

Serving the Congress and the Nation

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE



PERFORMANCE & ACCOUNTABILITY

Report

Fiscal Year
2008

A c c o u n t a b i l i t y ★ I n t e g r i t y ★ R e l i a b i l i t y

Mission

GAO exists 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.

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 our reputation, and the GAO approach to work ensures it.

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.

Scope of work

GAO performs a range of oversight-, insight-, and foresight-related engagements, a vast majority of which are conducted in response to congressional mandates or requests. GAO's engagements include evaluations of federal programs and performance, financial and management audits, policy analyses, legal opinions, bid protest adjudications, and investigations.



Source: See Image Sources.

CONTENTS

Abbreviations.....	iii
How to Use This Report	v
Introduction	1
From the Acting Comptroller General.....	2
Financial Reporting Assurance Statements.....	5
About GAO.....	7
Mission.....	7
Strategic Planning and Management Process	8
Organizational Structure	12
Strategies for Achieving Our Goals.....	16
How We Measure Our Performance.....	18
Part I: Management’s Discussion and Analysis.....	21
Implementing Our Strategies for Serving the Congress and the Nation	22
Focusing on Results	24
Focusing on Our Client.....	33
Focusing on Our People.....	36
Focusing on Our Internal Operations	39
GAO’s High-Risk Program.....	39
General Counsel Decisions and Other Legal Work.....	43
Assisting with the Upcoming Transition.....	44
Managing Our Resources	45
Strategic and Annual Work Planning	50
Internal Management Challenges and Mitigating External Factors That Could Affect Our Performance	52
Part II: Performance Information	61
Performance Information by Strategic Goal	62
Goal 1 Overview: 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	63
Financial Benefits	65
Nonfinancial Benefits.....	65
Testimonies.....	66

Goal 2 Overview: Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence..... 67

 Financial Benefits 69

 Nonfinancial Benefits..... 69

 Testimonies 70

Goal 3 Overview: Help transform the federal government’s role and how it does business to meet 21st century challenges 71

 Financial Benefits 73

 Nonfinancial Benefits..... 73

 Testimonies 74

Goal 4 Overview: Maximize the value of GAO by being a model federal agency and a world-class professional services organization..... 75

Data Quality and Program Evaluation 76

 Verifying and Validating Performance Data 76

 Program Evaluation..... 88

Part III: Financial Information.....91

 From the Chief Financial Officer..... 92

 Overview of Financial Management and Controls 94

 Financial Systems and Internal Controls 94

 Audit Advisory Committee’s Report 96

 Independent Auditor’s Report..... 97

 Purpose of Each Financial Statement..... 100

 Financial Statements 101

 Notes to Financial Statements 105

Part IV: From the Inspector General119

 From the Inspector General 120

Part V: Appendixes..... 121

 1. Accomplishments and Contributions 122

 2. GAO’s Report on Personnel Flexibilities 167

 3. GAO’s FISMA Efforts..... 171

Image Sources174

Providing Comments on This Report.....175

Obtaining Copies of GAO Documents175

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Abbreviations

A&O	administrative and operating	FFELP	Federal Family Education Loan Program
AGA	Association of Government Accountants	FFMIA	Federal Financial Management Improvement Act
BRAC	Base Realignment and Closure	FFS	fee-for-service
BSA	Iraqi Board of Supreme Audit	FHL	Federal Home Loan system
CAO	Chief Administrative Officer and Chief Administrative Office	FICA	Federal Insurance Contributions Act
CBP	U.S. Customs and Border Protection	FISMA	Federal Information Security Management Act
CFO	Chief Financial Officer	FMFIA	Federal Managers' Financial Integrity act
CFTC	Commodity Futures Trading Commission	FNS	Food and Nutrition Service
CMO	chief management officer	FPS	Federal Protective Service
CMS	Centers for Medicare & Medicaid Services	FSI	Forensic Audits and Special Investigations
CSRS	Civil Service Retirement System	FTE	full-time equivalent
DHS	Department of Homeland Security	FWS	Federal Wage System
DOD	Department of Defense	GAO	Government Accountability Office
DOE	Department of Energy	GS	General Schedule
DOT	Department of Transportation	GSA	General Services Administration
DTV	digital television	GSE	government-sponsored enterprise
EAC	Employee Advisory Council	GWOT	Global War on Terrorism
EHS	environmental, health, and safety	HAI	health-care-associated infection
EPA	Environmental Protection Agency	HHS	Department of Health and Human Services
ERMS	Electronic Records Management System	HSPD-12	Homeland Security Presidential Directive 12
ESC	Enterprise Service Center	HUBZone	historically underutilized business zone
ESRD	end-stage renal disease	ICWG	Internal Control Working Group
FAA	Federal Aviation Administration	IFPTE	International Federation of Professional and Technical Engineers
FCC	Federal Communications Commission	IG	Inspector General
FDA	Food and Drug Administration	INTOSAI	International Organization of Supreme Audit Institutions
FEGLIP	Federal Employees Group Life Insurance Program	IRS	Internal Revenue Service
FEHBP	Federal Employees Health Benefits Program	IS	information security
FEMA	Federal Emergency Management Agency	ISTS	Information Systems and Technology Services
FERS	Federal Employees Retirement System		

IT	information technology	SIP	Shelter in Place
JCT	Joint Committee on Taxation	SL	senior level
MA	Medicare Advantage	SPR	Strategic Petroleum Reserve
MCC	Millennium Challenge Corporation	TARP	Troubled Asset Relief Program
MHz	megahertz	TBI	traumatic brain injury
MMS	Minerals Management Service	TPI	Total Positive Income
MOU	memorandum of understanding	TSA	Transportation Security Administration
MOX	mixed oxide	TVA	Tennessee Valley Authority
MSHA	Mine Safety and Health Administration	USACE	U.S. Army Corps of Engineers
NASA	National Aeronautics and Space Administration	USDA	United States Department of Agriculture
NFC	National Finance Center	USERRA	Uniformed Services Employment and Reemployment Rights Act of 1994
NFIP	National Flood Insurance Program	USPS	United States Postal Service
NFPA	National Fire Protection Association	VA	Department of Veterans Affairs
NIAF	National Intergovernmental Audit Forum		
NIST	National Institute of Standards and Technology		
NNI	National Nanotechnology Initiative		
NNSA	National Nuclear Security Administration		
NORTHCOM			
	U.S. Northern Command		
OIG	Office of Inspector General		
OMB	Office of Management and Budget		
OPM	Office of Personnel Management		
PAR	performance and accountability report		
PBC	performance-based compensation		
PBGC	Pension Benefit Guaranty Corporation		
PRISM	Program Review Instrument for Systems Monitoring		
QCI	Quality and Continuous Improvement		
SAI	supreme audit institution		
SAT	Senior Assessment Team		
SBA	Small Business Administration		
SBI	Secure Border Initiative		
SEC	Securities and Exchange Commission		
SES	Senior Executive Service		

How to Use This Report

This report describes the U.S. Government Accountability Office's (GAO) performance measures, results, and accountability processes for fiscal year 2008. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our Web site at <http://www.gao.gov/sp.html>.

This report has an introduction, four major parts, and supplementary appendixes as follows:

Introduction

This section includes the letter from the Acting Comptroller General and a statement attesting to the reliability of our performance and financial data in this report and the effectiveness of our internal control over our financial reporting. This section also includes a summary discussion of our mission, strategic planning process, organizational structure, and process for assessing our performance.

Management's Discussion and Analysis

This section discusses our agencywide performance results and use of resources in fiscal year 2008. It also includes information on the strategies we use to achieve our goals and the management challenges and external factors that affect our performance.

Performance Information

This section includes details on our performance results by strategic goal in fiscal year 2008 and the targets we are aiming for in fiscal year 2009. It also includes an explanation of how we ensure the completeness and reliability of the performance data used in this report.

Financial Information

This section includes details on our finances in fiscal year 2008, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and Audit Advisory Committee. This section also includes information on our internal controls and an explanation of the kind of information each of our financial statements conveys.

From the Inspector General

This section includes our Inspector General's assessment of our agency's management challenges.

Appendixes

These sections include detailed write-ups about our most significant accomplishments and contributions recorded in fiscal year 2008 and information on certain human capital management flexibilities and on information security management efforts.

This page intentionally left blank

Serving the Congress and the Nation



Source: GAO.

INTRODUCTION



FROM THE
ACTING COMPTROLLER GENERAL

November 14, 2008

It is my pleasure to present GAO's performance and accountability report for fiscal year 2008. This report conveys the outstanding achievements of the GAO team in serving the Congress and helping to improve government as well as summarizes actions to address the challenges facing our organization. I am confident that the financial and performance information included in this report is complete and reliable and meets our high standards for accuracy and transparency. Once again we received an unqualified or "clean" opinion from independent auditors on our financial statements for fiscal year 2008. Also, two separate independent peer review teams gave us unqualified opinions on the quality assurance systems used to produce our products and testimonies that examine the performance and ensure the accountability of a broad range of federal programs, policies, and activities.

We experienced heavy demand from the Congress for our work during fiscal year 2008 and issued over 1,200 products on a variety of topics, including the progress on U.S. counterterrorism measures and efforts in Iraq, Afghanistan, and Pakistan; the need for stronger regulation over FannieMae and FreddieMac; aviation emissions and noise issues; health reassessments for veterans; federal actions needed to help some youth reconnect with education and employment; and disaster preparedness, response, and reconstruction. Our products also focused on federal programs and areas that we consider at high risk for fraud, waste, abuse, mismanagement, or transformation, such as the Department of Defense's weapon systems acquisition processes and contract management, the Medicare and National Flood Insurance Programs, the federal government's oversight of food safety, and the 2010 Census. GAO senior executives and I testified at over 300 hearings before the Congress—our second highest performance in over 25 years. Our clients who responded to our survey indicated that 95 percent of the products we prepared for them were received or delivered on time, allowing us to solidly achieve the timeliness target we set.

It has been my privilege to lead GAO since becoming Acting Comptroller General in March 2008 when former Comptroller General David M. Walker resigned. I want to express my pride in GAO's many accomplishments and underscore the dedication and commitment of our workforce. We met or exceeded all of our mission-related targets. Specifically, in fiscal year 2008 we documented \$58.1 billion in financial benefits—a return of \$114 for every dollar we spent—and nearly 1,400 nonfinancial benefits. The work we did to produce these benefits helped to shape important legislation, such as the Housing and Economic Recovery Act of 2008 (Pub. L. No. 110-289) and the Medicare Improvements for Patients and Providers Act of 2008 (Pub. L. No. 110-275), and increase the efficiency and effectiveness of various federal programs thus improving the lives of millions of Americans. Also, the rate at which our recommendations were implemented by federal agencies or the Congress rose to 83 percent in fiscal year 2008, and over two-thirds of the products we issued contained recommendations. These two “pipeline” measures are very important; when entities act on our recommendations their actions often lead to financial and nonfinancial benefits that change laws, improve services for citizens, save money, and promote better management throughout government.

In addition, we planned how we will support the 111th Congress and the next administration with their transition after the presidential election and assist the Congress with overseeing the new Troubled Asset Relief Program (TARP). While we have traditionally served as a resource for new Congresses by providing insight into the issues upon which we focused our work, the 2000 amendments to the Presidential Transition Act specifically identified GAO as a source for information concerning key management challenges and risks to help new presidential appointees make the leap from campaigning to governing. We synthesized the hundreds of reports and testimonies we issue every year so we could help as new policymakers quickly zero in on critical issues during the first days of the new Congress and administration. Concerning our responsibilities related to TARP—the centerpiece of the Emergency Stabilization Act of 2008 enacted by the Congress in response to the ongoing financial and credit crisis—we began to plan how we will monitor its implementation in the coming months in accordance with the law.

To continue to achieve this level of performance and fulfill our mission of serving the Congress and the public, it is critical that we invest in every one of our employees and provide the developmental and leadership experiences that they need to grow professionally. We measure how well we do this by using eight people measures—new hire rate, acceptance rate, retention rate with retirements, retention rate without retirements, staff development, staff utilization, leadership, and organizational climate. We exceeded the fiscal year 2008 targets we set for all but one of these measures, and the results for organizational climate, staff development, staff utilization, and leadership

were the highest in the last 6 years. Because we lost more staff than expected for reasons other than retirement, we were slightly under the target we set for retention rate without retirements.

We also reached a tentative agreement on the first-ever interim collective bargaining agreement between GAO management and the new employees union—the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE). I am very pleased that we were able to quickly reach a good agreement that covers such matters as official time and grievance procedures. We will continue to work hard to build and maintain open, constructive union and management relations as we address other issues affecting our employees. We also reconstituted the Employee Advisory Council to ensure that the views of nonbargaining unit employees are represented and took steps to implement several key recommendations resulting from an independent study of our employees' performance appraisals over time that addressed the issues related to certain ratings disparities for African American analysts. These first steps included developing a Workforce Diversity Plan; convening an agencywide Diversity Committee, which includes representatives from the interim council of the IFPTE, other employee interest organizations, and management; and issuing interim guidelines for reviewing performance ratings to be used for the 2008 performance appraisal cycle. These actions are a good start, but I am committed to doing more to ensure that every person is treated fairly and equitably. In addition, the GAO Act of 2008 was signed into law on September 22, 2008. The law (Pub. L. No. 110-323) includes, among other things, provisions designed to benefit our employees' pay; help continue to attract, retain, and reward a top-flight workforce; and replace our administrative Inspector General with a statutory one. We will implement this act expeditiously and continue to address other human capital challenges along with our physical and information security challenges consistent with our bargaining obligations with the IFPTE.

In closing, the GAO team remains committed to achieving its mission to provide accurate, objective, nonpartisan, and constructive information to the Congress to help it confront difficult challenges facing our nation and to help improve government for the benefit of the American people.



Gene L. Dodaro
Acting Comptroller General
of the United States

Financial Reporting Assurance Statements

November 14, 2008

We, as GAO's executive committee, are responsible for preparing and presenting the financial statements and other information included in this performance and accountability report. The financial statements included herein are presented in conformity with U.S. generally accepted accounting principles; incorporate management's reasonable estimates and judgments, where applicable; and contain appropriate and adequate disclosures. Based on our knowledge, the financial statements are presented fairly in all material respects, and other financial information included in this report is consistent with the financial statements.

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We conducted an assessment of the effectiveness of our internal control over financial reporting consistent with the criteria in 31 U.S.C. 3512 (c), (d) (commonly referred to as the Federal Managers' Financial Integrity Act (FMFIA) and in Appendix A of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this assessment, we have reasonable assurance that internal control over financial reporting as of September 30, 2008, was operating effectively and that no material weaknesses exist in the design or operation of the internal control over financial reporting.

On the basis of our comprehensive management control program, we are pleased to certify, with reasonable assurance, the following:

- Our financial reporting is reliable—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- We are in compliance with all applicable laws and regulations—transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

- Our performance reporting is reliable—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information consistent with the criteria set forth in the Government Performance and Results Act of 1993 and related OMB guidance.

We also believe that (1) these same systems of accounting and internal controls provide reasonable assurance that we are in compliance with the spirit of FMFIA and (2) we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level consistent with the requirements in the Federal Financial Management Improvement Act and OMB guidance. These are objectives that we set for ourselves even though, as part of the legislative branch of the federal government, we are not legally required to do so.



Gene L. Dodaro
Acting Comptroller General
of the United States



Sallyanne Harper
Chief Financial Officer



Gary L. Keplinger
General Counsel

ABOUT GAO

We exist 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.

Source: GAO.

GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government. Commonly known as the audit and investigative arm of the Congress or the “congressional watchdog,” we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including 31 U.S.C. 3512 (commonly referred to as the Federal Managers’ Financial Integrity Act), the Government Performance and Results Act of 1993, and the Federal Financial Management Improvement Act of 1996.¹ Accordingly, this performance and accountability report for fiscal year 2008 provides what we consider to be information that is at least equivalent to that supplied by executive branch agencies in their annual performance and accountability reports.

¹The Federal Managers’ Financial Integrity Act requires ongoing evaluations and annual reports on the adequacy of the systems of internal accounting and administrative control of each agency. The Government Performance and Results Act seeks to improve public confidence in federal agency performance by requiring that federally funded agencies develop and implement accountability systems based on performance measurement, including setting goals and objectives and measuring progress toward achieving them. The Federal Financial Management Improvement Act emphasizes the need to improve federal financial management by requiring that federal agencies implement and maintain financial management systems that comply with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level.

Mission

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. The strategies and means that we use to accomplish this mission are described in the following pages. In short, we accomplish our mission by providing objective and reliable information and informed analysis to the Congress, to federal agencies, and to the public, and we recommend improvements, when appropriate, on a wide variety of issues. Three core values—accountability, integrity, and reliability—form the basis for all of our work, regardless of its origin. These are described on the inside front cover of this report.

GAO’s History

The Budget and Accounting Act of 1921 required the President to issue an annual federal budget and established GAO as an independent agency to investigate how federal dollars are spent. In the early years, we mainly audited vouchers, but after World War II we started to perform more comprehensive financial audits that examined the economy and efficiency of government operations. By the 1960s, GAO had begun to perform the type of work we are noted for today—program evaluation—which examines whether government programs are meeting their objectives.

Strategic Planning and Management Process

To accomplish our mission, we use a strategic planning and management process that is based on a hierarchy of four elements (see [fig. 1](#)), beginning at the highest level with the following four strategic goals:

- **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**

Our audit, evaluation, and investigative work is primarily aligned under the first three strategic goals, which span issues that are both domestic and international, affect the lives of all Americans, and influence the extent to which the federal government serves the nation's current and future interests (see [fig. 2](#)).

Figure 1: GAO's Strategic Planning Hierarchy



Source: GAO.

An Example of Our Strategic Planning Elements

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 Objective: Lifelong Learning to Enhance U.S. Competitiveness

Performance Goal: Identify Opportunities to Improve Programs that Target Federal Resources to Activities that Support Lifelong Learning

Key Efforts:

- Evaluate the cost, coordination, and availability of child care and early childhood education
- Assess whether federal resources provided under the No Child Left Behind Act are appropriately targeted to designated beneficiaries in K-12 education programs
- Assess the efficiency and effectiveness of programs designed to promote access to and affordability of postsecondary education

The fourth goal is our only internal one and is aimed at maximizing our productivity through such efforts as investing steadily in information technology to support our work; ensuring the safety and security of our people, information, and assets; pursuing human capital transformation; and leveraging

Figure 2:

How GAO ASSISTED THE NATION • FISCAL YEAR 2008

<p>Strategic Goal 1</p> <p>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</p>	<ul style="list-style-type: none"> ▪ identify shortcomings in processes for providing health care to servicemembers and veterans ▪ reduce food stamp payment errors ▪ highlight challenges in the Food and Drug Administration’s inspection programs for drugs made overseas for the U.S. market ▪ strengthen higher education access and affordability ▪ identify information gaps for 401(k) participants related to their fund allocations and fees ▪ focus attention on challenges transportation systems face as demand and congestion grow ▪ outline progress made as the nation transitions to digital television ▪ recommend ways to improve safety on U.S. highways and airport runways ▪ highlight oversight deficiencies in the Small Business Administration’s Historically Underutilized Business Zone program
<p>Strategic Goal 2</p> <p>Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence</p>	<ul style="list-style-type: none"> ▪ assess military readiness and operations in Iraq and Afghanistan ▪ oversee U.S. efforts to fight terrorism in Pakistan and secure and rebuild Iraq and Afghanistan ▪ realign funds for a U.S. program that helps Russia dispose of nuclear materials ▪ improve the monitoring and assessment of nonemergency food aid programs ▪ enhance the Department of Defense’s (DOD) preparedness for homeland security missions ▪ identify ways to improve DOD’s acquisition management process ▪ identify implementation challenges with the U.S. Secure Border Initiative ▪ define the federal role in sustaining centers that promote homeland security information sharing ▪ improve the National Flood Insurance Program’s data and analyses ▪ reform the federal housing government sponsored enterprises regulatory structure ▪ bring attention to the need for governmentwide action to better protect personally identifiable information
<p>Strategic Goal 3</p> <p>Help transform the federal government’s role and how it does business to meet 21st century challenges</p>	<ul style="list-style-type: none"> ▪ identify the risks of relying on private contractors for defense and homeland security functions ▪ improve accountability for excess DOD parts and equipment that can be improperly sold to the public ▪ refer for prosecution individuals who fraudulently accepted federal disaster assistance payments ▪ identify border security vulnerabilities through undercover investigations ▪ strengthen DOD business systems modernization management ▪ improve the cost-effectiveness of filling the Strategic Petroleum Reserve ▪ identify incremental approaches for reducing the tax gap ▪ monitor the development of the 2010 Census ▪ improve federal human capital management practices ▪ enlighten the public about the nation’s long-term fiscal challenge
<p>Strategic Goal 4</p> <p>Maximize the value of GAO by being a model federal agency and a world-class professional services organization</p>	<ul style="list-style-type: none"> ▪ increase understanding between the United States and the Iraqi Supreme Audit Institution (SAI) through our assistance with building the Iraqi Board of Supreme Audit’s capacity to improve accountability for Iraq’s expenditures ▪ enhance communications with and service to our external clients through refinements to our external Web site ▪ strengthen public sector financial management and accountability at the global level through GAO’s partnership with the World Bank and the International Organization of Supreme Audit Institutions Development Initiative to design, develop, and deliver the SAI Transformation Seminar

our knowledge and experience. We revisit the focus and appropriateness of these four strategic goals each time that we update our strategic plan. We last updated our strategic plan in March 2007. These four broad outcome goals are an outgrowth of our mission statement and explain our major focus areas and the long-term results they are intended to achieve. Each of our strategic goals is supported by four to eight strategic objectives that elaborate on each strategic goal. We list the strategic goals and strategic objectives under each one in [figure 3](#), our strategic planning framework for serving the Congress. Several multiyear performance goals define a specific level of achievement for each strategic objective, and at the base of our strategic planning hierarchy, key efforts describe a body of work that operationalizes each performance goal. Complete descriptions of the steps in our strategic planning and management process are included in our strategic plan for fiscal years 2007 through 2012, which is available on our Web site at <http://www.gao.gov>. This site also provides access to our annual performance plans since fiscal year 1999 and our performance and accountability reports since fiscal year 2001. To ensure that we are well positioned to meet the Congress's current and future needs, we update our 6-year strategic plan every 3 years, consulting extensively during the update with our clients on Capitol Hill and with other experts (see our complete strategic plan on <http://www.gao.gov/sp/d04534sp.pdf>). Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and we allocate the resources we receive from the Congress accordingly. Given the increasingly fast pace with which crucial issues emerge and evolve, we design a certain amount of flexibility into our plan and staffing structure so that we can respond readily to the Congress's changing

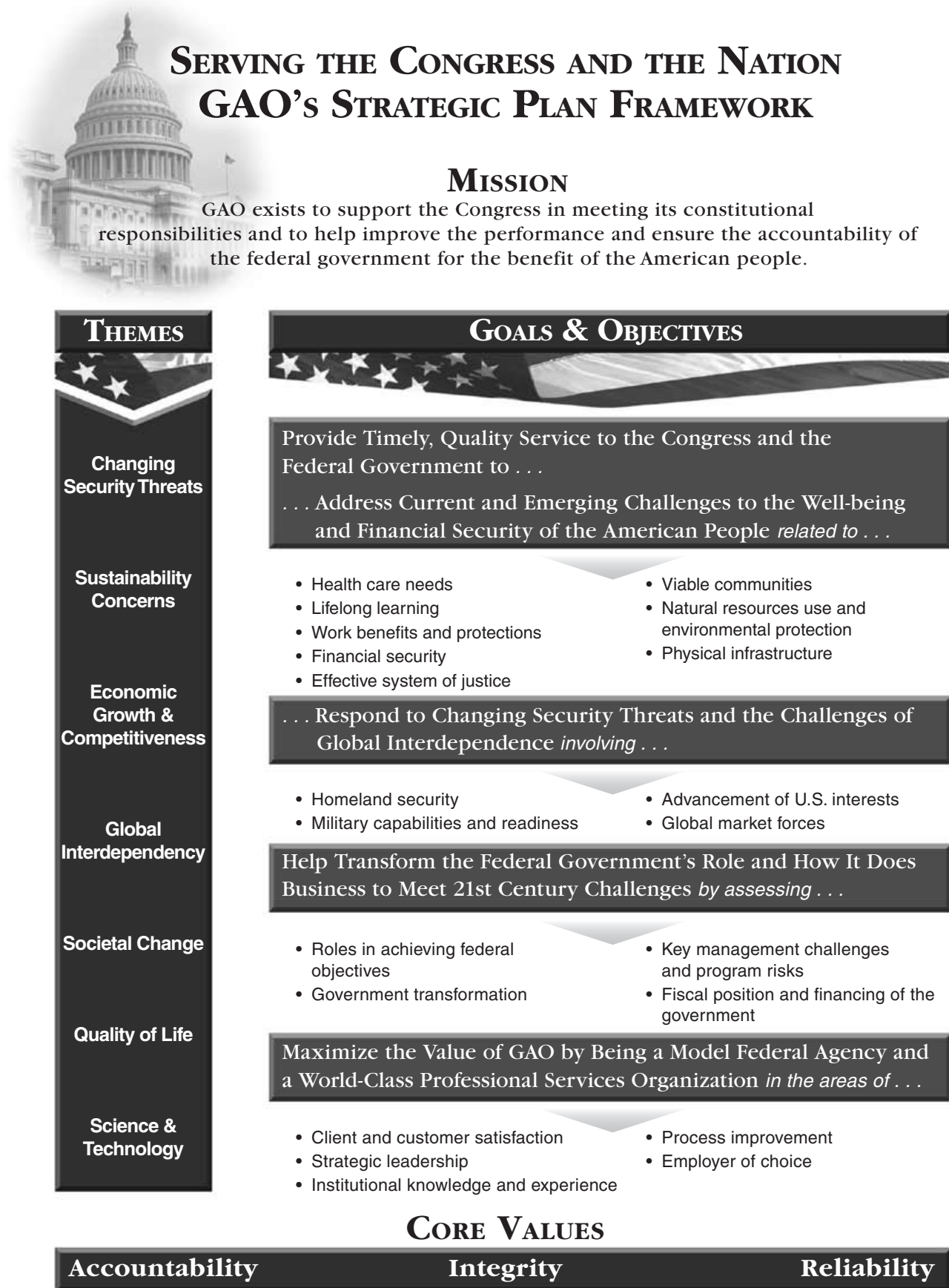
priorities. When we revise our plan or our allocation of resources, we disclose those changes in annual performance plans, which are posted—like our strategic plan—on the Web for public inspection (<http://www.gao.gov/sp.html>).

We revised our strategic plan in fiscal year 2007 for the third time since we first issued a strategic plan in 2000. The broad goals and objectives of our strategic plan for 2007-2012 did not change significantly since our last update, but events such as the continuing war in Iraq and recent natural disasters account for some modification in emphasis. Seven broad issues or “themes” provide the context for our strategic plan (see [fig. 3](#)), many of which were raised repeatedly by our client and other stakeholders during our outreach efforts and discussions we initiated while preparing the plan. For more information about the themes see *Forces That Will Shape America's Future: The Themes from GAO's Strategic Plan* (GAO-07-467SP, March 2007).

Each year, we hold ourselves accountable to the Congress and to the American people for our performance, primarily through our annual performance and accountability report.

We have included some information about future plans in this report to provide as cohesive a view as possible of what we have done, what we are doing, and what we expect to do to support the Congress and to serve the nation. Last year, the Association of Government Accountants awarded us for the seventh consecutive year its Certificate of Excellence in Accountability Reporting for our fiscal year 2007 performance and accountability report. According to the association, this certificate means that we produced an interesting and informative report that achieved the goal of complete and fair reporting. We also received an award

Figure 3: GAO's Strategic Plan Framework



Source: GAO.

GAO Strategic Plan 2007-2012

from Graphic Design USA for the Highlights version of our fiscal year 2007 performance and accountability report. (See [fig. 4](#).)

Organizational Structure

As the Acting Comptroller General of the United States, Gene L. Dodaro is the head of GAO. On March 13, 2008, he succeeded David L. Walker who resigned before the end of his 15-year term that began in 1998. Mr. Dodaro previously served as GAO's Chief Operating Officer for 9 years, and he retained this position after assuming the top post. Two other executives join Acting Comptroller General Dodaro to form our Executive Committee: Chief Administrative Officer/Chief Financial Officer Sallyanne Harper and General Counsel Gary Kepplinger. Mr. Dodaro will serve as Acting Comptroller General until the President nominates and the Senate confirms a successor from a list of candidates proposed by the Congress.

To achieve our strategic goals, our staff is organized as shown in [figure 6](#). For the most part, our 13 evaluation, audit, and research teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal. Also, our Forensic Audits and Special Investigations (FSI) unit, within our Financial Management and Assurance team, provides the Congress with high-quality forensic audits; investigates fraud, waste, and abuse; evaluates security vulnerabilities; and conducts other appropriate investigative services as part of its own assignments or in support of other teams. In addition, FSI follows up on engagements and referrals from our other teams when its special services are required to help determine whether legislative or administrative actions are necessary. FSI is composed of investigators, analysts, auditors

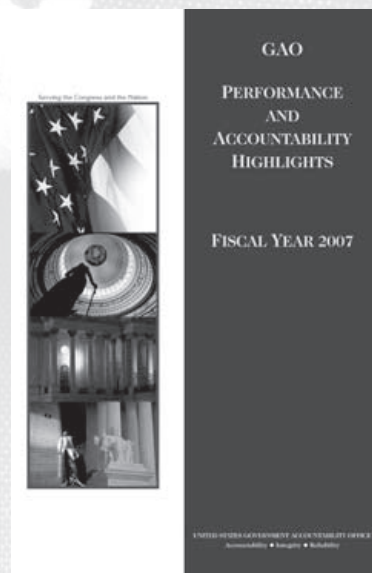
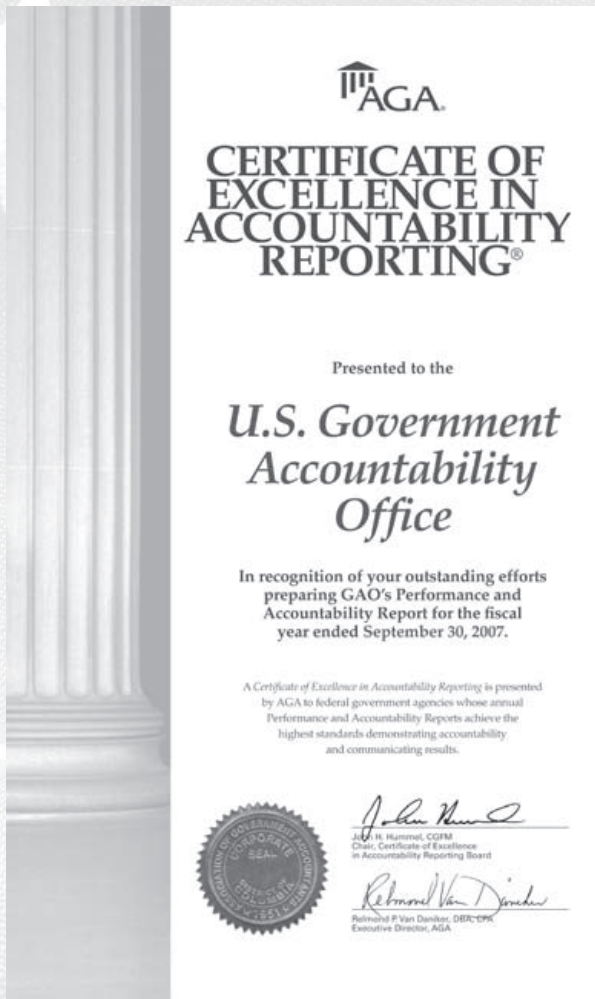
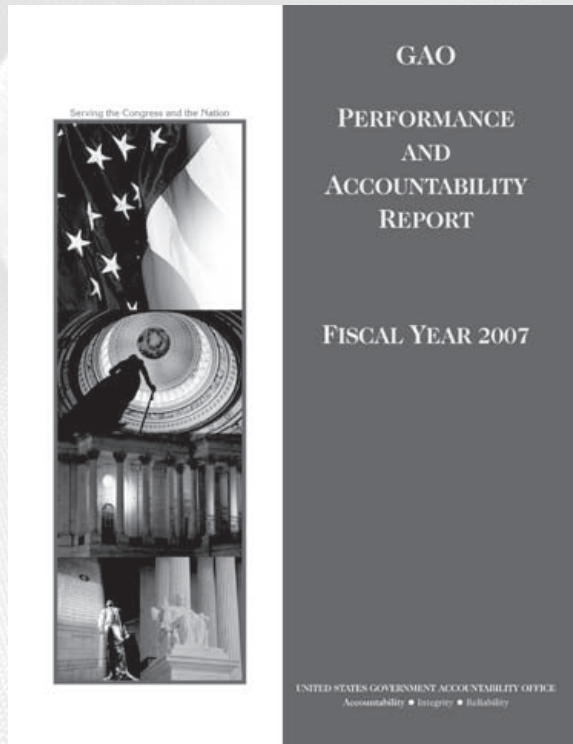
who have experience with forensic audits, and staff in General Counsel who work with FraudNet—our online system designed to facilitate follow-up on allegations of fraud, waste, abuse, or mismanagement of federal funds.

Senior executives in charge of the teams manage a mix of engagements to ensure that we meet the Congress's need for information on quickly emerging issues as we also continue longer-term work that flows from our strategic plan. To serve the Congress effectively with a finite set of resources, senior managers consult with our congressional clients and determine the timing and priority of engagements for which they are responsible.

As described below, General Counsel supports the work of all of our teams. In addition, the Applied Research and Methods team assists the other teams on matters requiring expertise in areas such as economics, research design, and statistical analysis. Staff in many offices, such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, Public Affairs, and the Chief Administrative Office, support the efforts of the teams. This collaborative process, which we refer to as matrixing, increases our effectiveness, flexibility, and efficiency in using our expertise and resources to meet congressional needs on complex issues.

General Counsel is structured to facilitate the delivery of legal services to the teams and staff offices that support our four strategic goals. This structure allows General Counsel to (1) provide legal support to our staff offices and audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the

Figure 4: GAO's Performance and Accountability Report Awards



Source: GAO.

goal 1, goal 2, and goal 3 groups in General Counsel are organized to provide each of the audit teams with a corresponding team of attorneys dedicated to supporting each team's needs for legal services. In addition, these groups prepare advisory opinions to committees and members of the Congress on agency adherence to laws applicable to their programs and activities. General Counsel's Legal Services group provides in-house support to our management on a wide array of human capital matters and initiatives and on information management and acquisition matters and defends the agency in administrative and judicial forums. Finally, attorneys in the Procurement Law and the Budget and Appropriations Law groups prepare administrative decisions and opinions adjudicating protests to the award of government contracts or opining on the availability and use of appropriated funds.

For strategic goal 4—our fourth and only internal strategic goal—staff in our Chief Administrative Office take the lead. They

are assisted on specific key efforts by the Applied Research and Methods team and by staff offices such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, and Public Affairs. In addition, attorneys in General Counsel, primarily in the Legal Services group, provide legal support for goal 4 efforts.

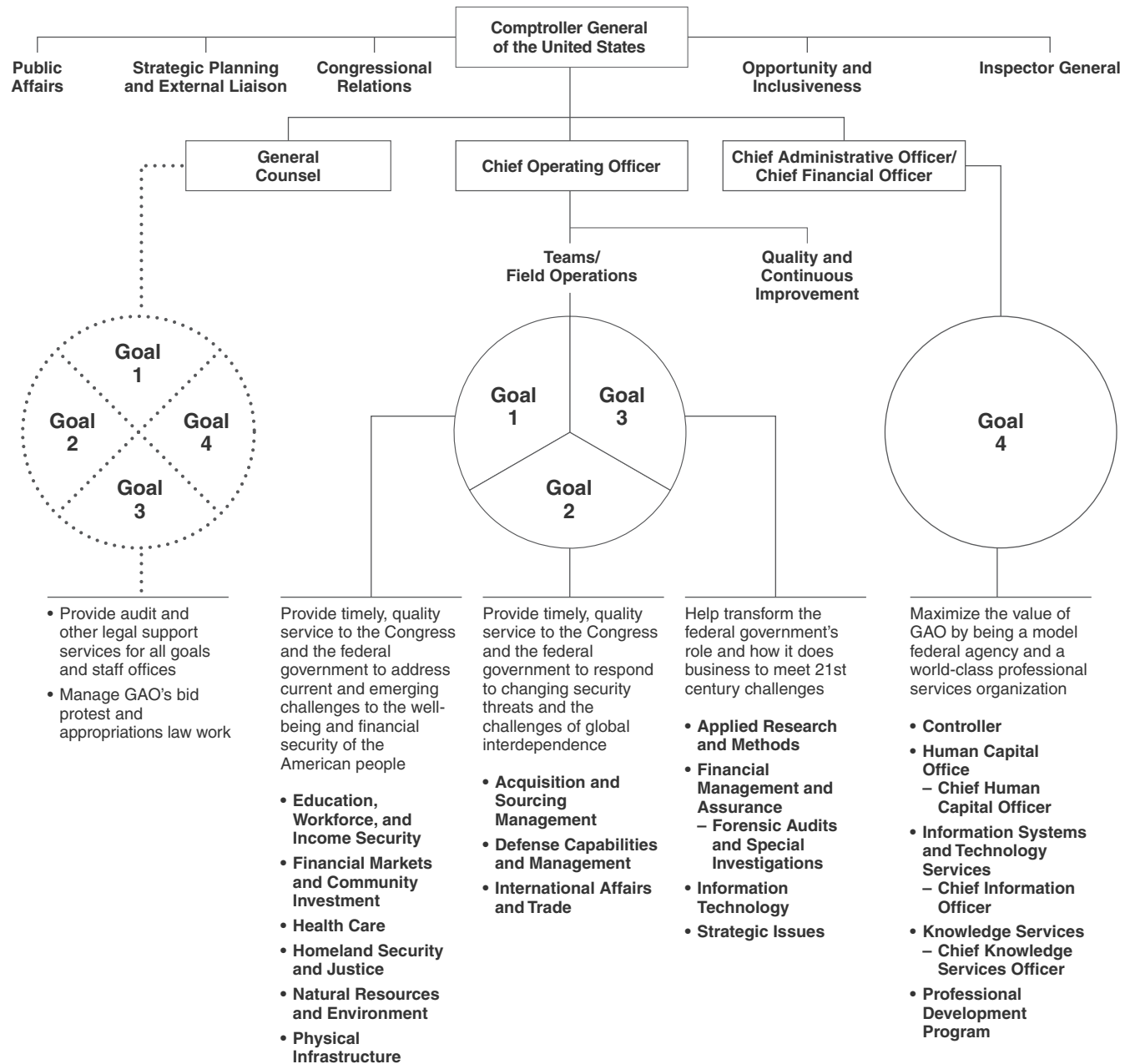
We maintain a workforce of highly trained professionals with degrees in many academic disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our approximately 3,100 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country (see [fig. 5](#)). Staff in these field offices are aligned with our research, audit, investigative, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

Figure 5: GAO's Office Locations



Source: See Image Sources.

Figure 6: Organizational Structure



Source: GAO.

Note: General Counsel's structure largely mirrors the agency's goal structure, and attorneys who are assigned to goals work with the teams on specific engagements. Thus, the dotted lines in this figure indicate General Counsel's support of or advisory relationship with the goals and teams rather than a direct reporting relationship.

Strategies for Achieving Our Goals

The Government Performance and Results Act directs agencies to articulate not just goals, but also strategies for achieving those goals. As detailed in part I of this report, we emphasize two overarching strategies for achieving our goals: (1) providing information from our work to the Congress and the public in a variety of forms and (2) continuing and strengthening our human capital and internal operations. Specifically, our strategies emphasize the importance of working with other organizations on crosscutting issues and effectively addressing the challenges to achieving our agency's goals and recognizing the internal and external factors that could impair our performance. Through these strategies, which have proven successful for us for a number of years, we plan to achieve the level of performance that is needed to meet our performance measures and goals. This level of performance, in turn, will allow us to achieve our four, broad strategic goals.

Attaining our three external strategic goals (goals 1, 2, and 3) and their related objectives rests, for the most part, on providing professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information to support the Congress in carrying out its constitutional responsibilities. To implement the performance goals and key efforts related to these three goals, we develop and present information in a number of ways, including

- evaluations of federal policies, programs, and the performance of agencies;
- oversight of government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;

- investigations to assess whether illegal or improper activities are occurring;
- analyses of the financing for government activities;
- constructive engagements in which we work proactively with agencies, when appropriate, to provide advice that may assist their efforts toward positive results;
- legal opinions that determine whether agencies are in compliance with applicable laws and regulations;
- policy analyses to assess needed actions and the implications of proposed actions; and
- additional assistance to the Congress in support of its oversight and decision-making responsibilities.

