, costs, and outcomes of responding to challenges to U.S. strategic interests;
- evaluate the extent to which U.S. interests are effectively served by U.S. participation in multilateral organizations; and

-
- assess the strategies and management practices for U.S. foreign affairs functions and activities.

Respond to the Impact of Global Market Forces on U.S. Economic and Security Interests

The increasing interdependence of the world's economies has a significant impact on the national security and the economic well-being of the American people. U.S. exports have grown much faster than the economy. Moreover, the United States has been the principal architect of an open world trading system and, as the world's largest exporter of goods and services, has benefited immensely from global trade. But segments of U.S. and world populations have not shared equally in these benefits and may not do so in the future. Moreover, global market forces have made the United States more vulnerable to overseas economic crises. In addition, it has become more difficult for the United States to maintain control over critical technologies and the industrial base on which U.S. economic and military security depends. Also, the United States has faced terrorist threats emanating from some of the least integrated countries in the world as well as health threats from some of the most integrated regions of the world. For policy makers, several aspects of these trends require particular attention.

Trade agreements are increasing in number and importance to the U.S. economy. More than 300 international trade agreements affect hundreds of billions of dollars in trade and millions of U.S. jobs. The mutual dependence of international markets and the U.S. economy is expected to increase even further with China's admission to the World Trade Organization. In addition, the United States is currently involved in a major regional trade negotiation (the Free Trade Area of the Americas), multilateral negotiations in the World Trade Organization, as well as numerous free trade agreements with other partners. Over 10 U.S. agencies have programs to promote U.S. exports. These programs include providing financial assistance through loans, loan guarantees, and grants as well as providing U.S. businesses with information on the export process.

The globalization of the industrial base is driving changes in the way the United States obtains technologies and capabilities to protect its national security interests. As companies increasingly engage in a wide variety of business arrangements across national borders, DOD is seeking new ways to benefit from the competitive sources and innovative technologies that a diverse industrial base may provide. For example, the department is partnering with foreign countries to develop major weapon systems, such as the Joint Strike Fighter aircraft program. Although globalization has the potential to speed innovation and reduce costs, it also carries potential threats to the technological superiority of the U.S. military and may require new approaches to protect national security interests.

Global financial health and the maintenance of the world financial system are critical to long-term U.S. objectives and cornerstones of U.S. foreign policy. Financial crises in Argentina, Mexico, Asia, Russia, and elsewhere have raised questions about what can be done to prevent, solve, or contain the spread of regional financial crises and what can be done to reduce the debt burden on poor countries. International financial institutions, such as the International Monetary Fund and the World Bank, are at the center of efforts to address financial crises. The United States is the major contributor to the International Monetary Fund and relies heavily on it and the World Bank to promote world economic health. The operations and transparency of these institutions have come under increased scrutiny.

Overseeing financial institutions and markets in the 21st century is a growing challenge. Trillions of dollars flow through the nation's financial institutions and markets, including the investments and retirement savings of working households. The globalization of financial firms and markets,

coupled with continuing advances in technology, has created opportunities to improve the speed and efficiency of market operations. But these advances also provide new opportunities for illegal market activities and may broaden the scope of financial crises or cause them to spread more rapidly. The creation of new products and the increasing importance of new market participants continue to pose challenges to existing regulatory frameworks and oversight programs. Innovations such as the increasing use of Internet-based financial activities also present new regulatory challenges. While these innovations can benefit U.S. markets and investors, they also expose individuals to increased risks and potential fraud.

To support efforts by the Congress and the federal government to address these issues, we will

- analyze how U.S. interests are served through trade agreements and U.S. programs,
- improve understanding of the effects of a global industrial base on U.S. national security interests,
- assess how the United States can influence improvements in the world financial system,
- assess the ability of the financial services industry and its regulators to maintain a stable and efficient financial system in the face of market change and innovation, and
- assess the effectiveness of regulatory programs and policies in ensuring access to financial services and deterring fraud and abuse in financial markets.

Goal 3's Performance Goals and Targets

Strategic Goal 3: Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges

The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the 21st century. Major trends—such as diffuse security threats, increasing interconnectedness of global markets and economies, and rapid technological advances—drive the

need for federal agencies to transform their cultures and operations. In view of the broad trends and growing fiscal pressures, the federal government needs to engage in a fundamental reexamination of what government does, how it does business, and in some instances who does the government's business.

The federal government will need to work more closely with other governments, nongovernmental organizations, and the private sector—both domestically and internationally—to achieve results. In reassessing federal missions and strategies, the federal government must examine the entire mix of policy tools available to address national objectives. Because the public expects demonstrable results from the federal government, government leaders need to increase strategic planning, address management challenges and high-risk issues, use integrated approaches, enhance their agencies' results orientation, and ensure accountability. Examining existing programs and operations for potential cost savings can create much needed fiscal flexibility to address emerging needs. Moreover, addressing today's priorities must be balanced against the long-term fiscal pressures of financing existing programs and operations.

This third strategic goal guides us in our efforts to help transform the federal government's role and how it does business to meet 21st century challenges. The accompanying strategic

objectives focus on the comprehensive reassessment necessary to position the government to take advantage of emerging opportunities and meet strategic challenges. Specifically, we focus on the government’s role in achieving national goals in an increasingly networked environment and its ability to deliver, and account for, high performance.

To ensure that we help transform the role of government and how it does business to meet the 21st century challenges, we have established strategic objectives to

- reexamine the federal government’s role in achieving evolving national objectives;
- support the transformation to results-oriented, high-performing government;
- support congressional oversight of key management challenges and program risks to improve federal operations and ensure accountability; and
- analyze the government’s fiscal position and strengthen approaches for addressing the current and projected fiscal gap.

These objectives are discussed in more detail in the sections that follow; the qualitative performance goals for each objective are listed as well. The results achieved for strategic goal 3 under our annual performance measures during the last 5 fiscal years are shown in table 7 below, along with the goal’s targets for fiscal years 2004 and 2005.

Table 7: Strategic Goal 3’s Annual Performance Results and Targets

Performance measure	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Target ^a	2005 Target ^b
Financial benefits (dollars in billions)	\$4.5	\$5.1	\$7.0	\$5.2	\$4.7	\$4.7	\$8.0
Other benefits	414	503	401	462	553	441	460
New recommendations made	335	413	549	808	772	570	660
Testimonies	100	105	42	65	56	57	56

Source: GAO.

^aThese targets were revised after we issued our performance plan for fiscal year 2004. The target for financial benefits decreased from \$8.1 billion and the target for testimonies decreased from 60. The remaining two targets increased from 404 for other benefits and from 366 for new recommendations made.

^bThese targets are based on projected work within the goal. In some cases, this means that a target for fiscal year 2005 is lower than actual performance in prior years.

Reexamine the Federal Government’s Role in Achieving Evolving National Objectives

Evaluating the role of the federal government and the programs it delivers is key in determining how to best position the federal government for the 21st century. With the government facing an array of complex challenges and opportunities, a strategic long-term view is critical in considering how best to design programs to meet the nation’s needs and priorities today and in the future. Policy makers will need forward-looking information to set the stage for early warnings about emerging threats and make informed choices about effective government responses. Developing key national indicators can help policy makers assess the nation’s overall

position and progress in key areas and support informed public debate and decisions across government and the United States as a whole. Any assessment of federal missions and strategies also must look at the tools the government uses and the participation of other organizations in achieving national objectives. Policy makers need a better understanding of how individual policy tools operate, how to measure their performance and effectiveness, and what features are necessary to ensure accountability and oversight. The effectiveness of federal programs has increasingly become dependent on the state and local governments' management and resources as well as constructive interactions with private and nonprofit entities.

To support the Congress in reexamining the federal government's role in achieving evolving national objectives, we have established performance goals to

- examine emerging challenges and opportunities to position the federal government for the 21st century,
- develop new resources and approaches that can be used to assess the nation's position and progress,
- explore ways to evaluate the effectiveness of the entire set of policy tools that the federal government uses to achieve national objectives, and
- assess how involvement of state and local governments and nongovernmental organizations affects federal program implementation and achievement of national goals.