We conduct specific engagements as a result of requests from congressional committees and mandates written into legislation, resolutions, and committee reports. In fiscal year 2008, we devoted 94 percent of our engagement resources to work requested or mandated by the Congress. We initiated the remaining 6 percent of the engagement work under the Comptroller General's authority to self-initiate engagements. Much of this work addressed various challenges that are of broad-based interest to the Congress, such as the Global War on Terrorism and the cost and status of both security stabilization and reconstruction efforts in Iraq.² Also covered by this work were government programs and operations that we have identified as at high risk for fraud, waste, abuse, and mismanagement as well as reviews of agencies' budget requests to help support congressional decision making. By making recommendations to improve

²In fiscal years 2006 and 2007, the work performed under the Comptroller General's authority represented 15 percent and 10 percent, respectively, of our engagement efforts.

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 staff are responsible for following high standards for gathering, documenting, and supporting the information we collect and analyze. More often than not, this information is documented in a product that is made available to the public. In some cases, we develop products that contain classified or sensitive information that cannot be made available publicly. We generally issue around 1,200 to 1,300 products each year, primarily in an electronic format. In addition, we publish about 250 to 350 legal decisions and opinions each year. Our products include the following:

- reports and written correspondence;
- testimonies and statements for the record, where the former are delivered orally by one or more of our senior executives at a hearing and the latter are provided for inclusion in the congressional record;
- briefings, which are usually given directly to congressional staff members; and
- legal decisions and opinions resolving bid protests and addressing issues of appropriations law, as well as opinions on the scope and exercise of authority of federal officers.

We also produce special publications on specific issues of general interest to all Americans, such as our report on key issues requiring greater stewardship by the federal government and highlights of a forum on the

sustainability of our natural resources.³ Our publication, *Principles of Federal Appropriations Law*, is viewed both within and outside of the government as the primary resource on federal case law related to the availability, use, and control of federal funds. In addition, we maintain the government's repository of reports on Antideficiency Act violations and make available on our Web site various information extracted from those reports. Collectively, our products always contain information and often conclusions and recommendations that allow us to achieve our external strategic goals.

Another means of ensuring that we are achieving our goals is through examining the impact of our past work and using that information to shape our future work. Consequently, we evaluate actions taken by federal agencies and the Congress in response to our past recommendations. The results of these evaluations are reported in terms of the financial benefits and nonfinancial benefits that reflect the value of our work. We actively monitor the status of our open recommendations—those that remain valid but have not yet been implemented—and report our findings annually to the Congress and the public (<http://www.gao.gov/openrecs.html>).

Similarly, we use our biennial high-risk report, most recently issued in January 2007, to provide a status report on major government operations that we consider high risk because they are vulnerable to fraud, waste, abuse, and mismanagement or are in need of broad-based transformation. We also use our report on 21st century challenges, which was issued in February 2005, to alert the nation's leaders to current and emerging

³GAO, *A Call for Stewardship: Enhancing the Federal Government's Ability to Address Key Fiscal and Other 21st Century Challenges*, GAO-08-93SP, (Washington, D.C.: December 2007), and *Measuring Our Nation's Natural Resources and Environmental Sustainability: Highlights of a Forum Jointly Convened by the Comptroller General of the United States and the National Academy of Sciences*, GAO-08-127SP, (Washington, D.C.: October 2007).

issues facing the nation, including the long-range budget challenge, the human capital crisis, postal reform, and the federal government's financial management efforts. These reports are valuable planning tools because they help us to identify those areas where our continued efforts are needed to maintain the focus on important policy and management issues that the nation faces.

To attain our fourth strategic goal—an internal goal—and its five related objectives, we conduct surveys of our congressional clients and internal customers to obtain feedback on our products, processes, and services and perform studies and evaluations to identify ways in which to improve them.

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 and
- maintain strategic working relationships with other national and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other national audit offices.

These two types of strategic working relationships allow us to extend our institutional knowledge and experience; leverage our resources; and in turn, improve our service to the Congress and the American people. Our Strategic Planning and External Liaison office takes the lead and provides strategic focus for the work with external partner organizations, while our research, audit, and evaluation teams lead the work with most of the issue-specific organizations.

How We Measure Our Performance

To help us determine how well we are meeting the needs of the Congress and maximizing our value as a world-class organization, we assess our performance annually using a balanced set of quantitative performance measures that focus on four key areas—results, client, people, and internal operations.⁴ These categories of measures are briefly described below.

- **Results.** Focusing on results and the effectiveness of the processes needed to achieve them is fundamental to accomplishing our mission. To assess our results, we measure financial benefits, other (nonfinancial) benefits, recommendations implemented, and percentage of new products with recommendations.

Financial benefits and nonfinancial benefits provide quantitative and qualitative information, respectively, on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred or are expected to occur 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 and nonfinancial benefits. For financial benefits and nonfinancial benefits, we first set targets for the agency as a whole, and then we set

⁴In addition, we are continuing to explore measures that could help us assess how well we develop mutually beneficial relationships with other accountability organizations. Such partnerships are important because they (1) create opportunities for collaboration and cooperation that help all organizations involved address common challenges and enhance their ability to improve government operations and serve the public better, (2) allow us and other organizations to make meaningful changes in our internal accountability processes and policies, and (3) allow us to better leverage available resources. In part I of this report, the section on Strategies for Achieving Our Goals provides additional information about the partnerships we established or continued in fiscal year 2008.

targets for each of the external goals—that is, goals 1, 2, and 3—so that the sum of the targets for the goals equals the agencywide targets. For 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 meet or do 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 for improvement.

- **Client.** To judge how well we are serving our client, we 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. Our strategy in this area draws upon a variety of data sources (e.g., our client feedback survey and in-person discussions with congressional staff) to obtain information on the services we are providing to our congressional clients.

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 each of the external goals—that is, goals 1, 2, and 3—based on each goal’s expected contribution to the agencywide total. As in measuring the results of our work, we track our progress on this measure at the goal level in order to understand why we met or did not meet the agencywide target. We set an agencywide target for timeliness because we want our performance on this measure to be consistent across goals.

- **People.** As our most important asset, our people define our character and capacity to perform. A variety of data

sources, including an internal survey, provide information to help us measure how well we are attracting and retaining high-quality staff and how well we are developing, supporting, using, and leading staff. We set targets for these measures at the agencywide level.

- **Internal operations.** Our mission and people are supported by our internal administrative services, including information management, building management, knowledge services, human capital, and financial management services. Through an internal customer satisfaction survey, we gather information on how well our internal operations help employees get their jobs done and improve employees’ quality of work life. Examples of surveyed services include providing secure Internet access and voice communication systems, performance management, and benefits information and assistance. Fiscal year 2008 is the third year in which we reported how well we performed against the targets we set for our internal operations measures. We set targets for these measures at the agencywide level.

Setting Performance Targets

To establish targets for all of our measures, we examine what we have been able to achieve in the past (for example, by looking at our 4-year rolling averages) for most of our results measures (see p. 24) and the external factors that influence our work (see p. 58). 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 presented in our annual performance plan and budget.⁵ We may adjust these targets after they are initially published when our expected future work or level of funding provided warrants doing so. If we make changes, we include the changed targets in later documents, such as this performance and accountability report, and indicate that we have changed them. In part II, we include detailed information on data sources that we use to assess each of these measures, as well as the steps we take to verify and validate the data.

On the pages that follow, we assess our performance for fiscal year 2008 against our previously established performance targets. We also present our financial statements, the independent auditor's report, and a statement from GAO's Inspector General.

⁵Our most recent performance plan is available on our Web site at <http://www.gao.gov/cgi-bin/getrpt?rptno=GAO-08-507SP>.

Serving the Congress and the Nation



Source: GAO.

PART I MANAGEMENT'S DISCUSSION AND ANALYSIS

Implementing Our Strategies for Serving the Congress and the Nation

We achieve our strategic goals and objectives by providing to the Congress and the public objective, fact-based, nonpartisan information based on our reviews and analyses and by continually striving to strengthen our human capital programs and internal operations. In fiscal year 2008, we monitored our performance using 16 annual performance measures, and they indicate that we had an impressive year—we met or exceeded our performance targets for all but one of our 16 measures (see [table 1](#)). We accomplished real results for the nation, surpassing our financial benefits target for the year by 45 percent and exceeding our annual target for nonfinancial benefits by 248. Our financial benefits of \$58.1 billion represents a \$114 return on every dollar invested in us, and nearly 1,400 benefits resulting from our work helped to improve the efficiency and effectiveness of federal government programs that serve the public. In addition, we also exceeded our targets for past recommendations implemented and new products with recommendations by 3 percentage points and 6 percentage points, respectively. In addition, we exceeded by about 38 percent our target of 220 hearings at which we were asked to testify and met the target for delivering our products and testimonies to our clients in a timely manner.

We also met or exceeded our annual targets for seven of our eight people measures. We did not meet our target for retention rate without retirements because we lost more staff than expected for reasons other than retirement. Successfully meeting or exceeding our targets in this area indicates that our

efforts under goal 4 to attract, retain, and develop staff paid off. We discuss these actions in [appendix 1](#) of this report.

Concerning our two internal operations measures, we will assess our performance related to how well our internal administrative services (e.g., computer support, mail service, and Internet service) help employees get their jobs done or improve employees' quality of work life once data from our November 2008 annual customer satisfaction survey have been analyzed. These measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. There will always be a lag in reporting on this measure because our customer feedback survey is distributed after we issue the performance and accountability report. In fiscal year 2007, we exceeded our target of 4.0 (a composite score based on employees' responses from an internal survey) for help get job done and slightly missed our target for our quality of work life measure. These scores indicate that our employees were very satisfied with the internal administrative services they used during their workday. The survey asked staff to rank the importance of each service to them and indicate their satisfaction with it on a scale from 1 to 5.

Table 1: Agencywide Summary of Annual Measures and Targets

Performance measure	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual	Met/Not met	2009 target
Results								
Financial benefits (dollars in billions)	\$44.0	\$39.6	\$51.0	\$45.9	\$40.0	\$58.1	Met	\$42.0
Nonfinancial benefits	1,197	1,409	1,342	1,354	1,150	1,398	Met	1,200
Past recommendations implemented	83%	85%	82%	82%	80%	83%	Met	80%
New products with recommendations	63%	63%	65%	66%	60%	66%	Met	60%
Client								
Testimonies	217	179	240	276	220	304	Met	200
Timeliness ^a	92%	92%	93%	95%	95%	95%	Met	95%
People								
New hire rate	98%	94%	94%	96%	95%	96%	Met	95%
Acceptance rate	72%	71%	70%	72%	72%	77%	Met	^b
Retention rate								
With retirements	90%	90%	90%	90%	90%	90%	Met	90%
Without retirements	95%	94%	94%	94%	94%	93%	Not met	94%
Staff development ^c			76%	76%	76%	77%	Met	76%
	70%	72%						
Staff utilization ^d	72%	75%	75%	73%	75%	75%	Met	75%
Leadership	79%	80%	79%	79%	80%	81%	Met	80%
Organizational climate	74%	76%	73%	74%	75%	77%	Met	75%
Internal operations^e								
Help get job done	4.01	4.10	4.10	4.05	4.00	N/A	N/A	4.00
Quality of work life	3.96	3.98	4.00	3.98	4.00	N/A	N/A	4.00

Source: GAO.

Note: Information explaining all of the measures included in this table appears in the Data Quality and Program Evaluations section in part II of this report.

^aIn our timeliness calculations for fiscal years 2004 through 2007, we inadvertently included nonresponses to the timeliness questions in our client feedback survey—the data source for our timeliness measure. We therefore recalculated the survey results for these fiscal years and fiscal year 2008. The numbers shown reflect the correct calculation.

^bConsidering the challenging hiring environment due to uncertain budgets and high competition for talent, measuring our acceptance rate is less meaningful to us. Therefore, we will eliminate this measure beginning in fiscal year 2009.

^cBeginning in FY 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in)

the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question. We show the FY 2004 and 2005 data on a separate line so as to indicate that those data are not comparable to the data beginning in FY 2006.

^dOur employee feedback survey asks staff how often the following occurred in the last 12 months (1) my job made good use of my skills, (2) GAO provided me with opportunities to do challenging work, and (3) in general, I was utilized effectively.

^eFor our internal operations measures, we will report actual data for fiscal year 2008 once data from our November 2008 internal customer satisfaction survey have been analyzed. N/A indicates that the data are not available yet.

To help us examine trends over time, we also look at 4-year averages for our results and client measures except the percentage of past recommendations implemented—because it is a composite that is drawn from a number of years rather than an annual percentage—and timeliness—because we have no trend data for our current timeliness measure. Calculating 4-year rolling averages for the other measures minimizes the effect of an atypical result in any given year. We consider this calculation, along with other factors, when we set our performance targets. Table 2 shows that from fiscal year 2004 through fiscal year 2008 financial benefits, nonfinancial benefits, and new products with recommendations have increased steadily. The average number of hearings at which we testified has climbed since 2004 with a

significant increase from fiscal year 2006 to 2008.

Though we consider our 4-year rolling averages and our past performance when setting our target for the number of hearings at which our senior executives testify, we base our testimonies target largely on the cyclical nature of the congressional calendar. Our experience has shown that during the fiscal year in which an election occurs, generally the Congress holds fewer hearings because the congressional members are reorganizing during the months after the election. This situation provides fewer opportunities for us to be invited to testify. However, in fiscal year 2008—the year after an election—the new Congress held many more hearings than we anticipated and seemed especially interested in our work.

Table 2: Four-Year Rolling Averages for Selected GAO Measures

Performance measure	2004	2005	2006	2007	2008
Results					
Financial benefits (billions)	\$35.9	\$39.2	\$43.0	\$45.1	\$48.7
Nonfinancial benefits	986	1,139	1,248	1,325	1,376
New products with recommendations	54%	58%	61%	64%	65%
Client					
Testimonies	193	200	206	228	250

Source: GAO.

Focusing on Results

Focusing on outcomes and the efficiency of the processes needed to achieve them is fundamental to accomplishing our mission. The following four annual measures—

financial benefits, nonfinancial benefits, past recommendations implemented, and new products containing recommendations—indicate that we have fulfilled our mission and delivered results that benefit the nation.

Financial Benefits and Nonfinancial Benefits

We describe many of the results produced by our work as either financial or nonfinancial benefits. Both types of benefits result from our efforts to provide information to the Congress that helped to (1) change laws and regulations, (2) improve services to the public, and (3) promote sound agency and governmentwide management. In many cases, the benefits we claimed in fiscal year 2008 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

To claim either type of benefit, our staff must document the connection between the benefits reported and the work that we performed. We can claim benefits within 2 years of when the Congress or an agency takes action on our recommendations.

Financial Benefits

Our findings and recommendations produce measurable financial benefits for the federal government after the Congress acts on or agencies implement them and the funds are made available to reduce government expenditures or are reallocated to other areas. The monetary effect realized can be the result of

- changes in business operations and activities;
- the restructuring of federal programs; or
- modifications to entitlements, taxes, or user fees.

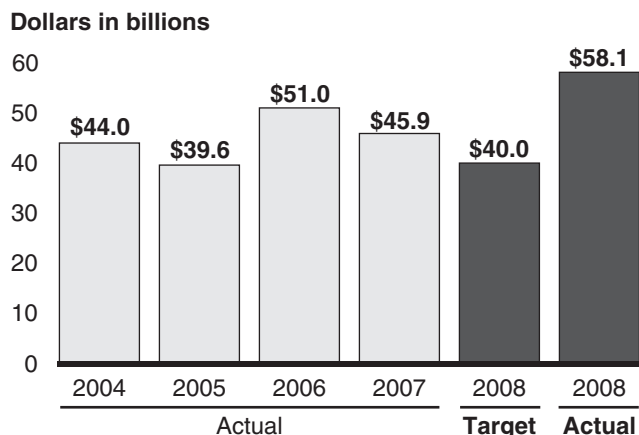
Financial benefits result if, for example, the Congress reduces the annual cost of operating a federal program or lessens the cost of a multiyear program or entitlement.

Financial benefits could also result from increases in federal revenues—because of changes in laws, user fees, or asset sales—that our work helped to produce.

In fiscal year 2008, our work generated \$58.1 billion in financial benefits (see [fig. 7](#)), exceeding our target by \$18.1 billion or 45 percent. We exceeded the target primarily as a result of a few unexpected and large financial accomplishments along with several large-dollar accomplishments with multiyear effects. Of the total amount documented in fiscal year 2008, about \$31.6 billion (or approximately 54 percent) resulted from changes in laws or regulations (see [fig. 8](#)).

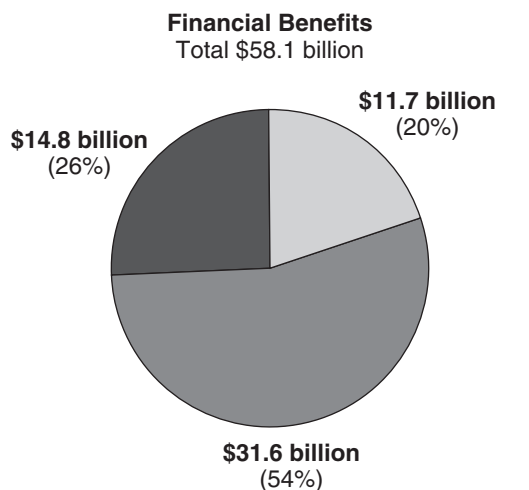
Our fiscal year 2009 target for financial benefits is higher than the target we reported for this measure in our fiscal year 2009 performance plan in January 2008. Specifically, we increased our financial benefits target by \$2 billion to \$42.0 billion based on our current assessment of our past recommendations that are likely to be implemented by federal agencies and the Congress in the coming fiscal year. We did not increase our financial benefits target for 2009 above our fiscal year 2008 actual because our historical data indicate that our financial benefits have declined the year after the installation of the last three Congresses. Also, in fiscal year 2008, two of our large accomplishments (related to the spectrum auction and the strategic petroleum reserve) were unanticipated and accounted for much of the amount above our target. Moreover, many of the resources we use to follow up on congressional and agency actions in response to our recommendations will be focused on a variety of mandates, including the Troubled Asset Relief Program (TARP), that are unlikely to yield financial benefits. Thus, we believe our target of \$42 billion for fiscal year 2009 (shown on [p. 23](#)) is reasonable and achievable.

Figure 7: Financial Benefits GAO Recorded



Source: GAO.

Figure 8: Types of Financial Benefits Recorded in Fiscal Year 2008 from Our Work



Categories

- Agencies acted on GAO information to improve services to the public
- Information GAO provided to the Congress resulted in statutory or regulatory changes
- Core business processes improved at agencies and governmentwide management reforms advanced by GAO's work

Source: GAO.

Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the estimated costs associated with taking the action that we recommended. We convert all estimates involving past and future years

to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action. To help ensure conservative estimates of net financial benefits, reductions in operating cost are typically limited to 2 years of accrued reductions, but up to 5 fiscal years of financial benefits can be claimed if the reductions are sustained over a period longer than 2 years. Multiyear reductions in long-term projects, changes in tax laws, program terminations, or sales of government assets are limited to 5 years. Estimates used to calculate our financial benefits come from non-GAO sources. These non-GAO sources are typically the agency that acted on our work, a congressional committee, or the Congressional Budget Office.

To document financial benefits, our staff complete reports documenting accomplishments that are linked to specific recommendations or actions. Each accomplishment reports for financial benefits is documented and reviewed by (1) another GAO staff member not involved in the work and (2) a senior executive in charge of the work. Also, a separate unit, our Quality and Continuous Improvement office, reviews all financial benefits and approves benefits of \$100 million or more, which amounted to about 96 percent of the total dollar value of benefits recorded in fiscal year 2008. The GAO Inspector General (IG) also performed an independent review of all accomplishment reports claiming benefits of \$500 million or more in fiscal year 2008.

Figure 9 lists several of our major financial benefits for fiscal year 2008 and briefly describes some of our work contributing to each financial benefit.



Figure 9: GAO’s Selected Major Financial Benefits Reported in Fiscal Year 2008

Description	Amount
<p>Improved spectrum management by extending auction authority. Since 1993, the Federal Communications Commission has conducted auctions to assign spectrum licenses to commercial users; these licenses permit companies to use a portion of the spectrum to provide various wireless communications services, such as mobile voice and data services. Some parties have raised concerns about the use of auctions, contending that the auctions raise consumer prices. In December 2005, we reported that auctions appeared to have little or no impact on end-user prices, infrastructure deployment, and competition, and that they mitigated the problems associated with comparative hearings and lotteries, which the commission previously used to assign licenses. We therefore recommended that the Congress extend the commission’s auction authority beyond the scheduled expiration date of September 30, 2007. In the Deficit Reduction Act of 2005, the Congress extended the commission’s auction authority and in March 2008, the commission completed the auction of the 700 megahertz (MHz) spectrum. The 700 MHz auction generated \$19.1 billion, greatly exceeding previous estimates, and a portion of the proceeds will be used to support public safety and digital television transition initiatives. The net present value of the financial benefits associated with the legislation and the associated 700 MHz auction is \$8.6 billion. (Goal 1)</p>	<p>\$8.6</p>
<p>Encouraged the Department of Defense (DOD) to reexamine cost estimates for a new military concept. We issued a report discussing our analysis of joint seabasing—one of DOD’s evolving concepts for projecting and sustaining forces for joint military operations without relying on immediate access to nearby land bases. The military services are either considering or actively pursuing new ships and weapon systems to support seabasing. For example, the Navy and Marines planned to acquire the Maritime Prepositioning Force (Future)—a squadron of ships to transport and deliver the personnel, combat power, and logistic support of the Marine Expeditionary Brigade—along with several supporting sealift vessels and aircraft. We recommended, among other things, that DOD conduct additional experimentation and evaluation of joint seabasing options and synchronize cost estimates for joint seabasing options so that decision makers have sufficient information to use in making investment decisions on seabasing initiatives. DOD stated that it would develop cost estimates as part of the DOD Planning, Programming, Budgeting and Execution and acquisition processes. Since the issuance of our report, DOD has reduced the number of Maritime Prepositioning Force (Future) ships that it plans to procure from eight ships to two ships during fiscal years 2009 through 2011. The claimed financial benefit—\$2.0 billion—represents the net present value of the reductions for fiscal years 2009, 2010 and 2011. (Goal 2)</p>	<p>\$2.0</p>

<p>Realized savings from suspending the royalty-in-kind oil program. We testified that since the Strategic Petroleum Reserve (SPR) had reached sufficient size to address near-term supply disruptions that suspending the fill of the SPR would also have a dampening effect on gasoline prices because more supply would be available. At the time of our testimony the SPR was being filled with oil obtained from the royalty-in-kind program operated by the Department of Interior's Minerals Management Service (MMS). (Through the royalty-in-kind program, MMS receives oil as payments of royalties from companies that lease federal property for oil development.) Subsequently, DOE decided to suspend the SPR fill through the remainder of calendar year 2008 and sell the oil obtained from the royalty-in-kind program. Congress passed legislation halting the fill with royalty-in-kind oil until crude oil fell to \$75 a barrel, on average, for a 90-day period. In May 2008, MMS estimated the value of 16.1 million barrels of royalty-in-kind oil at about \$1.89 billion. According to the Program Director, this represents MMS's best estimate of the Treasury revenue gain stemming from DOE's decision to suspend the SPR fill and selling the royalty-in-kind oil through the rest of calendar year 2008. In net present value terms, the \$1.89 billion revenue gain is \$1.86 billion. (Goal 1)</p>	<p>\$1.9</p>
<p>Encouraged DOD to scale back a costly satellite program. We examined the adequacy of DOD's decision to proceed with the Alternative Infrared Satellite System as an alternative to the Space Based Infrared System program and whether DOD is attaining the knowledge it needs to position the program for success. We reported that the program was pursuing a higher risk effort in order to advance capability and recommended that DOD reassess its investment in the Alternative Infrared Satellite System and alternative ways of reducing risk. DOD agreed and, consistent with the report's recommendation, reexamined the Alternative Infrared Satellite System to clarify program objectives. As a result, DOD realigned the program and renamed it the Third Generation Infrared Surveillance program. In DOD's 2009 budget request DOD redirected the Alternative Infrared Satellite System resources to pursue risk reduction, system definition, and ground tests under the Third Generation Infrared Surveillance program resulting in a reduction in funding from fiscal years 2008 to 2012 of about \$1.6 billion. The net present value is about \$1.5 billion. (Goal 2)</p>	<p>\$1.5</p>
<p>Analyzed the fiscal year 2008 appropriation for the Millennium Challenge Corporation (MCC). We concluded that MCC could operate with a smaller-than-requested fiscal year 2008 appropriation because, based on historical experience, the corporation would not obligate the balance of its prior years' appropriations until the fourth quarter of fiscal year 2008. Specifically, our work showed that MCC had disbursed only about \$68 million of the \$2.1 billion obligated for compact assistance and could have significant undisbursed balances when compacts expired. We reported that MCC's portrayal of projected compact impact did not reflect underlying data and identified five key risks that could affect project impact. Our work supported and informed appropriations and authorizing committees' decisions about MCC funding for fiscal year 2008, and contributed to a congressional appropriation of about \$1.6 billion for MCC for fiscal year 2008, a reduction of about \$1.4 billion from the President's \$3 billion request. (Goal 2)</p>	<p>\$1.4</p>

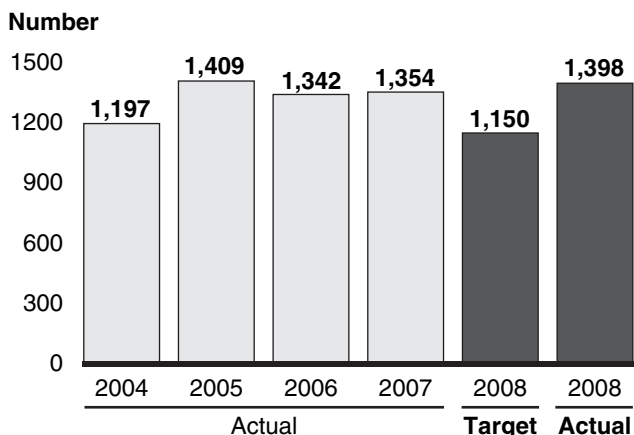
Source: GAO.

Nonfinancial Benefits

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2008, we recorded a total of 1,398 nonfinancial benefits (see [fig. 10](#)). We significantly exceeded our target by almost 22 percent because of actions taken as a result of our bid protest work and by agencies in response to our recommendations dealing with governmentwide information

technology (IT) and accounting issues. Our fiscal year 2009 target for nonfinancial benefits differs from the target we reported for this measure in January 2008 in our fiscal year 2009 performance budget. Specifically, we increased our nonfinancial benefits target from 1,150 to 1,200 (see [p. 23](#)) in anticipation of additional nonfinancial benefits resulting from our increasing bid protest work.

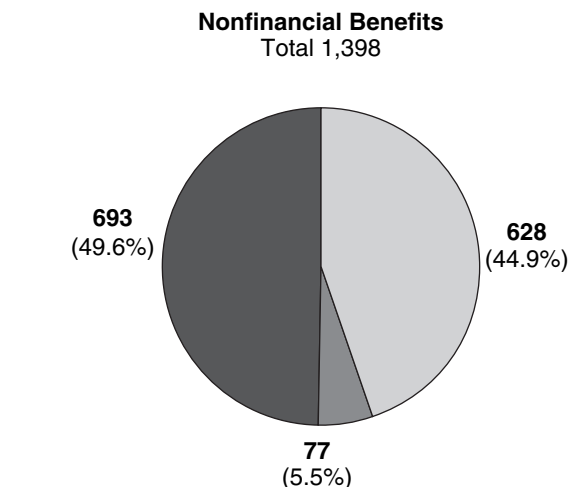
Figure 10: Nonfinancial Benefits GAO Recorded



Source: GAO.

In fiscal year 2008 we documented 628 instances where federal agencies used our information to improve services to the public, 77 instances where the information we provided to the Congress resulted in statutory or regulatory changes enacted in fiscal year 2008, and 693 instances where agencies improved core business processes or governmentwide reforms as a result of our work. (See [fig. 11](#).) These actions covered a variety of issues such as ensuring that banks uniformly disclose to consumers fees for checking and savings accounts, improving the Mine Safety and Health Administration's process for approving emergency response plans for underground coal mines, and mitigating risks in the U.S. visa waiver program. In [figure 12](#), we provide examples of some of the nonfinancial benefits we claimed as accomplishments in fiscal year 2008.

Figure 11: Types of Nonfinancial Benefits Documented in Fiscal Year 2008 from Our Work



Categories

- Agencies acted on GAO information to improve services to the public
- Information GAO provided to the Congress resulted in statutory or regulatory changes
- Core business processes improved at agencies and governmentwide management reforms advanced by GAO's work

Source: GAO.



Source: See Image Sources.

Figure 12: GAO's Selected Nonfinancial Benefits Reported in Fiscal Year 2008

Nonfinancial benefits that helped to change laws	
<p>The Consolidated Appropriations Act, 2008, Pub. L. No. 110-161</p>	<p>Prohibited tax debtors from receiving large federal contracts. Several of our reviews identified federal tax debtors that also received contractor payments from the DOD, the General Services Administration, and several other civilian federal agencies. Specifically, we found that thousands of contractors had not paid federal income, Social Security, and Medicare taxes withheld from their own employees. In our reports and testimonies, we stated that federal law does not preclude contractors that do not pay their taxes from receiving federal contracts. This law requires prospective contractors for federal contracts greater than \$5 million (using appropriated funds under provisions of this act) to certify in writing that they have filed all federal tax returns required during the 3 years preceding the certification; have not been convicted of a criminal offense under the Internal Revenue Code of 1986; and have not, more than 90 days prior to the certification, been notified of any unpaid federal tax assessment for which the liability remains unsatisfied.</p>
<p>Food, Conservation and Energy Act of 2008, Pub. L. No. 110-246</p>	<p>Increased penalties to deter food stamp fraud. We found that the Food Stamp Program, administered by the Department of Agriculture's (USDA) Food and Nutrition Service (FNS), remains vulnerable because retailers can enter the program intending to traffic without fear of severe penalties, and current penalties may not be sufficient to deter traffickers. Generally the most severe penalty most traffickers face is disqualification from the program eventually. We recommended that FNS develop a strategy to increase the penalties for trafficking, working with the Office of Inspector General (OIG) as needed. We also recommended that if these penalties entail additional authority, the agency should consider developing legislative proposals for program reauthorization in 2007. This law includes a provision that raises civil penalties from \$10,000 to \$100,000 and a provision to allow USDA, in consultation with its OIG, to immediately suspend flagrant retailers from the program pending administrative action.</p>
<p>Medicare Improvements for Patients and Providers Act of 2008, Pub. L. No. 110-275</p>	<p>Eliminated incentives to misuse Medicare funds. The Centers for Medicare and Medicaid Services (CMS) in the Department of Health and Human Services (HHS) divides Medicare payment for end-stage renal disease (ESRD) items and services into two groups: (1) dialysis and associated routine services which are paid under a single rate and (2) injectable drugs and certain laboratory tests which are paid for separately on a per-service basis. We reported that dialysis facilities have been relying on Medicare's generous payments for the first payment group of items/services and that payments for one drug in the second payment group had created an incentive for facilities to potentially use more of it than necessary. We recommended that the Congress consider establishing one payment system for all ESRD services as soon as possible. This law includes a provision that requires the Secretary of HHS to implement a fully bundled payment method for all ESRD items and services beginning January 1, 2011.</p>

<p>Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289</p>	<p>Identified need for a single regulator for the federal housing finance system. We reported that while government-sponsored enterprises (GSE) such as FannieMae, FreddieMac, and the Federal Home Loan Bank System play a critical role in the U.S. housing finance system—by buying mortgages from and making loans to lenders—they also pose potentially significant risks to taxpayers. We also reported that the fragmented federal regulatory oversight structure for GSEs was inadequate to monitor these large, complex financial institutions and lacked key regulatory authorities, such as the ability to take enforcement actions when GSE capital levels declined or to place insolvent institutions into receivership. We recommended that the Congress establish a single regulator to ensure the safety, soundness, and oversight of the housing GSEs with sufficient legal authority to carry out its responsibilities. Among its other provisions, this law establishes a single GSE regulator whose responsibilities are consistent with our recommendation.</p>
<p>Nonfinancial benefits that helped to improve services to the public</p>	
<p>Increased requirements for water sprinklers in nursing homes</p>	<p>Our review of nursing homes found weaknesses in federal fire safety standards for nursing homes, how the standards are applied in facilities without sprinklers, and in federal and state oversight. We recommended that the Administrator of CMS work with the National Fire Protection Association (NFPA) to strengthen fire safety standards for nursing homes without sprinklers and to explore the feasibility of requiring sprinklers in all nursing homes. Subsequently, the NFPA adopted an automatic sprinkler requirement for all nursing homes in its Life Safety Code, and CMS published a final rule adopting this NFPA requirement. All nursing homes participating in the Medicare and Medicaid programs must install and maintain automatic sprinkler systems by August 13, 2013.</p>
<p>Improved mail delivery standards</p>	<p>We assessed the U.S. Post Service's (USPS) standards for the timely delivery of mail. Our work found that USPS had delivery standards for its major types of mail, but some standards had not been updated in a number of years to reflect changes in how mail is currently prepared and delivered. These outdated standards were unsuitable as benchmarks for setting realistic expectations for timely mail delivery; measuring delivery performance; or improving service, oversight, and accountability. We recommended that USPS modernize delivery standards for all major types of mail. Subsequently, USPS updated all of its delivery performance standards, including those for Standard Mail, Periodicals, and Package Services.</p>
<p>Encouraged EPA to clarify definition of mercury debris</p>	<p>We reported that the Environmental Protection Agency (EPA), states, and industry do not share a common understanding of the types of mercury-containing wastes that can be treated and disposed of as debris. Consequently, businesses may be treating and disposing of mercury-contaminated waste (e.g., intact containers) as debris, even though these items may contain high levels of mercury and should be disposed of as hazardous waste. We recommended that EPA clarify and better describe the types of waste that can and cannot be reported under the "debris" reporting category and include the definition of debris in the instructions for the <i>Hazardous Waste Report</i>. Based upon our work, EPA clarified the definition for contaminated debris in the <i>Hazardous Waste Report</i> instructions for the reporting cycle that followed the issuance of our report.</p>
<p>Improved screening of the Army's contract security guards</p>	<p>We reported that the Army's procedures did not provide assurance that contract security guards at U.S. military installations were adequately screened, putting the Army at risk of staffing its gates with contract security guards who were not qualified for the job. For example, we found that contract security guard applicants with criminal histories, including felons, had been employed as guards. We recommended that DOD's revised antiterrorism standards be implemented into Army policy for screening of contract security guards as deemed suitable. DOD revised the antiterrorism standards, and the Army subsequently incorporated the language into the Army Civilian Police and Security Guard Program.</p>

Nonfinancial benefits that helped to promote sound agency and governmentwide management

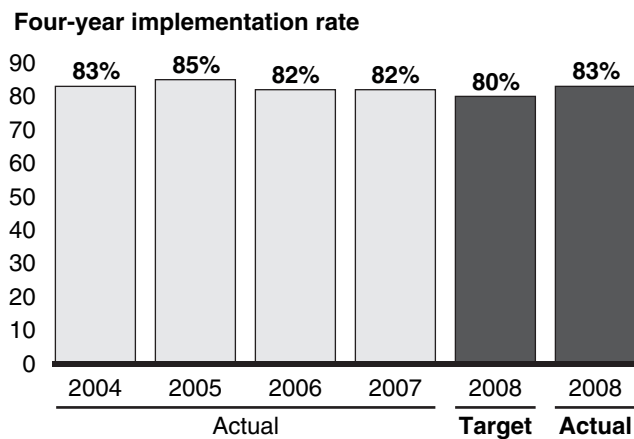
Identified individuals who fraudulently accepted disaster assistance payments	During our work related to the Federal Emergency Management Agency's (FEMA) response to hurricanes Katrina and Rita, we found evidence indicating that thousands of individuals may have fraudulently registered for and received FEMA disaster assistance payments. We referred this information to appropriate federal agencies for further review and prosecution. As a result, over 50 individuals were found guilty of crimes, such as defrauding the United States or theft of government property.
Assisted taxpayers and preparers	In April 2006, GAO testified about the serious problems that taxpayers can face if they use commercial tax preparation chains. In a limited study that included an undercover investigation, we found that paid tax preparers employed by national tax preparation chains made mistakes in all 19 of our undercover visits. Some of the mistakes were substantial, resulting in refund claims that were thousands of dollars higher than they should have been and exposing taxpayers to Internal Revenue Service (IRS) enforcement action. Other mistakes reduced taxpayers' refunds below what they should have been, sometimes by large amounts. Dissemination of our research results to the paid preparer community led to the major chains adding to their training programs discussions of the issues GAO identified, according to the IRS office responsible for oversight and liaison with the paid preparer community.
Enhanced U.S. border security	We identified border security vulnerabilities both at U.S. ports of entry and at unmanned and unmonitored land border locations between ports of entry. In particular, we successfully used fraudulent documents to enter the United States at several U.S. Customs and Border Protection (CBP) checkpoints on both the northern and southern borders. CBP recently reported that it took actions to address a number of the vulnerabilities highlighted by our work, including enhanced training for its agents and the installation of additional fraudulent document detection equipment at U.S. ports of entry. Further, to address vulnerabilities in areas between border ports of entry, CBP has installed new sensor equipment technologies. These actions should enable CBP to more effectively identify attempts to illegally penetrate our nation's borders.

Source: GAO.

Past Recommendations Implemented

One way we measure our effect on improving the government's accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2008, 83 percent of the recommendations we made in fiscal year 2004 had been implemented (see [fig. 13](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

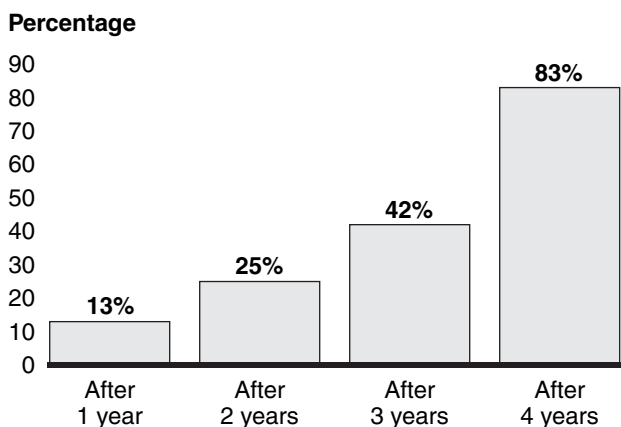
Figure 13: Percentage of Past Recommendations Implemented



Source: GAO.

The 83 percent implementation rate for fiscal year 2008 exceeded our target for the year by 3 percentage points and exceeded our performance in the 2 preceding fiscal years. However, over the last 3 fiscal years we have not been able to achieve the level of performance we did in fiscal year 2005 because, in some cases, we were unable to obtain the agency data that would allow us to fully document that our recommendations had been implemented. As figure 14 indicates, agencies need time to act on recommendations. Therefore, we assess recommendations implemented after 4 years, the point at which experience has shown that if a recommendation has not been implemented, it is not likely to be.

Figure 14: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2004



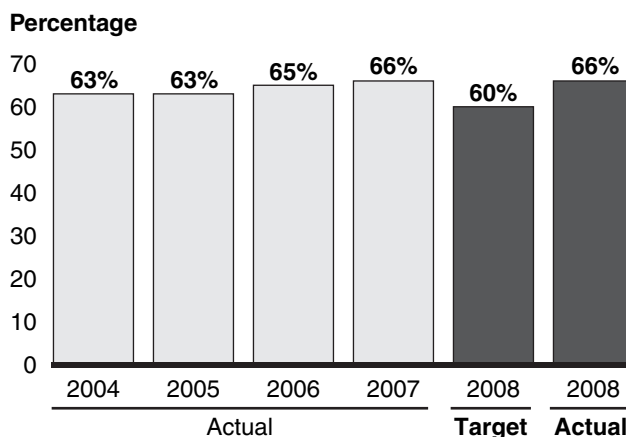
Source: GAO.

New Products Containing Recommendations

In fiscal year 2008, about 66 percent of the 629 written products we issued (excluding testimonies) contained recommendations. (See fig. 15.) We track the percentage of new products with recommendations because we want to encourage staff to develop recommendations that when implemented by the Congress and agencies, produce financial and nonfinancial benefits for the nation.

We exceeded our target of 60 percent by 6 percentage points because our audit teams are better emphasizing the need to identify possible recommendations as they plan and carry out their work. However, we set our target again in fiscal year 2009 at 60 percent because we recognize that our products do not always include recommendations and that the Congress and agencies often find informational reports just as useful as those that contain recommendations. Our informational reports have the same analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about significant financial and nonfinancial benefits. Hence, this measure allows us ample leeway to respond to requests that result in reports without recommendations.

Figure 15: Percentage of New Products with Recommendations



Source: GAO.

Focusing on Our Client

To fulfill the Congress's information needs, we strive to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we assisted the Congress extremely well, by significantly exceeding our target on the number of hearings we

participated in and delivering many of our products on time based on the feedback from our client.