Support the Transformation to Results-Oriented, High-Performing Government

To become high-performing organizations, agencies must transform their cultures to respond to the transition that is taking place in the federal government's role. By building fundamental management capacity, the federal government can improve its performance and deliver economical, efficient, and effective programs and services that the American people need in a cost-effective and fiscally sustainable manner. In establishing a results-oriented culture, an organization and its leaders need to carefully select the best solutions for the organization in terms of structure, systems, and processes.

Today's federal human capital strategies are not suited to meeting current and emerging challenges or to driving needed transformation. Consequently, we have designated strategic human capital management as a governmentwide high-risk area. While significant progress has been made in this area in recent years, progress in building organizational cultures to create and sustain a focus on results has been uneven, and more needs to be done to embed results-oriented practices into government operations.

Information is a vital resource that needs to be properly managed. While it is important to enhance the government's use of new technologies to improve the collection and dissemination of government information, it is also important that this information, especially that collected for statistical purposes, meet the current needs of federal programs and policy makers. Timely, accurate, and useful financial information is essential for making operating decisions day to day, supporting results-oriented management approaches, and managing the government's operations more efficiently, effectively, and economically.

Vital to successful transformation will be building financial, IT, and acquisition management capacity to support new ways of doing business. However, the federal government's financial management has suffered from neglect and financial systems with serious shortcomings. Similarly, numerous poorly managed IT systems have produced multimillion-dollar cost

overruns, schedule slippages, and poor results; and poor information security remains a governmentwide high-risk area. Finally, despite recent reforms to transform the federal acquisition process, the government still does not have a world-class purchasing system. All too often, many of the products and services the government buys cost more than expected, are delivered late, or fail to perform as expected.

To assess the government's capacity to better deliver public services, we will

- analyze and support efforts to improve the human capital infrastructure key to the successful transformation of the government;
- assess and support efforts to improve results-oriented management across the government;
- analyze efforts to build high-performing organizations;
- identify ways to improve the collection, dissemination, and quality of federal information;
- identify ways to improve financial management infrastructure capacity to provide useful information for managing results and costs day to day;
- assess the government's planning, implementation, and use of information technology to improve performance and modernize federal programs and operations; and
- identify ways to improve how federal agencies acquire goods and services.

Support Congressional Oversight of Key Management Challenges and Program Risks to Improving Federal Operations and Ensuring Accountability

Congressional oversight is needed to ensure that agencies continue to build their fundamental management capabilities, resolve high-risk areas, and address major management challenges to effectively meet the nation's most pressing priorities and to take advantage of emerging opportunities. Our 2003 Performance and Accountability and High-Risk Series reports identified 26 high-risk areas and described over 100 major management challenges. Continued persistence and perseverance in addressing high-risk areas and major management challenges will ultimately yield significant benefits.

As part of the drive to improve performance, agencies are increasingly being called on to demonstrate results from their research and development programs. Congressional oversight is critical in ensuring that the substantial federal investment in science and technology is allocated effectively and that intellectual property rights are protected here and abroad.

The federal government has a stewardship obligation to safeguard the use of taxpayer funds; prevent fraud, waste, and abuse; and ensure financial accountability. While there has been important progress, agencies are still working toward the goals established in financial management reform legislation, such as the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. Widespread financial management system weaknesses, poor record keeping and documentation, weak internal controls, and a lack of information have prevented the government from having the information needed to effectively and efficiently manage operations or accurately report a large portion of its assets, liabilities, and costs. Attentive oversight is needed to ensure that agencies take steps to continuously improve internal controls and underlying financial and management information systems to ensure that executive branch managers and congressional decision makers have reliable, timely, and useful

information to ensure accountability; measure, control, and manage costs; manage for results; and make timely and fully informed decisions about allocating limited resources.

To support congressional oversight of key management challenges and program risks to federal operations and accountability and to promote needed improvements, we have established performance goals to

- highlight the federal programs and operations at highest risk and the major performance and management challenges confronting agencies,
- assess the management and results of the federal investment in science and technology and the effectiveness of efforts to protect intellectual property, and
- identify ways to strengthen accountability for the federal government's assets and operations.

Analyze the Government's Fiscal Position and Strengthen Approaches for Addressing the Current and Projected Fiscal Gap

The federal budget is the principal annual vehicle through which the Congress and the President balance competing views about the allocation of federal resources, accountability for those resources, and the allocation of responsibility between the public and private sectors and among levels of government. After 4 years of budget surpluses, the nation is again facing large and growing budget deficits. Our long-term budget model has consistently suggested that without changes to the major retirement and health care programs, the nation will ultimately have to choose between escalating deficits and debt, significant tax increases, or dramatic budget cuts in other areas. It will be difficult to address today's urgent needs without unduly exacerbating the nation's long-term fiscal challenges.

Making government fit the challenges for the future will require not only dealing with the drivers—entitlements for the elderly—but also looking at the range of other federal activities. However, budget controls instituted to achieve balance in the past have expired, and no agreement has been reached on the appropriate structure or process for focusing on the fiscal challenges that now move to center stage.

American individuals and businesses annually pay about \$2 trillion in taxes to fund the federal government. The federal tax system includes numerous tax provisions intended to influence taxpayers' behavior throughout the economy, but little is known about the effects of many of these provisions. Given the size and complexity of the federal tax code, the Congress remains interested in tax reform, particularly simplification. As the nation's chief tax collector, the Internal Revenue Service interacts with more Americans than any other government agency, and compliance with tax laws is a significant burden imposed on businesses and individuals. The Internal Revenue Service is in the midst of implementing major legislatively mandated reforms in how the nation's tax system is administered, and congressional interest remains focused on the agency's progress.

In light of the long-term fiscal challenges, policy makers need to reexamine, reassess, and reprioritize the federal government's programs, policies, and activities. One key to making resource decisions is having reliable, useful, and timely financial information routinely available. Such information is also necessary to ensure financial accountability and to improve the economy, efficiency, and effectiveness of government actions that have a direct impact on achieving a more results-oriented government.

To analyze the government's fiscal position and identify ways to strengthen approaches for addressing the fiscal gap, we will

- analyze the long-term fiscal position of the federal government,
- analyze the structure and information for budgetary choices and explore alternatives for improvement,
- contribute to congressional deliberations on tax policy,
- support congressional oversight of federal tax administration, and
- assess the reliability of financial information on the government’s fiscal position and financing sources.

Goal 4’s Performance Goals

Strategic Goal 4: Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization

To successfully carry out our responsibilities to the Congress for the benefit of the American people, we must be professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced. We should also lead by example. The focus of goal 4 is to make us a model organization—one that is client and customer driven, has strategic leadership focused on achieving results,

leverages our institutional knowledge and experience, continuously enhances the services that support our engagements, and is regarded as an employer of choice. In this respect, the focus of goal 4 during fiscal years 2004 through 2009 is largely unchanged from our previous strategic plan. We have, however, made some refinements to our strategic objectives and supporting performance goals to make them more results-oriented and measurable.

During fiscal years 2004 and 2005, we plan to implement two major projects that will support our goal of being a model federal agency and a world-class professional services organization. First, we continue to pursue legislation that would more effectively link our employees’ pay to performance and would increase our flexibility with regard to recruitment and retention. Among other things, this legislation, once enacted, would (1) make permanent our 3-year authority to offer early retirements and buyouts, (2) allow us to set our own annual pay adjustment system separate from the executive branch, (3) provide authority to reimburse employees for some relocation expenses when the transfer does not meet current legal requirements but would benefit GAO, (4) provide 20 days of annual leave for appropriate employees in certain positions with less than 3 years of federal service, and (5) authorize an executive exchange program with the private sector in areas of mutual concern where we have a supply and demand imbalance. Second, we are reviewing the classification of and compensation for our analyst staff with the intent of implementing revisions that are aimed at ensuring that we can continue to attract, retain, and reward a top-quality workforce. This review is also intended to ensure that (1) our classification and compensation systems result in equal pay for work of equal value over time; (2) our classification system is reasonable and reflective of the roles and responsibilities expected of GAO’s staff; (3) our classification and compensation systems are reasonable and competitive; and (4) our classification and compensation systems are both affordable and sustainable based on current and expected resource levels.