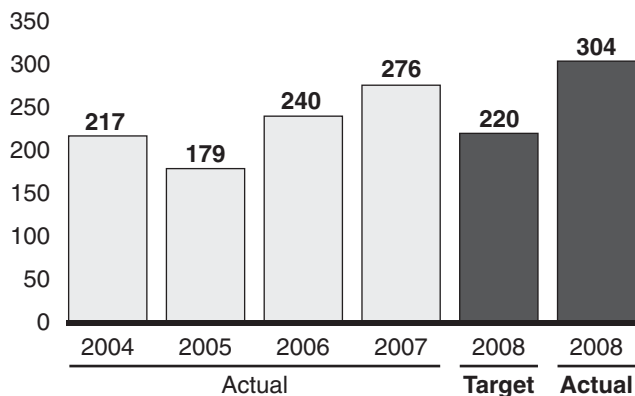
Testimonies

Our clients often invite us to testify on our current and past work when it addresses issues that congressional committees are examining through the hearing process. During fiscal year 2008, experts from our staff testified at 304 congressional hearings covering a wide range of complex issues, and we significantly exceeded our target of 220 hearings at which we testify (see [fig. 16](#)). (See [fig. 17](#) for a summary of issues we testified on by strategic goal in fiscal year 2008.) Over 100 of our testimonies were related to high-risk areas and programs, which are listed on [page 42](#).

In fiscal year 2008, we surpassed our performance on this measure over the last 4 years. In fact, only one time in the last 25 fiscal years have we delivered testimonies at more hearings. The Congress was extremely interested in our past and current work on a variety of issues and asked us to testify at 84 more hearings than we anticipated. The Congress asked our executives to testify in fiscal year 2008 more than 40 times on homeland security issues, more than 10 times on the Iraq conflict and Afghanistan, and 8 times on military and veterans' health care and disability benefits. Though lower than our actual performance on this measure in 2008, we believe that our fiscal year 2009 target of testimonies at 200 hearings is challenging and reflects a more typical estimate of the number of hearings we are likely to attend after a presidential election.

Figure 16: Testimonies

Hearings at which GAO testified



Source: GAO.

Timeliness

To be useful to the Congress, our products must be available when our clients need them. We used the results of our client feedback survey as a barometer for how well we are getting our products to our congressional clients when they need the information. We used this survey as the primary data source for our external timeliness measure because the responses come directly from our clients. We tally responses from the surveys we send to key congressional staff working for the requesters of our testimony statements and more significant written products (e.g., engagements assigned an interest level of "high" by our senior management⁶ and those requiring an investment of 500 staff days or more), which represented about 65 percent of the congressionally requested written products we issued in fiscal year 2008. Because our products usually have multiple requesters, we often survey more than one congressional staff person per testimony or product. Each survey asks the client whether the product was provided or delivered on

⁶As part of our risk-based engagement management process, we identify a new engagement as high interest if the work we need to perform will likely require a large investment of our resources, involve a complex methodology, or examine controversial or sensitive issues.

Figure 17:

SELECTED TESTIMONY ISSUES • FISCAL YEAR 2008

Goal 1: *Address Challenges to the Well-Being and Financial Security of the American People*

- Oversight of youth residential facilities
- Improving compliance with the Fair Labor Standards Act
- DOD and VA care management for servicemembers
- Small Business Administration's (SBA) monitoring of HUBZone businesses
- Progress made in DTV transition
- Drug-testing for commercial truck drivers
- Aviation runway and ramp safety
- Federal oversight of food safety
- Cost effectiveness of filling the Strategic Petroleum Reserve

Goal 2: *Respond to Changing Security Threats and the Challenges of Globalization*

- Rebuilding readiness of the military's ground forces
- Accountability in DOD's acquisition environment
- Challenges facing the National Flood Insurance Program
- Weaknesses in traveler inspections at U.S. ports of entry
- Department of Homeland Security's biosurveillance initiatives
- Oversight of Pakistan reimbursement claims
- U.S. food aid challenges
- Rebuilding the capacity of the Iraqi ministries
- Protecting personally identifiable information
- Transforming the nuclear weapons complex
- Defense business transformation
- A single regulator for housing GSEs

Goal 3: *Help Transform the Federal Government's Role and How It Does Business*

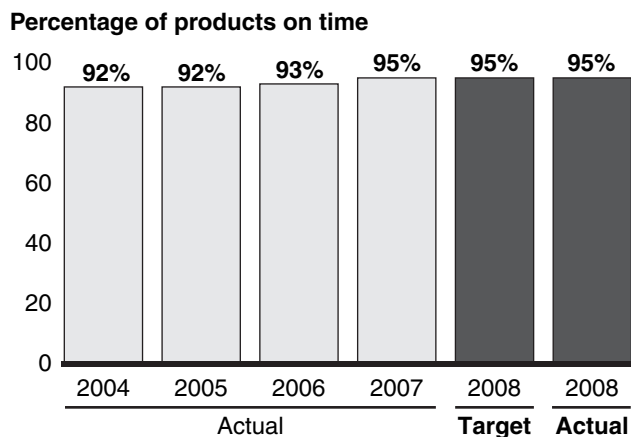
- Risk assessment and oversight of contractors used for homeland security
- VA and DOD electronic medical records
- Long-term fiscal outlook
- Status of the 2010 Census
- Diversity issues and the federal workforce
- Impact of multiple higher education tax incentives
- Automation program problems increase risks for 2010 Census
- Federal improper payments
- Vulnerabilities in TSA's airline passenger screening process
- Tax compliance by U.S. businesses

Source: GAO.

time. In fiscal year 2008, we had a 25 percent response rate from the congressional staff surveyed, which provided us with feedback on 56 percent of the products for which we sent surveys. In our timeliness calculations for fiscal years 2004 through 2007, we inadvertently included nonresponses to the timeliness question in our client feedback survey. We therefore recalculated the survey results for these fiscal years and for fiscal year 2008. The numbers shown in figure 18 reflect the corrected calculations.

In fiscal year 2008 we met our timeliness target of 95 percent. We have always set our target for timeliness high because it is important for us to meet congressional needs when they occur. Therefore, we will continue to emphasize to our audit teams the importance of communicating with the requesters of our work to determine when they will need testimony statements and products and delivering these statements and products when agreed to allow the requesters enough time to prepare for hearings and other congressional activities. We anticipate that these actions will enable us to meet our fiscal year 2009 target of 95 percent. To increase the response rate to our client feedback survey, we will continue to send electronic surveys that can be responded to via Blackberry devices and follow up with nonrespondents to our surveys by e-mail and telephone and in meetings.

Figure 18: Timeliness



Source: GAO.

Note: In our timeliness calculations for fiscal years 2004 through 2007, we inadvertently included nonresponses to the timeliness questions in our client feedback survey—the data source for our timeliness measure. We therefore recalculated the survey results for these fiscal years and for fiscal year 2008. The numbers shown reflect the corrected calculations.

Focusing on Our People

Our highly professional, multidisciplinary staff were critical to the level of performance we demonstrated in fiscal year 2008. Our ability to hire, develop, retain, and lead staff is a key factor to fulfilling our mission of serving the Congress and the American people.

Over the last 5 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2008, we met or exceeded all but one of our eight people measure. All eight measures are directly linked to our goal 4 strategic objective of becoming a professional services employer of choice. For more information about our people measures, see *Verifying and Validating Performance Data* on page 76 of this report.

New Hire Rate and Acceptance Rate

Our new hire rate 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 strategic goals, projected workload changes, and other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires. The plan is conveyed to each of our units to guide hiring throughout the year. The Chief Operating Officer, the Chief Administrative Officer, the Deputy Chief Administrative Officer, the Chief Human Capital Officer, and the Controller meet monthly to monitor progress toward achieving the workforce plan.

Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions. In fiscal year 2008, our adjusted plan was to hire 356 staff. We were able to bring on board 343 staff by year-end. Our acceptance rate measure is a proxy for our attractiveness as an employer and an indicator of our competitiveness in bringing in new talent. It is the ratio of the number of applicants accepting offers to the number of offers made. [Table 3](#) shows that

we exceeded by 1 percentage point the target we set for our new hire rate and exceeded our acceptance rate target by 5 percentage points. Due to the challenging hiring environment caused by uncertain budgets and high competition for talent, measuring our acceptance rate is less meaningful to us. Therefore, we will eliminate this measure beginning in fiscal year 2009.

Table 3: Actual Performance and Targets Related to Our New Hire Rate and Acceptance Rate Measures

Performance measures	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual
People						
New hire rate	98%	94%	94%	96%	95%	96%
Acceptance rate	72%	71%	70%	72%	72%	77%

Source: GAO.

Retention Rate

We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like them to stay with us. This measure is one indicator of whether we are attaining this objective. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined

as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements. [Table 4](#) shows that we have consistently performed at the 90 percent level for retention rate with retirements for the last 5 fiscal years, and that in fiscal year 2008 we missed our target for retention without retirements by 1 percentage point because we lost employees for reasons other than retirements.

Table 4: Actual Performance and Targets Related to Our Retention Rate Including and Excluding Retirements

Performance measures	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual
People						
Retention rate						
With retirements	90%	90%	90%	90%	90%	90%
Without retirements	95%	94%	94%	94%	94%	93%

Source: GAO.

Staff Development and Utilization, Leadership, and Organizational Climate

One way that we measure how well we are supporting our staff and providing an environment for professional growth and improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate our managers—from their immediate supervisors to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions. In fiscal year 2008, to better

ensure confidentiality of individual responses, we used the same outside contractor that administered the survey to also analyze the data.

This fiscal year about 76 percent of our employees completed the survey—a 4 percentage point increase over last year's response rate—and we met or exceeded all four targets (see [table 5](#)). The organizational climate measure showed the greatest increase among these measures, exceeding the fiscal year 2008 target by 2 percentage points and beating our fiscal year 2007 performance by 3 percentage points. Staff development, staff utilization, and leadership also increased 1 or 2 percentage points over last fiscal year's results. Given our less-than-steady performance on these measures over the last 5 years, we decided to retain our fiscal year 2008 targets for fiscal year 2009.

Table 5: Actual Performance and Targets Related to Our Measures of Employee Satisfaction with Staff Development, Staff Utilization, Leadership, and Organizational Climate

Performance measures ^a	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual
People						
Staff development ^b	70%	72%	76%	76%	76%	77%
Staff utilization	72%	75%	75%	73%	75%	75%
Leadership	79%	80%	79%	79%	80%	81%
Organizational climate	74%	76%	73%	74%	75%	77%

Source: GAO.

^a Certain portions of a Web-based survey are used to develop these four measures. For example, the leadership measure is based on staff's responses to questions about their immediate supervisors' leadership.

^b Beginning in fiscal year 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question. We show the fiscal year 2004 and 2005 data on a separate line so as to indicate that those data are not comparable to the data beginning in fiscal year 2006.

Focusing on Our Internal Operations

Our mission and people are supported by our internal administrative services, including information management, facility management, knowledge services, human capital, financial management, and other services. To assess our performance related to how well our internal administrative services help employees get their jobs done or improve employees' quality of work life, we use information from our annual customer satisfaction survey to set targets and assess our performance for both of these measures, which are shown in [table 6](#), along with baseline data that we recorded for them in fiscal year 2004. We asked staff to rank 29 internal services available to them and to indicate on a scale from 1 to 5 their satisfaction with each service. Our internal

operations measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. The first measure encompasses 18 services that help employees get their jobs done, such as Internet access, desktop computer equipment, voice and video communication systems, shared service centers for copying and courier assistance, travel services, and report production. The second measure encompasses another 11 services that affect quality of work life, such as assistance related to pay and benefits, building security and maintenance, and workplace safety and health. Using survey responses, we calculate a composite score for each service category that reflects employee ratings for (1) satisfaction with the service and (2) importance of the service.

Table 6: Actual Performance and Targets Related to Our Internal Operations Measures

Performance measures	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual
Internal operations						
Help get job done	4.01	4.10	4.10	4.05	4.00	N/A
Quality of work life	3.96	3.98	4.00	3.98	4.00	N/A

Source: GAO.

Note: We will report actual data for fiscal year 2008 once the data from our November 2008 internal operations survey have been analyzed. N/A indicates that the data are not available yet.

GAO's High-Risk Program

Since 1990, our high-risk program has highlighted long-standing challenges facing the federal government. Increasingly, the program has focused on those major programs and operations that are in urgent need of broad-based transformation and congressional as well as executive

branch action, to ensure that our national government functions in the most economical, efficient, and effective manner possible. Our latest regular update, released in January 2007, highlights 27 troubled areas across government. Many of these areas involve critical public service providers, such as USDA, IRS, and CMS, which provides services to Medicare and Medicaid recipients.

In March 2008 we added the 2010 Census to the list because of the survey's impact on everything from the apportionment of congressional seats to the distribution of billions of dollars of federal funds.

Issued to coincide with the start of each new Congress, our high-risk updates have helped sustain attention from members of the Congress who are responsible for oversight and from executive branch officials who are accountable for performance. Our focus on high-risk problems contributed to the Congress enacting a series of governmentwide reforms to address critical human capital challenges, strengthen financial management, improve IT practices, and instill a more results-oriented government. Overall, our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public.

In fiscal year 2007, we determined that sufficient progress was made to merit removing the high-risk designation from two areas—the U.S. Postal Service transformation efforts and long-term outlook and the Department of Housing and Urban Development's single-family mortgage insurance and rental housing assistance programs. We also designated three new areas as high risk: financing the nation's transportation system, ensuring the effective protection of technologies critical to U.S. national security interests, and transforming federal oversight of food safety. We added the upcoming census to the high-risk list in fiscal year 2008 because of a combination of long-standing deficiencies and emerging challenges, including shortcomings in the U.S. Census Bureau's (Bureau) management of information technology, weak performances by technology that the Bureau plans to use for

data collection, uncertainty of cost estimates, and the elimination of several dress rehearsals activities.

Since our program began, the government has taken high-risk problems seriously and has made progress toward correcting them. The original high-risk list included 14 areas, but over the past 17 years, 33 areas were added, 18 areas were removed, and 2 were consolidated to reach the current 27 areas. DOD continues to dominate the list with 8 high-risk areas of its own and shared responsibility for 7 more. [Table 7](#) lists each current high-risk area and the year it was placed on the high-risk list.

Our high-risk list work in fiscal year 2008:

- 227 reports
- 128 testimonies
- \$26.1 billion in financial benefits

In fiscal year 2008, we issued 227 reports, delivered 128 testimonies to the Congress, and documented financial benefits totaling approximately \$26.1 billion related to our high-risk areas. Included in these results are reviews we completed that examined how the IRS could better enforce tax laws. For example, we made recommendations on how to increase IRS's ability to collect outstanding amounts owed by taxpayers, to improve the accuracy of taxpayer accounts, to reduce the potential for a taxpayer burden, and to reduce the cost associated with interest IRS must pay on refunds issued to taxpayers. Our work analyzing the enforcement of tax laws has resulted in approximately \$5.8 billion in financial benefits. Additionally, we evaluated the implementation and transformation of the Department of Homeland Security (DHS). Some of our significant work in

this area includes reviewing the amount of passenger and property screening costs incurred by airports, air carriers, and private contractors in 2000, and evaluating DHS's progress in implementing requirements to reduce improper over payments to agencies within DHS. Our work in evaluating the implementation and transformation of DHS

resulted in nearly \$1 billion in financial benefits. To learn more about our work on the high-risk areas or to download our January 2007 high-risk update in full, go to <http://www.gao.gov/docsearch/featured/highrisk.html>.

Table 7: GAO's High-Risk List as of September 2008

High-risk area	Year designated high risk
Addressing Challenges In Broad-Based Transformations	
■ Strategic Human Capital Management ^a	2001
■ Managing Federal Real Property ^a	2003
■ Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	1997
■ Implementing and Transforming the Department of Homeland Security	2003
■ Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005
■ DOD Approach to Business Transformation ^a	2005
■ DOD Business Systems Modernization	1995
■ DOD Personnel Security Clearance Program	2005
■ DOD Support Infrastructure Management	1997
■ DOD Financial Management	1995
■ DOD Supply Chain Management	1990
■ DOD Weapon Systems Acquisition	1990
■ FAA Air Traffic Control Modernization	1995
■ Financing the Nation's Transportation System ^a	2007
■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests ^a	2007
■ Transforming Federal Oversight of Food Safety ^a	2007
■ The 2010 Census	2008
Managing Federal Contracting More Effectively	
■ DOD Contract Management	1992
■ DOE Contract Management	1990
■ NASA Contract Management	1990
■ Management of Interagency Contracting	2005
Assessing the Efficiency and Effectiveness of Tax Law Administration	
■ Enforcement of Tax Laws ^a	1990
■ IRS Business Systems Modernization	1995
Modernizing and Safeguarding Insurance and Benefit Programs	
■ Modernizing Federal Disability Programs ^a	2003
■ Pension Benefit Guaranty Corporation Single-Employer Insurance Program ^a	2003
■ Medicare Program ^a	1990
■ Medicaid Program ^a	2003
■ National Flood Insurance Program ^a	2006

Source: GAO.

^aLegislation is likely to be necessary, as a supplement to actions by the executive branch, to effectively address this high-risk area.

General Counsel Decisions and Other Legal Work

In addition to benefiting from our audit and evaluation work, the Congress and the public also benefited from some of our other activities in fiscal year 2008 in the following ways:

- We handled more than 1,500 protests filed by parties who challenged the way individual federal procurements and contracts were handled, and we issued decisions on more than 250 protests addressing a wide range of issues involving compliance with, and the interpretation of, procurement statutes and regulations. For example, we issued decisions concerning the Air Force's contract for aerial refueling tankers⁷ and the Army's \$150 billion Logistics Civil Augmentation Program acquisition⁸ and a number of decisions concerning the Navy's acquisition of shipyard services.⁹
- We issued appropriations law and other legal decisions on, among other things, the purposes for which appropriated funds may be used, potential Antideficiency Act violations, statutory construction of provisions in appropriation acts, and accountability for the use of public funds. Three decisions and opinions stand out. One decision cleared the way for federal agencies to enter into contracts with vendors who provide services at no cost to the government and laid out the necessary provisions for and considerations in using such contracts.¹⁰ Another decision addressed the Antideficiency Act's apportionment requirement and

reminded federal agencies of the need to maintain sound administrative systems of funds control to ensure compliance with apportionment.¹¹ The third opinion addressed the Federal Aviation Administration's (FAA) plan to auction off airport takeoff and landing slots. We found that FAA lacked auction authority under its property disposition, user fee, and other authority, and that if FAA goes forward and uses auction proceeds, this will violate the Antideficiency Act.¹²

- For fiscal year 2008, we received 20 Antideficiency Act reports for our repository and made selected information from these reports publicly available on our Web site. Since Congress amended the Antideficiency Act in December 2004 requiring agencies to send us a copy of reports of Antideficiency Act violations, we have maintained the official repository of Antideficiency Act reports. This year's reports, which also report violations from earlier fiscal years, include a violation reported by the DOE that was first identified in a GAO opinion.¹³
- We continued to report under the Congressional Review Act to the standing committees of jurisdiction of both Houses of Congress on major rules proposed by federal agencies. In addition, in April 2008, we opined that an August 2007 letter issued by CMS, the agency that administers the State Children's Health Insurance Program, was a rule under the Congressional Review Act and could not take effect until it was submitted to the Congress and GAO in accordance with the act's provisions.¹⁴ In May 2008, we testified about the legal opinion before

⁷B-3111344 et. al., June 18, 2008.

⁸B-309752 et. al., Oct. 5, 2007; B-309752.8, Dec. 20, 2007.

⁹B-309996, B-309996.4, Nov. 5, 2007; B-311245.2, B-311245.4, May 16, 2008; B-311245.5, Aug. 4, 2008.

¹⁰B-308968, Nov. 27, 2007.

¹¹B-310108, Feb. 6, 2008.

¹²B-316796, Sept. 30, 2008.

¹³B-308715, Nov. 13, 2007.

¹⁴B-316048, April 17, 2008.

the House Committee on Energy and the Subcommittee on Health, House Committee on Commerce.

- In fiscal year 2008 we issued our second report on presidential signing statements to the Senate Committee on Appropriations and the House Committee on the Judiciary.¹⁵ The report examined 10 provisions of law identified by the committees to which the President took exception in signing statements. The President's objections related to the Fifth Amendment and the Appointments Clause of the U.S. Constitution, the President's theory of the unitary executive, and powers of the Commander in Chief. We found that except in two instances, agencies had either executed, or were planning to execute, the provisions as written; in two instances, the provisions were not triggered. In March 2008, the General Counsel testified on our signing statement reports at a hearing of the Subcommittee on Oversight and Investigations, House Committee on Armed Services.
- In 2008, the Congress established a permanent Contract Appeals Board to resolve appeals on claims by contractors under contracts with legislative branch agencies, such as the Government Printing Office and the Architect of the Capitol. The board is staffed by GAO attorneys, has published and finalized its rules of procedures, and is fully operational.

In 2008 we issued our annual update of volumes I and II of the third edition of *Principles of Federal Appropriations Law*, commonly known as the Red Book. The Red Book is available to the public on GAO's Web site and is considered the primary resource for appropriations law guidance in the

¹⁵B-309928, Dec. 20, 2007.

federal financial community. Volumes I and II of the Red Book each average more than 30,000 inquiries per week on the GAO Web site as attorneys, budget analysts, financial managers, project managers, contracting officers, and accountable officers from all three branches of the government access it to research questions about budget and appropriations law. The third edition will be complete with publication of volume III at the end of 2008. In addition, General Counsel taught a 2-½-day course on appropriations law 24 times this fiscal year to 12 agencies and a number of congressional staff. The course explains the analytical framework for analyzing appropriations law issues to ensure that funds are available for obligation with regard to purpose, amount, and time. To further communication within the appropriations law community across all agencies and within the three branches of government, we hosted our fourth annual appropriations law forum in March 2008, with an analysis of significant decisions and opinions of 2007 and interactive sessions on no-cost contracts and interagency transactions.

- We were also instrumental in drafting the provisions of the Government Accountability Office Act of 2008, which contains important provisions that will help GAO with a variety of human capital and administrative matters. We worked with congressional staff in refining various provisions of the act and detailed explanatory materials for the legislative history.

Assisting with the Upcoming Transition

While we, as a legislative branch agency, have extensive experience helping each new Congress, the Presidential Transition

Act points to us as a resource to incoming administrations as well. The act specifically identifies GAO as a source of briefings and other materials to help presidential appointees make the leap from campaigning to governing by informing them of the major management issues, risks, and challenges they will face.

The goal of our transition planning, begun in fiscal year 2008, is to look across the work we have done and across the scope and breadth of the federal government's responsibilities to offer insights into areas needing immediate attention. We therefore plan to highlight issues that the new President, his appointees, and the Congress will confront from day one. These include immediate challenges ranging from national and homeland security to oversight of financial institutions and markets to a range of public health and safety issues. Our analysis, incorporating our institutional memory across numerous administrations, will be ready by the time the election results are in and transition teams begin to move out.

By the close of the fiscal year, our transition planning efforts focused on providing congressional and executive branch policymakers with a comprehensive snapshot of how things are working across government and emphasizing the need to update some federal activities to better align them with 21st century realities and bring about government transformation. In keeping with our mission, we will be providing the Congress and the executive branch with clear facts and constructive options and suggestions that elected officials can use to make policy choices in this pivotal transition year. We believe the nation's new and returning leaders will be able to use such information to help meet both the nation's urgent issues as well as its long-term

challenges so that our nation stays strong and secure now and for the next generations to follow.

Objectives for GAO's Transition Efforts

- Provide insight into pressing national issues.
- Highlight the growing need for innovative, integrated approaches to solve national and global challenges.
- Document targeted opportunities to conserve resources that can be applied to new initiatives.
- Underscore critical capacity-building needs in individual agencies that will affect implementation of whatever new priorities are pursued.
- Help inform the management improvement agendas of the Congress and the new administration.
- Monitor the implementation of the Presidential Transition Act provisions and identify potential improvements for future transitions.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2008 Performance Goals

Our financial statements for fiscal year 2008 received an unqualified opinion from an independent auditor. The auditor found our internal controls to be effective—which means that no material weaknesses were identified—and the auditor reported substantial compliance with the requirements for financial systems in the Federal Financial Management Improvement Act of 1996. In addition, the auditor also found no instances of noncompliance with the laws or regulations in the areas tested. The statements and their accompanying notes, along with the auditor's report, appear later in this report. [Table 8](#) summarizes key data. Compared with the statements of large and complex agencies in the executive branch, our statements present a relatively simple picture of a small yet very important agency in the legislative branch.

We focus most of our financial activity on the execution of our congressionally approved budget with most of our resources devoted to the human capital needed for our mission of

supporting the Congress with professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information and analysis.

Table 8: GAO's Financial Highlights: Resource Information (Dollars in millions)

	Fiscal year 2008	Fiscal year 2007
Total budgetary resources ^a	\$519.0	\$498.9
Total outlays ^a	\$500.4	\$490.5
Net cost of operations		
Goal 1: Well-being and financial security of the American people	\$201.2	\$177.4
Goal 2: Changing security threats and challenges of globalization	161.1	157.5
Goal 3: Transforming the federal government's role	150.6	146.6
Goal 4: Maximizing the value of GAO	22.6	23.9
Less reimbursable services not attributable to goals	(5.9)	(5.7)
Total net cost of operations^a	\$529.6	\$499.7
Actual FTEs	3,081	3,152

Source: GAO.

^aThe net cost of operations figures include nonbudgetary items, such as imputed pension and depreciation costs, which are not included in the figures for total budgetary resources or total outlays.

Our budget consists of an annual appropriation covering salaries and expenses and revenue from reimbursable audit work and rental income. Our total assets were \$111.3 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. Our annual appropriation for fiscal year 2008 of \$501 million was \$15 million greater than fiscal year 2007. Total liabilities of \$108.4 million were composed largely of employees' accrued annual leave, amounts owed to other government agencies, accounts payable, and employees' salaries and benefits. The greatest change in our liabilities is an

increase of \$5 million in intragovernmental accounts payable as a result of timing differences of billings from government entities. Also, our capital leases increased by \$2.5 million due to new lease purchases, including updated laptop computers.

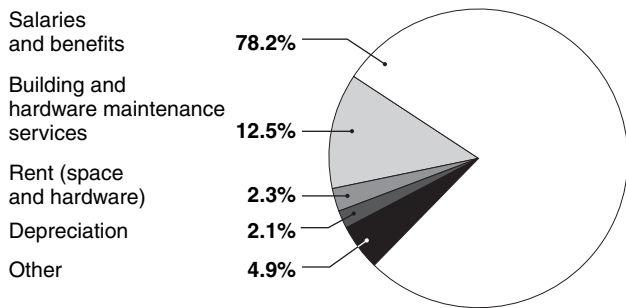
The net cost of operating GAO during fiscal year 2008 and fiscal year 2007 was approximately \$530 million and \$500 million, respectively. Expenses for salaries and related benefits accounted for 78 and 81 percent of our net cost of operations in fiscal years 2008 and 2007, respectively. [Figure 19](#) shows how our fiscal year 2008 costs break down by category.

We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Overall, our net costs of operations increased by \$30 million, due primarily to increases in salaries and benefits as well as IT services and maintenance contract activity.

Our strategic goal 1 (the well-being and financial security of the American people) showed an increase in net costs of \$24 million in fiscal year 2008 compared to fiscal year 2007. This increase in goal 1 net costs reflects additional goal 1 efforts by the following teams: Natural Resources & Environment; Physical Infrastructure; Health Care; and, Education, Workforce, & Income Security.

Figure 19: Use of Fiscal Year 2008 Funds by Category

Percentage of total net costs

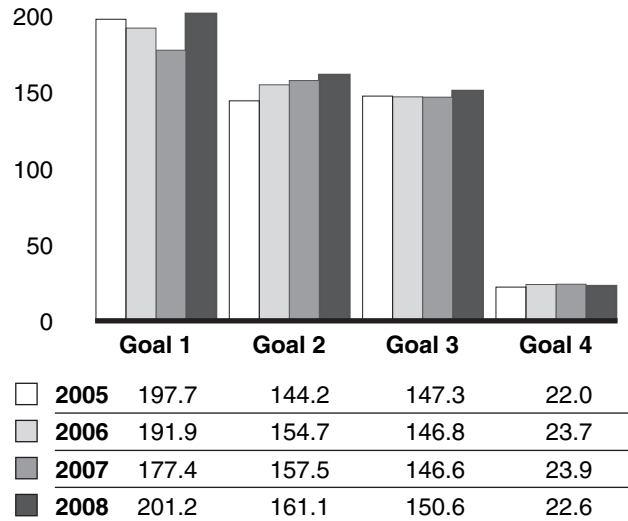


Source: GAO.

Figures 20 and 21 show our net costs by goal for fiscal year 2005 through fiscal year 2008. Figure 20 shows costs unadjusted for inflation, while figure 21 shows the same costs in 2008 dollars, that is, adjusted for inflation.

Figure 20: Net Cost by Goal, Unadjusted for Inflation

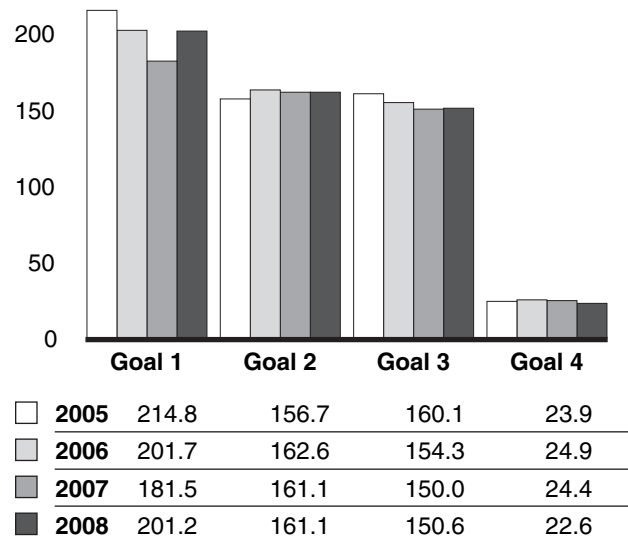
Dollars in millions



Source: GAO.

Figure 21: Net Cost by Goal, Adjusted for Inflation

Dollars in millions



Source: GAO.

Limitation on Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements in this report rests with our managers. The statements were prepared to report our financial position and results of operations, consistent with the requirements of the Chief Financial Officers Act, as amended (31 U.S.C. 3515). The statements were prepared from our financial records in accordance with the formats prescribed in Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. These financial statements differ from the financial reports used to monitor and control our budgetary resources. However, both were prepared from the same financial records.

Our financial statements should be read with the understanding that as an agency of a sovereign entity, the U.S. government, we cannot liquidate our liabilities (i.e., pay our bills) without legislation that provides resources to do so. Although future appropriations to fund these liabilities are likely and anticipated, they are not certain.

Planned Resources to Achieve Our Fiscal Year 2009 Performance Goals

As we go to press on this report, the Congress has not completed action on our fiscal year 2009 budget request. We, as well as most of the federal government, are operating under a continuing resolution appropriation at fiscal year 2008 levels through March 6, 2009, pending enactment of the remaining fiscal year 2009 appropriations bills for the federal government.

Our fiscal year 2009 budget request to the Congress for \$546 million would allow us to continue to perform a range of oversight-,

insight-, and foresight-related engagements to support the Congress in meeting the full range of its constitutional responsibilities and to meet the performance goals outlined in our Strategic Plan. The requested resources will allow us to rebuild our workforce to a level that will position us to better respond to increasing supply and demand imbalances in responding to congressional requests, cover mandatory pay and uncontrollable cost increases, continue to be regarded as an employer of choice, undertake critical investments in technology improvements and other transformational areas, and ensure that we can effectively support the Congress's legislative agenda. Our request represents an increase of about 7.5 percent over our fiscal year 2008 funding level. [Table 9](#) reflects our requested funding level and full-time equivalent (FTE) figures to support the Strategic Plan. We will update our fiscal year 2009 funding and FTE numbers when the final appropriation has been approved by the Congress.

Table 9: Requested Fiscal Year 2009 Budgetary Resources by Strategic Goal

Strategic goal	FTEs	Amount (dollars in millions)
Goal 1: Address challenges to the well-being and financial security of all Americans	1,148	\$195
Goal 2: Respond to changing security threats of globalization	1,073	162
Goal 3: Help transform the federal government's role	898	139
Goal 4: Maximize the value of GAO	132	50
Total	3,251	\$546

Source: GAO.

Our fiscal year 2009 budget request aligns the budget in support of three broad program areas: human capital, engagement support and infrastructure operations. These program areas align with all four of our strategic goals in support of the Congress and the American people. Our budget request will support activities in the following areas:

- **Human capital.** Provides resources to support our most important asset—our employees—and cover salaries and benefits; training and development; awards and recognition; and recruitment and retention programs, such as transit subsidy and student loan repayment programs. Human capital costs represent about 80 percent of our total budgetary resources. For fiscal year 2009, we are requesting funds to support an increase to achieve a staffing level of 3,251 FTEs which will allow us to fill critical vacancies, meet succession-planning needs, rebuild our capacity, and address supply and demand imbalances in responding to congressional requests.
- **Engagement support.** Provides resources for contractual services and staff travel needed to perform engagements resulting from requests from congressional committees, mandates written into legislation, and work initiated under

the Comptroller General's authority to support the Congress's legislative agenda, restore travel to more normal levels, and increase our oversight in the Middle East to provide more timely and responsive information on U.S. activities in the area.

- **Infrastructure operations.** Provides resources to support operational services, such as network and Web support, telecommunications, building management, space lease costs, library and research services, and payroll processing. We plan to allocate 18 percent of our total budget request for infrastructure operations and critical infrastructure initiatives.

Our fiscal year 2009 budget request seeks necessary resources to rebuild and enhance our workforce, knowledge capacity, employee programs, and infrastructure. In the years ahead our support to the Congress will likely prove even more critical based on pressures created by our nation's current and projected budget deficit and growing long-term fiscal imbalances.

Strategic and Annual Work Planning

Through forums and a number of ongoing advisory boards and panels, we gather information and perspectives for our strategic and annual performance planning efforts. In fiscal year 2008, the Comptroller General convened various experts from the public, private, and nonprofit sectors in forums and panels intended to enhance our understanding of emerging issues and to identify opportunities for action. The forums included discussions on strategies for improving federal financial management, the use of risk management in homeland security, and future prospects for our nation's children.

In addition to the forums, our Conversations on 21st Century Challenges speaker series continued to provide us with information from distinguished leaders on issues affecting the United States and its place in the world. Topics covered by the 2008 speakers series included discussion on how demographic, social, and economic forces are bringing America to important crossroads.

Advisory boards and panels also support our strategic and annual work planning by alerting us to issues, trends, and lessons learned across the national and international audit community that we should factor into our work. These groups include the Comptroller General's Advisory Board, whose 40 members from the public and private sectors have broad expertise in areas related to our strategic objectives, and the National Intergovernmental Audit Forum (NIAF). Through the NIAF, chaired by the Comptroller General, and partnering with 10 regional intergovernmental audit forums, we consult regularly with federal inspectors general and state and local auditors. In May 2008, GAO, through the NIAF, collaborated with the Mid-Atlantic Forum to cohost the

Biennial Forum of Government Auditors that promoted discussion of challenges facing the domestic audit and accountability community and served to enhance capacity within that community. Furthermore, through the Domestic Working Group, the Comptroller General and the heads of 18 federal, state, and local audit organizations exchange information, experiences, and best practices and seek opportunities to collaborate.

Internationally, the Global Working Group, comprising the Comptroller General and 18 heads of national audit offices, serves the same purpose as the Domestic Working Group through its annual meeting. In addition, our leadership role in the International Organization of Supreme Audit Institutions (INTOSAI)—the professional organization of the national audit offices in 186 countries—provides further opportunities for us to benefit from international perspectives, insights, and contacts.

To prepare ourselves for the development of GAO's upcoming 2010 through 2015 Strategic Plan, our Strategic Planning and External Liaison office will work closely with our Information Systems and Technology Services team, audit teams, and staff offices to develop and incorporate new approaches into our strategic planning process. Building on our existing strategic planning approach, the target results of these changes will help us:

- increase awareness and shared ownership of the Strategic Plan throughout GAO;
- increase utilization of the Strategic Plan as a management tool within audit teams and with clients;
- enhance resource utilization through shared commitment and implementation across GAO;

- enhance coordination, communication, and collaboration across teams on targeted cross cutting issues;
- enhance links between the Strategic Plan, performance measures, and performance management systems; and
- improve alignment with the Government Performance and Results Act.

Collaborating with Others

By collaborating with others, we have strengthened professional standards, provided technical assistance, leveraged resources, and developed best practices. In our work with INTOSAI, we chair the accounting and reporting subcommittee and are an active member of INTOSAI's auditing standards, internal control, and other technical subcommittees. In addition, we publish INTOSAI's quarterly *International Journal of Government Auditing* in five languages to foster global understanding of standards, best practices, and technical issues. In fiscal year 2008, the journal's expanded Web presence continues to make the publication more useful to INTOSAI members and more accessible to our global readership.

To build capacity in national audit offices around the world, we conduct an annual International Auditor Fellowship Program for mid- to senior-level staff from other countries. The program is in its 29th year, and is designed to strengthen the ability of national audit offices to fulfill their missions and to enhance accountability and governance worldwide. The fellows spend about 4 months with us learning how we are organized to do our work; how we plan our work; and what methodologies we use, particularly for performance audits. Through this program, GAO instructors, mentors, and sponsors become part of a global network

that helps support GAO engagements. Also the goodwill engendered by the program supports public diplomacy. Since the program's inception, over 400 mid- to senior-level officials from counterpart offices of more than 101 countries have graduated. Many of them have become auditors general, deputy auditors general, or government ministers.

Other collaborative activities undertaken by our staff this year are as follows:

- We partnered with the World Bank and the INTOSAI Development Initiative to design, develop, and deliver the Supreme Audit Institution (SAI) Transformation Seminar in November 2007. The seminar brought together auditors general from over 29 developing countries to share knowledge, experience, and best practices on how they can lead transformation efforts to strategically position their institutions to meet evolving challenges. This successful partnership provided us with an opportunity to strengthen public sector financial management and accountability at the global level and provided a prototype seminar that will be replicated regionally by the initiative.
- Under a memorandum of understanding (MOU) with the State Department's (State) Bureau for International Narcotics and Law Enforcement Affairs, we assisted in building the Iraqi Board of Supreme Audit's capacity by sponsoring a modified version of the course of study offered to auditors from around the world through the International Auditor Fellowship Program. In addition, the MOU with State resulted in an Arabic translation of the latest edition of the Yellow Book and related forms and templates used by GAO to assist the Board of Supreme Audit in its efforts to carry out financial and performance audits and fight corruption.

Translated documents will also be used by the 19 member SAIs of the Arabic speaking Arab Office of Supreme Audit Institutions. This program resulted in increased understanding between the U.S. and Iraq's SAI, and opened doors to positive relations between the two as they work to increase accountability for public funds spent in Iraq. Furthermore, this strategic partnership with State provides the foundation for future partnerships with the agency.

- Working in collaboration with the Institute of Internal Auditors, we participated in an IIA-sponsored webcast on professional audit standards. In doing so, we were able to educate a much broader audience domestically and internationally on GAO's revised Yellow Book standards than we otherwise could have using our existing resources.

Using Our Internal Experts

We coordinated extensively within our own organization on our strategic and annual performance planning efforts, as well as on the preparation of our performance and accountability reports. Our efforts are completed under the overall direction of the Comptroller General and the Chief Operating Officer. We relied on our Chief Administrative Officer/Chief Financial Officer and her staff to provide key information, such as the financial information that is included in part III of this report. Her staff also coordinated with others throughout the agency to provide the information on goal 4's results, which appears in part II of this report, and provided input on other efforts dealing with issues that include financial management, budgetary resources, training, and security. We obtained input on all aspects of our strategic and annual performance planning and reporting efforts from each of

our engagement teams and organizational units through their respective managing directors, as well as other staff responsible for planning or engagement activities in the teams. Staff from Quality and Continuous Improvement office prepared the report, ensuring, among other things, that the report responded to comments and suggestions received from the Association of Government Accountants and other reviewers. In short, we involved virtually every part of our agency and used our internal expertise in our planning and reporting efforts.

Internal Management Challenges and Mitigating External Factors That Could Affect Our Performance

At GAO, management challenges are identified by the Comptroller General, the Executive Committee, and the agency's senior executives through the agency's strategic planning, management, and budgeting processes. Our progress in addressing the challenges is monitored through our annual performance and accountability process. Under strategic goal 4, we establish performance goals focused on each of our management challenges, track our progress in completing the key efforts for those performance goals quarterly, and report each year on our progress toward meeting the performance goals. Each year we ask our IG to examine management's assessment of the challenges and the agency's progress in addressing them. (See [part IV](#) for the IG's assessment.)

For fiscal year 2008, we continued to address three management challenges—physical security, information security, and human capital. We anticipate that we will continue to need to address all three challenges in future years because they are evolving

and will require us to continually identify ways to adapt and improve. We will report any changes as we monitor and report on our progress in addressing the challenges through our annual performance and accountability process. The following sections describe our recent and planned efforts to address these challenges.

Physical Security Challenge

The impact of domestic and international events, both ongoing and anticipated, continues to present us with a physical security challenge, including emergency preparedness issues, now and in the foreseeable future. To strengthen our ability to protect our people and our assets, we must constantly assess our physical security profile and continuity of operations programs vis-à-vis the domestic and international climate. Our Office of Emergency Preparedness and our Office of Security have built and will continue to build on our previous efforts, identifying and implementing improvements and pursuing new initiatives to protect our workers and assets and ensure continuity of operations. During fiscal year 2008, we

- strengthened our continuity of operations program by documenting policy and program requirements;
- staffed a number of new continuity components, including a command and control team, an evacuation/Shelter in Place (SIP) Team, and an Information Systems and Technology Services (ISTS) contingency team to handle information technology failures;
- conducted a security assessment (through an independent contractor) on a full range of security disciplines to examine

the effectiveness of recent improvements and provide recommendations for future enhancements;

- strengthened our emergency readiness in headquarters through training, exercises, and drills (e.g., evacuations, SIP drills, and tests of the Web Emergency Operation Center administration);
- enhanced security in our field offices through training for staff on continuity and the GAO automated phone notification system;
- enhanced communications with our workforce (e.g., updated/revised information on posters, reference guides, Web sites, and labels designating SIP areas; sponsored the national preparedness month fair; and implemented emergency e-mail and automated phone notification capabilities);
- coordinated emergency preparedness activities with a number of federal and local entities;
- completed a multiyear project with the General Services Administration's Federal Systems Integration and Management Center involving Integrated Electronic Security System upgrades (e.g., installing upgraded cameras, card readers, and electronic turnstiles); and
- launched a new building access card system as our first step toward Homeland Security Presidential Directive 12 (HSPD-12) compliance.

To continue to improve our physical security profile, strengthen our efforts to become a model security agency, and address the continuing and future issues that will challenge us in upcoming years, in fiscal year 2009 we will

- assess the results of the independent security assessment, vet the recommendations, and implement changes as necessary;
- assess the results of the field office security survey and plan for the logical integration of physical security systems from the field offices to headquarters' integrated electronic security system; and
- continue our incremental implementation of HSPD-12 with the completion of contractor and employee personnel security investigations.

Information Security Challenge

Given the constantly evolving nature of threats to information and information system assets, information security will continue to be a management challenge for us and all government and private sector entities in the foreseeable future. While we are not required by law to comply with the Federal Information Security Management Act (FISMA), we have adopted FISMA requirements to help us meet the challenges posed in ensuring information system security.

Our overall goal is to ensure that information protection requirements extend across the life cycle of documentation: from data collection, report production, and data transmission and storage to the eventual archiving and disposal of data. In support of this goal, Information Security in the Office of Security and Information Systems Security in ISTS manage the Information Security Program and the Information Systems Security Program, respectively. These programs work together to address the full range of requirements associated with securely accessing, handling, storing, and disposing of classified and sensitive national security

information stored electronically and on paper. They also work hand-in-hand to educate staff on handling sensitive information and raise awareness of the need to maintain appropriate security to reduce the risk of compromise of such information.

In fiscal year 2008, we strengthened our information security by

- partnering several of our units to develop and deliver an integrated information security awareness education and training program to staff;
- establishing a dedicated Information Security Branch responsible for general information security support, security education, security inspections, and the newly certified Sensitive Compartmented Information Facility, and a formal agencywide Security Manager Program intended to focus and improve security education and awareness at the team level;
- enhancing our inventory controls over physical IT assets and improving our processes and procedures to manage receipt, storage, and issuance of equipment;
- improving our assessment of systems operated on behalf of GAO by third parties by developing guidance and testing our procedures for conducting site visits and validating the protection of GAO information based upon established standards from OMB, the National Institute of Standards and Technology, and the Federal Information Security and Management Act;
- reinforcing oversight, review, and remediation of potential weaknesses identified during audits and the certification of information systems;

- implementing encryption in the images of our new workstations to protect data on our laptops and on mobile media, such as USB flash drives;
 - consolidating disparate workstation security applications with an integrated software suite to improve standards and provide for more effective enterprisewide systems security management;
 - increasing our capability to screen Internet traffic for potential threats and remove those threats before they infect our workstations; and
 - improving our network monitoring capability to detect unauthorized intrusions and our ability to effectively monitor information system assets by upgrading our enterprise event correlation application.
- implementing new and updated security guidance from the National Institute of Standards and Technology and OMB;
 - refining our security processes and procedures, enhancing our contingency operations, and identifying and implementing appropriate new technologies to improve our ability to respond to changing threats;
 - integrating our privacy program privacy assessments into the systems security assessment process; and
 - refining the information systems inventory based upon the requirements from multiple programs, such as security, privacy, and enterprise architecture to facilitate the varied perspectives of our information system protection requirements.

We will further strengthen our information security programs in fiscal year 2009 to ensure our capability to address continuing and future issues by

- enhancing the security education and awareness programs by adding security awareness training for staff that includes recurring presentations by senior management and focused role-based instructions;
- identifying additional data protection encryption and identity management options to provide better control of access to the GAO network and information;
- providing increased vigilance in the centralized auditing of network servers and devices through additional auditing staff resources, automated tools, and notebook computer security controls;

Human Capital Challenge

As a leader in human capital management in the federal government, GAO's human capital programs are scrutinized by others seeking to learn from our experience and expertise. We strive to ensure that the design and implementation of our programs are consistent with four key elements we have identified as critical to human capital management—leadership; strategic human capital planning; acquiring, developing and retaining talent; and results-oriented organizational culture—and that we follow our own advice and guidance. It is a high bar for success and presents added challenges and opportunities in developing, implementing and managing human capital programs and initiatives, particularly those involving significant change management such as pay and performance. We expect that human capital will remain a management challenge for 2009 and into the foreseeable future.

We depend on a talented and diverse, high-performing, knowledge-based workforce to accomplish our work and carry out our mission in support of the Congress. Attracting and retaining the best is a top priority and a key challenge as we look for opportunities to improve our strategies and leverage what works well during this period of steadily rising competition for talent among knowledge-based organizations. While we continue to be highly successful in attracting talent and our attrition rates remain steady, we are beginning to see the impact of changing demographics and workplace expectations. Younger staff appear to be less likely to make a long-term workplace commitment, while at the same time mid- and senior-level staff with great institutional knowledge are becoming retirement eligible in greater numbers. We recognize that one of our current and future challenges is to continue to reexamine our recruitment and retention strategies and flexibilities.

This past year we contracted with the Ivy Planning Group to examine the differences in average performance appraisals between African American and Caucasian analysts. The Ivy Planning Group delivered its report in April 2008; the report included over 25 recommendations and many helpful insights. The Acting Comptroller General expressed his commitment to addressing each of the recommendations, with immediate attention to creating a more inclusive work environment for all staff, reassessing how we evaluate performance, and refining recruiting and hiring practices. Specific actions that we have taken in 2008 and plan to take in 2009 are described later in this section.

This past year was our first in a labor relations environment. Upon the establishment of the GAO Employee Organization, International Federation

of Professional and Technical Engineers (IFPTE), we committed to bargain in good faith and establish and maintain a positive working relationship with the union. Our first challenge was to successfully negotiate the first pay agreement affecting 2008 salaries with the union's Interim Council and to reach an interim collective bargaining agreement. Our demonstrated commitment to a mutually cooperative working relationship has positioned us well as we begin negotiations on the first formal collective bargaining agreement.

Also this year, we have worked closely with our congressional oversight committee on compensation issues and other agency management issues. The GAO Act of 2008, which passed in September 2008, contains important provisions that will help GAO with a variety of human capital and administrative matters. We are currently working to implement the provisions, several of which specifically deal with pay issues from prior years. For example, the Act establishes a floor guarantee for all staff (except those in the developmental pay plans and Senior Executive Service/Senior Level (SES/SL)) that provides that staff will, at a minimum, receive the General Schedule (GS) pay increase for the locality in which their office is located; provides for certain of our employees to receive retroactive lump sum payments and pay adjustments if they did not receive at least 2.6 percent and 2.4 percent base pay increases in 2006 and 2007, respectively; and authorizes us to increase the highest basic pay rate paid to our employees—other than those in the SES/SL cadre—from GS-15, step 10, to Executive Level III for certain positions.

To further address these and other human capital issues, we continued to strengthen our human capital programs and processes this fiscal year, by:

- Conducting an analysis of the agency's diversity profile and programs and issuing the 2008 Workforce Diversity Plan. The plan recognizes that our workforce is diverse, and we have made gains in many areas, such as in the number of women and African Americans at senior levels which exceeded the civilian labor force levels and among our predominant occupations, where diversity exceeded the relevant civilian labor force levels. The plan also identifies a number of priority action steps for 2008 and 2009 grouped around three goals: recruiting more Hispanics, African Americans, and staff with disabilities; enhancing staff development opportunities that prepare staff for upper level positions; and creating a more inclusive environment.
 - Initiating a full, systematic, and inclusive review of the performance appraisal system. In looking to identify what works, what does not, and what could be done better, the assessment addresses concerns raised by the Ivy Planning Group and will look for both long- and short-term improvements. As an interim measure for the fiscal year 2008 performance appraisal cycle, we implemented a number of improvements that the Ivy Planning Group had recommended, including developing standard guidelines for team/unit performance appraisal reviews and requiring training for all our designated performance managers.
 - Developing a framework for management improvement initiatives identified to address the Ivy Planning Group recommendations, as well as recommendations we received from our partners and managers for creating a more inclusive work environment. We established a coordinating committee of GAO executives to oversee the efforts to reassess how we evaluate performance, refine our recruiting and hiring practices, manage workload, streamline processes, enhance staffing practices, and develop the workforce.
 - Establishing the GAO Diversity Committee, in conjunction with the GAO Employee Organization, IFPTE, and the Employee Advisory Committee, to provide a forum for raising and addressing the diversity issues and concerns of the staff.
 - Implementing a new integrated leadership program for managers that provides a systematic process for developing critical dimensions of leadership identified in an internal 2007 study.
 - Developing feedback tools for all levels of management and linking feedback to specific developmental programs designed to improve performance in critical dimensions of leadership.
 - Initiating a study to identify the cost of new staff turnover and any systemic issues that could impact our ability to balance a growing workload with our staffing resources.
- Significant efforts planned for continuing to meet this challenge in fiscal year 2009 include
- implementing initiatives identified in our framework for management improvement in the areas of recognizing and valuing diversity, addressing workload demands and staffing practices, and strengthening our recruitment and retention programs;
 - enhancing leadership, supervisory, coaching, and development skills of staff;
 - implementing the provisions of the GAO Act of 2008;

- implementing the action items identified in GAO's Workforce Diversity Plan and updating the plan for 2009;
- completing an agencywide review of our performance appraisal system and developing and implementing an action plan for additional short- and long-term improvements;
- reviewing our compensation programs including performance-based compensation approaches and market-based pay;
- working cooperatively and productively with the GAO Employee Organization, IFPTE, to negotiate the first collective bargaining agreement; and
- improving the efficiency and effectiveness of the Human Capital Office to support our human capital initiatives.

Mitigating External Factors

Several external factors could affect the achievement of our performance goals, including the amount of resources we receive, shifts in the content and volume of our work, and national and international developments. 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 unusual events, the mix of work we are asked to undertake may change, diverting our resources from some strategic objectives and performance goals. We can and do mitigate the impact of these events on the achievement of our goals in various ways. For example in fiscal year 2008, we

- continued to track current events (such as vulnerabilities in the nation's food supply system, gas and oil price increases, and the quality of health facilities and services for soldiers returning from military conflicts abroad) and communicated frequently with our congressional clients in order to be alert to possibilities that could shift the Congress's priorities or trigger new priorities;
- quickly redirected our resources when appropriate (i.e., to respond to a record number of requests for our senior executives to testify on our current and past work covering a wide range of topics, such as the Global War on Terrorism) so that we could deal with major changes as they occurred;
- maintained broad-based staff expertise (i.e., in our financial markets, accounting, economics, Social Security, health care financing, and homeland security areas) so that we could readily address emerging needs; and
- initiated evaluations under the Comptroller General's authority to self-initiate engagements on a limited number of selected topics, including the status of Iraq's reconstruction efforts and high-risk list update work.

However, congressional demand for our analysis and advice is strong and will likely increase. The total number of requests in fiscal year 2007 was up 14 percent from the preceding year, and this increase remained about the same from fiscal year 2007 through fiscal year 2008. As an indicator of future congressional demand, potential mandates for our work being included in proposed legislation as of September 30, 2008, totaled over 800, a 40 percent increase from a similar period in the 109th Congress. For example:

- Over 160 new mandates for our reviews were imbedded in law, including the Consolidated Appropriations Act of 2008 and the Defense Appropriations Act of 2008.
- New recurring responsibilities were given to us under the Honest Leadership and Open Government Act of 2007 to report annually on lobbyists' compliance with registration and reporting requirements. Also, the Emergency Economic Stabilization Act directs us to report to the Congress every 60 days findings from our oversight of the activities and performance of TARP and to conduct an annual financial audit of the program. The act also mandates a one-time report to the Congress on the role that leveraging and sudden deleveraging of financial institutions played in the nation's financial crisis spurred by subprime home loans.
- Expanded bid protest provisions applied to us that (1) allow federal employees to file protests concerning competitive sourcing decisions (A-76), (2) establish exclusive bid protest jurisdiction at GAO over issuance of task and delivery orders valued at over \$10 million, and (3) provide GAO bid protest jurisdiction over contracts awarded by the Transportation Security Administration. Further evidence of our help in providing important advice to the Congress is found in the increased numbers of GAO appearances at hearings on topics of national significance and keen interest.

Our staff are stretched in striving to meet Congress's increasing needs. Given the difficult federal budget decisions that lie ahead, the Congress is likely to place increasing emphasis on fiscal constraint. While it is unclear how we will ultimately be affected, it is reasonable to assume that any attempt to exercise additional budgetary

discipline in the legislative branch will include 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 us. In addition, as we stated previously, almost 80 percent of our budget is composed of people-related costs, and 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, our executive team is engaged in a range of related planning activities.

Another external factor that affects our ability to serve the Congress is the extent to which we can obtain access to information that plays an essential role in our ability to report on issues of importance to the Congress and the American people. Most departments and agencies are very cooperative with our requests for information. However, our experience with some agencies, such as the Department of Homeland Security (DHS), CMS, and the Department of Justice, has proven more challenging. For instance, unlike our interactions with many other agencies, most of our interactions with DHS are layered and time-consuming. DHS's processes for working with us include extensive coordination among program officials, liaisons, and attorneys at the departmental and component levels and centralized control for all incoming GAO requests for information and outgoing documents.¹⁶ In response to a fiscal year

¹⁶See, GAO, *Department of Homeland Security: Observations on GAO Access to Information on Programs and Activities*, GAO-07-700T (Washington, D.C.: Apr 25, 2007).

2008 appropriations restriction¹⁷ directing DHS to revise its departmental guidance to include expedited time frames, providing us timely and complete access to records and interviews, DHS revised its departmental guidance concerning relations with us in July 2008. While GAO does not view the revised procedures as constituting a “significant streamlining” of the process, we will closely monitor how the revised procedures are implemented. We appreciate the interest of the Congress in helping to ensure that we obtain access to information and the efforts by agencies to cooperate with our requests. We will continue to work to identify opportunities for strengthening our access to information as necessary and appropriate.

¹⁷The Department of Homeland Security Appropriations Act, 2008 (Pub. L. No. 110-161, 121 Stat. 1884, 2042-43 (2007)) made \$15,000,000 unavailable for obligation until the Secretary certifies and reports that DHS has revised departmental guidance concerning relations with GAO. The object of the statutory provision is to provide expedited time frames for providing GAO timely and complete access to records and interviews and a “significant streamlining” of the review process for document and interview requests.

Serving the Congress and the Nation



Source: GAO.

PART II

PERFORMANCE INFORMATION

Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2008 performance results. Specifically, for goals 1, 2, and 3—our external goals—we present performance

results for the three annual measures that we assess at the goal level. Most teams and units also contributed toward meeting the targets for the agencywide measures that were discussed in part I of this report.

GOAL I OVERVIEW

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

Source: See Image Sources.

Our first strategic goal upholds our mission to support the Congress in carrying out its constitutional responsibilities by focusing on work that helps address the current and emerging challenges affecting the well-being and financial security of the American people and American communities. Our multiyear (fiscal years 2007-2012) strategic objectives under this goal are to provide information that will help address

- the health needs of an aging and diverse population;
- lifelong learning to enhance U.S. competitiveness;
- benefits and protections for workers, families, and children;
- financial security for an aging population;
- a responsive, fair, and 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, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov/sp.html>. The work supporting

these objectives was performed primarily by headquarters and field office staff in the following teams: Education, Workforce, and Income Security; Financial Markets and Community Investment; Health Care; Homeland Security and Justice; Natural Resources and Environment; and Physical Infrastructure. In line with our performance goals and key efforts, goal 1 staff reviewed a variety of programs affecting the nation's students and schools, employees and workplaces, health providers and patients, and social service providers and recipients. In addition, goal 1 staff performed work for our congressional clients related to improving the nation's law enforcement systems and federal agencies' ability to prevent and respond to terrorism and other major crimes.

Selected Work under Goal 1

In our May 2008 report, we found that state nursing home surveys often missed serious care problems that caused harm to vulnerable nursing home residents. In about 15 percent of the state surveys that federal surveyors reviewed, they identified serious care problems that were missed by state surveyors. CMS agreed to implement our recommendations to identify and track all understatement identified by federal surveys. The report also was used by congressional requesters to support legislation to strengthen enforcement for poorly performing nursing homes. (See app. 1, item 1.08.C.)

To accomplish our work under these strategic objectives in fiscal year 2008, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies, such as the Departments

of Education, Health and Human Services, Homeland Security, Transportation, Housing and Urban Development, and the Interior and developed reports and testimonies on the efficacy and soundness of programs they administer.

As shown in [table 10](#), we exceeded the goal 1 performance targets we set in fiscal year 2008 for financial benefits and testimonies but did not meet our nonfinancial benefits target.

Table 10: Strategic Goal 1's Annual Performance Results and Targets

Performance measure	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual	Met/not met	2009 target ^a
Financial benefits (dollars in billions)	\$26.6	\$15.6	\$22.0	\$12.9	\$13.8	\$19.3	Met	\$13.4
Nonfinancial benefits	252	277	268	238	238	226	Not met	231
Testimonies	85	88	97	125	84	124	Met	77

Source: GAO.

^aOur fiscal year 2009 targets for financial and nonfinancial benefits differ from the targets we reported in our fiscal year 2009 performance budget in January 2008. Specifically, we increased our target for financial benefits from \$12.7 billion and lowered the number of nonfinancial benefits from 238 to 231.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year. These averages are shown in [table 11](#). This table indicates that goal 1 nonfinancial benefits have generally risen over time with a moderate decline in fiscal year 2008, while the number of hearings at which we testify has exhibited a more wavelike trend during the 5-year period since fiscal year 2004.

Table 11: Four-Year Rolling Averages for Strategic Goal 1

Performance measure	2004	2005	2006	2007	2008
Financial benefits (dollars in billions)	\$20.8	\$22.5	\$22.0	\$19.3	\$17.5
Nonfinancial benefits	226	243	254	259	252
Testimonies	87	91	88	99	109

Source: GAO.

The following sections describe our performance under goal 1 for each of these three quantitative performance measures and describe the targets for fiscal year 2009.

Financial Benefits

Example of Goal 1's Financial Benefits

We recommended that the U.S. Department of Agriculture (USDA) develop and analyze options for simplifying requirements for determining Food Stamp Program eligibility and benefits in order to help ease program administration and reduce payment errors. The Congress adopted our suggestion in the Farm Security and Rural Investment Act of 2002 by providing the states with the option to use simplified reporting requirements for verifying the accuracy of food stamp recipients' income information. In addition to financial benefits resulting from a substantial decline in USDA's overpayments of food stamp benefits, USDA has found that its share of the states' administrative costs for certifying benefits for food stamp households has dropped by about \$200 million annually, or about \$1 billion, from fiscal years 2003 to 2006. (See app. 1, item 1.12.F.)

The financial benefits reported for this goal in fiscal year 2008 totaled \$19.3 billion, which exceeded the target of \$13.8 billion by about \$5.5 billion. This was due in large part to the unanticipated financial benefits that accrued from our work pertaining to spectrum auctions. We describe this and other goal 1 accomplishments in the [goal 1 section](#) of appendix 1.

Because financial benefits often result from work completed in prior years, we set our fiscal year 2009 target on the basis of our assessment of the progress agencies are making in implementing our past recommendations. Our analysis indicates that financial benefits in the future for goal 1 are likely to decrease from fiscal year 2008. However, we have set the target for fiscal year 2009 at \$13.4 billion, rather than at \$12.7 billion as reported in our fiscal year 2009 performance plan as a result of multiyear financial benefits that may accrue from certain work in this area.

Nonfinancial Benefits

Nonfinancial benefits reported for goal 1 in fiscal year 2008 included 209 actions taken by federal agencies to improve their services and operations in response to our work and another 17 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 226 nonfinancial benefits did not meet our target of 238. We report some of our major nonfinancial accomplishments in detail in the [goal 1 section](#) of appendix 1.

Example of Goal 1's Nonfinancial Benefits

We found that the Department of Education did not have an effective system for monitoring and preventing abusive student loan practices within the Federal Family Education Loan Program (FFELP). Specifically, we identified weaknesses in the Department of Education's enforcement of prohibitions on gifts from student loan companies to schools in exchange for companies being placed on schools' "preferred lender" lists. In 2008, the Congress amended the Higher Education Act which includes provisions that define a prohibited gift and require schools to annually report on their preferred lender arrangements and to post a statement on their Web sites noting that the school is required to process loan documents from any eligible lender in FFELP that the student selects. (See app. 1, 1.09.N.)

For fiscal year 2009, we have set a target of 231 for nonfinancial benefits. This target is higher than what goal 1 achieved in fiscal year 2008, but it is consistent with our recognition that we are more likely to achieve more nonfinancial benefits under goals 2 and 3 over the next few years. We decreased this target by 7 compared with the nonfinancial benefits target we reported in our fiscal year 2009 performance plan.

Testimonies

Our witnesses testified at 124 congressional hearings related to this strategic goal, which exceeded the fiscal year 2008 target by 40 testimonies, about 48 percent. Among the testimonies given were those related to weaknesses in the Food and Drug Administration's inspections of foreign manufacturers of medical devices sold in the United States, pension plan fees and the limited information about them, and challenges the Environmental Protection Agency faces in regulating chemicals. (See p. 35 for a list of testimony topics by goal.) We set our fiscal year 2009 target at 77 hearings at which we testify on goal 1 issues because we anticipate a gradual decline in requests for testimony during the year on several topics, such as the Capitol Visitor Center and the nation's transition to digital television.

Example of Goal 1's Testimonies

Our testimony on youth residential facilities highlighted state and federal oversight gaps in residential facilities for more than 200,000 youth seeking help with behavioral or emotional challenges. Based on ongoing work, we focused on systems for monitoring these facilities and the reporting of incidents of maltreatment, as well as facility licensing requirements and standards. State agencies reported an inability to conduct yearly on-site visits to facilities because of fluctuating levels of staff resources dedicated by states, and infrequently sharing negative findings from their oversight results. Federal agencies, including the Departments of Health and Human Services, Justice, and Education, hold states accountable for youth well-being, but we found that federal efforts are hindered by the scope of the agencies' oversight authority and practices. ([GAO-08-696T](#))

GOAL 2 OVERVIEW

Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence

Source: See Image Sources.

The federal government is working to promote foreign policy goals, sound trade policies, and other strategies to advance the interests of the United States and its allies while also seeking to anticipate and address changing threats to the nation's security and economy. Given the importance of these efforts, our second strategic goal focuses on helping the Congress and the federal government respond to various types of threats to our nation and the challenges of global interdependency. Our multiyear (fiscal years 2007-2012) strategic objectives under this goal are to support congressional and agency efforts to

- protect and secure the homeland from threats and disasters,
- 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, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff in the following teams: Acquisition and Sourcing Management, Defense Capabilities and

Management, and International Affairs and Trade. In addition, the work supporting some performance goals and key efforts is performed by headquarters and field staff from the Information Technology, Homeland Security and Justice, Financial Markets and Community Investment, and Natural Resources and Environment teams.

Selected Work under Goal 2

Our June 2008 report found that overall violence, as measured by enemy-initiated attacks, had fallen, but that key legislation had not been enacted and Iraqi spending for reconstruction was still low. We recommended that DOD and the Department of State (State) develop an updated strategy for Iraq that would build on recent gains and address unmet goals. The Congress used our work as part of its oversight on whether U.S. surge forces were achieving their intended outcome—that is, a reduction in violence throughout Iraq that would provide the time and space needed for reconciliation among Iraq's Shi'a, Sunni, and Kurdish peoples. (See app. 1, item 2.24.C.)

To accomplish our work in fiscal year 2008 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to programs that took us across multiple continents, including Europe, Africa, Asia, South America, and North America. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 12](#), we significantly exceeded our fiscal year 2008 performance targets for financial benefits, nonfinancial benefits, and testimonies for this goal.

Table 12: Strategic Goal 2's Annual Performance Results and Targets

Performance measure	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual	Met/not met	2009 target ^a
Financial benefits (dollars in billions)	\$9.7	\$12.9	\$12.0	\$10.3	\$11.3	\$15.4	Met	\$12.7
Nonfinancial benefits	369	365	449	468	322	468	Met	344
Testimonies	70	42	68	73	69	96	Met	64

Source: GAO.

^aOur fiscal year 2009 targets for these three measures differ from the targets we reported in our fiscal year 2009 performance budget in January 2008. Specifically, we increased our target for financial benefits from \$11.3 billion, nonfinancial benefits from 322, and the number of hearings at which we testify from 62.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year and are shown in [table 13](#). This table indicates that goal 2 financial benefits, nonfinancial benefits, and testimonies have steadily increased over the last 5 years.

Table 13: Four-Year Rolling Averages for Strategic Goal 2

Performance measure	2004	2005	2006	2007	2008
Financial benefits (dollars in billions)	\$8.9	\$9.5	\$10.4	\$11.2	\$12.7
Nonfinancial benefits	262	306	364	413	438
Testimonies	48	50	57	63	70

Source: GAO.

The following sections describe our performance under goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2009.

Financial Benefits

Example of Goal 2's Financial Benefits

Analyzing both the fiscal year 2008 base budget as well as the Global War on Terrorism budget, we provided the Congress with information identifying activities where funding reductions were appropriate. For example, our analysis revealed that the Army's request for tactical radios exceeded approved objectives. Our work supported reductions of about \$1.4 billion in the base budget and nearly \$4 billion in the Global War on Terrorism budget. (See app. 1, item 2.12.F.)

The financial benefits reported for this goal in fiscal year 2008 totaled \$15.4 billion, exceeding the target by \$4.1 billion. Among other things, these accomplishments stemmed from engagements related to agency actions to reduce overpricing in federal contracts for goods and services and our assessment of the reasonableness of the Department of Defense's (DOD) fiscal year 2008 budget request. We describe these and other accomplishments in the [goal 2 section](#) of appendix 1.

Given the large portion of the U.S. budget that defense spending consumes, we expect our work under this goal to continue to produce economies and efficiencies that yield billions of dollars in financial benefits for the American people each year. We set our fiscal year 2009 target at \$12.7 billion based on our assessment of the progress agencies are making in implementing our past recommendations that might yield financial benefits and our 4-year rolling average.

Nonfinancial Benefits

The nonfinancial benefits reported for goal 2 in fiscal year 2008 included 419 actions taken by federal agencies to improve their services and operations in response to our

recommendations and another 49 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 468 nonfinancial benefits greatly exceeded our target of 322. Our success in this area arose from our increased emphasis on follow-up efforts and increased monitoring of our progress toward the targets throughout the year. Some of our major accomplishments are reported in detail in the [goal 2 section](#) of appendix 1.

Example of Goal 2's Nonfinancial Benefits

During fiscal year 2008, we reported that DOD has yet to establish (1) a strategic planning process that results in a comprehensive, integrated, enterprisewide plan or set of plans to guide transformation and (2) a senior official who can provide full-time attention and sustained leadership to transformation. The Congress recognized the need for executive-level attention to business transformation matters and, in the National Defense Authorization Act for Fiscal Year 2008, assigned Chief Management Officer (CMO) responsibilities to the Deputy Secretary of Defense, established a full-time Deputy CMO position, and assigned CMO responsibilities within the military departments. Also, DOD has taken steps to improve its planning process and to implement the CMO legislation. (See app. 1, item 2.17.N.)

Looking ahead, our assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to set our fiscal year 2009 target at 344. While we increased this target by 22 over the target we reported for goal 2 in our fiscal year 2009 performance plan, we also recognize that this target is lower than our fiscal year 2008 actual performance and 4-year average for this measure. We believe that this target will best enable staff to stretch to capture the full range of nonfinancial benefits resulting from our goal 2 work without encouraging staff to document benefits of a more narrow scope or significance.

Testimonies

Our witnesses testified at 96 congressional hearings related to this strategic goal in fiscal year 2008, exceeding our target of presenting testimony at 69 hearings. Among other things, we testified on the lack of sufficient oversight over billions of U.S. coalition support fund dollars provided to Pakistan and DOD's oversight and management of contractors supporting military forces in the future. (See p. 35 for a list of testimony topics by goal.) We have set our target at 64 for presenting testimony at hearings in fiscal year 2009, less than the fiscal year 2008 actual performance, because we anticipate fewer hearings during the first session of the next Congress. However, we anticipate 2 hearings more than the target we reported in our fiscal year 2009 performance plan because of continued congressional interest in our work on homeland security issues and U.S. efforts to stabilize and rebuild Afghanistan, Iraq, and Pakistan.

Example of Goal 2's Testimonies

Extended operations in Iraq and elsewhere have had significant consequences for military readiness, such as increased length of deployments and frequency of mobilizations, which may affect recruiting and retention as well as the availability of equipment to nondeployed troops to meet other needs. A common theme in our work has been the need for DOD to take a strategic approach to decision making that promotes transparency and ensures that programs and investments are based on sound plans with measurable goals, validated requirements, prioritized needs, and performance measures to gauge progress against goals. As a result, we recommended that DOD develop near-term plans for improving readiness by among other things creating an investment strategy linking needs to funding requests. Congress has taken specific actions to give greater attention to readiness, including requiring DOD to develop a plan for rebuilding readiness. (GAO-08-497T)



GOAL 3 OVERVIEW

Help transform the federal government's role and how it does business to meet 21st century challenges

Our third strategic goal focuses on the collaborative and integrated elements needed for the federal government to achieve results. The work under this goal highlights the intergovernmental relationships that are necessary to achieve national goals. Our multiyear (fiscal years 2007-2012) strategic objectives under this goal are 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, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff from the Applied Research and Methods, Financial Management and Assurance, Information Technology, and Strategic Issues teams. In addition, the work supporting some performance goals and key efforts is performed by headquarters and field

staff from the Acquisition and Sourcing Management and Natural Resources and Environment teams. This goal also includes our bid protest and appropriations law work, which is performed by staff in General Counsel, and our vulnerability assessments and fraud investigations, which are conducted by staff from our Forensic Audits and Special Investigations unit within the Financial Management and Assurance team.

Selected Work under Goal 3

In our March 2008 testimony, we placed the 2010 Census on GAO's list of high-risk federal programs because of the following problems—long-standing weaknesses in the U.S. Census Bureau (Bureau) information technology acquisition and contract management function, risks associated with the performance of the handheld computers to collect data, and uncertainty over the cost of the census. Our work has helped the Bureau identify risks and improve the performance of key census-taking activities. We have recommended numerous actions, and the Bureau is addressing some of these issues. Among other examples, on April 3, 2008, the Bureau announced a major redesign of the 2010 Census. (See app. 1, item 3.06.C.)

To accomplish our work under these four objectives, we plan to conduct audits, evaluations, and analyses in response to congressional requests and to carry out work initiatives under the Comptroller General's authority to self-initiate engagements. As in the past, we will develop reports, testimonies, and briefings on our work.

As shown in [table 14](#), we significantly exceeded our fiscal year 2008 performance targets for financial benefits, nonfinancial benefits, and testimonies for this goal.

Table 14: Strategic Goal 3's Annual Performance Results and Targets

Performance measure	2004 actual	2005 actual	2006 actual	2007 actual	2008 target	2008 actual	Met/not met	2009 target ^a
Financial benefits (dollars in billions)	\$7.6	\$11.0	\$17.0	\$22.8	\$14.9	\$23.4	Met	\$15.9
Nonfinancial benefits	576	767	625	648	590	704	Met	625
Testimonies	60	47	73	74	67	77	Met	56

Source: GAO.

^aOur fiscal year 2009 targets for these three measures differ from the targets we reported in our fiscal year 2009 performance budget in January 2008. Specifically, we slightly decreased our targets for financial benefits and hearings at which we testify from \$16 billion and 61, respectively. We also increased our target for nonfinancial benefits from 590.

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 15](#)—which minimize the effect of an unusual level of performance in any single year. This table indicates that documentation of financial and nonfinancial benefits derived from our work under this goal has generally risen during the 5-year period shown, with a large increase in nonfinancial benefits recorded in 2006 compared with the previous year. The trend in the number of hearings during which our senior executives testified on goal 3 issues is also in an upward direction and indicates a significant increase in testimonies between fiscal year 2006 and 2008.

Table 15: Four-Year Rolling Averages for Strategic Goal 3

Performance measure	2004	2005	2006	2007	2008
Financial benefits (dollars in billions)	\$6.1	\$7.1	\$10.1	\$14.6	\$18.6
Nonfinancial benefits	498	590	630	654	686
Testimonies	56	57	59	64	68

Source: GAO.

The following sections describe our performance under goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2009.

Financial Benefits

Example of Goal 3's Financial Benefits

Since fiscal year 2000, our recommendations have been aimed at raising the level of attention given to improper payments—any federal payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. For fiscal year 2007, 21 agencies reported improper payments totaling about \$55 billion associated with 78 programs, including 19 programs or activities reporting for the first time. (See app. 1, item 3.12.F.)

The financial benefits reported for this goal in fiscal 2008 totaled \$23.4 billion, exceeding our target of \$14.9 billion by over 55 percent. These efforts resulted in increased tax collections based on our review of the Internal Revenue Service's withholding compliance program, reduced appropriations for the construction of a nuclear fuel fabrication facility, and a reduction in improper federal payments governmentwide. We describe these and other accomplishments in the [goal 3 section](#) of appendix 1.

We significantly exceeded the financial benefit target we set for this goal in fiscal year 2008 because we documented several unanticipated, large-dollar accomplishments. The federal government realized these financial benefits as a result of our work that examined, among other issues, DOD's working capital fund and excess property programs and the Capitol Police's asset management project. Our assessments of the executive branch's current efforts to implement the recommendations we made in our work under this goal indicate that financial benefits related to this goal are likely to be in line with our 4-year average. Consequently, we set the target for financial benefits at \$15.9 billion for fiscal 2009, which is only slightly lower than the target we reported in our fiscal year 2009 performance plan.

Nonfinancial Benefits

Example of Goal 3's Nonfinancial Benefits

Beginning in 2005, we have performed investigative work and made recommendations on excess parts and equipment at DOD. For example, we identified instances in which DOD improperly sold F-14 parts to the general public through its excess property system. Iran is the only nation in the world with operable F-14 fighter aircraft and is known to be seeking F-14 parts. The Congress cited our work in introducing legislation prohibiting DOD from selling parts that could be used on the F-14 fighter aircraft. The language was included in the 2008 Defense Authorization Act. These actions have served to improve accountability over sensitive military parts and equipment. (See app. 1, item 3.15.N.)

Nonfinancial benefits reported for goal 3 in fiscal year 2008 included 693 instances in which agencies' core business processes were improved or governmentwide management reforms were advanced because of our work. In addition, there were 11 instances in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 704 nonfinancial benefits exceeded our target of 590. The larger number of nonfinancial benefits occurred mainly in our financial management and information technology areas where we tend to make multiple, specific recommendations for change to more than one entity. We describe some of our major accomplishments in the [goal 3 section](#) of appendix 1.

Our forward-looking assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to set our fiscal year 2009 target at 625. While we recognize that this target is lower than our fiscal year 2008 actual performance and 4-year average for this measure, we believe that this target will best enable staff to stretch to capture the full range of nonfinancial benefits resulting from our goal 3 work without encouraging staff to document benefits of a more narrow scope or significance.

Testimonies

Our witnesses testified at 77 congressional hearings related to this strategic goal in fiscal year 2008, exceeding the target of 67 by about 15 percent. Among the testimonies presented were those related to mismanagement of property at the Indian Health Service, electronic voting systems, and information security at the Department of Veterans Affairs. (See p. 35 for a list of testimony topics by goal.) For fiscal year 2009, we have set a target of presenting testimony at 56 hearings because we expect the level of hearings to be lower than it was in fiscal year 2008.

Example of Goal 3's Testimonies

We testified on our work examining vulnerabilities in the Transportation Security Administration's (TSA) passenger screening process. We conducted covert testing to uncover security gaps in the airline passenger screening process and succeeded in passing through TSA security screening checkpoints undetected with components for several improvised explosive devices and an improvised incendiary device concealed in carry-on luggage and on our persons. We briefed TSA to help it take corrective action to improve its passenger screening program, including aspects of human capital, processes, and technology. (GAO-08-48T)

GOAL 4 OVERVIEW

Maximize the value of GAO by being a model federal agency and a world-class professional services organization

Source: See Image Sources.

The focus of our fourth strategic goal is to make us a model organization. This means that our work is driven by our external clients and internal customers, our managers exhibit the characteristics of leadership and management excellence, our employees are devoted to ensuring quality in our work process and products through continuous improvement, and our agency is regarded by current and potential employees as an excellent place to work. Our multiyear (fiscal years 2007-2012) strategic objectives under this goal are to

- improve client and customer satisfaction and stakeholder relationships,
- lead strategically to achieve enhanced results,
- leverage our institutional knowledge and experience,
- enhance our business and management processes, and
- become a professional services employer of choice.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed under the direction of the Chief Administrative Officer with assistance on specific key efforts provided

by staff from the Applied Research and Methods team and from offices such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, and Public Affairs.

To accomplish our work under these five objectives, we performed internal studies and completed projects that further the strategic goal.

Selected Work under Goal 4

We assisted in building the Iraqi Board of Supreme Audit's capacity through a memorandum of understanding (MOU) with the State Department. Under the MOU we sponsored a modified version of our International Auditor Fellowship program, to enhance the relations between the United States and Iraq as we work to increase accountability for public funds spent in Iraq. (See app. 1, item 4.03.C.)

We fully implemented our new accounting system, Delphi, enhancing our ability to produce auditable financial statements, supporting A-123 compliance, and improving our financial management processes, reporting, and internal controls. (See app. 1, item 4.07.C.)

We initiated an enterprise project to conceptualize, procure, and deploy a single, integrated, enterprise-wide automated system to capture, manage, store, preserve, protect, and deliver information consistent with our quality assurance framework throughout the life cycle of an engagement. (See app. 1, item 4.09.C.)

We requested an independent review of our quality assurance system processes and began implementation of suggested improvements made by an international team of reviewers. (See app. 1, item 4.10.C.)

Data Quality and Program Evaluation

Verifying and Validating Performance Data

Each year, we measure our performance by evaluating our annual performance on measures that cover the outcomes and outputs related to our work results, client service, management of our people, and internal operations. To assess our performance, we used performance data that were complete and actual (rather than projected) for almost

all of our performance measures. We believe the data to be reliable because we followed the verification and validation procedures described here to ensure the data's quality.

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 16](#).

Table 16: How We Ensure Data Quality for Our Annual Performance Measures

Results measures	
Financial benefits	
Definition and background	<p>Our work—including our findings and recommendations—may produce benefits to the federal government that can be estimated in dollar terms. These benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. A financial benefit is an estimate of the federal monetary effect of agency or congressional actions. These financial benefits generally result from work that we completed over the past several years. The funds made available as a result of the actions taken in response to our work may be used to reduce government expenditures, increase revenues, or reallocate funds to other areas. Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action.</p> <p>Financial benefits are linked to specific recommendations or other work. To claim that financial benefits have been achieved, our staff must file an accomplishment report documenting that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within 2 fiscal years prior to the filing of the accomplishment report, (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed, and (4) estimates of financial benefits were based on information obtained from non-GAO sources. 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 certain types of accomplishments known to have multiyear effects, such as those associated with multiyear reductions in longer-term projects, changes embodied in law, program terminations, or sales of government assets yielding multiyear financial benefits. Financial benefits can be claimed for past or future years. For financial benefits involving events that occur on a regular but infrequent basis—such as the decennial census—we may extend the measurement period until the event occurs in order to compute the associated financial benefits using our present value calculator.</p> <p>Managing directors decide when their staff can claim financial benefits. A managing director may choose to claim a financial benefit all in 1 year or decide to claim it over several years, especially if the benefit spans future years and the managing director wants greater precision as to the amount of the benefit.</p>
Data sources	<p>Our Accomplishment Reporting System provides the data for this measure. Teams use this Web-based data system to prepare, review, and approve accomplishments and forward them to our Quality and Continuous Improvement office (QCI) for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total financial benefits agencywide and by goal.</p>

Part II: Performance Information

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 team identifies when a financial benefit has occurred as a result of our work. The team develops estimates based on non-GAO sources, such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office, and files accomplishment reports based on those estimates. When non-GAO estimates are not readily available, teams may use GAO estimates—developed in consultation with our experts, such as the Chief Economist, Chief Actuary, or Chief Statistician, and corroborated with a knowledgeable program official from the executive agency involved. The estimates are reduced by significant identifiable offsetting costs. The team develops workpapers to support accomplishments with evidence that meets our evidence standard, supervisors review the workpapers, and an independent person within GAO reviews the accomplishment report. The team’s managing director or director is authorized to approve financial accomplishment reports with benefits of less than \$100 million.