For this goal, we have established strategic objectives to

- continuously improve client and customer satisfaction and stakeholder relationships,

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- lead strategically to achieve enhanced results,
 - leverage GAO's institutional knowledge and experience,
 - continuously enhance GAO's business and management processes, and
 - become a professional services employer of choice.

Continuously Improve Client and Customer Satisfaction and Stakeholder Relationships

We interact and work with a diverse set of external clients and internal customers. Our principal client is the Congress, and our work is also important to other stakeholders, including federal and nonfederal agencies and organizations and international institutions. Our internal customers are our staff, most of whom are engaged in delivering quality services to our clients. Therefore, being a model agency depends on both determining and meeting the requirements of our clients and internal customers.

For external clients, we plan to continually update our understanding of their needs and expectations through rigorous outreach efforts and strategic planning. We also plan to develop and use high-quality measurement systems and feedback mechanisms to obtain external clients' views on our products and services. In addition, we plan to use enhanced technology to provide better access to our information and products and improve the quality and timeliness of our products and services.

For internal customers, we plan to identify their needs and expectations through expanded outreach and planning efforts. We will identify and develop high-quality measurements to assess customer satisfaction, business processes, and accomplishment of the agency's strategic direction. In addition, we will develop policies and procedures to guide how our work responds to customer needs. We also plan to improve communication with our managers and staff on changes to services.

For external stakeholders, we plan several efforts to strengthen relationships with major stakeholder groups. We will refine our protocols for conducting agency reviews to better manage stakeholder expectations. We also plan to develop and implement clear, consistent, and transparent protocols to govern interactions with international organizations. We will also strengthen our relationship with the press and the public by increasing the accessibility of our products.

To support our objective to deliver exceptional service in meeting client and customer needs, we will

- strengthen communication with congressional clients and more broadly measure their satisfaction with GAO's work,
- assess internal customer satisfaction with GAO's services and processes and implement and measure improvement efforts, and
- strengthen relationships with GAO's stakeholders and increase the accessibility of GAO's products.

Lead Strategically to Achieve Enhanced Results

We will strengthen our strategic leadership to better integrate the agency's financial, human capital, and information resources for achieving enhanced results. To accomplish this objective, we will build on our established base of strategic planning, performance management, sound financial management, IT best practices, and leadership initiatives. We will also refine certain functions to ensure their strategic alignment, working to better align succession planning, workforce planning, staff utilization, and appraisal and compensation systems with our strategic objectives.

To support the objective to lead strategically to achieve enhanced results, we will

- integrate planning, budgeting, and performance measurement to achieve enhanced results;
- strengthen GAO's strategic human capital management to achieve enhanced results;
- ensure exemplary practices and systems in GAO's fiscal operations; and
- strengthen IT governance practices and processes to achieve strategic results.

Leverage GAO's Institutional Knowledge and Experience

We are a knowledge-based professional services organization. As larger numbers of our more senior employees reach eligibility for retirement, we need to identify and implement strategies for retaining their knowledge and expertise and increasing organizational knowledge sharing. We plan to develop an integrated approach for identifying, managing, and sharing the organization's information and intellectual assets, using our electronic and Web-based technologies to support the objective. We will also identify ways to enhance knowledge sharing with other national and international accountability and professional organizations.

To support the objective to leverage our institutional knowledge and experience, we will

- maximize the collection, use, and retention of essential organizational knowledge;
- increase GAO's knowledge-sharing capability; and
- enhance knowledge sharing with other national and international accountability and professional organizations.

Continuously Enhance GAO's Business and Management Processes

As the federal government's accountability organization, we evaluate the economy, efficiency, and effectiveness of a wide range of federal policies and programs to assist the Congress for the benefit of the American people. By continuously assessing and enhancing the processes and services that support our own engagements, we can maximize our value to the Congress and the public.

To support the objective to continuously enhance our business and management processes, we will

- improve engagement support services and
- use enabling technology to improve GAO's crosscutting business processes.

Become a Professional Services Employer of Choice

To be a model organization, we must become an employer of choice—one that attracts, retains, motivates, and rewards excellent employees and is considered one of the best places to work. We intend to build and maintain a work environment that is fair, unbiased, and inclusive and that offers the opportunity for all employees to realize their full potential. To improve employee satisfaction with working at GAO, we are committed to providing our employees with the tools, technologies, and systems that promote collaboration and productivity and a safe, secure workplace; enhancing our offerings of family-friendly and work-life programs; and providing superior training for our new hires.

To become a professional services employer of choice, we will

- promote an environment that is fair and unbiased and that values opportunity and inclusiveness;
- provide GAO staff with tools, technology, and a world-class working environment;
- provide a safe and secure workplace;
- enhance employee views about GAO; and
- improve the development and experiences of newly hired staff.

Strategies and Means

Strategies for Achieving Our Goals and Coordinating with Others

As the audit, evaluation, and investigative arm of the Congress, we have a unique role to play. Within the legislative branch, we are the only agency with staff in the field, conducting performance analyses and financial audits along with other congressionally requested activities, and reporting our findings not only to our congressional clients but also to the American public. While we work with the Office of Inspector General (IG) at most of the federal agencies, our engagements often differ from theirs in that ours are more strategic and longer-range in nature, are governmentwide or multi-agency in scope, or are initiated by requests from the Congress.

Our strategies for achieving our strategic goals primarily emphasize conducting audits, evaluations, analyses, research, and investigations and providing the information from that work to the Congress and the public in a variety of forms. These include

- evaluating federal policies and the performance of agencies;
- overseeing government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigating whether illegal or improper activities are occurring;
- analyzing the financing for government activities;
- conducting constructive engagements in which we work proactively with agencies, when appropriate, to provide advice that may assist their efforts toward positive results;
- providing legal opinions that determine whether agencies are in compliance with applicable laws and regulations;
- conducting policy analyses to assess needed actions and the implications of proposed actions; and
- providing additional assistance to the Congress in support of its oversight and decision-making responsibilities.

Our strategies also stress the importance of two overarching approaches: (1) working with other organizations on crosscutting issues and (2) effectively addressing the challenges to achieving our agency's goals—that is, those internal and external factors that could impair our performance.

The performance goals described by strategic goal under the section of this plan called Measuring Our Performance lay out the work we plan to complete by the end of fiscal year 2005 using the strategies above. Because achieving our strategic goals and objectives also requires strategies for coordinating with other organizations with similar or complementary missions, we use advisory panels and other bodies to inform our strategic and annual work planning. We also draw extensively from the expertise of our own staff in preparing our strategic and annual performance plans.

Strategic workforce planning is one of the most important parts of the foundation of our effort to become more results-oriented, flexible, and responsive organization. Our strategic workforce planning involves a series of annual, comprehensive efforts within GAO to ensure that our workforce assets are effectively employed to achieve our strategic goals. These efforts have helped us to identify the wisest investments in recruitment and retention tools, training, and professional development that have ultimately resulted in a workforce that is better able to support the Congress and to achieve results for the American public. For GAO to best assist the Congress with the increasingly complex challenges of the 21st century, we must continue to refine and strengthen our workforce planning process. Additional workforce planning will be required to ensure that we maintain the right mix of skills and experience to deliver meaningful contributions toward addressing the challenges that lie ahead.

Consulting with External Advisers

Through a variety of forums, speakers' series, advisory boards, and panels, we gather information and perspectives to inform our strategic and annual performance planning efforts and to help us achieve our goals. In fiscal year 2004, for example, we convened various experts from the public and private sectors in a series of forums intended to enhance our understanding of emerging issues and to identify opportunities for action. Some of these were the following:

- In January 2004, we convened a health care forum to discuss the challenges associated with financing and delivering health care in light of the huge and growing long-range fiscal imbalance due primarily to known demographic trends and rising health care costs.
- In February 2004, we issued a report that summarized the findings of a forum on High Performing Organizations. The report highlights the metrics, means, and mechanisms for achieving high performance in the 21st century public management environment.
- In April 2004, we convened a human capital forum to discuss pending human capital reform efforts, recent legislation, and possible future legislative and administrative reform efforts. Special attention was given to developing an initial set of operating principles for determining agency-specific versus governmentwide human capital reforms and seeking agreement on a legislative and regulatory template for providing agencies with greater human capital authorities.
- In April 2004, we also convened a forum on workforce challenges and opportunities in the 21st century. This forum focused on the future demands on the workforce, options for meeting the demands and their trade-offs, and the role the government might play in helping to address these issues.
- Throughout the year, we continued our speakers' series "Conversations on 21st Century Challenges," wherein prominent leaders discussed emerging themes and their implications for public policy.

Advisory boards and panels also support our strategic and annual work planning by alerting us to issues and trends that we should factor into our own work. For example, the Comptroller General's Advisory Board, which consists of 40 members from the public and private sectors with broad expertise in areas related to our strategic objectives, meets with our leadership annually to share its views on our strategic direction and specific initiatives. In addition, the Comptroller General's Educators' Advisory Panel, composed of deans, professors, and other academics from prominent universities across the United States, meets with us annually to provide advice on recruiting, retaining, and developing staff and on strategic planning.

We also work with a number of issue-specific and technical panels to help inform our work, including the following:

- The Advisory Council on Government Auditing Standards advises the Comptroller General throughout the standard-setting process on issues related to the auditing standards that we set. The council continues to be engaged in issue identification, evaluation, selection, and resolution. Through this council, we also closely monitor the actions of other standard setting bodies and issue clarifying guidance as necessary on the standards set by these bodies. The advice of the council is critical in developing this guidance.
- The Accountability Advisory Council, made up of experts in the financial management community, advises us on audits of the U.S. government's consolidated financial statements and emerging issues involving financial management and accountability reporting. In 2004, the council also provided insights that were valuable for moving toward the transformation of the accountability community and increasing the transparency of the government's fiscal position.
- The Executive Council on Information Management and Technology, whose 21 members are experts from the public and private sectors and representatives of related professional organizations, met in May 2004 to examine the roles, responsibilities and key challenges facing federal Chief Information Officers. The results of discussions on these topics will be used to support ongoing and planned work, the development of criteria for the organization and operation of Chief Information Officers, and the identification of strategies for addressing the challenges that they face.

Through the National Intergovernmental Audit Forum, chaired by the Comptroller General, and 10 regional intergovernmental audit forums, we consult regularly with federal IGs and state and local auditors. In fiscal year 2004, the National Intergovernmental Audit Forum drafted its first strategic plan. In addition, through the Domestic Working Group, the Comptroller General and the heads of 18 federal, state, and local audit organizations exchange information and seek opportunities to collaborate.

Internationally, we participate in the International Organization of Supreme Audit Institutions (INTOSAI)—the professional organization of the national audit offices of 184 countries. During fiscal year 2004, we continued to lead a 10-nation task force to develop a 5-year strategic plan—the first in INTOSAI's 50-year history. A framework for the strategic plan was approved at the October 2003 Governing Board meeting. The final plan will be addressed by the Board in June 2004 and will be submitted for approval by INTOSAI's membership at the triennial conference in October 2004. The Comptroller General also leads the Auditor General Global Working Group, in which the heads of our counterparts from 15 countries meet annually to discuss mutual challenges, share their experiences, and identify opportunities for collaboration with one another. The 2004 meeting featured a presentation on the results of the first peer review of the Office of the Auditor General of Canada, which was conducted under the auspices of the Global Working Group. The second review, which covers GAO, began in April 2004.

Addressing Management Challenges That Could Affect Our Performance

In our fiscal year 2000 performance and accountability report, we identified human capital and information technology as our two major management challenges. Since then, we have transformed the latter so that it covers information security, and we have added a third challenge related to the security and safety of our building and our people. The Comptroller General and our senior executives define these management challenges on an annual basis through our strategic planning, management, and budgeting processes. We anticipate that these three areas

will remain challenging for us the better part of this decade because they are evolving and, as such, require us to continuously identify ways to adapt and improve. Also, the solutions to these challenges often can take months or years to design and implement. Nonetheless, we revisit the challenges each year; refine them, when appropriate; and describe our planned efforts to address them. We monitor and report on our progress in addressing the challenges through our annual performance and accountability process. The following sections describe our planned efforts through fiscal year 2005 in each of the three areas.

The Human Capital Challenge

Given our role as a key provider of information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. We spend about 80 percent of our resources on our people, but without excellent human capital management, we could run the risk of being unable to meet the expectations of the Congress and the nation. However, we are continuing to make significant advances in our human capital management. During fiscal year 2003, we made substantial progress toward finalizing our strategic plan for human capital, which communicates our strategy for becoming a model professional services organization. We will finalize our plan in the near future and continue to emphasize our workforce planning process in the future, addressing the size, deployment, and profile of our staff to ensure we have the appropriate resources strategically placed to pursue our goals and objectives now and in the future.

We built on our past accomplishments in attracting and retaining a diverse workforce with the knowledge, skills, and abilities to meet the new century's challenges. To promote the retention of staff with critical skills and 1 to 3 years of GAO experience, we continue to offer student loan repayments in exchange for commitments to federal service. In fiscal year 2004, we are continuing to improve our human capital program by instituting a knowledge transfer/retention program and by converting our Administrative Professional and Support Staff to a broad-banded pay-for-performance system.

During fiscal year 2005, we will continue to face challenges with respect to how we attract, retain, motivate, and reward a high-performing and top-quality workforce. Our most recent human capital legislative reform proposal is currently pending before the Congress. In an effort to more effectively link pay to performance and to increase our flexibility with regard to recruitment and retention, the legislation would, among other things, (1) make permanent our 3-year authority to offer early retirements and buyouts, (2) allow us to set our own annual pay adjustment system separate from the executive branch, (3) provide authority to reimburse employees for some relocation expenses when the transfer does not meet current legal requirements but would benefit GAO, (4) provide 20 days of annual leave for appropriate employees in certain positions with less than 3 years of federal service, and (5) authorize an executive exchange program with the private sector in areas of mutual concern where we have a supply and demand imbalance.

The Information Security Challenge

Protecting our information assets and ensuring information systems security and disaster recovery that allow for continuity of our operations are critical requirements. Never has the potential for harm and threats to IT systems and information assets been greater. And, unfortunately, these threats are not likely to abate in the short term, given today's security environment and the rapid advances in technology. Because disruption to our normal business processes would have a major impact on our ability to respond to the needs of the Congress, we have a wide range of initiatives under way or planned to strengthen and protect the security of

our information and information systems and, in the event of a disaster, to ensure response, resumption, recovery, and restoration of systems supporting our business processes.

We are developing a comprehensive information systems security program consistent with the requirements set forth in the Federal Information Security Management Act and are updating our security awareness training for all of our staff—and in particular, our IT staff. Similarly, we are updating our Information Systems Security Policy, as well as our network policies. We plan to conduct an independent assessment of our security infrastructure and information systems security program to supplement our vulnerability assessments of major systems and our annual network vulnerability assessment. Our goal is to identify all gaps and implement corrective actions swiftly, to ensure that we have appropriately hardened our external and internal network security and have in place a robust, multilayered security architecture. We are also expanding our efforts in intrusion detection and prevention to significantly reduce our vulnerability to threats. Finally, we will continue to expand and refine our ongoing disaster recovery efforts and emergency preparedness plans, with training provided to our executives as well as our continuity of operations teams; and we are coordinating our IT disaster recovery program with other legislative branch entities to ensure continuity of communications and operations between selected recovery sites.