The team forwards the report to QCI, which reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. QCI provides summary data on approved financial benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments submitted by their staff have been accurately recorded. Our Engagement Reporting System also contains accomplishment data for the fiscal year. In fiscal year 2008, QCI approved accomplishment reports covering 96 percent of the dollar value of financial benefits we reported.

Every year, our Inspector General (IG) reviews accomplishment reports that claim benefits of \$500 million or more. For fiscal year 2008, the IG reviewed accomplishment reports covering 75 percent of the dollar value of financial benefits we reported. 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, the IG reviewed fiscal year 2006 financial benefits of \$100 million or more and found our reporting process to be sound overall. However, the IG recommended improvements to the clarity of certain policies related to reporting financial accomplishments and the documentation supporting selected accomplishment reports. We clarified our guidance and updated our policy manual in fiscal year 2007.

Data limitations

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. Estimates are based on information from non-GAO sources 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.

Nonfinancial benefits

Definition and background

Our work—including our findings and recommendations—may produce benefits to the federal government that cannot be estimated in dollar terms. These nonfinancial benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. Nonfinancial benefits generally result from past work that we completed.

Nonfinancial benefits are linked to specific recommendations or other work that we completed over several years. To claim that nonfinancial benefits have been achieved, staff must file an accomplishment report that documents that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within the past 2 fiscal years of filing the accomplishment report, and (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed.

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 other (nonfinancial) benefits agencywide and by goal.

Verification and validation	<p>Our policies and procedures require us to use the Accomplishment Reporting System to record the nonfinancial benefits that result from our findings and recommendations. Staff in the teams file accomplishment reports to claim that benefits have resulted from our work. The team develops workpapers to support accomplishments with evidence that meets our evidence standard. Supervisors review the workpapers; 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.</p> <p>The team forwards the report to QCI, where it is reviewed for appropriateness. QCI provides summary data on nonfinancial benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments from their staff have been accurately recorded. Additionally, on a periodic basis, the IG independently tests compliance with our process for claiming nonfinancial benefits. For example, the IG tested this process in fiscal year 2005 and found it to be reasonable. The IG also recommended actions to strengthen documentation of our nonfinancial benefits and to encourage the timely processing of the supporting accomplishment reports.</p>
Data limitations	<p>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.</p>
Percentage of products with recommendations	
Definition and background	<p>We measure the percentage of our written products (chapter and letter reports and numbered correspondence) 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.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations and that the Congress and agencies often find such informational reports just as useful as those that contain recommendations. For example, informational reports, which do not contain recommendations, can help to bring about significant financial and nonfinancial benefits.</p>
Data sources	<p>Our Documents 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.</p>
Verification and validation	<p>Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database. We provide our managers 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 related to this performance measure. For example, during fiscal year 2006, the IG tested and determined that our process for determining the percentage of written products with recommendations was reasonable. The IG also recommended actions to improve the process for developing, compiling, and reporting these statistics. We have implemented the IG's recommendations for fiscal year 2007. Since then, we have used the same procedures to compute and report this measure.</p>
Data limitations	<p>This measure is 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.</p>

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 nonfinancial benefits, the Congress or federal agencies must 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 2008 implementation rate is the percentage of recommendations made in fiscal year 2004 products that were implemented by the end of fiscal year 2008). 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 2004 that were implemented in the ensuing years is as follows: 13 percent by the end of the first year (fiscal year 2005), 25 percent by the end of the second year (fiscal year 2006), 42 percent by the end of the third year (fiscal year 2007), and 83 percent by the end of the fourth year (fiscal year 2008).

Data sources

Our Documents 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.

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.

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 inspector general. Recommendations that are reported as implemented are reviewed by a senior executive in 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 that the recommendations they have reported as implemented have been accurately recorded. We also provide to the Congress a database with 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, based on the IG's last review of this measure, the IG determined that our process was reasonable for calculating the percentage of recommendations that had been made in our fiscal year 2002 products and implemented by the end of fiscal year 2006. The IG also recommended actions to improve the process for developing, compiling, and reporting this statistic. In fiscal year 2007, we implemented the IG's recommendation for calculating the percentage of recommendations that had been made in fiscal year 2003 products and implemented by the end of fiscal year 2007. We continue to use this approved process in fiscal year 2008.

Data limitations

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

Client measures	
Testimonies	
Definition and background	The Congress may ask us to testify at hearings on various issues, and these hearings are the basis for this measure. Participation in hearings is one of our most important forms of communication with the Congress, and the number of hearings at which we testify reflects the importance and value of our institutional knowledge in assisting congressional decision making. When multiple GAO witnesses with separate testimonies appear at a single hearing, we count this as a single testimony. We do not count statements submitted for the record when a GAO witness does not appear.
Data sources	The data on hearings at which we testified are compiled in our Congressional Hearing System managed by staff in Congressional Relations.
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, Congressional Relations 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 that the data are complete and accurate. Additionally, on a periodic basis, the IG independently examines the process for recording the number of hearings at which we testified. For example, the IG determined that our process for recording hearings during fiscal year 2006 was reasonable. In fiscal year 2008, we followed the same process for recording hearings.
Data limitations	This measure does not include statements for the record that we prepare for congressional hearings. Also, this 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 target 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.
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 compute the proportion of favorable responses to questions related to timeliness from our electronic client feedback survey. Because our products often have multiple requesters, we often survey more than one congressional staff person per product. Thus, we base our timeliness result on the number of surveys sent out during the fiscal year. We send a survey to key staff working for the requesters of our testimony statements and a survey to requesters of our more significant written products—specifically, engagements assigned an interest level of “high” by our senior management and those requiring an investment of 500 GAO staff days or more. One question on each survey asks the respondent whether the product was delivered on time. When a product that meets our survey criteria is released to the public, we electronically send relevant congressional staff an e-mail message containing a link to a survey. When this link is accessed, the survey recipient is asked to respond to the questions using a five-point scale—strongly agree, generally agree, neither agree nor disagree, generally disagree, strongly disagree—or choose “not applicable/no answer.” For this measure, favorable responses are “strongly agree” and “generally agree.”

Data sources To identify the products that meet our survey criteria (all testimonies and other products that are high interest or involve 500 staff days or more), we run a query against GAO's Documents Database maintained by a contractor. To identify appropriate recipients of the survey for products meeting our criteria, we ask the engagement teams to provide in GAO's Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into our Product by Product Survey Approval Database that is managed by QCI. This database then combines product, survey recipient, and data from our Congressional Relations staff and creates an e-mail message with a Web link to a survey. (Congressional Relations staff serve as the GAO contacts for survey recipients.) The e-mail message also contains an embedded client password and unique client identifier to ensure that a recipient is linked with the appropriate survey. Our Congressional Feedback Database creates a survey record with the product title and number and captures the responses to every survey sent back to us electronically.

Verification and validation QCI staff review a hard copy of a released GAO product or access its electronic version to check the accuracy of the addressee information in the Product by Product Survey Approval Database. QCI staff also check the congressional staff directory to ensure that survey recipients listed in the Product by Product Survey Approval Database appear there. In addition, our Congressional Relations staff review the list of survey recipients entered by the engagement teams and identify the most appropriate congressional staff person to receive a survey for each requester. Survey e-mail messages that are inadvertently sent with incorrect e-mail addresses automatically reappear in the survey approval system. When this happens, QCI staff correct any obvious typing errors and resend the e-mail message or contact the congressional staff person directly for the correct e-mail address and then resend the message. The IG also periodically reviews the timeliness performance measure and last reviewed it in fiscal year 2005—the last year before we began to use the independent feedback from the survey as a basis for determining our timeliness.

Data limitations We do not measure the timeliness of all of our external products because we do not wish to place too much burden on busy congressional staff. Testimonies and written products that met our criteria for this measure represented about 65 percent of the congressionally requested written products we issued during fiscal year 2008. We exclude from our timeliness measure low and medium interest reports requiring fewer than 500 staff days to complete, reports addressed to agency heads or commissions, some reports mandated by the Congress, classified reports, and reports completed under the Comptroller General's authority. Also, if a requester indicates that he or she does not want to complete any surveys, we will not send a survey to this person again, even though a product subsequently requested meets our criteria. The response rate for our client feedback survey is about 25 percent. We received comments from one or more people for about 56 percent of the products for which we sent surveys in fiscal year 2008. In our timeliness calculations for fiscal years 2004 through 2007, we inadvertently included nonresponses to the timeliness question in our client feedback survey. We therefore recalculated the survey results for these fiscal years and for fiscal year 2008.

People measures

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 our strategic goals, projected workload changes, and other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires. The Chief Operating Officer, the Chief Administrative Officer, the Deputy Chief Administrative Officer, the Chief Human Capital Officer, and the Controller meet monthly to monitor progress toward achieving the workforce plan. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.

Data sources The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by the Chief Administrative Office. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from the Department of Agriculture’s (USDA) National Finance Center (NFC) database, which handles payroll and personnel data for GAO and other agencies.

Verification and validation The Chief Administrative Office maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our Chief Administrative Office staff input workforce information supporting this measure into the Chief Administrative Office database. While the database is updated on a daily basis, CAO staff provide monthly reports to the Chief Operating Officer and the Chief Administrative Officer to monitor progress by GAO units in achieving workforce plan hiring targets. The Chief Administrative Office continually monitors and reviews accessions maintained in the NFC database against its database to ensure consistency and to resolve discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the new hire rate. During fiscal year 2008, the IG independently reviewed this process and recommended actions to improve the documentation of the process used to calculate this measure. We have begun developing standard operating procedures to document how we calculate and ensure quality control over data relevant to this measure.

Data limitations There is a lag of one to two pay periods (up to 4 weeks) before the NFC 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 job offers made (excluding unpaid interns, experts/consultants, and reemployed annuitants), the number of offers declined, and the number of individuals who come on board. Our Chief Administrative Office staff maintains a database that contains the job offers made and those accepted or declined. Data on accessions—that is, new hires coming on board—are taken from a database that contains employee data from USDA’s NFC database, which handles payroll and personnel data for GAO and other agencies.

Verification and validation Human capital managers in the Human Capital Office work with the Chief Administrative Office staff to ensure that each job offer made and its outcome (declination or acceptance) is noted in the database that is maintained by Chief Administrative Office staff; periodic checking is performed to review the accuracy of the database. In addition, on a periodic basis, the IG examines our process for calculating the acceptance rate. During fiscal year 2008, the IG independently reviewed this process and recommended actions to improve the documentation of the process used to calculate this measure. We have begun developing standard operating procedures to document how we calculate and ensure quality control over data relevant to this measure.

Data limitations In addition to the data limitations shown under New hire rate, this measure does not include potential offers to paid interns who informally expressed their preference not to work for GAO and others prospective employees who informally declined job offers. Thus, this may overstate the acceptance rate for our offers of employment.

Retention rate

Definition and background We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the complement of attrition. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements.

Data sources Data on retention—that is, people who are on board at the beginning of the fiscal year and people on board at the end of the fiscal year—are taken from a Chief Administrative Office database that contains some data from the NFC database, which handles payroll and personnel data for GAO and other agencies.

Verification and validation Chief Administrative Office staff continually monitor and review accessions and attritions against the contents of their database that has NFC data and they follow up on any discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the retention rate. During fiscal year 2008, the IG reviewed this process and recommended actions to improve the documentation of the process used to calculate this measure. We have begun developing standard operating procedures to document how we calculate and ensure quality control over data relevant to this measure.

Data limitations See [New hire rate](#), [Data limitations](#).

Staff development

Definition and background 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 to ensure the confidentiality of every respondent, 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 questions. To further ensure confidentiality, in fiscal year 2008 the contractor also analyzed the data.

This measure is based on staff’s favorable responses to three of the six questions related to staff development on our annual employee survey. This subset of questions was selected on the basis of senior management’s judgment about the questions’ relevance to the measure and specialists’ knowledge about the development of indexes. Staff were asked to respond to three questions on a five-point scale or choose “no basis to judge/not applicable” or “no answer.”

Data sources These data come from our staff’s responses to an annual Web-based survey. The survey questions we used for this measure ask staff how much positive or negative impact (1) external training and conferences and (2) on-the-job training had on their ability to do their jobs during the last 12 months. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either “very positive impact” or “generally positive impact.” In addition, the survey question asked how useful and relevant to your work did you find internal (Learning Center) training courses. From staff who expressed an opinion, we calculated the percentage of staff selecting the three categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were “very greatly useful and relevant,” “greatly useful and relevant,” and “moderately useful and relevant.”

Beginning in FY 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question. We show the FY 2004 and 2005 data on a separate line so as to indicate that those data are not comparable to the data beginning in FY 2006.

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. In fiscal year 2008, our response rate to this survey was about 76 percent, 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 percentage of favorable responses for staff development. The IG examined this process during fiscal year 2004 and found it to be reasonable. The IG also recommended actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's recommendations. The IG examined this process during fiscal year 2008, but the results of this review are not final at this time.

Data limitations The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion.

The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a Web-based survey for which respondents entered their answers directly into an electronic questionnaire. This approach eliminated the need to have the data keyed into a database by someone other than the respondent, thus removing an additional source of error.

Staff utilization

Definition and background This measure is based on staff's favorable responses to three of the six questions related to staff utilization on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Staff were asked to respond to these three questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." (For background information about our entire employee feedback survey, see [Staff development](#).)

Data sources These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff how often the following occurred in the last 12 months: (1) my job made good use of my skills; (2) GAO provided me with opportunities to do challenging work; and (3) in general, I was utilized effectively. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "very positive impact" or "generally positive impact."

Verification and validation See [Staff development](#), [Verification and validation](#).

Data limitations See [Staff development](#), [Data limitations](#).

Leadership

Definition and background

This measure is based on staff's favorable responses to 10 of 20 questions related to six areas of leadership on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Specifically, our calculation included responses to 1 of 4 questions related to empowerment, 2 of 4 questions related to trust, all 3 questions related to recognition, 1 of 3 questions related to decisiveness, 2 of 3 questions related to leading by example, and 1 of 3 questions related to work life. Staff were asked to respond to these 10 questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." (For background information about our entire employee feedback survey, see [Staff development, Definition and background.](#))

Data sources

These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff about empowerment, trust, recognition, decisiveness, leading by example, and work life as they pertain to the respondent's immediate supervisor. Specifically, the survey asked staff the following questions about their immediate supervisor during the last 12 months: (1) gave me the opportunity to do what I do best; (2) treated me fairly; (3) acted with honesty and integrity toward me; (4) ensured that there was a clear link between my performance and recognition of it; (5) gave me the sense that my work is valued; (6) provided me meaningful incentives for high performance; (7) made decisions in a timely manner; (8) demonstrated GAO's core values of accountability, integrity, and reliability; (9) implemented change effectively; and (10) dealt effectively with equal employment opportunity and discrimination issues. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "always or almost always" or "most of the time."

Verification and validation

See [Staff development, Verification and validation.](#)

Data limitations

See [Staff development, Data limitations.](#)

Organizational climate

Definition and background

This measure is based on staff's favorable responses to 5 of the 13 questions related to organizational climate on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Staff were asked to respond to these 5 questions on a five-point scale or choose "no basis to judge" or "no answer." (For background information about our entire employee feedback survey, see [Staff development.](#))

Data sources

These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff to think back over the last 12 months and indicate how strongly they agree or disagree with each of the following statements: (1) a spirit of cooperation and teamwork exists in my work unit; (2) I am treated fairly and with respect in my work unit; (3) my morale is good; (4) sufficient effort is made in my work unit to get the opinions and thinking of people who work here; and (5) overall, I am satisfied with my job at GAO. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "strongly agree" or "generally agree."

Verification and validation

See [Staff development, Verification and validation.](#)

Data limitations

See [Staff development, Data limitations.](#)

Internal operations measures	
Help get job done and quality of work life	
Definition and background	<p>To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct an annual Web-based survey in November. The customer satisfaction survey on administrative services, conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey we encourage our staff to indicate how satisfied they are with 18 services that help them get their jobs done and another 11 services that affect their quality of work life.</p> <p>As part of the survey, employees are asked to rate, on a scale of 1 (low) to 5 (high), those services that are important to them and that they have experience with or used recently. Then, for each selected service, employees are asked to indicate their level of satisfaction from 1 (low) to 5 (high), and provide a written reason for their rating and recommendations for improvement if desired. Based on employees' responses to these questions, we calculate a composite score.</p>
Data sources	<p>These data come from our staff's responses to an annual Web-based survey. To determine how satisfied GAO employees are with internal administrative services, we calculate composite scores for two measures. One measure reflects the satisfaction with the 18 services that help employees get their jobs done. These services include Internet and intranet services, information technology (IT) customer support, mail services, and voice communication services. The second measure reflects satisfaction with another 11 services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and workplace safety and health. The composite score represents how employees rated their satisfaction with services in each of these areas relative to how they rated the importance of those services to them. The importance scores and satisfaction levels are both rated on a scale of 1 (low) to 5 (high).</p>
Verification and validation	<p>The satisfaction survey on administrative services is housed on a Web site maintained by an outside contractor, and only the contractor has the ability to link the survey results with individual staff. Our survey response rate was 43 percent in 2007. To ensure that the results are largely representative of the GAO population, we analyze the results by demographic representation (unit, tenure, location, band level, and job type). Each GAO unit responsible for administrative services conducts follow-on work, including analyzing written comments to gain a better understanding of the information from the survey. In addition, on a periodic basis, the IG independently assesses the internal operations performance measures. The IG examined the measures during fiscal year 2007 and found the measures reasonable. The IG also recommended actions to improve the measures' reliability and objectivity. We are in the process of implementing the IG's recommendations.</p>
Data limitations	<p>The information contained in the survey is the self-reported opinion of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion. 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.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result, for example, from respondents misinterpreting a question or entering their data incorrectly. Such errors can introduce unwanted variability into the survey results. We limit the chances of introducing nonsampling errors by using a Web-based survey for which respondents' enter their answers directly into an electronic questionnaire. This eliminates the need to have the data keyed into a database by someone other than the respondent.</p>

Source: GAO.

Program Evaluation

To assess our progress toward our first three strategic goals and their objectives and to update them for our strategic plan, we evaluate actions taken by federal agencies and the Congress in response to our recommendations. The results of these evaluations are conveyed in this performance and accountability report as financial benefits and nonfinancial benefits that reflect the value of our work.

In addition, we actively monitor the status of our open recommendations—those that remain valid but have not yet been implemented—and report our findings annually to the Congress and the public (<http://www.gao.gov/openrecs.html>). We use the results of that analysis to determine the need for further work in particular areas. For example, if an agency has not implemented a recommended action that we consider to be worthwhile, we may decide to pursue further action with agency officials or congressional committees, or we may decide to undertake additional work on the matter.

We also use our biennial high-risk update report to provide a status report on those major government operations considered high risk because of their vulnerabilities to fraud, waste, abuse, and mismanagement or the need for broad-based transformation. The report is a valuable evaluation and planning tool because it helps us to identify those areas where our continued efforts are needed to maintain the focus on important policy and management issues that the nation faces. (See www.gao.gov/docsearch/featured/highrisk.html.)

The following evaluations helped us to continuously improve the quality of our work supporting strategic goals 1, 2, and 3 in fiscal year 2008.

- **Annual inspection.** We completed our annual inspection of our quality control system for our performance audit practice during the year ended December 31, 2007. The inspection included reviews of audit documentation from a random sample of performance audit engagements completed in 2007; tests of selected functional areas, such as independence documentation and recruiting and hiring procedures; and interviews with key staff on each select engagement. The inspection team concluded that our quality control system was suitably designed and operating effectively during 2007 to provide us with reasonable assurance that we (1) conformed with *Government Auditing Standards* in conducting our performance audits and (2) provided the Congress and other users of our products with independent, objective, and reliable information. The inspection team did not identify instances where our work was not reliable or contained material errors. However, it did identify a number of areas where compliance with established quality controls could be enhanced, such as improved documentation of contacts with congressional requesters of our work.
- **Peer review of performance audit practices.** An international team with representation from the supreme audit institutions of Canada, Australia, the Netherlands, and the United Kingdom reviewed the quality assurance system that we established for managing our performance audit practice. Our quality assurance system encompasses our organizational structure and the policies and procedures established to provide us with reasonable assurance that we comply with government auditing standards. The peer review team conducted the review in accordance with the peer review standards in *Government Auditing Standards 2003* and early adopted portions of the 2007

revision. They examined our documented policies and procedures relative to applicable professional standards; reviewed documentation for a representative sample of 2007 audits selected from the first 8 months of the year ended December 31, 2007, and interviewed professional and administrative staff. The team also examined the performance of our own inspection process. The peer review team found that our quality assurance system was suitably designed and operating effectively during the year ended December 31, 2007, to provide us with reasonable assurance that our performance auditing practices conform to the government auditing standards used as criteria. The team completed its review over a 7-month period.

■ **Peer review of financial audit practices.**

An independent accounting firm reviewed our system of quality control for the accounting and auditing practices we use to perform our financial audit work and attestation engagements that was in effect for the year ended December 31, 2007. The firm conducted its review in accordance with standards established by the Peer Review Board of the American Institute of Certified Public Accountants and government auditing standards. The firm reviewed relevant documentation, policies, and procedures pertaining to our financial audits and interviewed our staff who perform and manage our financial audits. The firm also selected a sample of financial audit engagement and administrative files to test for conformity with professional standards and compliance with our own systems of quality control. The engagements selected represented a reasonable cross section of our accounting and auditing practice with emphasis on high-risk engagements. The accounting firm found that our system of quality control for the financial accounting and

auditing practice ended December 31, 2007, was designed to meet the requirements of the applicable quality control standards used as criteria for its review. The independent audit firm completed its review in 4 months.

We also completed two key evaluations related to goal 4's strategic objectives. These studies resulted in internal products or briefings in fiscal year 2008 that are not available publicly.

- **Financial management practices and processes.** We have a comprehensive management control program to meet the objectives of the Federal Managers' Financial Integrity Act, even though, as part of the legislative branch of the federal government, we are not legally required to do so. The program includes an integration of management controls into our financial processes¹⁸ and financial management systems; review of management controls and financial management systems controls on a regularly recurring basis; and development of corrective action plans for any control issues found and monitoring of those plans until the issues are resolved or corrected. Our Senior Assessment Team (SAT), consisting of senior managers and chaired by the Chief Financial Officer, ensures our commitment to an appropriate system of internal control; actively oversees the process of assessing internal controls, and provides input for the level and priority of resource needs to correct any control issue identified. In addition to the SAT, our Internal Control Working Group (ICWG) planned, conducted, and managed the assessment in accordance with OMB Circular A-123 guidelines. The ICWG was composed of individuals designated as business unit managers,

¹⁸In fiscal year 2008, GAO operations were segmented into 10 business cycles: Entity-Wide Controls, IT Controls, Facilities and Property Management, Travel, Procurement, Disbursements, Budget, Fund Balance with Treasury, Financial Reporting, and Payroll.

the project management team, technical consultants, and field office representatives. Also, our quality assurance framework provides us with reasonable assurance that we (1) conformed in all material respects with Government Auditing Standards and (2) provided the Congress and other users of our products with independent, objective, and reliable information. We monitor management controls through internal control reviews that included identification of key controls over financial reporting; performance of interviews, walkthroughs, and observations to determine whether those controls were in operation; documentation of key controls; testing and evaluation of the operating effectiveness of the key controls; and reporting the results to our ICWG and SAT. The review of our financial management systems was performed consistent with OMB Circular A-127, and included analyzing the SAS 70 audit reports of our shared service providers. Our review of financial management systems to determine that they were in substantial compliance with the Federal Financial Management Improvement Act included consideration of all information available, including the results of financial management systems reviews and the auditor's opinions on GAO's financial statements and on internal controls over financial reporting and the auditor's report on compliance with laws and regulations.

- **African American performance assessment.** We requested that a contractor conduct an independent study of the differences in average performance appraisals between our African American and Caucasian analysts. The framework for the study consisted of three tasks: determining whether differences exist and, if so, to what extent; determining when, how, and why these differences appear; and providing conclusions and recommendations

for addressing the study findings. To perform these tasks, the contractor validated and expanded our own prior analysis to confirm that there is a difference between appraisal results for African American and Caucasian analysts, and conducted regression analysis to test the effect of specific variables (i.e., race, education, years of experience, location, team, competency, pay band, and participation in the GAO intern program) on performance ratings. The contractor evaluated key characteristics, such as education and years of experience outside of GAO, to assess comparability of African American and Caucasian analysts when hired; controlled statistically for differences in education, gender, years of experience, risk level of projects, and rater demographics; and interviewed 21 process owners and subject matter experts to understand how key human capital processes that influence performance ratings (i.e., workforce planning, recruiting, Professional Development Program, training and development, engagement assignment, feedback, and performance review) are supposed to work. The contractor also reviewed related GAO documentation pertaining to the work analysts perform and how their performance is assessed. In addition, the contractor conducted 17 focus groups and analyzed eight pairs of closely matched analysts to learn how the processes really work based on individual experiences at the agency. Based on the results and research on performance management best practices, the contractor synthesized the findings and developed conclusions and recommendations. We have already made solid progress on many of the over 25 recommendations. (For additional information about GAO's human capital activities in fiscal year 2008, see [appendix 2](#) in this report.)

Serving the Congress and the Nation



Source: GAO.

PART III

FINANCIAL INFORMATION



FROM THE CHIEF FINANCIAL OFFICER

Source: GAO

Chief Financial Officer, Sallyanne Harper

November 14, 2008

I am pleased to report that during fiscal year 2008 the U.S. Government Accountability Office continued to honor its commitment to lead by example in government financial management. For the 22nd consecutive year, independent auditors gave us an unqualified opinion on our financial statements with no material weaknesses and no major compliance problems. The financial statements that follow were prepared, audited, and made publicly available as an integral part of this performance and accountability report (PAR) 45 days after the end of the fiscal year. Our fiscal year 2007 PAR received a certificate of excellence in accountability reporting from the Association of Government Accountants (AGA). Our annual reports have received this AGA honor each year since we first applied with our fiscal year 2001 PAR.

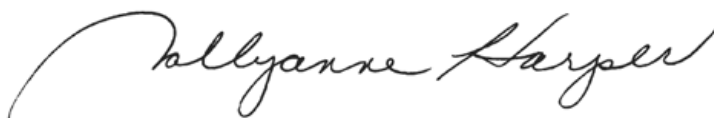
We are especially pleased with these results given that this was our first year operating under a new financial management system, Delphi. We implemented Delphi on time and on budget and our financial services continued seamlessly throughout this first year of operations. A key element in our success was the close working relationship forged between our executive leadership and the leadership of the Department of Transportation (DOT) and DOT's Enterprise Service Center (ESC), our financial system and accounting service provider, throughout the year to refine operations of the new system for GAO.

This fiscal year, we expanded our internal controls review program. The financial system implementation presented unique challenges, requiring all business cycles to be retested as financial system processes evolved. As a further check, we monitored the progress of the independent auditor's assessment (commonly known as a SAS 70 audit) of the internal controls of services provided by ESC, focusing on those systems and services directly affecting GAO, to ensure that we would not have any surprises. All of these efforts contributed to GAO's independent auditors providing a positive opinion on the effectiveness of our internal controls again this year.

We also completed a number of efforts resulting in increased efficiencies, including reducing energy costs and water consumption through installation of a new cooling tower and a water heater, providing greatly expanded leadership training for our Band III employees at no greater cost than our former program, saving training costs through the use of our three learning hubs in the field for leadership training, achieving an estimated \$163,000 annual savings through elimination of a duplicative remote access dial-up service, and reducing paper usage by 76 percent and achieving cost savings of over \$350,000 through full implementation of an agencywide e-dissemination process for GAO products.

Moving forward, our goal is to continue our progress toward more efficient and effective financial operations and overall agency operations. We also face challenges in our next implementation phases of the Delphi system, including completing the interface with Prism, the acquisition system; updating to a new E-Gov travel system; and working with DOT's Financial Management Business Council on enhancements to the Delphi system as part of a governmentwide initiative to further standardize financial processes for all federal agencies.

Always, we strive to support the Congress in meeting its constitutional responsibilities, to help improve government performance and ensure its accountability for the benefit of the American people, and to continue to focus on, and enhance, our internal operations and services to better achieve our strategic goal of being a model federal agency.



Sallyanne Harper
Chief Financial Officer

Overview of Financial Management and Controls

Our financial statements and accompanying notes begin on [page 101](#).¹⁹ Our financial statements for the fiscal years ended September 30, 2008 and 2007, were audited by an independent auditor, Clifton Gunderson, LLP. Clifton Gunderson, LLP, rendered an unqualified opinion on our financial statements and an unqualified opinion on the effectiveness of our internal controls over financial reporting and compliance with laws and regulations. The auditor also reported that we have substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996 (Improvement Act) and found no reportable instances of noncompliance with selected provisions of laws and regulations. In the opinion of the independent auditor, the financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles.

Financial Systems and Internal Controls

We recognize the importance of strong financial systems and internal controls to ensure our accountability, integrity, and reliability. To achieve a high level of quality, management maintains a quality control program and seeks advice and evaluation from both internal and external sources.

We complied with the spirit and intent of Appendix A, OMB Circular No. A-123, *Management's Responsibility for Internal Control*, which provides guidance for agencies' assessments of internal control over financial

¹⁹Note 14 to the financial statements describes our Davis-Bacon Act trust function. For more detailed Davis-Bacon Act financial information, contact our General Counsel.

reporting. We performed this assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2008, was operating effectively and that no material control weaknesses exist in the design or operation of the internal controls over financial reporting. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our assessment, the auditor found no material internal control weaknesses.

We are also committed to fulfilling the internal control objectives of 31 U.S.C. 3512, commonly referred to as the Federal Managers' Financial Integrity Act (Integrity Act). Although we are not subject to the act, we comply voluntarily with its requirements. Our internal controls are designed to provide reasonable assurance that obligations and costs are in compliance with applicable laws and regulations; funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and revenues and expenditures applicable to our operations are properly recorded and accounted for to enable our agency to prepare reliable financial reports and maintain accountability over our assets.

In addition, we are committed to fulfilling the objectives of the Improvement Act, which is also covered within 31 U.S.C. 3512. Although not subject to the act, we voluntarily comply with its requirements. We believe that we have implemented and maintained financial

systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *United States Government Standard General Ledger* at the transaction level as of September 30, 2008. We made this assessment based on criteria established under the Improvement Act and guidance issued by OMB. Also, our auditor reported that we had substantially complied with the applicable requirements of the Improvement Act as of September 30, 2008.

GAO's Inspector General (IG) also conducts audits and investigations that are internally focused, functions as an independent fact-gathering adviser to the Comptroller General, and reviews all accomplishment reports totaling \$500 million or more. During fiscal year 2008, the IG examined compliance with our policy and procedures for conflict-of-interest determinations and conducted reviews of our information security program, travel by Senior Executive Service members, transit benefit program, reemployed annuitants program, certain procedures for removal of accountable property, access to employee e-mail and computers, and diversity among GAO's top leaders and managers. In addition, the IG managed an internal hotline for use by our employees and contractors to report potential fraud, waste, and abuse in our operations. Finally, the IG independently tests our compliance with procedures related to our performance data on a rotating basis over a 3-year period; these actions are specifically identified in the table that begins on [page 79](#). No material weaknesses were reported by the IG. During fiscal year 2008, we completed actions related to 48 IG recommendations, none of which affected the financial statements. IG's September 10, 2008, report on diversity among GAO's top leaders and managers has 4 open recommendations, which we are working to implement.

Our Audit Advisory Committee assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal controls over financial operations, and processes that ensure compliance with laws and regulations relevant to our financial operations. The committee is composed of individuals who are independent of GAO and have outstanding reputations in public service or business with financial or legal expertise. The current members of the committee are as follows:

- Sheldon S. Cohen (Chairman), a certified public accountant and practicing attorney in Washington, D.C.; a former Commissioner and Chief Counsel of the Internal Revenue Service; and a Senior Fellow of the National Academy of Public Administration.
- Edward J. Mazur, CPA; Senior Advisor for Governmental Financial Management at Cherry, Bekaert & Holland, LLP; past member of the Governmental Accounting Standards Board; former State Comptroller of Virginia; and a former Controller of the Office of Federal Financial Management in the Office of Management and Budget.
- Charles O. Rossotti, senior advisor at The Carlyle Group; former Commissioner of the Internal Revenue Service; and founder and former Chief Executive Officer and Chairman of American Management Systems, Inc., an international business and information technology consulting firm.

The committee's report and that of our independent auditors are included on the following pages.

Audit Advisory Committee's Report

The Audit Advisory Committee (the Committee) assists the Comptroller General in overseeing the U.S. Government Accountability Office's (GAO) financial operations. As part of that responsibility, the Committee meets with agency management and its internal and external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. GAO's external auditors are responsible for expressing an opinion on the conformity of GAO's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the internal and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft Performance and Accountability Report, including its financial statements, and provides comments to management who have primary responsibility for the Performance and Accountability Report. The Committee met twice with respect to its responsibilities as described above. During these sessions, the Committee met with the internal and external auditors without GAO management being present and discussed with the external auditors the matters that are required to be discussed by generally accepted auditing standards. Based on procedures performed as outlined above, we recommend that GAO's audited statements and footnotes be included in the 2008 Performance and Accountability Report.



Sheldon S. Cohen
Chairman
Audit Advisory Committee

Independent Auditor's Report



Independent Auditor's Report

Acting Comptroller General of the United States

In our audits of the Government Accountability Office (GAO) for fiscal years 2008 and 2007, we found:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- GAO had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations.
- GAO's financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).
- No reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other supplementary information, and (3) our objectives, scope and methodology.

Opinion on Financial Statements

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, GAO's assets, liabilities and net position as of September 30, 2008 and 2007, and net costs; changes in net position; and budgetary resources for the years then ended.

Opinion on Internal Control

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2008 that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d), the Federal Managers' Financial Integrity Act (FMFIA), and the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

We noted other nonreportable matters involving internal control and its operation that we will communicate in a separate management letter.

11710 Beltsville Drive, Suite 300
Calverton, Maryland 20705-3106
tel: 301-931-2050
fax: 301-931-1710

www.cliftoncpa.com

1

Offices in 17 states and Washington, DC



Opinion on FFMA Compliance

In our opinion, GAO's financial management systems, as of September 30, 2008, substantially complied with the following requirements of FFMA: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the *United States Government Standard General Ledger* (SGL) at the transaction level. Our opinion is based on criteria established under FFMA, OMB Circular No. A-127, *Financial Management Systems* (which includes the Joint Financial Management Improvement Program/Office of Federal Financial Management series of system requirements documents), accounting principles generally accepted in the United States of America, and the SGL.

Compliance with Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under *Government Auditing Standards* or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

This conclusion is intended solely for the use of the management of GAO, OMB, and Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

Consistency of Other Information

The MD&A included as Part I is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory information, performance information and appendixes listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Objectives, Scope, and Methodology

Management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FFMA are met, (3) ensuring that GAO's financial management systems substantially comply with FFMA requirements, and (4) complying with applicable laws and regulations.

We are responsible for planning and performing our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

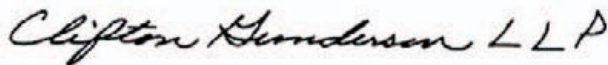
We are responsible for planning and performing our examination to obtain reasonable assurance about whether management maintained effective internal control over financial reporting (including safeguarding of assets) and compliance with applicable laws and regulations based on criteria established under 31 U.S.C. 3512 (c), (d), the Federal Managers' Financial Integrity Act, and OMB Circular A-123, *Management's Responsibility for Internal Control*. Our examination included obtaining an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority); testing relevant internal controls over financial reporting (including safeguarding assets) and compliance, evaluating the design and operating effectiveness of internal control; and performing such other procedures as we considered necessary in the circumstances. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We are responsible for planning and performing our examination to obtain reasonable assurance about whether GAO's financial management systems substantially complied with the three FFMIA requirements. We examined, on a test basis, evidence about GAO's substantial compliance with those requirements, and performed such other procedures as we considered necessary in the circumstances.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements. We did not test compliance with all laws and regulations applicable to GAO. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2008. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We conducted our audits and examinations in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and OMB audit guidance. We believe that our audits and examinations provide a reasonable basis for our opinions.



Calverton, Maryland
November 10, 2008

Purpose of Each Financial Statement

The financial statements on the next four pages present the following information:

- The balance sheet presents the combined amounts we had available to use (assets) versus the amounts we owed (liabilities) and the residual amounts after liabilities were subtracted from assets (net position).
- The statement of net cost presents the annual cost of our operations. The gross cost less any offsetting revenue earned from our activities is used to arrive at the net cost of work performed under our four strategic goals.
- The statement of changes in net position presents the accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the fiscal year.
- The statement of budgetary resources presents how budgetary resources were made available to us during the fiscal year and the status of those resources at the end of the fiscal year.

Financial Statements
U.S. Government Accountability Office
Balance Sheets

As of September 30, 2008 and 2007

(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Assets		
Intragovernmental		
Funds with the U.S. Treasury (Note 3)	\$70,472	\$63,624
Accounts receivable	602	977
Total Intragovernmental	<u>71,074</u>	<u>64,601</u>
Property and equipment, net (Note 4)	39,964	41,566
Other	284	374
Total Assets	<u>\$111,322</u>	<u>\$106,541</u>
Liabilities		
Intragovernmental		
Accounts payable	\$11,252	\$6,232
Employee benefits (Note 6)	2,965	2,968
Workers' compensation (Note 7)	2,514	2,364
Total Intragovernmental	16,731	11,564
Accounts payable and other	15,711	11,280
Salaries and benefits (Note 6)	21,304	16,827
Accrued annual leave (Note 5)	30,953	29,572
Workers' compensation (Note 7)	16,687	16,368
Capital leases (Note 9)	7,018	4,542
Note Payable (Note 5)	—	3,779
Total Liabilities	<u>108,404</u>	<u>93,932</u>
Net Position		
Unexpended appropriations	24,064	30,562
Cumulative results of operations	<u>(21,146)</u>	<u>(17,953)</u>
Total Net Position (Note 13)	<u>2,918</u>	<u>12,609</u>
Total Liabilities and Net Position	<u>\$111,322</u>	<u>\$106,541</u>

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Net Cost
For Fiscal Years Ended September 30, 2008 and 2007
(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Net Costs by Goal (Note 2)		
Goal 1: Well-Being/Financial Security of American People	\$201,159	\$177,376
Less: reimbursable services	—	—
Net goal costs	<u>201,159</u>	<u>177,376</u>
Goal 2: Changing Security Threats/Challenges of Global Interdependence	161,144	157,568
Less: reimbursable services	—	—
Net goal costs	<u>161,144</u>	<u>157,568</u>
Goal 3: Transforming the Federal Government's Role	153,719	148,959
Less: reimbursable services	<u>(3,145)</u>	<u>(2,391)</u>
Net goal costs	<u>150,574</u>	<u>146,568</u>
Goal 4: Maximize the Value of GAO	22,706	23,924
Less: reimbursable services	<u>(91)</u>	<u>—</u>
Net goal costs	<u>22,615</u>	<u>23,924</u>
Less: reimbursable services not attributable to goals	<u>(5,890)</u>	<u>(5,730)</u>
Net Cost of Operations (Note 10)	<u>\$529,602</u>	<u>\$499,706</u>

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Changes in Net Position
For Fiscal Years Ended September 30, 2008 and 2007
(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Cumulative Results of Operations, Beginning of fiscal year	(\$17,953)	(\$17,891)
Budgetary Financing Sources - Appropriations used	503,368	474,925
Other Financing Sources		
Intragovernmental transfer of property and equipment	(3)	(27)
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	<u>23,044</u>	<u>24,746</u>
Total Financing Sources	526,409	499,644
Net Cost of Operations	<u>(529,602)</u>	<u>(499,706)</u>
Net Change	(3,193)	(62)
Cumulative Results of Operations, End of fiscal year	<u>(21,146)</u>	<u>(17,953)</u>
Unexpended Appropriations, Beginning of fiscal year	30,562	25,951
Budgetary Financing Sources and Uses		
Current year appropriations	501,000	485,894
Appropriations transferred in	250	-
Permanently not available	(4,380)	(6,358)
Appropriations used	<u>(503,368)</u>	<u>(474,925)</u>
Total Unexpended Appropriations, End of fiscal year	<u>24,064</u>	<u>30,562</u>
Net Position	<u>\$2,918</u>	<u>\$12,609</u>

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Budgetary Resources
For Fiscal Years Ended September 30, 2008 and 2007

(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Budgetary Resources (Note 11)		
Unobligated balance, brought forward October 1	\$10,010	\$8,492
Recoveries of prior year unpaid obligations	<u>2,014</u>	<u>—</u>
Budget authority		
Appropriations	501,000	485,894
Spending authority from offsetting collections		
Earned and collected	10,462	10,698
Change in receivable from Federal sources	(385)	—
Change in unfilled customer orders - advance received	(91)	136
Change in unfilled customer orders - without advance	<u>125</u>	<u>—</u>
Subtotal	511,111	496,728
Nonexpenditure transfers, net and actual	250	—
Permanently not available	<u>(4,380)</u>	<u>(6,358)</u>
Total Budgetary Resources	<u>\$519,005</u>	<u>\$498,862</u>
Status of Budgetary Resources		
Obligations incurred		
Direct	\$500,362	\$480,731
Reimbursable	<u>11,887</u>	<u>8,121</u>
Subtotal	512,249	488,852
Unobligated balance - Apportioned	2,588	3,170
Unobligated balance not available	<u>4,168</u>	<u>6,840</u>
Total Status of Budgetary Resources	<u>\$519,005</u>	<u>\$498,862</u>
Change in Obligated Balances		
Obligated balance, net:		
Unpaid Obligated balance, brought forward October 1	\$54,606	\$55,238
Uncollected customer payments from Federal sources, brought forward October 1	<u>(990)</u>	<u>—</u>
Total, Unpaid Obligation, net, brought forward October 1	53,616	55,238
Obligations incurred	512,249	488,852
Less: Gross Outlays	(500,393)	(490,474)
Recoveries of prior-year unpaid obligations, actual	(2,014)	—
Change in uncollected customer payments from Federal sources	260	—
Obligated balance, net, end of period:		
Unpaid Obligations	64,448	54,606
Uncollected customer payments from Federal sources	<u>(730)</u>	<u>(990)</u>
Total, Unpaid obligations, net, end of period	<u>\$63,718</u>	<u>\$53,616</u>
Net Outlays		
Gross outlays	\$500,393	\$490,474
Less: Offsetting collections	<u>(10,372)</u>	<u>(10,645)</u>
Net Outlays	<u>\$490,021</u>	<u>\$479,829</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of the United States Government Accountability Office (GAO). GAO, an agency in the legislative branch of the federal government, supports the Congress in carrying out its constitutional responsibilities. GAO carries out its mission primarily by 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. The financial activity presented relates primarily to the execution of GAO's congressionally approved budget. GAO's budget consists of an annual appropriation covering salaries and expenses and revenue from reimbursable audit work and rental income. The revenue from audit services and rental income is included on the Statement of Budgetary Resources as "reimbursable services." The financial statements, except for federal employee benefit costs paid by OPM and imputed to GAO, do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as interest on the federal debt, which may in part be attributable to GAO; they also do not include activity related to GAO's trust function described in [Note 14](#).