The Security and Emergency Preparedness Challenge

In the aftermath of the September 11, 2001, terrorist attacks, subsequent anthrax incidents, and the Operation Enduring Freedom and Afghanistan operations, our ability to provide a safe and secure workplace was challenged. Protecting our people and our other assets is critical to our ability to carry out our mission. Since officially designating the security and safety of those in the workplace as a management challenge, we have

- conducted an assessment of our weaknesses and vulnerabilities and worked diligently to correct these weaknesses and minimize the vulnerabilities;
- enhanced entry and exit procedures for staff and vehicles and increased the number of security guards to provide additional coverage at pedestrian and vehicle entrances;
- established new inspection procedures for mail and packages delivered to the GAO Building and purchased additional security equipment to x-ray packages;
- upgraded air handling and air intake systems and improved security over hazardous materials and implemented a program to test the air quality to detect hazardous substances;
- purchased life-safety equipment for the GAO Building occupants and field staff, including gas masks, emergency lights, and biological/chemical escape hoods and protection suits;
- developed emergency preparedness plans and shelter in place plans for headquarters and field offices; and
- reviewed and commented on the Continuity of Operations Plan that a contractor developed for us.

By fiscal year 2005, we plan to have completed installing the enhanced perimeter security measures, including bollards, plinth walls, ballistic-rated guard booths, and other measures designed to increase building security. In addition, we will have installed an integrated electronic security system in our headquarters building with links to field office locations to further enhance the security operation. In early 2005, we plan to finalize our Continuity of Operations Plan.

Mitigating External Factors That Could Affect Our Performance

Several external factors could affect the achievement of our performance goals, including national and international developments and the resources we receive. Limitations imposed on our work by other organizations or limitations on the ability of other federal agencies to make the improvements we recommend are additional factors that could affect the achievement of our goals.

As the Congress focuses on unpredictable events—such as the global threat posed by sophisticated terrorist networks, international financial crises, or natural disasters—the mix of work we are asked to undertake in fiscal year 2005 and beyond may change, diverting our resources from some of our strategic objectives and performance goals. We can and do mitigate the impact of these events on the achievement of our goals in the following ways:

- We stay alert to possibilities that could shift the Congress's and, therefore, our priorities.
- We continue to identify in our products and meetings with the Congress conditions that could trigger new priorities.
- We quickly redirect our resources, when appropriate, so that we can deal with major changes that do occur.
- We maintain broad-based staff expertise so that we can readily address emerging needs.
- We perform self-initiated research on a limited number of selected topics.

A growing area of uncertainty involves our work on bid protests. As required by law, our General Counsel's office prepares Comptroller General procurement law decisions that resolve protests filed by disappointed bidders. These bidders challenge the way individual federal procurements are being conducted or how the contracts were awarded. In recent years, we have experienced an increase in the number of bid protests that have been filed. A further increase in our workload is likely if federal employees or their representatives are granted the right to appeal outsourcing decisions. We will continue to monitor our workload in this area to ensure that we meet our statutory responsibilities with minimal negative impact on our other work.

Another external factor is the extent to which we can obtain access to certain types of information. With concerns about operational security being unusually high at home and abroad, we may have more difficulty obtaining information and reporting on sensitive issues. Historically, our auditing and information gathering has been limited whenever the intelligence community is involved, nor have we had the authority to gain access to or inspect records or other materials held by other countries or, generally, by the multinational institutions that the United States works with to protect its interests. Consequently, our ability to fully assess the progress being made in addressing national and homeland security issues may be hampered, and because some of our reports may be subjected to more stringent classification reviews than in the past, their public dissemination may be limited. We will work with the Congress to identify both legislative and nonlegislative opportunities for strengthening our access authority as necessary and appropriate.

We are experiencing a backlog of requests from the Congress for work in a number of subject areas, especially in the health care area. Our ability to effectively manage this backlog could have an impact on our ability to meet our performance targets. We will continue to manage these requests in order to minimize any negative impact they may have on our ability to meet the needs of the Congress and the American people.

Given large current federal budget deficits and the nation's long-range fiscal imbalance, the Congress is likely to place increasing emphasis on fiscal constraint beginning in fiscal year 2005. While it is unclear as to how GAO will ultimately be affected, it is reasonable to assume that any attempt to exercise additional budgetary discipline in the legislative branch will not exclude our agency. As a result, while we believe that we submit reasonable and responsible budget requests and we know that the return on investment that we generate is unparalleled, we must plan and prepare for the possibility of significant and recurring constraints on the resources made available to the agency. In addition, since over 80 percent of our budget is composed of people-related costs, any serious budget situation will have an impact on our human capital policies and practices. This, in turn, will have an impact on our ability to serve the Congress and meet our performance targets. While, as noted above, the nature and extent of any such budget constraints cannot be determined at the present time, GAO's executive team is engaged in a range of related planning activities. It is both appropriate and prudent for us to engage in such planning. At the same time, we are hopeful that the Congress will recognize that performance based budgeting concepts would support providing additional resources to entities with prudent budget requests and proven performance results. If the Congress employs such an approach, GAO should be in a good position.

Selected Initiatives Planned for Fiscal Year 2005

Peer Review

A team of auditors from the supreme audit institutions of several countries will perform a peer review of our performance audit work issued in calendar year 2004. Auditors from Canada's Office of the Auditor General will lead the team. In addition, a professional services firm will review our financial statement audit practice. The two review teams will coordinate their reviews. The peer review will evaluate whether our internal quality control system for calendar year 2004 is suitably designed and operating effectively to provide the organization with reasonable assurance that established policies and procedures and applicable standards are being followed in accordance with government auditing standards. The peer review includes a review of audit documentation, lists of functional areas, and staff interviews. The review team will provide our management suggestions to improve our quality control systems and procedures.

New Financial Audit Responsibility

Pursuant to the Accountability of Tax Dollars Act of 2002, the Securities and Exchange Commission (SEC) is required to prepare and submit to Congress and the Office of Management and Budget audited financial statements for each year beginning in 2003. Under this act, the Office of Management and Budget has the option of waiving this requirement for fiscal year 2003, which it has done for the SEC. We have agreed to be the SEC's auditor.

Financial Management System

For the past 14 years we have used a mainframe federal financial system for our financial management needs. We rely on the system to process financial transactions and to maintain data needed to provide auditable financial statements. Our costs to maintain this system are beginning to escalate because we need to use contractors to assist us in resolving operational issues and to ensure proper system maintenance. For fiscal year 2005, we have requested funds to complete efforts to update our requirements and concept of operations for a new financial

management system, and assess the option of using an existing Library of Congress contract to obtain a replacement financial management system. We would require a significant financial investment in fiscal year 2006 in order to procure a system and begin installation, testing, and training related to that system. We anticipate system implementation late in fiscal year 2006 or early fiscal year 2007.

Closure of Our Internal Printing Operations

In July 2003, the Subcommittee on the Legislative Branch, Senate Appropriations Committee, directed us to evaluate our internal print facility and alternative means to meet our printing, copying, and publishing needs. The committee further requested that the fiscal year 2005 budget clearly identify savings associated with closing the facility. The evaluation was conducted by internal GAO staff and reported to our appropriations and oversight committees and the Joint Committee on Printing in November 2003. We recommended phasing out our internal printing capability, including equipment, facilities, and staff; and, in January 2004, the Joint Committee on Printing approved the closure of our internal printing operations.

We anticipate that cost savings from this effort will be realized beginning in fiscal year 2005. The first step of phasing out the printing operations, beginning in fiscal year 2004, includes downsizing the internal print plant, reducing the workforce, and surplusizing the largest printing press. To minimize the impact on affected employees, we are providing dedicated outplacement assistance, including career counseling and help for developing résumés and identifying job opportunities for our print plant staff. Additional workforce reductions and equipment surplus actions will be phased out throughout fiscal year 2005 and the first quarter of fiscal year 2006. All internal print plant operations are scheduled to cease no later than January 2006.

Resources Needed for Fiscal Year 2005 to Achieve the Goals

We have requested budget authority of \$486.7 million to achieve our fiscal year 2005 performance goals to support the Congress as outlined in our strategic plan for fiscal years 2004 through 2009. The requested funding level will allow us to remain at our authorized level of 3,269 full-time equivalent staff, maintain operational support at fiscal year 2004 levels, add 4 full-time equivalent positions to establish a baseline technology assessment capability to conduct one technology assessment annually without an adverse impact on other high-priority congressional work, and continue efforts to enhance our business processes and systems. Our budget request represents a modest 4.9 percent increase over our estimated fiscal year 2004 operating level, primarily to fund mandatory pay and related costs and estimated inflationary increases.

Table 8 summarizes our operating requirements for fiscal year 2003 and estimated operating requirements for fiscal years 2004 and 2005 by funding source.

Table 8: Resources by Funding Source

Dollars in thousands

Funding source	Fiscal year 2003 actual	Fiscal year 2004 revised	Fiscal year 2005 estimate	Change from fiscal year 2004 to 2005
Budget authority for GAO operations ^a	\$454,051	\$463,577	\$486,654	\$22,532
Less: Estimated revenue (offsetting collections)	(2,469)	(5,971)	(6,119)	(148)
Direct appropriation	\$451,582	\$457,606	\$480,535	\$22,384

Source: GAO.

^aBudget authority for fiscal year 2003 reflects a rescission of \$2,932,000, and for fiscal year 2004 reflects a rescission of \$2,751,000.

About 80 percent of our requested fiscal year 2005 budget funds human capital costs for staff in accordance with our workforce plan, including direct salaries and benefits, miscellaneous compensation and support, training and development, and rewards and recognition. The next largest component of our fiscal year 2005 budget—about \$45 million—is for information services and for maintenance and operation of technology software, hardware, and systems. In fiscal year 2005, about \$24 million will be spent on administrative service, including maintenance and operation for the GAO headquarters building, rent and operating costs for field office locations, safety and security services, and property management services. About \$11 million will be spent on travel and transportation, critical components to accomplishing our mission to follow the federal dollar across the country and throughout the world and ensure the quality of our work. Knowledge services, estimated at about \$7.5 million for fiscal year 2005, will provide funds for assets and services, electronic media, publications and dissemination, and mail and messenger services. The remaining funds will be used to obtain contract support for financial and program audits and evaluation and for other miscellaneous support services.

Table 9 provides our requested fiscal year 2005 human capital resource allocations and budgetary resources for each of our four strategic goals. We provide resource information by strategic goal

because we have found that it is more meaningful to us to manage our resources at that level than at the performance goal level.

Table 9: Fiscal Year 2005 Estimated Resources by Strategic Goal

Strategic goal	Full-time equivalent positions	Requested amount (in thousands)
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.	1,069	\$163.0
Goal 2: Provide timely, quality service to the Congress and the federal government to respond to changing threats and the challenges of global independence.	798	122.4
Goal 3: Help transform the federal government’s role and how it does business to meet 21st century challenges.	844	130.1
Goal 4: Maximize the value of GAO by being a model federal agency and a world-class professional services organization.	562	71.2
Total	3,273^a	\$486.7

Source: GAO.

^aThis estimate includes four additional full-time equivalent positions needed to establish a baseline technology assessment capability.

During fiscal year 2005, we plan to sustain our investments in maximizing the productivity of our workforce by continuing to address key management challenges related to human capital, security and emergency preparedness, and information security. We will continue to take steps to “lead by example” within the federal government in connection with these and other critical management areas. On the human capital front, to ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional resources to our employee training and development program. We will target resources to continue initiatives to address skill gaps, maximize staff productivity, and increase staff effectiveness by updating our training curriculum to address organizational and technical needs and training new staff. Also, to enhance our recruitment and retention of staff, we will continue to offer a student loan repayment program and transit subsidy benefit established in fiscal year 2002. In addition, we will continue to focus our hiring efforts in fiscal year 2005 on recruiting talented entry-level staff.

We are continuing to make the investments necessary to enhance the safety and security of our people, facilities, and other assets for the mutual benefit of the Congress and us. In fiscal year 2005, we plan to complete installation of our building access control and intrusion detection system and supporting infrastructure, obtain an offsite facility for use by essential personnel in emergency situations, and provide life-safety devices.

On the information security front, in fiscal year 2005, we plan to implement tools that will ensure a secure environment, detect intruders in our systems, identify appropriate users, and recover in the event of a disaster. We plan to apply additional intrusion detection software to our internal servers and complete our disaster recovery plan. In addition, we plan to continue initiatives designed to further increase employees’ productivity, facilitate knowledge sharing, maximize the use of technology, and enhance employee tools available at the desktop. We also will continue to devote resources to reengineer the IT systems that support business processes, such as our engagement tracking system, and our human capital operations.

Verification and Validation of Performance Data

Each year, we measure our performance by (1) assessing our progress in performing work related to the qualitative performance goals and (2) evaluating our annual performance on measures that cover some of the outcomes and outputs related to our work results, client service, and management of our people. To assess our performance in fiscal year 2005, we plan to use performance data that are complete and actual (rather than projected) for all of our performance measures. We expect the data to be reliable because we will follow the verification and validation procedures described here to ensure the data's quality.

The specific sources of the data for our qualitative performance goals, procedures for independently verifying and validating these data, and the limitations of these data are described in table 10.

Table 10: How We Ensure Data Quality for the Qualitative Performance Goals

Qualitative performance goals	
Definition and background	<p>We consult with our congressional clients and other outside experts in setting our qualitative performance goals. Thus, assessing the extent to which we achieve our performance goals helps focus our efforts on issues of critical importance and provides a tool for holding ourselves accountable for the resources the Congress provides. They measure the extent to which we did the work we had planned to do to support the Congress over a period of time. In this case, they cover fiscal year 2004 to fiscal year 2005.</p> <p>For each performance goal, we identify the key efforts needed to achieve it. To determine whether a performance goal has been met, we assess the work completed under the goal's key efforts. In making this assessment, the responsible senior executives for strategic goals 1 through 3—our external goals—consider the number of reports issued and recommendations made for each key effort as well as any other assistance provided the Congress related to these efforts. Senior executives then judge whether the work completed collectively for all key efforts actually achieved the performance goal. For strategic goal 4—our internal goal—senior executives also judge whether the performance goals have been met based on the work done on the goal's key efforts.</p>
Data sources	<p>The data supporting this measure are from our senior executives' assessments, which are supported by documentation, of work completed under performance goals' key efforts. The supporting documentation comes from our automated Mission and Assignment Tracking System and document database for strategic goals 1 through 3 and from reports produced by the managers responsible for each key effort for strategic goal 4.</p>
Verification and validation	<p>The assessment of each performance goal under strategic goals 1 through 3 is supported by documentation showing, by key effort, the number of reports issued and recommendations made during the assessment period. The assessment of the performance goals under strategic goal 4 is supported by documentation showing the work completed under each key effort and signed by a Managing Director.</p> <p>The Quality and Continuous Improvement (QCI) office provides this information to our managers several times a year so that they can check its accuracy. QCI also reviews the assessments and supporting documentation for all performance goals to ensure that criteria are consistently applied and that requirements are met. On a periodic basis, our IG independently tests our process for</p>

determining whether performance goals are met. For example, in fiscal year 2003, the IG tested our process and found it to be reasonable. The IG also suggested actions to strengthen documentation of these qualitative performance goals and we have implemented those actions.

Data limitations The assessment data represent opinions in the form of qualitative, professional judgments of the work performed under each performance goal. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.

Source: GAO.

The specific sources of the data for our annual performance measures, procedures for independently verifying and validating these data, and the limitations of these data are described in table 11.

Table 11: How We Ensure Data Quality for the Annual Performance Measures

Financial benefits

Definition and background Our work—including our findings and recommendations—may produce benefits to the federal government that can be estimated in dollar terms, such as decreased annual operating costs, reduced costs of multiyear projects and entitlements, or monetary resources that are made available for other purposes. These financial benefits result from work that we completed over the past several years. The funds made available in response to our work may be used to reduce government expenditures or may be reallocated to other areas.