Basis of Accounting

GAO's financial statements have been prepared on the accrual basis and the budgetary basis of accounting in conformity with generally accepted accounting principles for the federal government. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were also prepared in conformity with OMB Circular A-136, *Financial Reporting Requirements*.

Assets

Intragovernmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury comprise the majority of intragovernmental assets on GAO's balance sheet.

Funds with the U.S. Treasury

The U.S. Treasury processes GAO's receipts and disbursements. Funds with the U.S. Treasury represent appropriated funds Treasury will provide to pay liabilities and to finance authorized purchase commitments.

Accounts Receivable

GAO's accounts receivable are due principally from federal agencies for reimbursable services; therefore, GAO has not established an allowance for doubtful accounts.

Property and Equipment

The GAO headquarters building qualifies as a multiuse heritage asset, is GAO's only heritage asset, and is reported with property and equipment on the balance sheet. The designation of multiuse heritage asset is a result of both being listed in the National Register of Historic Places and being used in general government operations. Statement of Federal Financial Accounting Standards No. 29 requires accounting for multiuse heritage assets as general property, plant, and equipment to be included in the balance sheet and depreciated. Maintenance of the building has been kept on a current basis. The building is depreciated on a straight-line basis over 25 years.

Generally, property and equipment individually costing more than \$15,000 are capitalized at cost. Building improvements and leasehold improvements are capitalized when the cost is \$25,000 or greater. Bulk purchases of lesser-value items that aggregate more than \$150,000 are also capitalized at cost. Assets are depreciated on a straight-line basis over the estimated useful life of the property as follows: building improvements, 10 years; computer equipment, software, and capital lease assets, ranging from 3 to 6 years; leasehold improvements, 5 years; and other equipment, ranging from 5 to 20 years. GAO's property and equipment have no restrictions as to use or convertibility except for the restrictions related to the GAO building's classification as a multiuse heritage asset.

Liabilities

Liabilities represent amounts that are likely to be paid by GAO as a result of transactions that have already occurred.

Accounts Payable

Accounts Payable consists of amounts owed to federal agencies and commercial vendors for goods and services received.

Federal Employee Benefits

GAO recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render services to GAO. The pension expense recognized in the financial statements equals the current service cost for GAO's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of the plan, supplies GAO with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension

expense over the amount contributed by GAO and employees represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This amount is considered imputed financing to GAO (see [Note 6](#)).

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GAO employees under FECA are administered by the Department of Labor (Labor) and are paid, ultimately, by GAO (see [Note 7](#)).

GAO recognizes a current-period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. GAO accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and GAO do not make current contributions to fund these future benefits.

Federal employee benefit costs paid by OPM and imputed to GAO are reported on the Statements of Changes in Net Position and are also included as a component of net cost by goal on the Statement of Net Cost.

Annual, Sick, and Other Leave

Annual leave is recognized as an expense and a liability as it is earned; the liability is reduced as leave is taken. The accrued leave liability is principally long-term in nature. Sick leave and other types of leave are expensed as leave is taken. All leave is funded when expensed.

Contingencies

GAO has certain claims and lawsuits pending against it. Provision is included in GAO's financial statements for any losses considered probable and estimable. Management believes that losses from certain other claims and lawsuits are reasonably possible but are not material to the fair presentation of GAO's financial statements and provision for these losses is not included in the financial statements.

Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, expenses, and in the note disclosures. Actual results could differ from these estimates.

Note 2. Intragovernmental Costs and Exchange Revenue

Intragovernmental costs arise from exchange transactions made between two reporting entities within the Federal government in contrast with public costs which arise from exchange transactions made with a non-federal entity. Intragovernmental costs and exchange revenue for the periods ended September 30, 2008 and September 30, 2007, are as follows:

Dollars in thousands

	2008	2007
Goal 1:		
Intragovernmental costs	\$52,132	\$39,484
Public costs	<u>149,027</u>	<u>137,892</u>
Net goal 1 costs	<u>201,159</u>	<u>177,376</u>
Goal 2:		
Intragovernmental costs	41,409	35,075
Public costs	<u>119,735</u>	<u>122,493</u>
Net goal 2 costs	<u>161,144</u>	<u>157,568</u>
Goal 3:		
Intragovernmental costs	39,680	33,158
Public costs	<u>114,039</u>	<u>115,801</u>
Total goal 3 costs	<u>153,719</u>	<u>148,959</u>
Goal 3 intragovernmental earned revenue	<u>(3,145)</u>	<u>(2,391)</u>
Net goal 3 costs	<u>150,574</u>	<u>146,568</u>
Goal 4:		
Intragovernmental costs	12,160	5,326
Public costs	<u>10,546</u>	<u>18,598</u>
Total goal 4 costs	<u>22,706</u>	<u>23,924</u>
Goal 4 intragovernmental earned revenue	<u>(91)</u>	<u>—</u>
Net goal 4 costs	<u>22,615</u>	<u>23,924</u>
Earned revenue not attributable to goals		
Intragovernmental	(5,757)	(5,640)
Public	<u>(133)</u>	<u>(90)</u>
Total earned revenue not attributable to goals	<u>(\$5,890)</u>	<u>(\$5,730)</u>

Goals 1 and 2 have no associated intragovernmental revenue and all public earned revenue collected is not attributable to goals. GAO's pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law. Therefore, revenues, as listed above, and costs that generated those revenues are equivalent.

Note 3. Funds with the U.S. Treasury

GAO's funds with the U.S. Treasury consist of only appropriated funds. The status of these funds as of September 30, 2008 and September 30, 2007 is as follows:

Dollars in thousands

	2008	2007
Unobligated balance		
Available	\$2,586	\$3,168
Unavailable	4,168	6,840
Obligated balances not yet disbursed	<u>63,718</u>	<u>53,616</u>
Total funds with U.S. Treasury	<u>\$70,472</u>	<u>\$63,624</u>

Note 4. Property and Equipment, Net

The composition of property and equipment as of September 30, 2008, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$12,531	\$3,133
Land	1,191	–	1,191
Building improvements	108,652	93,367	15,285
Computer and other equipment and software	38,579	27,689	10,890
Leasehold improvements	6,242	5,803	439
Assets under capital lease	<u>27,237</u>	<u>18,211</u>	<u>9,026</u>
Total property and equipment	<u>\$197,565</u>	<u>\$157,601</u>	<u>\$39,964</u>

The composition of property and equipment as of September 30, 2007, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$11,905	\$3,759
Land	1,191	–	1,191
Building improvements	106,565	90,152	16,413
Computer and other equipment and software	40,575	27,032	13,543
Leasehold improvements	6,125	5,540	585
Assets under capital lease	<u>23,762</u>	<u>17,687</u>	<u>6,075</u>
Total property and equipment	<u>\$193,882</u>	<u>\$152,316</u>	<u>\$41,566</u>

Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's Balance Sheets as of September 30, 2008 and September 30, 2007 include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2008 and September 30, 2007, is as follows:

Dollars in thousands

	2008	2007
Intragovernmental liabilities—Workers' compensation	\$2,514	\$2,364
Salaries and benefits—Comptrollers' General retirement plan*	1,975	3,113
Accrued annual leave	30,953	29,572
Workers' compensation**	16,687	16,368
Capital leases	7,018	4,542
Note payable***	<u>–</u>	<u>3,779</u>
Total liabilities not covered by budgetary resources	<u>\$59,147</u>	<u>\$59,738</u>

* See Note 6 for further discussion of the Comptrollers' General retirement plan.

** See Note 7 for further discussion of workers' compensation.

***The majority of the note payable represents financing for telecommunications equipment purchased in fiscal year 2007 with an interest rate of 8.75%. In fiscal year 2008 the balance of the note was paid off.

Note 6. Federal Employee Benefits

All permanent employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Temporary employees and employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA). To the extent that employees are covered by FICA, the taxes they pay to the program and the benefits they will eventually receive are not recognized in GAO's financial statements. GAO makes contributions to CSRS, FERS, and FICA and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses.

In addition, all permanent employees are eligible to participate in the contributory Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance Program (FEGLIP) and may continue to participate after retirement. GAO makes contributions through OPM to FEHBP and FEGLIP for active employees to pay for their current benefits. GAO's contributions for active employees are recognized as operating expenses. Using the cost factors supplied by OPM, GAO has also recognized an expense in its financial statements for the estimated future cost of postretirement health benefits and life insurance for its employees. These costs are financed by OPM and imputed to GAO.

Amounts owed to OPM and Treasury as of September 30, 2008 and September 30, 2007 are \$2,965,000 and \$2,968,000, respectively for FEHBP, FEGLIP, FICA, FERS, and CSRS contributions and are shown on the Balance Sheet as an employee benefits liability.

Details of the major components of GAO's federal employee benefit costs for the periods ended September 30, 2008 and September 30, 2007, are as follows:

Dollars in thousands

Federal Employee Benefits Costs	2008	2007
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$8,584	\$9,115
Estimated future postretirement health and life insurance (FEHBP/FEGLIP)	14,460	15,631
Total	<u>\$23,044</u>	<u>\$24,746</u>
Pension expenses (CSRS/FERS)	\$31,070	\$29,895
Health and life insurance expenses (FEHBP/FEGLIP)	\$16,098	\$16,100
FICA payment made by GAO	\$17,578	\$16,581
Thrift Savings Plan – matching contribution by GAO	\$10,391	\$9,596

Comptrollers General and their surviving beneficiaries who qualify and so elect to participate are paid retirement benefits by GAO under a separate retirement plan. These benefits are paid from current year appropriations. Due to the departure of Comptroller General Walker during fiscal year 2008 he is no longer eligible to participate in the retirement plan. Because GAO is responsible for future payments under this plan, the estimated present value of accumulated plan

benefits of \$1,975,000 as of September 30, 2008, and \$3,113,000 as of September 30, 2007, is included as a component of salary and benefit liabilities on GAO's Balance Sheet. This decrease is due to the departure of Comptroller General Walker.

Note 7. Workers' Compensation

GAO utilizes the services of an independent actuarial firm to calculate its FECA liability. GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2008 and 2007, which is expected to be paid in future periods. This estimated liability of \$16,687,000 and \$16,368,000 as of September 30, 2008 and 2007, respectively, is reported on GAO's Balance Sheet. GAO also recorded a liability for amounts paid to claimants by Labor as of September 30, 2008 and September 30, 2007, of \$2,514,000 and \$2,364,000, respectively, but not yet reimbursed to Labor by GAO. The amount owed to Labor is reported on GAO's Balance Sheet as an intragovernmental liability.

Note 8. Building Lease Revenue

In fiscal year 2000 the U.S. Army Corps of Engineers (USACE) entered into an agreement with GAO to lease the entire third floor of the GAO building. USACE provided all funding for the third floor renovation. Occupancy began August 3, 2000, for an initial period of 3 years, with options to renew on an annual basis for 7 additional years. Total rental revenue to GAO includes a base rent, which remains constant for the entire 10-year period, plus operating expense reimbursements at a fixed amount for the first 3 years, with escalation clauses from year 4 through year 10 if the option years are exercised. Beginning in fiscal year 2002, USACE leased additional space on the sixth floor with occupancy lasting through the original lease term.

Rent received by GAO for fiscal year 2008 and 2007 was \$5,194,000 and \$5,123,000, respectively. These amounts are included in reimbursable services shown on the Statement of Net Costs. Total rental revenue for the remaining period of the 10-year lease is as follows:

Dollars in thousands

Fiscal year ending September 30	Total rental revenue*
2009	\$5,111
2010	<u>5,179</u>
Total	<u><u>\$10,290</u></u>

* If option years are exercised.

Note 9. Leases

Capital Leases

GAO has entered into capital leases for office equipment and computer equipment under which the ownership of the equipment covered under the leases transfers to GAO when the leases expire. When GAO enters into these leases, the present value of the future lease payments is capitalized, net of imputed interest, and recorded as a liability. The acquisition value and accumulated depreciation of GAO's capital leases are shown in [Note 4](#), Property and Equipment, Net. As of September 30, 2008 and September 30, 2007, the capital lease liability was \$7,018,000 and \$4,542,000, respectively. This increase is due in part to new computer laptop leases executed during fiscal year 2008.

These lease agreements are written as contracts with a base year and option years. The option years are subject to the availability of funds. Early termination of the leases for reasons other than default is subject to a negotiation between the parties. These leases are lease-to-ownership agreements. GAO's leases are short term in nature and no liability exists beyond the years shown in the table below. GAO's estimated future minimum lease payments under the terms of the leases are as follows:

Dollars in thousands

Fiscal year ending September 30	Total
2009	\$3,101
2010	2,535
2011	2,170
2012	26
2013	<u>2</u>
Total estimated future lease payments	7,834
Less: imputed interest	<u>(816)</u>
Net capital lease liability	<u>\$7,018</u>

Operating Leases

GAO leases office space, predominately for field offices, from the General Services Administration and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal year 2008 and fiscal year 2007 amounted to approximately \$12,040,000 and \$13,629,000, respectively. Leases for equipment under operating leases are generally less than 1 year, therefore there are no associated future minimum lease payments. Estimated future minimum lease payments for field office space under the terms of the leases are as follows:

Dollars in thousands

Fiscal year ending September 30	Total
2009	\$7,486
2010	6,593
2011	6,598
2012	6,543
2013	5,232
2014 and thereafter	18,412
Total estimated future lease payments	<u>\$50,864</u>

Leased property and equipment must be capitalized if certain criteria are met (see [Capital Leases](#) description). Because property and equipment covered under GAO's operating leases do not satisfy these criteria, GAO's operating leases are not reflected on the Balance Sheets. However, annual lease costs under the operating leases are included as components of net cost by goal in the Statements of Net Cost.

Note 10. Net Cost of Operations

Expenses for salaries and related benefits for fiscal year 2008 and fiscal year 2007 amounted to \$414,406,000 and \$402,772,000, respectively, which were about 78 percent of GAO's annual net cost of operations in fiscal year 2008 and 81 percent in fiscal year 2007. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$23,044,000 in fiscal year 2008 and \$24,746,000 in fiscal year 2007.

Revenues from reimbursable services are shown as an offset against the full cost of the goal to arrive at its net cost. Earned revenues that are insignificant or cannot be associated with a major goal are shown in total, the largest component of which is rental revenue from the lease of space in the GAO building. Revenues from reimbursable services for fiscal year 2008 and fiscal year 2007 amounted to \$9,126,000 and \$8,121,000, respectively. Further details of the intragovernmental components are provided in [Note 2](#).

The net cost of operations represents GAO's operating costs that must be funded by financing sources other than revenues earned from reimbursable services. These financing sources are presented in the Statement of Changes in Net Position.

Note 11. Budgetary Resources

Budgetary resources made available to GAO include current appropriations, spending authority from budget transfers, prior years' unobligated appropriations, and reimbursements arising from both revenues earned by GAO from providing goods and services to other federal entities for a price (reimbursable services) and cost-sharing and pass-through contract arrangements with other federal entities. Reimbursements from cost-sharing and pass-through contract arrangements consisted primarily of collections from other federal entities 1) for the support

of Federal Accounting Standards Advisory Board and 2) to utilize GAO contracts to obtain services. The costs and reimbursements for these activities are not included in the Statements of Net Cost.

There were no transfers of budgetary authority for fiscal year 2007. For fiscal year 2008, budget transfer consisted of budget authority transferred for the assessment of programs and activities funded under the heading “Millennium Challenge Corporation” to include a review of financial controls and procurement practices.

Comparison of GAO’s fiscal year 2007 Statement of Budgetary Resources with the corresponding information presented in the 2009 President’s Budget is as follows:

Dollars in thousands

	Budgetary Resources	Obligations Incurred
Fiscal year 2007 Statement of Budgetary Resources	\$498,862	\$488,852
Unobligated balances, beginning of year – (prior year funds activity)	(6,492)	–
Permanently not available –(prior year funds activity)	1,358	–
Other – rounding in President’s Budget	<u>272</u>	<u>1,148</u>
2009 President’s Budget – fiscal year 2007, actual	<u><u>\$494,000</u></u>	<u><u>\$490,000</u></u>

As the fiscal year 2010 President’s Budget will not be published until February 2009, a comparison between the fiscal year 2008 data reflected on the Statement of Budgetary Resources and fiscal year 2008 data in the President’s Budget cannot be performed, though we expect similar differences will exist. The fiscal year 2010 President’s Budget will be available on the OMB’s Web site and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2008 and the end of fiscal year 2007 totaled \$15,237,000 and \$20,550,000, respectively. GAO’s apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2008 and 2007 are as follows:

Dollars in thousands

Fiscal year ending September 30	2008	2007
Direct – Category A	\$500,362	\$480,731
Reimbursable – Category A	<u>11,887</u>	<u>8,121</u>
Total obligations incurred	<u><u>\$512,249</u></u>	<u><u>\$488,852</u></u>

Part III: Financial Information

Note 12. Reconciliation of Net Costs of Operations to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ending September 30 are as follows:

Dollars in thousands

Fiscal year ending September 30	2008	2007
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	\$512,249	\$488,852
Less: spending authority from offsetting collections and recoveries	<u>(12,126)</u>	<u>(10,698)</u>
Obligations net of offsetting collections and recoveries	<u>500,123</u>	<u>478,154</u>
Other resources		
Intragovernmental transfer of property and equipment	(3)	(27)
Federal employee retirement benefit costs paid by OPM imputed to GAO	<u>23,044</u>	<u>24,746</u>
Net other resources used to finance activities	<u>23,041</u>	<u>24,719</u>
Total resources used to finance activities	<u>523,164</u>	<u>502,873</u>
Resources used to finance items not part of the net cost of operations		
Change in unliquidated obligations	5,338	(3,091)
Reduction in lease liability and other	(1,303)	-
Assets capitalized	(9,514)	(14,631)
Net decrease in receivables not generating resources until collected and other adjustments	<u>17</u>	<u>-</u>
Total resources used to fund items not part of the net cost of operations	<u>(5,462)</u>	<u>(17,722)</u>
Total resources used to finance Net Cost of Operations	<u>517,702</u>	<u>485,151</u>
Components of net costs that will not require or generate resources in the current period		
(Decrease)/Increase in workers' compensation and actuarial pension liability	(670)	485
Increase/(Decrease) in accrued annual leave	1,381	(340)
Increase in other liabilities	<u>-</u>	<u>101</u>
Total components of net costs that will not require or generate resources in the current period	<u>711</u>	<u>246</u>
Costs that do not require resources		
Depreciation and other	<u>11,189</u>	<u>14,309</u>
Net cost of operations	<u><u>\$529,602</u></u>	<u><u>\$499,706</u></u>

Note 13. Net Position

Net position on the Balance Sheets comprises unexpended appropriations and cumulative results of operations. Unexpended appropriations is the sum of the total unobligated appropriations and undelivered goods and services. Cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of GAO's cumulative results of operations for the year ended September 30, 2008 and 2007, are as follows:

Dollars in thousands

	2008	2007
Investment in property and equipment, net	\$39,964	\$41,566
Rent related reimbursable funds expended in current year	(2,116)	–
Other – supplies inventory	153	219
Liabilities not covered by budgetary resources	<u>(59,147)</u>	<u>(59,738)</u>
Cumulative results of operations	<u>(\$21,146)</u>	<u>(\$17,953)</u>

Liabilities not covered by budgetary resources are liabilities for which congressional action is needed before budgetary resources can be provided. See [Note 5](#) for components.

Note 14. Davis-Bacon Act Trust Function

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act receipts and payments and publishes separate, audited financial statements for this fund. GAO maintains this fund to pay claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Under these acts, Labor investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If Labor concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the employee. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets under GAO's administration as of September 30, 2008 and 2007 totaled approximately \$4,807,000 and \$4,151,000, respectively. These assets are not the assets of GAO nor the federal government and are held for distribution to appropriate claimants. During fiscal years 2008 and 2007, receipts in the trust amounted to \$1,573,000 and \$373,000 and disbursements amounted to \$916,000 and \$708,000, respectively. Because the trust assets and related liabilities are not assets and liabilities of GAO, they are not included in the accompanying financial statements.

This page intentionally left blank

Serving the Congress and the Nation



Source: GAO.

PART IV

FROM THE INSPECTOR GENERAL

From the Inspector General



Memorandum

Date: October 30, 2008

To: Acting Comptroller General – Gene L. Dodaro

From: Inspector General – Frances Garcia

Subject: GAO Management Challenges and Performance Measures

We have examined management's assessment of the management challenges. Based on our work and institutional knowledge, we agree that physical security, information security, and human capital continue to be management challenges that may affect GAO's performance. We also agree with management's assessment of progress made in addressing these challenges.

During fiscal year 2008, we reviewed all accomplishment reports of \$500 million or more, which totaled approximately 75 percent of the total dollar value reported. Based on our reviews, we believe that GAO had a reasonable basis for claiming these benefits. In addition, we assessed GAO's fiscal year 2007 people performance measures—new hire rate, acceptance rate, and retention rate. We made recommendations to help enhance these measures and also made a recommendation for consideration of alternative measures for assessing agency human capital management. We are also reviewing the four other people performance measures—staff development, staff utilization, leadership, and organizational climate.

Serving the Congress and the Nation



Source: GAO.

PART V

APPENDIXES

1. Accomplishments and Contributions

In pursuing our strategic goals during fiscal year 2008, we recorded hundreds of accomplishments and made numerous other contributions. This appendix provides details on the most significant of these. In reporting accomplishments (i.e., financial benefits and nonfinancial benefits) and contributions (designated by an F, N, or C in each entry numbered below), we are holding ourselves accountable for the resources we received to implement our strategic plan.

Typically, the accomplishments describe work we completed in prior fiscal years because it takes time to implement

recommendations, realize benefits, and record them. Contributions, which refer to work completed in fiscal year 2008, describe instances in which we provided information or recommendations that aided congressional decision making or informed the public debate to a significant degree. At the end of each accomplishment and contribution summary, we list the reference number of products associated with the work discussed. In the online PDF version of this document, readers can find direct links to these products if they want additional information.



STRATEGIC GOAL I

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

Source: See Image Sources.

The health needs of an aging and diverse population

1.01.F. Enhancing Fiscal and Management Oversight of Medicaid:

We testified on our past work that identified shortcomings in the federal government's fiscal and management oversight of the joint federal and state Medicaid program and the lack of transparency in the Center for Medicare and Medicaid Services' (CMS) oversight efforts. Specifically, we reported:

- Problems with states' inappropriately obtaining billions of dollars in federal funds through use of Medicaid supplemental payment arrangements. Under such arrangements, some states made large supplemental payments to providers in order to generate excessive federal matching payments.
- The Department of Health and Human Services (HHS) had approved states' Medicaid demonstrations without assuring that they would be budget neutral to the federal government. HHS allowed spending limits that could increase federal costs by billions of dollars, and approved demonstrations with implications for beneficiaries without providing for a public input process at the federal level.

Impact: Our work encouraged CMS to end some inappropriate state supplemental payments, which will save an estimated

\$973 million in fiscal years 2008 and 2009. Our work was cited in congressional debates about the administration's planned reforms for the Medicaid program. In fiscal year 2008, the Congress also used our work to seek improvements in HHS's process for reviewing and approving states' Medicaid demonstration proposals. ([GAO-08-614](#), [GAO-08-650T](#), [GAO-08-87](#), [GAO-08-255T](#), [GAO-04-228](#))

1.02.N. Contributing to Passage of the Medicare Improvements for Patients and Providers Act:

The Medicare Advantage (MA) program provides health care coverage to Medicare beneficiaries through private health plans. In 2008, Medicare is projected to pay about 13 percent more for beneficiaries in MA plans than it would if they were in the original Medicare fee-for-service (FFS) program. Our work examining MA plan data for 2007 showed that the increased spending would not benefit all MA beneficiaries, with some beneficiaries likely experiencing higher cost sharing in MA plans than they would in Medicare FFS, and that MA plans had higher-than-projected profits of about \$1.14 billion.

Impact: Our work contributed to the passage of the Medicare Improvements for Patients and Providers Act of 2008, which, among other things, reduced payments to MA plans. ([GAO-08-522T](#), [GAO-08-827R](#), [GAO-08-359](#))

1.03.N. Improving the Payment Method for Medicare End-Stage Renal Disease Care:

CMS in HHS divides Medicare payment for end-stage renal disease (ESRD) items and services into two groups. The first group—dialysis and associated routine services—is paid under single composite rate for a defined set of services. The second group is primarily injectable drugs and certain laboratory tests that were either not routine or not available in 1983 when Medicare implemented the composite rate and are paid for separately on a per-service basis. In 2007, we reported that dialysis facilities have been relying on Medicare’s generous payments for separately billable drugs to subsidize the composite rate and that the payments for one drug in particular had created an incentive for facilities to potentially use more of the drug than necessary. CMS had been exploring the creation of a bundled payment system for all ESRD services, including separately billable drugs, but its timeline for testing a bundled payment rate for ESRD services was uncertain. Therefore, we recommended that the Congress consider establishing a bundled payment system for all ESRD services as soon as possible.

Impact: Our work helped to encourage the Congress to include a provision in the Medicare Improvements for Patients and Providers Act of 2008 that requires the Secretary of Health and Human Services to implement a fully bundled payment method for all ESRD items and services beginning January 1, 2011. (GAO-07-77)

1.04.N. Improving Nursing Home Fire Safety by Requiring Automatic Sprinkler Systems: In a 2004 report, we reported on two nursing home fires in 2003 in which 31 residents died. Neither facility was equipped with an automatic sprinkler system. Our review revealed weaknesses in federal fire safety standards for nursing

homes, in how they are applied in un-sprinklered facilities, and in federal and state oversight. To better ensure the adequacy of fire safety standards, we recommended that the Administrator of CMS work with the National Fire Protection Association (NFPA) to strengthen fire safety standards for un-sprinklered nursing homes and to explore the feasibility of requiring sprinklers in all nursing homes. Subsequently, NFPA adopted an automatic sprinkler requirement for all nursing homes in the 2006 edition of its Life Safety Code.

Impact: In August 2008, in response to our recommendation, CMS published a final rule adopting this NFPA requirement. All nursing homes participating in the Medicare and Medicaid programs must install and maintain automatic sprinkler systems by August 13, 2013. Such systems are the single most effective fire safety method currently available, and their presence will help save both lives and property. (GAO-04-660)

1.05.C. Identifying Challenges in FDA’s Foreign Inspection Programs:

We responded rapidly to mounting concern about the safety of drugs and medical devices from overseas in four testimonies. We identified weaknesses in the Food and Drug Administration’s (FDA) programs for inspecting foreign establishments that market their products in the United States. For example, FDA inspects about 8 percent of foreign establishments each year. FDA investigators and laboratory analysts volunteer to conduct these inspections because the agency does not have a dedicated staff devoted to conducting foreign inspections.

Impact: The Congress is using information from our products to develop legislation that would, among other things, require FDA to conduct more frequent inspections of

foreign establishments manufacturing drugs and medical devices for the U.S. market. FDA is exploring the creation of a cadre of investigators who would be dedicated to conducting foreign inspections and has proposed establishing foreign offices that would expand the agency's capacity for regulating products such as drugs and medical devices. (GAO-08-970, GAO-08-224T, GAO-08-428T, GAO-08-701T, GAO-08-780T)

1.06.C. Improving Health Care for Servicemembers and Veterans:

In a series of products on health care for servicemembers and veterans returning from deployments in Operations Enduring Freedom and Iraqi Freedom, we

- testified that the Army continued to have staffing shortfalls in one-third of its Warrior Transition Units, which are designed to manage servicemembers' outpatient recovery process;
- reported shortcomings with the Department of Defense's (DOD) oversight of the military services' completion of postdeployment health reassessments—a screening tool for identifying servicemembers' mental health concerns; and
- noted concerns with the Department of Veterans Affairs (VA) screening tool for identifying returning servicemembers who may have a mild traumatic brain injury (TBI).

Impact: We provided the Congress a real-time assessment and information to help it develop legislation to strengthen DOD's oversight of postdeployment health reassessments. In addition, as a result of our work, VA agreed to fast-track its validation study of the TBI screening tool. (GAO-08-514T, GAO-08-276, GAO-08-1025R)

1.07.C. Highlighting the Need For HHS' Leadership to Reduce Health-Care-Associated Infections:

Health-care-associated infections (HAI)—infections that patients acquire while receiving treatment for other conditions—are estimated to be one of the top 10 causes of death in the United States. In March 2008, we reported that a lack of prioritization by HHS of the Centers for Disease Control and Prevention's almost 1,200 recommended practices for infection control and prevention hindered efforts to promote their implementation; and that HHS has not effectively used the HAI-related data it has collected through multiple databases across the department to provide a complete picture of the extent of the problem.

Impact: HHS generally agreed with our recommendations. Our report was the centerpiece of an April 2008 hearing held by the Committee on Oversight and Government Reform. Subsequent congressional concerns are being addressed in follow-up work on HAI state reporting systems and HAIs in other settings, including ambulatory surgery centers. (GAO-08-283, GAO-08-673T)

1.08.C. Reducing Understatement of Serious Care Problems in Nursing Homes:

In our May 2008 report, we found that state nursing home surveys often missed serious care problems that caused harm to vulnerable nursing home residents. In about 15 percent of the state surveys that federal surveyors reviewed, they identified serious care problems that were missed by state surveyors.

Impact: CMS agreed to implement our recommendations to identify and track all understatement identified by federal surveys. The report also was used by congressional requesters to support legislation to strengthen enforcement for poorly performing nursing homes. (GAO-08-517)

Lifelong learning to enhance U.S. competitiveness

1.09.N. Monitoring and Preventing Abusive Student Loan Practices: We found that the Department of Education (Education) did not have an effective system for monitoring and preventing abusive student loan practices within the Federal Family Education Loan Program (FFELP). Specifically, we found:

- weaknesses in Education’s enforcement of prohibitions on gifts from student loan companies to schools in exchange for companies being placed on schools’ “preferred lender” lists and
- problems with the agency’s enforcement of a student’s right to choose a qualified lender and not have this choice limited by a school.

Impact: In 2008, the Congress amended the Higher Education Act, which includes provisions that define a prohibited gift and require schools to annually report on their preferred lender arrangements and to post a statement on their Web sites noting that the school is required to process loan documents from any eligible lender in FFELP that the student selects. (GAO-07-750)

1.10.N. Improving Information on School Choice Option under No Child Left Behind Act: Our report on school choice under the No Child Left Behind Act found that little was known about the academic performance of transferring students and required notification letters to parents about the school transfer option were not always clear or complete. We recommended that Education

- use a methodology with the potential to identify the effects of school choice on students’ academic achievement, comparing outcomes for students transferring and those not transferring over several years, taking into account differences in student demographics, and
- help states develop strategies to better inform parents about the option by collecting and disseminating promising practices, such as examples of well-written, informative letters to parents; and to ensure that the results of its survey of parents be made widely available.

Impact: Education issued a report on the effect on achievement for students participating in school choice comparing students transferring and not transferring; funded a Web site dedicated to implementing school choice with a tool kit on communication with parents, sample practices used by districts to inform parents, and sample letters to share through national meetings and monitoring visits; published a handbook identifying effective strategies for informing parents about school choice; and released the results of the parental survey. (GAO-05-7)

1.11.C. Strengthening Higher Education Access and Affordability: We issued several reports on issues related to higher education access and affordability and we found that Education’s exceptional performer program for lenders in the FFELP had not achieved its goals of improving student loan servicing and reducing student loan defaults at a substantial cost to the federal government and that college textbook prices increased at twice the rate of inflation over the past 2 decades.

Impact: The Congress passed the College Cost Reduction Act, which eliminated the exceptional performer program. Also, in amendments to the Higher Education Act, the Congress increased transparency in college textbook pricing by ensuring that faculty, students, and bookstores have sufficient and relevant information to make informed choices before purchasing textbooks. (GAO-08-245, GAO-07-1087, GAO-05-806)

Benefits and Protections for Workers, Families, and Children

1.12.F. Reducing Food Stamp Payment Errors:

In a January 2001 report and subsequent testimony, we recommended that the Department of Agriculture (USDA) develop and analyze options for simplifying requirements for determining Food Stamp Program eligibility and benefits in order to ease program administration and reduce payment errors.

Impact: The Congress adopted our suggestion in the Farm Security and Rural Investment Act of 2002 by providing the states with the option to use simplified reporting requirements for verifying the accuracy of food stamp recipients' income information. In addition to financial benefits resulting from a substantial decline in its overpayments of food stamp benefits, we found that USDA's share of the states' administrative costs for certifying benefits for food stamp households has dropped by more than \$200 million annually, or about \$1 billion, from fiscal years 2003 to 2006. (GAO-01-272, GAO-01-881T, GAO/AIMD-00-10)

1.13.N. Ensuring Program Integrity in the Food Stamp Program: Our work on the Food Stamp Program, administered by the Department of Agriculture's Food and Nutrition Service (FNS), found that

- the Food Stamp Program remains vulnerable because retailers can enter the program intending to traffic; and
- current penalties may not be sufficient to deter traffickers because the most severe penalty most traffickers face is disqualification from the program and FNS must rely upon others for prosecution.

We recommended that FNS develop a strategy to increase the penalties for trafficking.

Impact: USDA requested tough penalties, and the Congress enacted the Food, Conservation and Energy Act of 2008 (Pub. L. No. 110-246), which includes a provision that raises civil penalties from \$10,000 to \$100,000 and a provision to allow USDA to immediately suspend trafficking retailers from the program pending administrative action. (GAO-07-53, GAO-05-245)

1.14.N. Improving Oversight of Underground Coal Mines:

In reviewing the Mine Safety and Health Administration's (MSHA) process for approving coal mines' emergency response plans, we recommended that MSHA take steps to address the following findings:

- the process was hampered by several factors, including the lack of specificity of MSHA's guidance;
- some plans did not specify the protections to be provided, and information about these protections varied;

- failure to evaluate citation data to identify potential problems with implementation or enforcement; and
- insufficient oversight of district offices to ensure that the levels of safety protection required by the plans are adequate across all district offices.

Impact: MSHA issued (1) *Guidance on the Use of Checklists for Emergency Response Plan Reviews* for district offices in order to clarify what is required for key components of the emergency response plans; (2) requirements for national and district-level accountability reviews to include reviews of relevant emergency response plans to ensure consistency in plan provisions, operator implementation, and enforcement efforts; and (3) clarification of how inspectors should cite mines for violations in order to ensure that repeat violations are accurately captured in a mine's violation history. (GAO-08-424)

1.15.C. Strengthening Oversight of Residential Programs for Youth: In our investigations of specific fatalities and abuses of youth in residential facilities—including boarding schools and academies, boot camps, and wilderness camps to serve youth with behavioral and emotional challenges—and our national study of these facilities, we determined that the existing patchwork of state and federal oversight is not adequate to protect youth from maltreatment. We found

- evidence of deceptive marketing, ineffective management, and reckless or negligent operating practices in case studies of abuse and fatalities in private facilities;
- data showing more than 1,500 reported instances of maltreatment of residents by staff in government and private facilities in 2005; and

- gaps in state licensing of some government and private facilities, such as juvenile justice facilities and residential schools and academies, and in federal oversight of these facilities.

Impact: Our work was frequently cited during congressional deliberations on the oversight of residential facilities for youth. In June 2008, the House of Representatives approved legislation to address many of the weaknesses we found. In July 2008, the Federal Trade Commission issued a guide for consumers considering a private residential program for troubled teens. (GAO-08-346, GAO-08-696T, GAO-08-713T)

Financial security for an aging population

1.16.N. Enhancing the Pension Benefit Guaranty Corporation's Governing Structure:

We reviewed the governance structure of the Pension Benefit Guaranty Corporation (PBGC), which insures the pensions of more than 44 million private sector workers and retirees, and made recommendations to address the following findings:

- PBGC had never established formal guidelines to articulate the administrative roles and responsibilities among the board of directors, the Secretary of Labor as the board chair, board member agencies, and the PBGC Director, which led, at times, to confusion and inefficiencies.
- PBGC's board lacked mechanisms to monitor and review PBGC operations and programs and generally relied on PBGC's Inspector General (IG) to provide oversight of PBGC's operations; there were no formal protocols describing the IG's interaction with the board.

Impact: PBGC reviewed and revised the bylaws to help delineate roles and responsibilities. A final rule was issued in which the PGBC board of directors revised the corporation's bylaws to specifically delineate the role and responsibilities of the board, the Secretary of Labor as the board chair, the board agencies, and the PBGC Director and the reporting relationship of PBGC's IG. (GAO-07-808)

1.17.C. Ensuring Retirement Security:

Our work on private pensions included reports and testimonies on limited 401(k) fee disclosure, which found that participants did not have the information they needed to make informed decisions about their investments. 401(k) plans are private pension plans that allow workers to save for retirement by diverting a portion of their pretax income into investment accounts. Many participants are not aware that they pay any fees, and those who are may not know how much they are paying. In prior work, we also recommended that sponsors of participant-directed plans disclose fee information to participants in a way that facilitates comparison among the options and report a summary of fees.

Impact: This work sparked several bills in the Congress that address these recommendations. For example, one bill would require detailed fee disclosures by plans to participants and another would amend the Internal Revenue Code to impose taxes on any defined contribution plan failing to provide plan participants with prescribed information about plan fees and expenses. In addition, the Department of Labor has proposed regulations designed to better disclose fees associated with 401(k) plans to participants. (GAO-08-222T, GAO-08-95T, GAO-07-21, GAO-08-774, GAO-07-530T)

A responsive, fair, and effective system of justice

1.18.F. Reducing Funding for the Office of National Drug Control Policy's Media Campaign:

Pursuant to a mandate, we reviewed various aspects of the Office of National Drug Control Policy's (ONDCP) National Youth Anti-Drug Media Campaign, including an evaluation by Westat, Inc. We determined that the Westat evaluation yielded no evidence of a positive outcome and suggested that the Congress consider limiting appropriations for the campaign. Subsequently, the Congress appropriated

- \$100 million dollars for the campaign for fiscal year 2007, a reduction of \$20 million dollars from the requested \$120 million dollars, and
- \$60 million dollars for the campaign for fiscal year 2008, a reduction of \$70 million dollars from the requested \$130 million dollars.