Financial benefits are linked to specific recommendations or other work. To claim that financial benefits have been achieved, our staff must document the cause-and-effect relationship between the benefits reported and work performed. To be included in our performance results, this documentation must take place within 2 years after the actions that resulted in the benefit and must be based on estimates obtained from independent third parties on the benefits' monetary value. Prior to fiscal year 2002, we limited the period over which the benefits from an accomplishment could be accrued to no more than 2 years. Beginning in fiscal year 2002, we extended the period to 5 years for types of accomplishments known to have multiyear effects: those associated with longer-term changes embodied in law, program terminations, or sales of government assets yielding multiyear financial benefits. We retained the 2-year maximum for all other accomplishments. Also, in fiscal year 2002, we began requiring all financial benefits to be calculated in net present value terms.

Not every financial benefit from our work can be readily estimated or documented as attributable to our work. As a result, the amount of financial benefits is a conservative estimate.

Data sources Our Accomplishment Reporting System provides the data for this measure. Teams use this automated system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total benefits agencywide and by goal. All financial benefits are calculated in net present value.

Verification and validation Our policies and procedures require us to use the Accomplishment Reporting System to record the financial benefits that result from our work. They also provide guidance on estimating those financial benefits. The teams identify when a financial benefit has occurred as a result of our work. Teams develop estimates based on independent sources such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office and file accomplishment reports based on those estimates. The estimates are reduced by any identifiable offsetting costs. Teams develop work papers to support accomplishments with evidence that meets our evidence standard; supervisors review the work papers; an independent person within

GAO reviews the accomplishment report; and the team's Managing Director or Director approves the accomplishment report.

The team forwards the report to QCI and QCI provides summary data on approved financial benefits to unit managers, who check the data on a regular basis to make sure that approved accomplishments submitted by their staff have been accurately recorded. QCI reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. In fiscal year 2003, QCI approved accomplishment reports covering 95 percent of the dollar value of financial benefits we reported.

Every year, our IG reviews accomplishment reports that claim benefits of \$500 million or more. In addition, on a periodic basis, the IG independently tests compliance with our process for claiming financial benefits of less than \$500 million. For example, for benefits documented during fiscal year 2003, the IG tested compliance with our process for claiming financial benefits of less than \$100 million and determined that we have a reasonable basis for claiming these financial benefits. And for fiscal year 2004, the IG plans to test compliance with our process for claiming financial benefits of more than \$100 million but less than \$500 million.

Data limitations	Estimates are from independent third parties and are based on both objective and subjective data, and as a result, professional judgment is required in reviewing accomplishment reports. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.
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Other benefits

Definition and background	The other benefits that we report, which result from work that we completed over several years, are those that cannot be estimated in dollar terms. These benefits reflect instances in which (1) information we provided to the Congress resulted in statutory or regulatory changes, (2) agencies took actions in response to our findings and recommendations to improve government services and operations, (3) our work led to improvements in agencies' core business processes or to the advancement of governmentwide management reforms, or (4) state or local governments took action in response to our work. To claim that these benefits have occurred, the teams must file accomplishment reports that document the actions that have been taken and the cause-and-effect relationship between the actions and our work. To claim that other benefits have been achieved, our staff must document the cause-and-effect relationship between the benefits reported and work performed. To be included in our performance results, this documentation must take place within 2 years after the actions that resulted in the benefit.
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Data sources	Our Accomplishment Reporting System provides the data for this measure. Teams use this automated system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total benefits agencywide and by goal.
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Verification and validation	Our policies and procedures require us to use the Accomplishment Reporting System to record the other benefits that result from our findings and recommendations. Staff in the teams file accomplishment reports to claim that benefits have resulted from their work. Teams develop work papers to support accomplishments with evidence that meets our evidence standard; supervisors review the work papers; an independent person within GAO reviews the accomplishment report; and the team's Managing Director or Director approves the accomplishment report to ensure the appropriateness of the claimed accomplishment, including attribution to our work.
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The team forwards the report to QCI, where it is reviewed for appropriateness. QCI provides summary data on other benefits to unit managers, who check the data on a regular basis to make sure that approved accomplishments from their staffs have been accurately recorded. Additionally, on a periodic basis, the IG independently tests compliance with our process for claiming other benefits. For example, the IG performed these tests during fiscal year 2003 and

found them to be reasonable. The IG also suggested actions to strengthen documentation of other benefits that we have implemented.

Data limitations	The data may be underreported because we cannot always document a direct cause-and-effect relationship between our work and benefits it produced. However, we feel that this is not a significant limitation on the data because the data represent a conservative measure of our overall contribution toward improving government.
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Recommendations made and percentage of products with recommendations

Definition and background	These measures count the number of recommendations made in products issued within the fiscal year and the percentage of the written products issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive for recommendations that are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and that are specific, feasible, and cost-effective. Some products we issue contain no recommendations and are strictly informational in nature.
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We track the number of nonredundant recommendations made in products that are issued during the fiscal year. For example, if a report and a testimony on the same topic include the same recommendation, we count it once. We also track the percentage of our written products that are issued during the fiscal year and contain recommendations. The latter indicator recognizes that the number of recommendations alone is not necessarily a predictor of effect and allows us to respond to requests for informational products. For example, a product with a single recommendation can help bring about significant financial or other benefits. Together, these two measures provide a picture of the extent to which we are providing decision makers with information that will help improve government.

These measures are a conservative estimate of the extent to which we assist the Congress and federal agencies because not all products and services we provide lead to recommendations. For example, the Congress may request information on federal programs that is purely descriptive or analytical and does not lend itself to recommendations.

Data sources	Our document database records recommendations as they are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.
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Verification and validation	Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database. Our managers are provided with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated. Additionally, on a periodic basis, the IG independently tests the teams' compliance with our policies and procedures. For example, during fiscal year 2003, the IG performed these tests and determined that the number of recommendations and the percentage of written products with recommendations were reasonable.
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Data limitations	None.
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Past recommendations implemented

Definition and background	We make recommendations designed to improve the operations of the federal government. For our work to produce financial or other benefits, the Congress or other federal agencies must
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implement these recommendations. As part of our audit responsibilities under generally accepted government auditing standards, we follow up on recommendations we have made and report to the Congress on their status. Experience has shown that it takes time for some recommendations to be implemented. For this reason, this measure is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year (e.g., the fiscal year 2003 implementation rate is the percentage of recommendations made in fiscal year 1999 products that were implemented by the end of fiscal year 2003). Experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.

This measure assesses action on recommendations made 4 years previously, rather than the results of our activities during the fiscal year in which the data are reported. For example, the cumulative percentage of recommendations made in fiscal year 1999 that were implemented in the ensuing years is as follows: 40 percent by the end of the first year (fiscal year 2000); 44 percent by the end of the second year; 56 percent by the end of the third year; and 82 percent by end of the fourth year.

Data sources	Our document database records recommendations as they are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.
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Verification and validation	Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database.
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Policies and procedures specify that our staff must verify, with sufficient supporting documentation, that an agency's reported actions are adequately being implemented. Staff update the status of the recommendations on a periodic basis. To accomplish this, our staff may interview agency officials, obtain agency documents, access agency databases, or obtain information from an agency's IG. Recommendations that are reported as implemented are reviewed by the senior executive in charge of the unit and by QCI.

Summary data are provided to the units that issued the recommendations. The units check the data regularly to make sure the recommendations they have reported as implemented have been accurately recorded. We also report annually to the Congress on the status of recommendations that have not been implemented, and we maintain a publicly available database of open recommendations that is updated daily.

Additionally, on a periodic basis, the IG independently tests our process for calculating the percentage of recommendations implemented for a given fiscal year. For example, the IG determined that our process was reasonable for calculating the percentage of recommendations that had been made in our fiscal year 1999 products and implemented by the end of fiscal year 2003.

Data limitations	The data may be underreported because sometimes a recommendation may require more than 4 years to implement. We also do not count cases in which a recommendation is partially implemented. However, we feel that this is not a significant limitation on the data because the data represent a conservative measure of our overall contribution toward improving government.
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Testimonies

Definition and background	The Congress may ask us to testify or provide statements for the record at hearings on various issues. Participation in hearings is one of our most important forms of communication with the Congress, and the number of hearings at which we testify or provide statements for the record reflects the importance and value of our institutional knowledge in assisting congressional decision making. In cases where multiple GAO witnesses with separate testimonies appear at a single hearing, we count the case as a single testimony.
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Data sources	The data on hearings at which we testify are compiled in our congressional hearing system.
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Verification and validation	The units responding to requests for testimony are responsible for entering data in the congressional hearing system. After a GAO witness has testified at a hearing, our Congressional Relations office verifies that the data in the system are correct and records the hearing as one at which we testified. Congressional Relations provides weekly status reports to unit managers, who check to make sure the data are complete and accurate. Additionally, on a periodic basis, the IG independently examines the process for recording the number of hearings where we testified. For example, the IG determined that our process for recording hearings during fiscal year 2003 was reasonable.
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Data limitations	The measure may be influenced by factors other than the quality of our performance in any specific year. The number of hearings held each year depends on the Congress's agenda, and the number of times we are asked to testify may reflect congressional interest in work in progress, as well as work completed that year or the previous year. To mitigate this limitation, we try to adjust our workload to reflect cyclical changes in the congressional schedule. We also outreach to our clients on a continuing basis to increase their awareness of our readiness to participate in hearings.
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Timeliness

Definition and background	The likelihood that our products will be used is enhanced if they are delivered when needed to support congressional and agency decision making. To determine whether our products are timely, we measure the proportion of our products that are issued by the dates agreed to with our clients or, for our research and development work, by the dates agreed to internally.
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Data sources	The data supporting this measure are from our Mission and Assignment Tracking System, which is used to monitor our progress on assignments.
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Verification and validation	Our staff enter the data supporting this measure into our Mission and Assignment Tracking System. QCI monitors the data in this system, and aggregate and assignment-specific timeliness data are given to units monthly, allowing them to raise and seek resolution of any anomalies. When an assignment is completed, data on its target and completion dates are reported to the project manager, who reviews and signs the report to confirm its accuracy. Additionally, on a periodic basis, the IG independently examines our process for calculating product timeliness. For example, the IG found that our process for calculating timeliness for products issued during fiscal year 2003 was reasonable.
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Data limitations	We measure the timeliness of most external products. A small percentage of our products—staff studies and guidance, for example—that are not part of our main product lines are excluded. We feel that this limitation does not require remedial action because the number of products excluded from the measure is small.
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New hire rate

Definition and background	This performance measure is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account projected workload changes, as well as other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires and, for each hire, specifies the skill type and the level. The plan is conveyed to each of our units to guide hiring throughout the year. Progress toward achieving the workforce plan is monitored continuously by the Chief Administrative Officer. Adjustments to the workforce plan are made throughout the
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year, if necessary, to reflect changing needs and conditions.

Data sources The workforce plan is developed and maintained by the Chief Administrative Officer. Data on accessions—that is, new hires coming on board—is taken from the Department of Agriculture’s National Finance Center database, which handles payroll and personnel data for GAO and other agencies.

Verification and validation The Human Capital Office continuously monitors and reviews accessions and attritions against the contents of the National Finance Center database. The office follows up on any discrepancies. In addition, on a periodic basis, the IG independently examines our process for calculating the new hire rate. For example, the IG plans to examine this process during fiscal year 2004.

Data limitations There is a lag of one to two pay periods (up to 4 weeks) before the National Finance Center database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results.

Acceptance rate

Definition and background This measure is the ratio of the number of applicants accepting offers to the number of offers made. Acceptance rate is a proxy for GAO’s attractiveness as an employer and an indicator of our competitiveness in bringing in new talent.

Data sources The information required is the number of formal, written job offers made (excluding interns), the number of offers declined, and the number of individuals who come on board. Our Chief Administrative Officer’s staff maintains a database that contains the job offers made and accepted or declined. The Department of Agriculture’s National Finance Center maintains the database containing the data on the number of individuals who come on board.

Verification and validation Human Capital Managers and the Human Capital Office work with the Chief Administrative Officer to ensure that each formal, written job offer made and its outcome (declination or acceptance) is noted in the database that is maintained by the Chief Administrative Officer’s staff; periodic checking is performed to review the accuracy of the database. In addition, on a periodic basis, the IG independently examines our process for calculating the acceptance rate. For example, the IG plans to examine this process during fiscal year 2004.

Data limitations None.

Retention rate

Definition and background This measure is the ratio of the number of people who did not leave GAO during the fiscal year to the average number of people on board during the year. Once we have made an investment in hiring and training people, we would like to retain them. We continuously strive to make GAO a place where people want to work. This measure is one indicator that we are attaining that objective.

Data sources Data on retention—that is, people who are on board at the beginning of the fiscal year and are still here at the end of the fiscal year as well as the average number of people on board during the year—are taken from the Department of Agriculture’s National Finance Center database, which

handles payroll and personnel data for GAO and other agencies.

Verification and validation The Human Capital Office continuously monitors and reviews accessions and attritions against the contents of the National Finance Center database and follows up on any discrepancies. In addition, on a periodic basis, the IG independently examines our process for calculating the retention rate. For example, the IG plans to examine this process during fiscal year 2004.

Data limitations There is a lag of one to two pay periods (up to 4 weeks) before the National Finance Center database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results. Also, this measure does not differentiate among people who leave for diverse reasons—including retirements, resignations, and dismissals—that are influenced by different factors. We will monitor this measure to determine whether it would be meaningful to show retention rates for different segments of our workforce, such as people who have been recently hired or people who are eligible for retirement.

Staff development, staff utilization, leadership, and organizational climate

Definition and background From the annual employee survey, we compute these measures by looking at the percentage of people responding favorably to a series of related questions. We strive to continuously improve our organization and our people in order to ensure that we remain a world-class professional services organization. One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO's overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the executive committee—on key aspects of their leadership styles. The survey consists of over 100 statements to which staff are asked to indicate a response on a 5-point scale. Several questions address issues relating to staff development, staff utilization, leadership, and organizational climate.

Data sources These data come from our staff's responses to an annual Web-based survey. The survey includes 21 questions that are rolled up into the measures of staff development (3 questions), staff utilization (3 questions), leadership (10 questions), and organizational climate (5 questions). From the staff who expressed an opinion, we calculate the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the statement. For example, to measure organizational climate we looked at the responses to five statements: I am treated fairly and with respect in my work unit; overall, I am satisfied with my job at GAO; sufficient effort is made in my work unit to get the opinions and thinking of people who work here; a spirit of cooperation and teamwork exists in my work unit; and my morale is good. For each question, we calculated the percentage of respondents that indicated they generally agreed or strongly agreed with the statement. We then averaged the five percentages to obtain the composite percentage by which we measure satisfaction with our organizational climate.

Verification and validation The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. We have historically achieved a high response rate (over 85 percent) to the survey, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey.

In addition, on a periodic basis, the IG independently examines our process for calculating the percentages for staff development, staff utilization, leadership, and organizational climate. For example, the IG plans to examine this process during fiscal year 2004.

Data
limitations

The information contained in the survey is self-contained. Therefore, there is no information to validate the views expressed by staff. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.

Source: GAO.

Obtaining GAO Documents

This plan and related GAO publications, including our current strategic plan and the most recent performance and accountability report, are available free of charge through our Web site at www.gao.gov/sp/sp.html.

Other free resources on our Web site

Reports and testimonies

Download our most recent products or search extensive archive of past products to download those of interest

www.gao.gov/audit.htm

Legal products

Download legal decisions and opinions about appropriations, bid protests, and major federal agency rules

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