Impact: These efforts resulted in about \$91 million in federal funding being made available for other purposes. (GAO-06-818)

1.19.N. Encouraging Agencies to Formally Agree to Participate in and Support the Watch List Redress Process:

In September 2006, we reported on terrorist watch list screening. We noted the importance of having a process—often referred to as redress—for affected persons to express their concerns, seek correction of any inaccurate data, and request other actions to reduce or eliminate future inconveniences. Further, our report noted that an overarching factor regarding whether appropriate relief is being afforded to persons inadvertently and adversely affected by terrorist watch list-related screening was the absence of an interagency agreement to help ensure that,

among other matters, redress procedures and responsibilities are clearly documented and implemented effectively. Our report characterized the absence of such an agreement as a fundamental deficiency.

Impact: An interagency agreement—a memorandum of understanding (MOU)—was concluded and signed in September 2007. The signatories to the MOU are the Attorney General; the Secretaries of Homeland Security, State, Defense, and the Treasury; and the Directors of National Intelligence, the Federal Bureau of Investigation, the Central Intelligence Agency, the National Counterterrorism Center, and the Terrorist Screening Center. Among other key commitments, the MOU requires each agency to provide appropriate staff and other resources to ensure that the redress process functions in a timely and efficient manner and to designate a senior official responsible for the agency’s full participation in the redress process and overall compliance with the MOU. (GAO-06-1031)

The promotion of viable communities

1.20.N. Transforming SBA to Improve Performance and Employee Morale:

In a 2003 report, we reviewed the Small Business Administration’s (SBA) initial implementation of its transformation efforts, which included centralizing loan functions and shifting the focus of district offices to marketing and outreach. We found a lack of transparency and communication with employees and other stakeholders, and we recommended that SBA adopt key practices that have helped other organizations succeed in transforming their organizations.

Impact: In a September 2008 report, we determined that SBA had made significant progress in addressing our 2003 recommendations. We also recommended actions SBA could take to sustain its progress by developing a strategic training plan and measuring the effectiveness of its centralized operations. SBA agreed with our recommendations. (GAO-04-76, GAO-08-995)

1.21.C. Improving SBA’s Oversight of the HUBZone Program:

In a June 2008 report and subsequent testimony, we highlighted several deficiencies in SBA’s oversight and administration of its historically underutilized business zone (HUBZone) program—which provides federal contracting assistance to small businesses located in economically distressed communities, or HUBZone areas. Among other things, we

- found that the map that SBA uses to help firms interested in participating in the program determine if they are located in a HUBZone area is inaccurate;
- reported that SBA verifies the information reported by firms on their applications or during recertification—its process for monitoring firms—in limited instances and does not follow its own policy of recertifying all firms every 3 years; and
- recommended that SBA correct and update its HUBZone map, develop and implement guidance to ensure more routine verification of application data, and eliminate its backlog of recertifications.

Impact: SBA agreed to implement our recommendations, which should help ensure that only eligible firms receive federal contracting preferences. (GAO-08-643, GAO-08-975T)

Responsible stewardship of natural resources and the environment

1.22.N. Improving the Federal Government's Response to Climate Change:

Experts believe that federal land and water resources are vulnerable to a wide range of effects from climate change, some of which are already occurring. These effects include (1) physical effects, such as droughts or floods; (2) biological effects, such as increases in insect and disease infestations; and (3) economic and social effects, such as adverse impacts on tourism and infrastructure. We held a workshop with the National Academies and issued a report with a recommendation for improving the federal government's response to climate change.

Impact: The Forest Service is responding to our recommendation by initiating a number of actions. For example, it has drafted a companion document to its 2007 Strategic Plan that explains how climate change is embedded in various parts of the plan. It has also issued a letter to resource managers naming 16 high priority climate-related actions they are expected to take in 2008, including development of guidance for the preparation of forest plans and National Environmental Policy Act documents that take climate change into account. (GAO-07-863)

1.23.C. Improving Management of Large-Scale Ecosystem Restoration Projects:

Over the last 5 years, we have conducted several reviews of large scale ecosystem restoration projects such as in the Chesapeake Bay, Florida Everglades, and the Great Lakes. The Congress has also turned to us for assessments of the actions being taken in response to the recommendations made in our reports. For example, our 2008

assessment of the progress made by the Chesapeake Bay Program in implementing the recommendations made in our October 2005 report found that although recent actions taken by the program will enable the program to better manage the restoration effort, additional actions are still needed to ensure that the restoration effort is moving forward in the most cost-effective manner.

Impact: As a result of our work, managers of these restoration projects are planning to take actions to improve management of these billion-dollar efforts. (GAO-08-1033T, GAO-08-1131R, GAO-08-130, GAO-07-1250T, GAO-06-96)

1.24.C. Increasing Research Funding for Environmental and Health Risks of Nanotechnology:

Nanotechnology encompasses a wide range of innovations based on the understanding and control of matter at the scale of nanometers—the equivalent of one-billionth of a meter. Nanotechnology has a range of commercial uses and holds the promise for innovations in virtually every industry from aerospace and energy to health care and agriculture. The small size and unique properties of nanomaterials have raised questions about their potential environmental, health, and safety (EHS) risks. The National Nanotechnology Initiative (NNI) was established in 2001 to help coordinate the nanotechnology-related activities of 25 participating federal agencies. Of the \$1.3 billion that federal agencies allocated to nanotechnology research in fiscal year 2006, the NNI reported that about \$37 million was devoted to research that primarily focused on studying the EHS risks of nanotechnology. However, we reported in March 2008 that about 20 percent of this amount cannot actually be attributed to this purpose.

Impact: In response to our findings and recommendations, the Congress has emphasized EHS research in its proposed reauthorization of the NNI and participating agencies have requested \$76 million for EHS research for 2009, which is more than double the level of actual funding in 2005. (GAO-08-594)

A safe, secure, and effective national physical infrastructure

1.25.F. Improving Spectrum Management by Extending Auction Authority

Authority: Since 1993, the Federal Communications Commission (FCC) has conducted auctions to assign spectrum licenses to commercial users; these licenses permit companies to use a portion of the spectrum to provide various wireless communications services, such as mobile voice and data services. Some parties have raised concerns about the use of auctions, contending that the auctions raise consumer prices. In December 2005, we reported that auctions appeared to have little or no impact on end-user prices, infrastructure deployment, and competition, and that they mitigated the problems associated with comparative hearings and lotteries, which the FCC previously used to assign licenses. We therefore recommended that the Congress extend the FCC's auction authority beyond the scheduled expiration date of September 30, 2007.

Impact: In the Deficit Reduction Act of 2005, the Congress extended the FCC's auction authority and in March 2008, the commission completed the auction of the 700 megahertz (MHz) spectrum. The 700 MHz auction generated \$19.1 billion, greatly exceeding previous estimates, and a portion of the proceeds will be used to support public safety and digital television transition initiatives.

The net present value of the financial benefits associated with the legislation, and the associated 700 MHz auction, is \$8.6 billion. (GAO-04-926T, GAO-05-258T, GAO-05-623T, GAO-06-236, GAO-06-212R)

1.26.N. Improving Postal Realignment Planning and Accountability

We issued two reports on the U.S. Postal Service's (USPS) strategy for realigning its mail processing network, which discussed why realignment to improve efficiency and reduce costs is urgently needed due to declining mail volumes. Our reports identified several concerns we had related to USPS's lack of clarity, criteria, evaluation process, and public communication about what it planned to do and why. On the basis of our reviews it was not clear whether USPS was identifying the best opportunities for realignment or what the expected and actual impacts have been. We recommended that USPS enhance the transparency and communication of its decisions related to realigning its infrastructure.

Impact: USPS has addressed our recommendations by (1) providing a Network Plan to the Congress that clarified how USPS makes realignment decisions; (2) establishing a process for evaluating results; and (3) enhancing communication with stakeholders by improving public notice, engagement, and transparency. (GAO-07-717, GAO-05-261, GAO-08-1022T)

1.27.N. Improving Postal Delivery

Performance Information: In a July 2006 report, we found that USPS had delivery standards for the timely delivery of its major types of mail, but some had not been updated in a number of years to reflect changes in how mail is prepared and delivered. These outdated standards were unsuitable as benchmarks for setting realistic expectations for measuring delivery

performance or improving service, oversight, and accountability. We recommended that USPS modernize delivery standards and commit to developing a complete set of delivery performance measures for all major types of mail.

Impact: In December 2006, the Congress enacted the Postal Accountability and Enhancement Act (Pub. L. No. 109-435) that required USPS to modernize its delivery standards and develop delivery performance measures. In December 2007, USPS issued its modernized delivery standards. Then, in June 2008, USPS developed a service performance measurement plan, in which it committed to measure and report on delivery performance for major types of mail starting in fiscal year 2009. (GAO-06-733)

1.28.C. Informing Efforts to Meet Growing Demands on the Transportation System:

The economic implications of growing levels of transportation congestion are significant, ranging from wasted fuel as cars idle in gridlock to increased costs for businesses. In a series of reports and testimonies, we addressed these issues. For example:

- We reported that many of the current surface transportation programs do not effectively address congestion and other transportation challenges because, in part, these programs lack a well-defined vision of the national interest and federal role. We called for the refocusing of the surface transportation programs.
- We examined the Federal Aviation Administration's efforts to redesign the airspace structure in the northeast—which is intended to reduce delay—and made recommendations to improve the implementation of these efforts.

Impact: Our work provided timely information as the Congress considers the reauthorization of aviation and surface transportation programs. (GAO-08-786, GAO-08-934T, GAO-08-743T, GAO-08-763T, GAO-08-400)

1.29.C. Improving Transportation Safety:

As in past years, we highlighted the need to improve federal actions to reduce highway, aviation, and other transportation accidents that lead to the 45,000 people killed and 2.8 million injured annually. Most notably, we called for

- improved ways to detect commercial truck drivers who use drugs and keep them off the road, such as expediting rule making that would create a national database of positive test results;
- more progress in reducing runway collision hazards by implementing runway-related safety technologies and addressing controller staffing issues; and
- better oversight and accountability for results from the hundreds of millions of dollars provided to states to improve highway safety by identifying common state challenges to improving safety and by tying state performance to receipt of grants.

Impact: The Congress is using information provided by our work as it conducts oversight of these transportation programs and considers legislation to reauthorize safety programs. (GAO-08-600, GAO-08-29, GAO-08-477, GAO-08-788, GAO-08-398)

1.30.C. Advising Policy Makers and Consumers on the Digital Television (DTV) Transition:

In a series of reports and testimonies issued in fiscal year 2008,

we reviewed the progress of the nation's transition from analog to DTV, and found that:

- no comprehensive plan existed that detailed goals and milestones that could be used to measure transition progress;
- some broadcasters still faced technical, coordination, or other issues that needed to be resolved before broadcasting only in digital;
- 84 percent of people had heard of the transition, but 45 percent of those at risk of losing television service planned to take inadequate or no action to prepare for it; and
- the government was effectively implementing a \$1.5 billion subsidy program for converter boxes, but plans to address a likely increase in subsidy demand remained unclear.

Impact: We provided timely information to the Congress as it conducted oversight of the DTV transition to help ensure that Americans do not lose television service. (GAO-08-191T, GAO-08-43, GAO-08-510, GAO-08-881T, GAO-08-1040)

1.31.C. Improving Federal Real Property Management and Security:

The federal real property portfolio is vast and diverse, totaling over 3 billion square feet of space with an estimated gross value in the hundreds of billions of dollars. Our work highlighted the government's continued reliance on costly leasing, challenges facing the Department of Homeland Security's (DHS) Federal Protective Service (FPS) in protecting facilities, and threats to the collections of the Smithsonian Institution related to problems in its real property management and security.

Impact: Our reports and testimonies led to robust congressional oversight in these areas and several actions are planned to address the problems. Our work brought renewed focus on the leasing issue by the Office of Management and Budget (OMB). DHS has agreed to implement our recommendations to improve FPS's ability to address its challenges and better protect federal facilities. The Smithsonian Institution agreed with our recommendations related to real property management and security and committed to making several improvements. (GAO-08-197, GAO-08-683, GAO-08-250T, GAO-08-897T, GAO-08-914T)

1.32.C. Overseeing

Telecommunications: FCC is responsible for enforcing various telecommunications laws that are designed to protect consumers, ensure public safety, and encourage competition. We found that the extent to which FCC is effectively enforcing its rules and orders is difficult to assess because it lacks a robust data management system. From 2003 through 2006, FCC received nearly a half million complaints and opened about 46,000 investigations, but closed about 83 percent of its investigations with no enforcement action. We recommended that FCC develop a data system that, among other things, improves its data collection and analysis to help it better manage its enforcement efforts.

Impact: In response to our recommendation, FCC stated that it had taken several actions to address these issues, though we did not agree that these actions were fully responsive. Developing a data system as recommended would remedy FCC's lack of critical information in this area, so that it is able to invest resources where they are needed, reduce costs, and fully oversee its programs. (GAO-08-125)

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

Source: See Image Sources.

Protect and secure the homeland from threats and disasters

2.01.N. Strengthening Management and Risk Mitigation of Visa Waiver Program:

The Departments of Homeland Security and State manage the Visa Waiver Program, which allows citizens from 27 countries to travel to the United States visa free. Terrorism concerns involving citizens from program countries have led some to suggest eliminating or suspending the program, while the executive branch is considering adding programs to it. We found that changes to the program could bring about substantial increases in the demand for visas at embassies and consular offices abroad, severely disrupting visa operations at those locations. We also found that DHS had not fully developed tools to assess and mitigate program risks—including the risk that the program could be exploited by criminals to gain illegal entry into the country—and had not followed a transparent process to expand the program to additional countries.

Impact: Our reports, testimonies, and briefings have contributed to congressional oversight of the Visa Waiver Program, and our recommendations have served as the basis for preliminary agency actions. For example, DHS completed standard operating procedures to guide mandated security

assessments of potential expansion and existing program countries. ([GAO-08-458T](#), [GAO-08-623](#), [GAO-08-967](#), [GAO-06-854](#))

2.02.N. Improving Stakeholder Involvement in National Response Policy Making:

The Federal Emergency Management Agency (FEMA) has emphasized the importance of partnering with stakeholders—state, local, and tribal governments; nongovernmental organizations; and the private sector—to effectively prepare for and respond to major and catastrophic disasters. Moreover, the Congress, through the Post-Katrina Emergency Management Reform Act, requires such partnership. Although DHS included nonfederal stakeholders in the initial and final stages of developing the National Response Framework in 2007, it did not collaborate with these stakeholders as fully as originally planned or as required by the Post-Katrina Act. We found that FEMA did not have policies or procedures in place to guide this process or to ensure a collaborative partnership with stakeholders. We recommended that FEMA develop policies and procedures that guide how future revision processes will occur, particularly for collaborating with nonfederal stakeholders.

Impact: The Senate report for the fiscal year 2009 DHS appropriations act directs FEMA to brief the Committee within 60 days of the date of enactment regarding its plan to implement our recommendations. ([GAO-08-768](#))

2.03.N. Strengthening Watch-List Matching for Commercial Aviation

Passengers: In a series of reports and testimonies, we reported on the Transportation Security Administration's (TSA) oversight of air carrier efforts to match passenger information against the terrorist watch list (watch list matching)—used to identify persons who should be denied boarding or who should undergo additional security scrutiny—and TSA's progress in assuming the watch list matching function with development of the Secure Flight program. We found that due to TSA's limited oversight, some air carriers did not perform critical aspects of watch-list matching, which has led to some actual matches not being identified, and that Secure Flight was at risk of exceeding cost and schedule estimates and not delivering needed functionality.

Impact: As a result of our work, TSA has strengthened current watch-list matching requirements and also taken action to improve its development of the Secure Flight program. (GAO-08-456T, GAO-08-992)

2.04.C. Improving Cargo and Port Security:

In a series of reports and testimonies on maritime security, we summarized overall progress, but also identified weaknesses, limitations, and challenges in federal programs to secure our ports and the oceangoing cargos that they receive. In our October 2007 testimonies on the SAFE Port Act, we provided a detailed summary of federal efforts, and challenges ahead, to improve maritime security across a number of agencies and programs. In a reports and testimony on the U.S. Coast Guard, we raised concerns about the agency's ability to adequately ensure maritime security—for energy tanker vessels, at domestic maritime facilities, and at foreign ports—as well as to conduct its traditional missions within current resource levels.

In reports and testimony on U.S. Customs and Border Protection programs related to oceangoing cargo containers, we noted weaknesses in the agency's ability to assess the security of private companies that are members of its security partnership, as well as its ability to assess the adequacy of foreign governments.

Impact: Our work aided the Congress in the decision to pass legislation to close some of the resource gaps and security limitations we noted. Further, agencies agreed to take several steps to implement our recommendations and improve their maritime security efforts. (GAO-08-126T, GAO-08-494T, GAO-08-533T, GAO-08-187, GAO-08-12)

2.05.C. Improving National Flood Insurance Program Data and Analysis:

In an October 2007 testimony we concluded that FEMA faced a number of ongoing challenges with data collection and analysis in managing the National Flood Insurance Program (NFIP) that, if not addressed, would continue to threaten the program's financial solvency. Subsequently, we identified specific data collection and analysis shortcomings, such as the inability of (1) NFIP's data systems to consistently determine the extent to which winds and floods contribute to total property damages and the accuracy of flood claims and (2) FEMA's grant management system to record acquisition data in real time, which would help to ensure the systematic review of performance by disaster mitigation contractors. We made several recommendations to help ensure systematic monitoring and review of contractor performance.

Impact: FEMA agreed with our recommendations to improve contractor oversight and has taken steps to address them. (GAO-08-118T, GAO-08-28, GAO-08-437)

2.06.C. Identifying Challenges Associated with Implementing the Secure Border Initiative:

In October 2007 and February 2008 we testified on DHS's progress in implementing its CBP Secure Border Initiative (SBI) program—a multibillion-dollar program to secure U.S. borders and reduce illegal immigration using technology, infrastructure, and personnel. We raised concerns regarding schedule delays and unmet expectations for a \$20.6 million technology project and meeting a December 2008 deadline to construct 670 miles of fencing along the southwest border. In addition, in spring 2008, we reviewed SBI's planned fiscal year 2008 expenditures. We found that the plans submitted to the Congress did not include detailed justification for all planned SBI expenditures nor did they permit progress against program commitments to be adequately measured and disclosed.

Impact: The Congress subsequently requested additional information from CBP before releasing \$650 million of the agency's 2008 appropriation. (GAO-08-131T, GAO-08-508T, GAO-08-739R)

2.07.C. Defining and Articulating the Federal Government's Role in Sustaining Fusion Centers:

After 2001, state and local governments began to establish fusion centers—collaborative efforts to detect, prevent, investigate, and respond to criminal or terrorist activity—to help address gaps in homeland security and law enforcement information sharing with the federal government and among levels of government. In an October 2007 report we found that despite DHS's and the Federal bureau of Investigation's efforts to deploy personnel to fusion centers and DHS's grant funding, center officials were concerned about long-term sustainability—both the extent of federal support they could expect as well as

the roles of their state or local jurisdictions. We reported that one specific funding challenge fusion center officials cited was time limits on the use of Urban Area Security Initiative and State Homeland Security Grant Program grant funds for personnel, including intelligence analysts. This limit made retaining personnel challenging because state and local entities may lack the resources to continue funding such positions, which could affect the centers' ability to continue to operate.

Impact: Legislation proposed in fiscal year 2008 would, among other things, permit states and localities that receive these grant funds to use them for analyst salaries regardless of whether the analysts are current employees, new full-time employees, or contract employees and without limitations on the time period that these analysts can serve under the awarded grants. (GAO-08-636T, GAO-08-35, GAO-08-637T)

2.08.C. Enhancing Security of Critical Infrastructure Control Systems:

GAO testified in October 2007 on the need to improve security over critical control systems—computer-based systems that monitor and control sensitive processes and physical functions—highlighting the increased threats to control systems that support the nation's critical infrastructure, such as those for electric power generation, oil and gas refining, and water treatment. In May 2008, we reported that the Tennessee Valley Authority (TVA), a federal entity and the nation's largest public power company, needed to implement an effective information security program to protect such systems. We made recommendations to TVA to improve the implementation of security programs activities for the control systems governing TVA's critical infrastructures, such as assessing the risk of all control systems and developing and implementing remedial action plans.

Impact: TVA agreed with our recommendations and is taking steps to implement them. (GAO-08-119T, GAO-08-526, GAO-08-775T)

2.09.C. Improving Government Efforts to Protect Sensitive Information:

Information security (IS) requirements are designed to effectively protect sensitive information including personal, law enforcement, and proprietary information. We testified in February and March 2008 that despite agencies' reported progress in implementing IS requirements, incidents involving data loss or theft, computer intrusions, and privacy breaches reported by federal agencies underscore the need for further improvements.

Impact: Our work called for governmentwide action and brought attention to the need for federal agencies to better protect sensitive information by improving information protection policies and effectively implementing encryption technologies. (GAO-08-343, GAO-08-525, GAO-08-496T, GAO-07-751T)

Ensure military capabilities and readiness

2.10.F. Contributing to Properly Funding the Military's Needs:

In a number of reviews, we analyzed DOD's base budget request for fiscal year 2008 and DOD's approach for requesting the funds and reporting obligations for the Global War on Terrorism (GWOT).

- In DOD's fiscal year 2008 budget request, we identified billions of dollars in potential costs that could be avoided and opportunities for DOD to improve its internal oversight of the use and tracking of funds. We analyzed unobligated balances (i.e., funding that

has been approved or is available but not yet committed for a particular purpose); operations and maintenance execution trends; and active, reserve, and civilian personnel expenditures.

- In other work, we reported that expanded guidance allowed DOD to request GWOT funding for items, such as major weapon systems, that were also included in DOD's base budget request, and we recommended that DOD build more of the GWOT funding requirement into the base budget request to provide greater transparency between base and GWOT needs. We also made recommendations to improve the reliability of GWOT cost reporting.

Impact: Our budget work contributed to multiple actions that resulted in total financial benefits of about \$3.062 billion and reductions in the fiscal year 2008 budget. In response to our GWOT funding work, DOD has taken steps to improve transparency in its base budget including revising procedures for analyzing variances in obligations, performing quality assurance, and providing clarification to guidance. (GAO-08-68)

2.11.F. Assessing Joint Seabasing Results in \$2.05 Billion Reduction in Ship Procurement:

In January 2007, we issued a report on DOD's joint seabasing initiative—an evolving concept for projecting and sustaining forces ashore that could cost billions of dollars. We recommended that DOD conduct additional experimentation and evaluation of joint seabasing options and synchronize associated cost estimates so that decision makers would have sufficient information for making investment decisions. We also concluded that if individual systems that support seabasing were procured before total ownership cost of seabasing options were developed and made transparent to DOD and the Congress, there was a risk that

DOD could make significant investments that might not be the most cost-effective means of projecting and sustaining U.S. forces.

Impact: Since our report's issuance, DOD has reduced the number of ships it plans to procure for joint seabasing from eight to two ships, reducing the Navy's shipbuilding costs by \$2.273 billion. The Navy stated in a report to the Congress on its fiscal year 2009 shipbuilding plans that it delayed ship procurement for joint seabasing to resolve the concept of operations. This approach is consistent with our recommendations, which were partially agreed to by DOD. We estimate that the financial benefit realized from the Navy's action totals about \$2.05 billion—the difference between the net present value of the President's requests for fiscal years 2009, 2010, and 2011 and the Navy's fiscal year 2007 and 2009 shipbuilding plans. (GAO-07-211)

2.12.F. Analyzing DOD's Investment Budget for Fiscal Year 2008: We reviewed the President's request for procurement and research, development, test and evaluation funding for DOD and identified a number of activities for which funding reductions were appropriate. For example, our analysis revealed that the Army's request for tactical radios exceeded approved objectives, and the Congress reduced the budget request by \$1.7 billion. We also identified a miscalculation in the costs of expanding a communications network, resulting in a budget reduction of \$812 million. We also questioned the appropriateness of buying a Joint Strike Fighter to replace a combat loss since the aircraft would not be a combat-ready aircraft. As a result, the Congress did not fund this \$230 million request.

Impact: Our work supported reductions of about \$1.4 billion in the base budget and nearly \$4 billion in the GWOT budget.

2.13.N. Improving the Management of Defense Infrastructure: In a series of reports and testimonies, we have recommended ways for DOD to improve the implementation of the Base Realignment and Closure (BRAC) process and the operation and sustainment of defense installations and facilities that support military missions, personnel, and readiness. In our BRAC series, we made recommendations to improve DOD's reporting of BRAC implementation costs and savings and provide the Congress with greater transparency in projected implementation costs to aid in oversight. Our 2008 report on sustainment, modernization, and restoration of DOD facilities and bases made several recommendations to help ensure that military forces have adequate facilities to fully support the missions and personnel at the levels desired. In another report, we recommended that DOD improve the process it uses to communicate with and provide assistance to local communities surrounding military bases that are growing due to the BRAC and various realignment and Army reorganization initiatives.

Impact: DOD is in the process of implementing these recommendations which are critical to ensuring that military bases flagged for expansion can operate in a sustainable fashion. (GAO-08-315, GAO-08-602R, GAO-08-244R, GAO-08-1010R, GAO-08-159)

2.14.N. Enhancing DOD's Preparedness for Homeland Security Missions: DOD established U.S. Northern Command (NORTHCOM) to conduct homeland defense and civil support missions in and around the United States. NORTHCOM coordinates with the National Guard Bureau because the bureau has experience dealing with state and local authorities during incidents and functions as NORTHCOM's formal link to the states. In a series of reports, we identified

shortcomings in DOD's approach to its homeland security missions, specifically the National Guard Bureau's management of weapons of mass destruction civil support teams. We also found that NORTHCOM did not adequately track supporting plans and that key challenges hindered NORTHCOM's planning—including a gap in identifying requirements, a lack of regularly assigned forces to NORTHCOM, and difficulty monitoring the readiness of military units to accomplish civil support missions.

Impact: To correct shortcomings in the National Guard Bureau's management of civil support teams, the Army developed a plan to institutionalize the civil support team program—including management standardization and training efforts. In response to our NORTHCOM work, DOD agreed to address our recommendations and is in the process of establishing a means of tracking supporting plans, assigning key specialized forces to NORTHCOM, and revising guidance on roles and responsibilities for interagency coordination and interaction with the National Guard Bureau. (GAO-08-252, GAO-08-251, GAO-06-498)

2.15.N. Strengthening Defense Security:

A series of reports identified shortcomings in defense security related to the use of biometrics and securing DOD's critical infrastructure. Our May 2008 report on improving DOD biometrics collection and sharing recommended that (1) DOD establish a minimum baseline standard set of biometrics data for collection during military operations so that biometrics data could be compared across multiple databases in different commands and across federal agencies as appropriate and in accordance with applicable laws, regulations, and international agreements and (2) the Secretaries of Defense and Homeland Security, in consultation with other federal

agencies, determine if biometrics information sharing needs are being met and address any biometrics data-sharing gaps that may exist, in accordance with laws, regulations, and international agreements.

Impact: DOD noted that it urgently implemented our recommendation and filled gaps we identified in routine sharing of certain biometrics data with DHS and others for border security purposes. In addition, the White House used our report to support its policy making on biometrics. (Classified product not publicly available)

2.16.N. Improving DOD Knowledge and Management of Servicemembers' Employment Rights:

In numerous products, we identified actions to address servicemember employment rights and discussed the Department of Labor and DOD's implementation of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), which protects employment and reemployment rights of federal and nonfederal employees who leave their civilian employment for military or other uniformed service. For example, we reported that the Congress did not have comprehensive information on reservists' complaints because the Department of Labor's annual USERRA report did not include informal complaints reservists made to DOD.

Impact: In response to our work, both DOD and the Congress have taken several steps to protect employment and reemployment rights of federal and nonfederal employees who leave their civilian employment for military or other uniformed service. Specifically, the Congress amended the reporting requirement of title 38 U.S.C. § 4332 to require the Department of Labor to include informal complaint data from DOD in its annual USERRA report to the Congress. Also, in response to a congressional mandate, DOD

has also agreed to better define scholarship costs for students who receive a DOD-funded medical education and to better capture employment data of reservists who require certification or licenses in their civilian careers. (GAO-08-254T, GAO-08-370R, GAO-07-259)

2.17.N. Creating a Chief Management Officer (CMO) at DOD to Guide Business Transformation:

During fiscal year 2008, we reported that DOD has yet to establish (1) a strategic planning process that results in a comprehensive, integrated, enterprisewide plan or set of plans to guide transformation and (2) a senior official who can provide full-time attention and sustained leadership to transformation. At a time of increasing military operations and growing fiscal constraints, billions of dollars have been wasted annually because of a lack of adequate transparency and appropriate accountability across DOD's business areas. DOD's lack of a comprehensive enterprisewide business transformation plan linked with performance goals, objectives, and rewards for all key business areas has been a continuing weakness.

Impact: The Congress recognized the need for executive-level attention to business transformation matters and, in the National Defense Authorization Act for Fiscal Year 2008, assigned CMO responsibilities to the Deputy Secretary of Defense, established a full-time Deputy CMO position, and assigned CMO responsibilities within the military departments. Also, DOD has taken steps to improve its planning process and to implement the CMO legislation. (GAO-08-462T, GAO-08-132T, GAO-08-322T)

2.18.C. Assessing U.S. Military Readiness and Ongoing Operations in Iraq and Afghanistan: Our work on force readiness and military operations in Iraq

and Afghanistan has included several reports and testimonies on such topics as DOD's ability to provide trained and ready forces for ongoing operations and other contingencies, equipment reset, the training and use of Navy and Air Force personnel to fill ground force requirements, force protection solutions to support deployed troops, and oversight of support contractors. Our work identified key challenges facing DOD, prompting the Congress to take legislative action to require DOD to address several readiness and training issues.

Impact: Our work has helped frame significant issues for congressional and public debate, and DOD and the Congress are taking actions to address some of these issues. For example, DOD is establishing policies to guide the training and use of selected forces, and the Congress and DOD are taking steps to improve management of the Commander's Emergency Response Program in Iraq for meeting urgent needs. (GAO-08-264, GAO-08-342, GAO-08-966, GAO-08-736R, GAO-08-497T)

2.19.C. Improving DOD's Major Weapons Acquisition Management Process:

For a number of years we have reported on DOD's history of major acquisitions costing more than estimated, delivering products later than originally promised, and providing less capability than desired. This year we reported on DOD's actions to develop a congressionally mandated comprehensive strategy for improving the empowerment and accountability of program managers responsible for major DOD acquisitions. We also reviewed and made recommendations on how to improve DOD's quality management practices by using best practices found at leading commercial companies, DOD's management and oversight of programs with multiyear contracts, and DOD's funding process and its impact on major acquisitions.

Impact: DOD agreed or partially agreed with the majority of our recommendations and intends to take actions accordingly. For example, in line with recommendations made as a result of our review of DOD's management and oversight of programs using multiyear contracts, DOD intends to implement a database to track multiyear procurements and post-procurement assessments. The Congress also continued to make use of our work, citing the results of our review of multiyear procurements and a prior year's examination of technology transition in suggesting DOD actions. (GAO-06-883, GAO-08-62R, GAO-08-294, GAO-08-619, GAO-08-298)

Advance and protect U.S. international interests

2.20.F. Realigning Funds for the National Nuclear Security Administration's (NNSA) Surplus Russian Fissile Materials Disposition Program:

In our review of NNSA's fiscal year 2008 budget request, we found that \$151 million in funds appropriated in fiscal year 1999 by the Congress for the Russian Surplus Fissile Materials Disposition program—which helps Russia dispose of weapons-grade plutonium—had never been allotted to the program for obligation, and thus remained unobligated. We also reported that the program had an additional \$57.4 million in unobligated balances that were also potentially available for other uses.

Impact: The Congress agreed with our assessment. Based in part on our review, the Congress acted in the Fiscal Year 2008 Consolidated Appropriations Act to rescind the \$151 million appropriated in fiscal year 1999 as well as \$57 million in unobligated program balances, resulting in \$208 million available for use in other government programs.

2.21.F. Analyzing the Fiscal Year 2008 Appropriation for the Millennium Challenge Corporation (MCC):

Our February 2007 work showed that MCC could operate with a smaller-than-requested fiscal year 2008 appropriation because, based on historical experience, the corporation would not obligate the balance of its prior years' appropriations until the fourth quarter of fiscal year 2008. Our May 2007 correspondence to congressional committees showed that MCC had disbursed only about \$68 million of the \$2.1 billion obligated for compact assistance and could have significant undisbursed balances when compacts expired. Our July 2007 report showed that MCC's portrayal of projected compact impact did not reflect underlying data and identified five key risks that could affect project impact.

Impact: Our work supported and informed appropriations and authorizing committees' decisions about MCC funding for fiscal year 2008, and contributed to a congressional appropriation of about \$1.6 billion for MCC for fiscal year 2008, a reduction of about \$1.4 billion from the President's \$3 billion request. MCC officials confirmed that our analysis was used by congressional appropriators to frame key discussions about MCC funding and as a basis for reducing MCC's request. (GAO-08-577R, GAO-07-909, GAO-05-455T)

2.22.N. Improving International

Food Assistance: We found that multiple challenges hinder the efficiency and effectiveness of U.S. food aid, and U.S. agencies lack data to adequately monitor food aid program costs. As a result, these programs may not get the right food to the right people at the right time. We also found that persistent food insecurity in sub-Saharan Africa demonstrated that the efforts of both host governments and donors have been

insufficient in meeting the commitment of the United States and more than 180 world leaders to halve hunger by 2015.

Impact: A number of our recommendations have been enacted into law as part of the recent Farm Bill. Among other things, the Congress (1) authorized up to \$22 million annually for a system of monitoring and assessment of nonemergency programs, (2) required the U.S. Agency for International Development to report on its oversight of nonemergency programs, and (3) directed GAO to review the agency's efforts. (GAO-08-680, GAO-07-560)

2.23.C. Improving Oversight of U.S. Efforts in Afghanistan and Pakistan:

We examined U.S. efforts to combat terrorism in Pakistan's border areas and to secure and reconstruct Afghanistan. The result was a series of reports, testimonies, and briefings in which we identified a number of ways in which oversight of these efforts could be improved, including better monitoring of Coalition Support Funds provided to Pakistan and of road reconstruction funds for Afghanistan. Spending for each of these has totaled in the billions of dollars.

Impact: Our work contributed to various congressional oversight hearings and legislative actions, including a formal letter from a congressional committee chairman to the President on our findings related to Afghan National Security Forces. In addition, DOD has begun to take steps to enhance its oversight of Coalition Support Funds, and DOD and the U.S. Agency for International Development have begun taking steps to improve their ability to measure the impact of Afghan reconstruction projects. (GAO-08-806, GAO-08-689, GAO-08-622, GAO-08-820T, GAO-08-932T)

2.24.C. Securing, Stabilizing, and

Rebuilding Iraq: Our June 2008 report found that overall violence, as measured by enemy-initiated attacks, had fallen, but that key legislation had not been enacted and Iraqi spending for reconstruction was still low. We recommended that DOD and the Department of State (State) develop an updated strategy for Iraq that would build on recent gains and address unmet goals.

Impact: The Congress used our work as part of its oversight on whether U.S. surge forces were achieving their intended outcome—that is, a reduction in violence throughout Iraq that would provide the time and space needed for reconciliation among Iraq's Shi'a, Sunni, and Kurdish peoples. (GAO-08-837, GAO-08-1031)

Respond to the impact of global market forces on U.S. economic and security interests

2.25.N. Reforming the Federal Housing Government-Sponsored Enterprises

(GSE) Regulatory Structure: In fiscal year 2008, we reported that the fragmented federal regulatory oversight structure for the housing government sponsored enterprises (GSE)—Fannie Mae, Freddie Mac, and the Federal Home Loan (FHL) bank system—was inadequate to monitor these large and complex financial institutions and their mission activities. We noted that while the housing GSEs play a critical role in the U.S. housing finance system (in the case of Fannie Mae and Freddie Mac by buying mortgages from lenders or the FHL bank system by providing loans to lenders), their activities pose potentially significant risks to taxpayers.

Impact: In response to our findings and recommendations, Congress passed the Housing and Economic Recovery Act of 2008 that established a single housing GSE regulatory agency to better ensure consistency of regulation among the GSEs. This agency is responsible for safe and sound operations, provides housing mission oversight, has sufficient legal authority to authorize regulatory actions as capital levels decline, and can place insolvent institutions into receivership. ([GAO-08-563T](#))

2.26.N. Ensuring Compliance with Bank Fee Disclosure Requirements:

The Truth-in-Savings Act and its implementing regulations require that banks provide uniform disclosures about, among other things, fees associated with checking and savings accounts to enable consumers to comparison shop and allow them to make informed decisions before opening checking or savings accounts.

- In January 2008, we reported that GAO staff posing as customers were unable to obtain detailed fee information and account terms and conditions at more than one-fifth of the 185 bank branches visited.
- We recommended that the five federal banking regulators assess the extent to which consumers receive disclosures on fees and incorporate steps into their oversight to ensure that disclosures continue to be made available.

Impact: Each of the banking regulators agreed with our recommendation and indicated that they planned to take various actions in response to our report, including working on an interagency basis to revise their Truth-in-Savings Act examination procedures. ([GAO-08-281](#))

2.27.N. Balancing Customs and Border Protection's Trade and Security Responsibilities:

Our work informed the Congress on Customs and Border Protection's (CBP) performance of mandated trade functions since its move to DHS. We found that, although CBP was the second largest revenue generator for the U.S. government, the staffing levels for its revenue functions had declined below congressionally mandated levels. Further, CBP had not publicly reported on its performance of revenue functions, and the DHS IG had not audited CBP's efforts in this area. Also, despite a legal mandate to maintain staffing levels in revenue positions, the number of staff had declined. We also found that the enforcement of intellectual property rights among CBP ports was uneven and that several factors contributed to a \$613 million shortfall in collecting antidumping and countervailing duties from fiscal year 2001 through fiscal year 2007.

Impact: CBP has taken several steps to improve its performance of trade functions including (1) increased oversight by the IG and (2) more strategic direction and analysis of intellectual property enforcement. Based on our work, the Congress has required additional CBP reporting on revenue collections, is considering ways to improve the antidumping and countervailing duty system, and has addressed our recommendations in a major piece of intellectual property enforcement legislation. ([GAO-08-157](#), [GAO-08-391](#), [GAO-07-529](#), [GAO-07-735](#))

2.28.C. Assessing the Implications of Potential Systemic Risk from Hedge Fund and Leveraged Buyout Activities:

In two reports on hedge funds and private equity-sponsored leveraged buyouts, we

- noted that even with the combined expertise of the relevant regulators, they still lack the data necessary to judge the full risks associated with hedge funds and leveraged buyouts and called attention to the potential for systemic risk that may stem from these activities;
- reported that academic research suggests that leveraged buyouts generally have a positive impact on the financial performance of the target companies, but impact on employment is uncertain, and that our econometric analysis generally found no statistical indication that club deals, in aggregate, were associated with prices paid for the target companies; and
- recommended that the regulators for financial institutions that provide leveraged financing give increased attention to ensuring that their oversight of financial institutions takes into consideration potential systemic risks raised by changes in the broader financial market.

Impact: Our work on hedge funds and private equity provided important insights into the growth and impact of an increasingly significant part of the global financial system. (GAO-08-200, GAO-08-885)

2.29.C. Providing a Basis for Improving the Export Control System: The system is a key component of the government’s safety net of programs designed to protect technologies critical to national security, which we designated as a new high risk list area in 2007. We identified the underlying factors that contributed to inefficiencies in State’s processing of arms export licenses. Based on the results of our analyses and recommendations, State has begun analyzing its own licensing data and implementing actions that will allow it to better manage

its workload and restructure its workforce. Separately, we reported that the multiple federal agencies responsible for enforcing export control laws faced several challenges. For example, they have had difficulty coordinating investigations and agreeing on how to proceed on cases. These findings prompted the Department of Justice along with other export enforcement agencies to form a task force to enhance coordination. Also based on our recommendation, enforcement agencies began providing State and the Department of Commerce, which regulate defense-related exports, information on criminal enforcement actions—information that is important for these departments to consider as they review export license applications.

Impact: We have continued to identify opportunities for improving the efficiency and effectiveness of the U.S. export control system. Our work has helped to inform legislative, administration, and industry proposals for reforming the export control system. (GAO-08-89, GAO-08-710T, GAO-07-265)

2.30.C. Improving Oversight of Commodity Futures Markets: We reported on how various changes in the energy futures markets have posed increased challenges for regulators. As prices for various oil and natural gas commodities have risen significantly, concerns arose that the increases were the result of increased trading outside of regulated futures markets and by new market participants, such as hedge funds.

- We found that the Commodity Futures Trading Commission (CFTC) was not maintaining documentation of the abusive trading practice allegations it received and lacked adequate measures of the effectiveness of its enforcement program.

- We recommended that CFTC improve its oversight program and asked the Congress to consider revising the scope of the agency's authority over energy derivatives trading given the changes in the markets.

we reported and are considering potential changes in CFTC's oversight authority. ([GAO-08-25](#), [GAO-08-174T](#), [GAO-07-1095T](#), [GAO-06-742T](#))

Impact: In response, CFTC has begun collecting more information on the reporting and classification of energy traders, and developing summary records of futures contracts in the major energy markets. In addition, various congressional committees have begun to examine the issues on which



STRATEGIC GOAL 3

Help transform the federal government's role and how it does business to meet 21st century challenges

Reexamine the federal government's role in achieving evolving national objectives

3.01.N. Enhancing National Preparedness for an Influenza Pandemic:

Our work in this area included a March 2007 report on financial market preparedness for an influenza pandemic and an October 2007 report on private sector coordinating councils that could help address challenges that will require coordination between the federal and private sectors involved with protecting the nation's critical infrastructure in advance of, as well as during, an influenza pandemic.

Impact: In response to our recommendations, the Federal Reserve and the Office of the Comptroller of the Currency, in conjunction with the Federal Financial Institutions Examination Council, provided guidance to financial institutions on actions they should take to minimize the potential adverse effects of a pandemic. (GAO-08-36, GAO-08-539, GAO-08-92)

Support the transformation to results-oriented, high-performing government

3.02.N. Improving Federal Agencies' Acquisition Functions: Federal agencies spent nearly \$440 billion in fiscal year 2007 on goods and services. For decades, however,

we have reported on a number of systemic challenges in agencies' acquisition of goods and services, which are so significant and wide ranging that we designated four areas of contract management across the government to be high risk. Such concerns led us in September 2005 to publish a framework to enable high-level, qualitative assessments of the strengths and weaknesses of the acquisition function at federal agencies.

Impact: On May 21, 2008, the Administrator, Office of Federal Procurement Policy, issued guidelines and an associated template, which was largely based on our framework, for conducting reviews of agencies' acquisition functions. The Administrator anticipated that using the template would contribute to a more holistic assessment of acquisition activities, minimize duplication of effort, and help chief acquisition officers fulfill their oversight responsibilities. (GAO-05-218G)

3.03.C. Strengthening the Link between Contract Incentives and Outcomes across Government:

In December 2005 and January 2007, we reported that DOD and the National Aeronautics and Space Administration (NASA) structured monetary incentives in contracts in ways that led to significant disconnects between the fees paid to contractors and program outcomes. For instance, DOD paid an estimated \$8 billion in award fees on contracts regardless

of outcomes. In both reports, we made recommendations aimed at strengthening the link between incentives and outcomes.

Impact: The result was changes to award and incentive fee policies across several agencies, including DOD, NASA, and DHS. The Congress also enacted legislation incorporating most of our recommendations directed at DOD, and the emergency supplemental appropriation law for 2007 required all DHS award fees to be linked to successful acquisition outcomes. In December 2007, OMB, citing our work, made tying award fees more directly to desired outcomes governmentwide policy. Moving toward more outcome-based award fee criteria will give contractors an increased stake in helping agencies develop more realistic targets up front or risk receiving less fees when unrealistic cost, schedule, and performance targets are not met. (GAO-07-58, GAO-06-66, GAO-06-409T)

3.04.C. Assessing Risks and Strengthening Integrity of Reliance on Contractors: Contractor employees are increasingly performing tasks affecting billions of dollars in federal spending and assisting some of the most sensitive and restricted operations. This reliance on contractors carries challenges in maintaining institutional capacity distinguishing the roles and responsibilities of contractors and government personnel, and ensuring appropriate oversight. At DHS, we highlighted the need to manage risk and ensure government control over and accountability for decisions resulting from contractor services closely supporting inherently governmental functions. At the Army's Contracting Center of Excellence, we found that contractors worked side by side with government contract specialists and performed the same duties, blurring the line between contractor and government

responsibilities. Contractors also are not subject to the same ethics rules as government employees.

Impact: To address the concerns raised in our work, DHS implemented training and issued memos on the appropriate use of contractors. In response to our work on the risks of personal conflicts of interests created by different ethics rules, and a lack of controls to help shed light on potential problems, DOD established a high-level panel to develop new contracting integrity policy and procedures. The Federal Acquisition Regulation Council also initiated efforts to gain insight into contractor practices and establish ways to provide more safeguards against personal conflicts of interest. (GAO-07-990, GAO-08-169, GAO-08-360, GAO-08-485, GAO-08-572T)

3.05.C. Highlighting Congressional Oversight Issues for the Coast Guard's Deepwater Program: The Coast Guard's Deepwater Program is the largest acquisition in Coast Guard history. It is intended to replace or modernize 15 major classes of Coast Guard assets, including vessels, aircraft, and computer systems. In reports and testimonies, we evaluated the Coast Guard's actions to increase accountability as it moves away from reliance on a contractor as lead system integrator and assumes greater government control over the Deepwater Program. Despite the positive changes under way, we highlighted several issues that warrant continued oversight. For example, the Coast Guard lacks adequate numbers of government contract specialists, cost estimators, and system engineers, and is relying on support contractors to help fill these key positions. As a further example, the Coast Guard has paid for Deepwater assets, such as the National Security Cutter, without having determined whether the assets' planned capabilities will meet mission needs.

Impact: Our work provided the Congress with timely analysis as it continues oversight of this large and complex acquisition program. (GAO-08-745, GAO-08-270R, GAO-08-531T, GAO-08-494T)

3.06.C. Monitoring the Development and Operation of the 2010 Census:

Because the decennial census faces uncertainty and substantial risk, enhanced oversight remains important to the success of this critical national effort. In our March 2008 testimony, we placed the 2010 Census on GAO's list of high-risk federal programs because of the following problems—long-standing weaknesses in the U.S. Census Bureau's (Bureau) information technology (IT) acquisition and contract management function, risks associated with the performance of the handheld computers to collect data, and uncertainty over the cost of the census.

Impact: Our work has helped the Bureau identify risks and improve the performance of key census-taking activities. We have recommended numerous actions, and the Bureau is addressing some of these issues. For example, on April 3, 2008, the Bureau announced a major redesign of the 2010 Census. Specifically, the Bureau would no longer use handheld computers for nonresponse follow-up in which field-workers interview households that did not return census forms, but would still use them to verify and update addresses. (GAO-08-936, GAO-08-554, GAO-08-886T, GAO-08-659T, GAO-08-550T)

3.07.C. Protecting Personal Privacy in the Post-9/11 Environment: In June 2008, we testified that the Privacy Act may not provide adequate controls over federal collection and use of personal information, and stated that the Congress should amend this law. In addition, we reported that agency

senior privacy officials across government do not uniformly have oversight of all key privacy functions.

Impact: We continued to help the Congress address increasing concerns that individuals' personal information could be inadequately protected by federal agencies, potentially compromising individuals' privacy rights or exposing their information to misuse, such as through identity theft. (GAO-08-536, GAO-08-603, GAO-08-795T)

3.08.C. Improving IT Management over the 2010 Decennial Census:

In 2005, we recommended that the Bureau make improvements in managing IT investments and take steps to implement improved IT investment management, enterprise architecture, human capital, information security, and software/acquisition management practices. In both 2006 and 2007, we made project-specific recommendations to improve acquisition management capabilities for acquiring key IT 2010 Census systems.

Impact: Our work has highlighted the need to correct weaknesses associated with the Census Bureau's management of IT systems. Also, because of the concerns we raised regarding weaknesses in the Bureau's IT acquisition management capabilities, operational planning, and other areas, the 2010 Census has been designated as a GAO high-risk area. (GAO-08-79, GAO-08-259T, GAO-07-1106T, GAO-06-444T, GAO-05-661)

3.09.C. Strengthening DOD Business Systems Modernization Management:

For decades, DOD has been challenged in modernizing its timeworn business systems. We have designated DOD's business systems modernization program as high risk since 1995. Since 2001, our

work on DOD's institutional approach to modernizing its business systems has produced recommendations that provide a comprehensive framework for establishing and implementing the institutional management controls associated with successful modernization efforts. The Congress embraced these recommendations in legislative mandates to DOD, which has made progress on some fronts establishing key corporate management controls. Nevertheless, key to the success of its modernization program is ensuring that these controls are extended to DOD component organizations and every business system investment. Accordingly, we focused on the extent to which certain major DOD business system acquisitions are implementing these controls and have made recommendations to strengthen management of each.

Impact: DOD largely agreed with these recommendations and as a result will be better positioned to deliver promised benefits and capabilities on time and within budget. (GAO-08-462T, GAO-07-538, GAO-07-733, GAO-06-215)

3.10.C. Improving OPM's Management of Retirement Systems Modernization:

Beginning in January 2008, our work raised the congressional and public awareness of problems the Office of Personnel Management (OPM) faced in modernizing the paper-intensive processes and antiquated information systems used to support the growing volume of civilian federal employee retirements. We recommended that the agency improve management of this program, including that OPM address weaknesses in its approaches to testing system components and managing system defects, and that the agency develop a reliable program cost estimate and a measurement baseline against which program progress can be determined.

Impact: Our work led to increased congressional oversight, including a mandate requiring OPM to report on its actions in response to the concerns we raised. (GAO-08-345, GAO-08-576R)

3.11.C. Improving Strategic Human Capital Management:

In a series of reports and testimonies on OPM's leadership of governmentwide human capital reforms, employee performance management, and workforce diversity, we reported the following:

- While OPM has started to transform into a more effective leader of personnel reforms, we recommended that OPM build on that progress by addressing its own internal challenges, including improving its workforce planning efforts.
- Performance management systems must have adequate safeguards in place, such as transparent processes to ensure fairness. We found that several federal agencies we reviewed could enhance the transparency of their performance management systems in part by improving how they communicate performance appraisal results to employees.
- Agencies' human capital planning efforts are critical to address demographic trends facing the government, including the diversity of the Senior Executive Service (SES) and the potential SES developmental pool (GS-15s and GS-14s).

Impact: In response to our findings and recommendations, OPM took steps to ensure that it has the skills it needs for its current and future requirements, and several agencies improved how they communicate performance appraisal results to all employees while protecting individual confidentiality. We also presented testimony that informed congressional decisionmaking

on governmentwide and selected agencies' workforce diversity efforts. (GAO-08-630T, GAO-08-11, GAO-08-609T, GAO-08-725T, GAO-08-815T)

Support congressional oversight of key management challenges and program risks to improving federal operations and ensuring accountability

3.12.F. Reducing Federal Improper

Payments: Since fiscal year 2000, our recommendations have been aimed at raising the level of attention given to improper payments—any federal payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.

Impact: Our work contributed to the Congress passing the Improper Payments Information Act of 2002. Specifically, the provisions of the act coincide with our recommendations that federal agencies take actions to estimate, reduce, and publicly report improper payments. Fiscal year 2007 marked the fourth year that federal agencies were required to include estimated improper payment information in their annual financial and related performance reporting. For fiscal year 2007, 21 agencies reported estimated improper payments totaling about \$55 billion associated with 78 programs, including 19 programs or activities reporting for the first time. Federal agencies have made progress in reducing their improper payments. We estimate that they reduced improper payments by about \$1 billion (present value) during fiscal year 2007. (GAO-08-438T, GAO-07-92, GAO-06-347, GAO-04-99, GAO-02-749)

3.13.F. Reducing Administrative Costs in the Federal Crop Insurance Program:

USDA pays companies participating in the federal crop insurance program a percentage of the premium on policies sold, in order to cover the administrative and operating (A&O) expenses of selling and servicing these policies. At May and June 2007 congressional hearings, we stated that more than 40 cents of every dollar USDA spends on crop insurance goes to companies administering the federal crop insurance program while less than 60 cents goes to help farmers. Furthermore, we

- pointed out that A&O payments since 2002 have significantly increased and are expected to continue to rise because of high crop prices which will increase the value of policies and, ultimately, A&O payments; and
- stated that a reduced A&O payment rate for A&O expenses would potentially save hundreds of millions of dollars annually yet still provide sufficient funds for the companies to continue delivering high-quality service.

Impact: The Food, Conservation, and Energy Act of 2008 directed USDA to reduce the A&O payment rate 2.3 percentage points starting in 2009 and continuing through 2013. Based on premiums of \$9.5 billion in the crop insurance program, USDA will reduce A&O payments \$220 million per year to insurance companies participating in the program. In present value terms, these savings total \$974 million through 2013. (GAO-07-819T, GAO-07-944T)

3.14.F. Improving the Financial Accountability of a Major DOE Construction Project:

The Department of Energy (DOE) is constructing the Mixed Oxide (MOX) Fuel Fabrication Facility at the Savannah River Site in South Carolina.

This facility will convert surplus weapons-grade plutonium into MOX fuel that can be used in commercial nuclear power plants. The project faces significant delays and project management challenges, and as a result, the project has significant unobligated balances (appropriated funds that have not yet been obligated to a contract) and uncosted obligations (funds obligated to a contract but not yet spent). We reported that the MOX project had a \$476 million carryover balance at the beginning of fiscal year 2008, nearly \$230 million of which was unobligated, and that NNSA was requesting an additional \$333.8 million in its fiscal year 2008 appropriations request. We reported that the project's carryover balance could be significantly reduced and that the fiscal year 2008 budget request may not be needed.

Impact: The Congress agreed with our assessment and in the Fiscal Year 2008 Consolidated Appropriations Act rescinded \$115 million of the project's carryover balance. In addition, the Congress reduced DOE's fiscal year 2008 appropriation for the MOX project by \$52.5 million.

3.15.N. Improving Accountability for Excess DOD Parts and Equipment:

Beginning in 2005, we have performed investigative work and made recommendations on excess parts and equipment at DOD. For example, we identified instances in which DOD improperly sold F-14 parts to the general public through its excess property system. Iran is the only nation in the world with operable F-14 fighter aircraft and is known to be seeking F-14 parts.

Impact: The Congress cited our work in introducing legislation prohibiting DOD from selling parts that could be used on the F-14 fighter aircraft. The language was included in the 2008 Defense Authorization Act. These

actions have served to improve accountability over sensitive military parts and equipment. (GAO-06-943, GAO-07-929R)

3.16.N. Referring Individuals for Fraudulently Accepting Federal Disaster Assistance Payments:

In the aftermath of hurricanes Katrina and Rita in 2005, we conducted forensic audit and investigative work related to FEMA's disaster relief assistance payments to individuals. Our work found indications of widespread fraud. We referred thousands of individuals suspected of fraud to the appropriate federal agencies, such as DHS's Office of Inspector General and the Katrina Fraud Task Force, for further review and possible prosecution.

Impact: As a result of these referrals, over 50 individuals have been sentenced to jail or placed on probation after being found (or pleading) guilty. These individuals were convicted of crimes such as conspiracy, false claims, theft of government funds, mail fraud, and wire fraud. (GAO-06-655)

3.17.N. Enhancing U.S. Border Security:

Beginning in 2003, our investigators identified border security vulnerabilities both at U.S. ports of entry and at unmanned and unmonitored land border locations between ports of entry. In particular, undercover GAO investigators successfully used fraudulent documents to enter the United States at several CBP checkpoints on both the northern and southern borders.

Impact: CBP recently reported that it took action to address a number of the vulnerabilities highlighted by our work, including enhanced training for its agents and the installation of additional fraudulent document detection equipment at U.S. ports of entry. Further, to address vulnerabilities in areas between border ports of entry, CBP has installed new sensor equipment technologies.

These actions should enable CBP to more effectively identify attempts to illegally penetrate our nation's borders. (GAO-06-976T, GAO-07-884T, GAO-08-757)

3.18.C. Improving Transparency and Accountability of NASA's Budget: With more than two-thirds of its major programs significantly over budget or behind schedule, NASA continues to struggle to improve its contract and program management functions. Our review of selected NASA programs found that NASA lacked the disciplined cost-estimating processes and financial and performance management systems needed to establish priorities, quantify risks, and manage costs. In an effort to address some of these systemic problems, we worked closely with the Congress this year to restructure and realign NASA's appropriation funding account structure from three broadly defined appropriation accounts to seven accounts directly aligned to agency functions.

Impact: As a result of our work, the Congress directed NASA to prepare to convert to a seven account structure in order to improve transparency and accountability. In addition, NASA submitted its fiscal year 2009 budget request using the new account structure. It is expected that this new structure will provide more transparency and clarity to agency spending and enhance the overall accountability of its expenditures. (GAO-08-51, GAO-06-817R)

Analyze the government's fiscal position and strengthen approaches for addressing the current and projected fiscal gap

3.19.F. Changing the Criteria for IRS's Federal Payment Levy Program: IRS's Federal Payment Levy Program allows IRS to levy up to 15 percent of certain federal

payments made to delinquent taxpayers. Our 2003 report on the program's operations found that IRS's usage of Total Positive Income (TPI), a measure derived from income information on income tax returns, as a criterion for determining taxpayers' ability to pay their delinquent taxes had likely resulted in unequal treatment of similarly situated taxpayers, and thus was in conflict with IRS's goal of treating all taxpayers fairly. We recommended that IRS discontinue using the TPI criterion, and IRS agreed.

Impact: With the elimination of the criterion, taxpayers could be treated more equally. Also, based on our analysis, which was reviewed by IRS, IRS collected an estimated \$25 million in additional tax revenue in fiscal 2006. We further estimate that it will collect an additional \$82 million over the fiscal year 2008-2010 period, for a total of \$107 million (net present value) from phasing out TPI usage. (GAO-03-356)

3.20.F. Reducing Tax Avoidance by Individuals Who Expatriate: In 2000 we reported on IRS, State, and Immigration and Naturalization Service (now a part of DHS) procedures for enforcing laws limiting individuals' ability to avoid U.S. tax by expatriating, that is, leaving the United States and giving up U.S. citizenship or long-term residency status. In several confidential briefings to the Joint Committee on Taxation (JCT), we provided information on individuals who had expatriated including net worth at expatriation, average tax paid before expatriation, tax paid after expatriation, citizenship obtained, resident country, expatriation date, and number of years tax returns filed since expatriation.

Impact: Subsequently, the Heroes Earnings Assistance and Relief Tax Act of 2008 (Pub. L. No. 110-245, June 17, 2008) was enacted, which tightens current rules to ensure that

certain high net-worth expatriates cannot avoid U.S. taxes. JCT estimated that the budget effect of the revised tax rules will be to increase revenues by \$206 million (discounted) in the first 5 years after enactment. (GAO/GGD-00-110R)

3.21.F. Increasing Tax Collections by Revising IRS's Withholding

Compliance Program: IRS's Questionable Form W-4 program looked at cases where taxpayers claim more than 10 withholding allowances and exemption from federal income tax withholding. In November 2003, we recommended that IRS assess the value of its program and determine whether the program should continue. Acting on our recommendation, an IRS task force concluded that the program was not operating effectively.

Impact: IRS eliminated the Questionable Form W-4 program and said that it would enhance its withholding compliance program by making more effective use of information reported on the Form W-2 wage and tax statements to ensure that employees have enough federal income taxes withheld from their wages. Using IRS's data and assumptions, last year we estimated that the new program had resulted in the collection of \$423 million (net present value) in additional income taxes for fiscal years 2005 and 2006 and through part of fiscal year 2007. Using IRS's data and assumptions, this year we estimated that the program generated additional tax revenues for the remainder of fiscal year 2007 and much of fiscal year 2008 equal to a net present value of \$309 million (GAO-04-79R).

3.22.F. Improving the Cost-effectiveness of Filling the Strategic Petroleum Reserve:

In February and April 2008 we testified on shortcomings in DOE's efforts to fill the Strategic Petroleum

Reserve with royalty oil (oil produced from federal lands and waters) received from the Department of the Interior (Interior). Through the current royalty-in-kind program, Interior's Minerals Management Service (MMS) receives oil instead of cash for payments of royalties from companies that lease federal property for oil development, then DOE takes possession of this royalty oil at market centers and may exchange this oil for Strategic Petroleum Reserve-quality oil. The royalty-in-kind program precludes the need for the Congress to make outlays to finance oil purchases, but the forgone revenues associated with using royalty oil imply an equivalent loss of revenue because MMS would otherwise sell the oil and deposit the revenues with the U.S. Treasury. We testified that suspending the fill of the Strategic Petroleum Reserve during the current period of high oil prices would have a dampening effect on gasoline prices because it would reduce oil prices.

Impact: DOE subsequently decided to suspend the Strategic Petroleum Reserve fill through the remainder of calendar year 2008, and the Congress passed legislation halting the fill with royalty oil until crude oil fell to \$75 per barrel, on average, for a 90-day period. In May 2008, MMS estimated the value of 16.1 million barrels of royalty-in-kind oil at about \$1.89 billion. According to the Program Director, this represents MMS's best estimate of the Treasury revenue gain stemming from DOE's decision to suspend the Strategic Petroleum Reserve fill through the rest of calendar year 2008. The Program Director recommended that the estimated revenue gain be divided evenly among the last 6 months of the calendar year. In net present value terms, the \$1.89 billion revenue gain would be reduced to about \$1.86 billion. (GAO-08-521T, GAO-08-726T, GAO-08-893R, GAO-08-942R)

3.23.F. Improving Collections of Federal Nontax and Criminal Debts:

Over the past several years, we have rigorously promoted federal agencies' use of key debt collection processes and procedures to improve collections of delinquent federal nontax civil debts, and criminal debts owed to the federal government and victims of crime. In fiscal year 2007, delinquent federal nontax civil debts totaled about \$65 billion; most of these debts were over 6 months delinquent. In addition, criminal debts exceeded \$50 billion in fiscal year 2007, about \$11 billion (or about 20 percent) of these debts were owed to the federal government.

Impact: Based largely on recommendations we made in a series of reports, the Department of Education, the Department of Justice, the Department of the Treasury, and other federal agencies have continued to improve collections of delinquent federal nontax civil debts and criminal debts owed to the federal government. Adding to a steady stream of recoveries, these improved collections resulted in an estimated \$2.3 billion in additional federal collections identified during fiscal year 2008. (GAO-04-338, GAO-02-313, GAO-01-664)

3.24.F. Improving IRS's Methodology for Pursuing Delinquent Taxes:

Our report on IRS's fiscal year 1999 financial statements disclosed that IRS did not have systems or procedures in place to allow it to identify and actively pursue cases that may have some collection potential. We recommended that IRS improve its capacity to assess the collectibility of delinquent taxes to focus collection resources on debts with the greatest potential for collection.

Impact: In 2004, IRS began implementing more sophisticated modeling technology to better differentiate between more and less productive cases in order to make better

resource allocation decisions. IRS's records showed that its collections of delinquent taxes increased by about \$4.8 billion or over 20 percent in fiscal year 2007 from fiscal year 2003 levels (using approximately the same level of resources). (GAO-01-42)

3.25.F. Funding USPS Postretirement Health Obligations:

For many years we have reported on USPS's significant liabilities and obligations, including tens of billions of dollars in postretirement health care benefits that were not yet funded. In December 2006, the Postal Accountability and Enhancement Act (Pub. L. No. 109-435) was enacted, which created the Postal Service Retiree Health Benefits Fund into which USPS is to make a series of 10 annual payments to help fund its retiree health care obligations. In fiscal year 2007, USPS made the first of its annual payments into the fund. That \$5.4 billion payment, funded through USPS rate increases, helped to avoid requiring the federal government to finance this substantial obligation.

Impact: Each of these payments, including the \$516 billion payment for fiscal year 2008, represents a financial benefit to the federal government resulting from our work. (GAO-02-170, GAO-03-448R, GAO-04-238)

3.26.N. Improving Federal Financial Reporting:

In fiscal year 2007, for the first time, we were able to render an unqualified opinion on the U.S. government's Statement of Social Insurance. This statement displays the present value of projected revenues and expenditures for scheduled benefits of federal social insurance benefit programs (e.g., Social Security and Medicare). In addition, through our continuing efforts as the principal auditor of the U.S. government's consolidated financial statements, we were able to affect

a number of significant improvements to the understandability and utility of federal financial reporting during 2007.

Impact: The Department of the Treasury (Treasury), in coordination with OMB, implemented 35 of our recommendations directed at improving the process used to prepare these statements. Further, for a number of years, we have urged the issuing of a high-level summary of the federal financial report aimed at assisting average citizens in better understanding the extent and nature of our nation's long-term fiscal challenge. In 2007, we assisted OMB and Treasury in producing the first-ever high-level summary of federal financial reporting, *The Federal Government's Financial Health: A Citizen's Guide to the 2007 Financial Report of the United States Government*. This eight-page document summarizes key financial data needed to better understand our nation's current financial condition and fiscal challenges today and over the long-term. (GAO-07-362SP, GAO-08-926T)

3.27.C. Reducing the Tax Gap: In a forum on tax compliance that we sponsored jointly with the Congressional Budget Office and JCT, participants indicated that reducing the annual net tax gap—the difference between the tax amounts taxpayers pay voluntarily and on time and what they should pay under the law, most recently estimated as \$290 billion for 2001—would require a variety of approaches and incremental progress. In 2008, we focused on identifying such incremental improvements. For example, for one area we examined, to better pursue egregious payroll tax delinquents, we made six recommendations to prioritize IRS's payroll tax enforcement efforts and take faster action against offenders. As another example, in reviewing IRS's broader delinquent tax collection efforts, we noted that the large amount of outstanding tax

debt, almost \$300 billion in 2007, and IRS's limited resources result in a very complex collection process with delays and significant write-offs. To improve resource allocation, we recommended that IRS increase its use of return on investment information.

Impact: IRS agreed with most of our recommendations. As they are implemented, the tax gap should be reduced. (GAO-08-617, GAO-08-728, GAO-08-99, GAO-08-266, GAO-08-567)

3.28.C. Addressing Our Nation's Long-term Fiscal Challenge: We continued our efforts in fiscal year 2008 to help the Congress and the public better understand the future fiscal implications of the federal government's policies and commitments. Specifically, our report, *A Call for Stewardship: Enhancing the Federal Government's Ability to Address Key Fiscal and Other 21st Century Challenges*, laid out a number of tools and process improvements to help the Congress and the executive branch facilitate difficult discussions and decisions that will be necessary. With a fiscal model of the state and local sector, we demonstrated that healthcare is a fundamental fiscal challenge at all government levels and that solutions should be considered in a strategic and integrated manner. In addition, we contributed to the federal government's first-ever summary annual report, *The Federal Government's Financial Health: A Citizens' Guide to the 2007 Financial Report of the United States Government*, which provides an overview of the federal government's financial condition.

Impact: Our work informed legislative proposals calling for commissions to address the country's fiscal challenge and the Federal Accounting Standards Advisory Board's drafting of a fiscal sustainability reporting requirement. (GAO-08-93SP, GAO-08-206, GAO-08-317, GAO-08-372, GAO-08-912T)



STRATEGIC GOAL 4

Maximize the value of GAO by being a model federal agency and a world-class professional services organization

Source: See Image Sources.

Improve client and customer satisfaction and stakeholder relationships

4.01.C. Strengthening Communication and Relationships with Our Congressional Clients and Our Stakeholders:

We strengthened our communication and relationships with our congressional clients in several ways this fiscal year:

- performed an extensive annual outreach to senior members of congressional committees to ensure a full and complete understanding of emerging issues;
- worked closely and collaboratively with Congress in support of passage of the GAO Act, which contains important provisions that will help us with a variety of human capital and administrative matters (see [app. 2](#) for a summary of our recent human capital legislation and activities);
- proactively provided testimony at House and Senate hearings on new administration transition issues and began developing tools for use by the next President and Congress to help make the transition from campaigning to governing quickly;

- broadened our understanding of client feedback through follow-up meetings with nonrespondents to our client satisfaction survey and contacted clients to further clarify feedback submitted; and
- decreased the time required between report issuance date and delivery to our congressional clients and other recipients from 2 or more days to the same day.

We enhanced our ability to communicate our results more effectively and timely to our stakeholders and the American people by:

- continuing to bring attention to the nation's growing fiscal imbalance through a series of high-profile efforts including a CG speech at the National Press Club, participating in the I.O.U.S.A. documentary, preparing an op-ed for *USA Today*, and continuing the Fiscal Wake-Up Tour;
- fostering greater public understanding of our role in contract award protests in the face of intense press interest in the release of GAO's decision on the Air Force's aerial refueling tanker contract. The resulting national and regional news coverage consistently portrayed the decision as professional, objective, and nonpartisan;

- preparing articles that increased awareness of our efforts to lead on a range of “best practices,” including a piece on human capital reform that made the cover of *The Federal Manager*; and
- refining and expanding our external Web site, including enhancing the process for determining the standards for establishing topic collections and for posting items on “In the Spotlight”.

Impact: As a result of these efforts, we improved our timeliness in providing audit products; enhanced press coverage of our work and improved access to our products for external users, from congressional staff to reporters, on current and emerging policy issues; enhanced the public’s understanding of our role as a professional, objective, and nonpartisan entity; and highlighted our commitment to continuous improvement through timely and accurate regional and national news coverage.

4.02.C. Assessing Internal Customer Satisfaction with Our Services and Processes and Implementing and Measuring Improvement Efforts: The fifth annual GAO Customer Satisfaction Survey was conducted in November 2007, and 1,350 (43 percent) of our staff provided input on their satisfaction with our administrative services. Through this internal customer satisfaction survey, we gather information on how well our internal operations help employees get their jobs done (18 services, such as IT tools, report production, and travel) and improve employees quality of work life (11 services, such as benefits and transit subsidies), asking our staff to rank each service on a scale from 1 to 5 for satisfaction with the service and from 1 to 5 for importance of the service. We use information

from this survey to set targets and assess our performance for both of these measures, which are shown in [table 1](#) in part I.

Fiscal year 2008 is the third year in which we reported how well we performed against the targets we set for our internal operations measures. While both these scores decreased slightly in 2008, we met our target of “4” for services that help employees get their jobs done, and just missed our target of “4” for services that affect quality of work life with a score of 3.98.

The survey provides us rich information on our administrative services which we used to proactively identify areas to address customer issues and recommendations, and implement several improvements, including

- increasing the promotion of services and resources available through our library,
- improving the user interface to enhance the user-friendliness of our automated time and attendance system,
- improving our travel Website by adding a Quick Reference Checklist that consolidates frequently used information onto a single page,
- instituting lunch and learn sessions and special briefings on the myriad federal benefits available to staff,
- communicating more proactively and frequently with our field offices to expeditiously resolve concerns about mail services,
- enhancing our staff’s capability to work remotely through system upgrades and development of a user guide,
- providing training and support for our document management (DM) system through a “tips and tricks” tool, and

- improving knowledge and expertise for help desk and floor support staff on DM.

Impact: Our efforts and commitment to continuous improvement have resulted in improvements to GAO's operations, processes, and services including greater efficiency for our staff, increased accessibility to and user friendliness of systems, and improved communication with our customers to provide information and guidance about our available services.

4.03.C. Strengthening Relationships with External National and International Audit Organizations:

To strengthen our relationships with auditors general from over 29 developing countries, we partnered with the World Bank and the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative to design, develop, and deliver the Supreme Audit Institution (SAI) Transformation Seminar in November 2007.

Impact: This prototype seminar provided the opportunity to strengthen public sector financial management and accountability at the global level and demonstrated successful partnership that will be replicated regionally by the INTOSAI Development Initiative.

We assisted in building the Iraqi Board of Supreme Audit's (BSA) capacity through an MOU with State. Under this MOU, we sponsored a modified version of the course of study we offer to auditors around the world through the International Auditor Fellowship program. We also produced an Arabic translation of the Yellow Book and related GAO forms and templates to assist the BSA in carrying out performance audits and fighting corruption. These documents will also be used by the 19 member SAIs of the Arab Organization of Supreme Audit Institutions.

Impact: The program resulted in increased understanding between the United States and Iraqi BSA, and opened doors to positive relations between the two as they work to increase accountability for public funds spent in Iraq. The strategic partnership with State provided a foundation for future partnerships.

We collaborated on the Institute of Internal Auditors webcast relating to professional standards, with a special focus on the revised Yellow Book. We provided the panelists and the public sector network while the institute provided the organization, funding, and infrastructure for the webcast.

Impact: This webcast increased outreach to a global audience on the revised Yellow Book.

We continued to strengthen the ability of SAIs around the globe to fulfill their missions and enhance accountability and governance worldwide through our International Auditor Fellowship program.

Impact: We enabled 18 fellows from 17 countries to enhance their individual skills and knowledge and strengthen their SAI's institutional capacity and allowed our instructors, mentors, and sponsors to become a part of a global professional network of SAIs, donors, and other accountability partners, which we leverage in support of our engagements.

Lead strategically to achieve enhanced results

4.04.C. Enhancing our Strategic Planning Process:

We took proactive steps to build on our strategic planning process and ensure enhancements to our 2010 strategic plan by increasing our internal awareness of the process through process mapping the "as is" process, and identifying related pain points and opportunities for improvement.

Impact: We are entering the 2010 strategic planning cycle with identified opportunities for improvement which will result in a better plan.

We shared our knowledge and experience in strategic planning by providing significant leadership to INTOSAI and the National Intergovernmental Audit Forum (NIAF) in implementing their strategic plans. We

- helped establish the Workgroup on National Performance Measures and the Task Force on Donor Funding;
- served as vice-chair of the INTOSAI Board's Finance and Administration Committee in developing a system for implementing, tracking progress on, and updating the INTOSAI Strategic Plan; and
- provided widespread support to NIAF's committees in implementing their strategic objectives.

Impact: Our assistance and leadership in these efforts has resulted in enhanced governance structure, a broader membership base, increased resources, better financial management systems, and accountability for INTOSAI and NIAF.

4.05.C. Achieving External

Recognition: We received the following external recognition during fiscal year 2008:

- Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the seventh year in a row;
- American Inhouse Design Award for three of our products – the *2007 Performance and Accountability Highlights (GAO-08-2SP*, January 2008), the Office of General Counsel's recruitment brochure, and

A Call for Stewardship: Enhancing the Federal Government's Ability to Address Key Fiscal and Other 21st Century Challenges (December 2007) – selected from more than 5,000 entries from the public and private sectors;

- Tele-Vision Award for Excellence in Leadership in the Federal Government's Telework Program;
- 2008 Patriotic Employer from DOD's National Committee for Employee Support of the Guard and Reserve "for contributing to national security and protecting liberty and freedom by supporting employee participation in America's National Guard and Reserve Force"; and
- Government Energy Leader by the Association of Energy Engineers and EPA Energy Star for participation in the World Energy Engineering Congress.

Impact: These accolades demonstrate that we continue to be recognized for our contributions and leadership in a wide variety of endeavors.

4.06.C. Strengthening Our Strategic Human Capital Management to Achieve

Enhanced Results: We substantially improved our leadership development program by changing our contracting vehicle. For the same investment (\$250,000) that previously provided for slots in only 2 courses for a maximum of 42 participants, we can now deliver an integrated, 12-course leadership development program for up to 499 Band III and equivalent level managers.

Impact: These efforts improved the content and availability of our leadership training for over 10 times the number of managers at the same cost as the previous contract.

We identified a cost-saving way to deliver our leadership training using our 3 regional learning hubs in Seattle, Dallas, and Atlanta. After analyzing our travel, per diem, and audience distribution associated with the training, we determined that this approach would save significant travel funds.

Impact: We can provide timely access to leadership training for our field-based managers, while avoiding \$396,000 in travel costs.

We acquired “360 By Design,” a tool that gives us the ability to integrate 360-degree feedback at all levels of management and link it to specific, developmental programs designed to improve performance in six critical dimensions of leadership. This tool, which we plan to implement in fiscal year 2009, will specifically address one of the Ivy Planning Group’s recommendations.

Impact: Implementation of this tool will move us forward in improving our ability to assess managerial effectiveness in supervision and development.

We initiated a full, systematic, and inclusive review of the performance appraisal system to address concerns raised by the Ivy Planning Group. We identified some short-term improvements, including developing standard guidelines for team/unit performance appraisal reviews and requiring training for all our designated performance managers.

Impact: This evaluation will identify changes that we need to implement to update our appraisal system in response to employee feedback and management concerns.

To enhance our Strategic Human Capital Plan, our human capital management team participated in a 2-day facilitated session on strategic planning and systems thinking, which laid the groundwork for a cohesive

approach to internal strategic and change management issues and better alignment with our mission and goals.

Impact: These efforts will enhance our human capital plan and assist us in developing corollary operational plans to support implementation of initiatives and ensure accountability.

4.07.C. Ensuring Sound Financial Practices and Robust Systems in Our Fiscal Operations:

In October 2007, we went “live” with the Delphi financial management system, which is hosted and operated by the Department of Transportation’s Enterprise Service Center (ESC). Such use of a cross-service organization is a best practice, and allows the majority of our accounting transactions to be performed at ESC. Building on the new system we reengineered and improved our financial management processes, including

- implementing a reengineered IT asset management process,
- replacing our purchase card, and
- developing a travel post audit system to support auditing of travel vouchers.

Impact: Implementation of the Delphi system enhances our ability to produce auditable financial statements, supports A-123 compliance, and improves our financial management processes and reporting and internal controls.

By applying emerging best practices in IT processes and management, we enhanced IT governance by

- creating a new IT strategic plan and operating report;
- developing a GAO enterprise architecture;

- implementing a work management system for guidance in managing requirements and resources;
- adopting the IT Infrastructure Library, a collection of best practices in IT governance, as our guiding methodology;
- instituting a management framework linking strategic goals to individual performance; and
- incorporating architecture and security reviews into all our projects.

Impact: These enhancements provide a firm business case for technology initiatives, ensure support of our strategic and business goals, enhance our ability to manage work, and provide a foundation for the future.

Leverage our institutional knowledge and experience

4.08.C. Maximizing the Collection, Use, and Retention of Essential Organizational Knowledge and Experience:

We focused on training requirements for our newly implemented Electronic Records Management System (ERMS) in fiscal year 2008:

- completing training of our mission teams in early 2008,
- disseminating a Web-based training module to demonstrate document sharing, and the importance of limiting sharing of sensitive documents to those with a need to know, and
- monitoring use of ERMS to assess the effectiveness of training.

Impact: The use and support of this system, which enhances our collection, use, and retention of organization knowledge, is growing and becoming the norm for document sharing.

We added new search capabilities to our external Web page, enabling users to search for our products by keyword in the title, summary, and subject fields, and providing more relevant search results.

Impact: Our online user survey demonstrates that these search enhancements have increased user satisfaction as we matched our highest score ever (74) on the American Customer Satisfaction Index.

4.09.C. Increasing Our Knowledge-Sharing Capability:

We increased our knowledge-sharing capability both internally and externally by

- upgrading our videoconferencing rooms,
- developing GAOTV to deliver live and prerecorded programs to staff at their desktops,
- piloting technology tools on the Web that support virtual collaboration,
- continuing to improve our Internet site, and
- participating in the design of a redundant architecture for CAPNET, the legislative branch agencies' private telecommunications network.

Impact: These efforts resulted in increased usefulness and availability of videoconferencing, which encourages collaboration; greater staff productivity with the integration of video content delivery; customer satisfaction with our Internet site matching our highest score ever (74); the ability to securely send electronic reports to

congressional committees; and the ability to share procurement information among legislative branch agencies.

We also initiated the Enterprise Project to conceptualize, procure, and deploy a single, integrated, enterprisewide automated system that will capture, manage, store, preserve, protect, and deliver information consistent with our quality assurance framework throughout the life cycle of an engagement.

Impact: Initial steps have been taken to move us in the direction of a seamless, single point of access to information, enhancing usability and customer satisfaction.

Enhance our business and management processes

4.10.C. Streamlining the Engagement Process and Improving Engagement Services:

An international team of independent reviewers examined our audit policies and process controls and a representative sample of 2007 audit engagement files and reports, and interviewed senior management and employees responsible for selected engagements. The team gave us a clean opinion and identified several good practices in our engagement process that other national audit offices may wish to emulate, such as our structured approach for collecting qualitative interview data and our use of accumulated knowledge to gain insights about the entities audited beyond what is needed for reaching sound audit conclusions. The team also had several suggestions for enhancing our process and we developed a plan to address all of the team's suggestions and began implementing them in fiscal year 2008.

Impact: Adopting the suggestions of the peer review team will enhance our quality assurance system processes and assure the Congress and the American people that our quality assurance system is working as intended and that our work is independent, objective, and reliable.

We strengthened our audit policies and guidance by incorporating the July 2007 revision of Generally Accepted Government Auditing Standards into our *Policy Manual* and our online Electronic Assistance Guide for Leading Engagements. We also implemented the recommendation of our streamlining task force to revamp our engagement management process from seven gates to five phases.

Impact: As a result of these enhancements, we provide auditors with current audit standards, a simplified engagement process that is more intuitive and easier to understand, and a basis for implementing a future integrated technology solution that will enable additional process simplification for conducting, documenting, and reporting on engagements.

4.11.C. Improving our Administrative and Management Processes and Using Enabling Technology to Improve Crosscutting Processes:

We streamlined our human capital business processes and leveraged technology to improve customer service and operations, including

- consolidating data entry of our payroll and time and attendance processing to enhance personnel processing function;
- implementing an additional recruiting analytics module for our recruitment system, Hiring Management, to improve recruitment data analysis and reporting;

- implementing the fax imaging feature in Hiring Management to obtain a complete electronic file and record of all applications and actions on those applications; and
- improving how we register and track Learning Center courses and course completion, produce reports, and coordinate the annual scheduling process through our automated learning systems.

Impact: These streamlining actions resulted in more efficient and customer-focused processes and provided improved information, analysis, and reporting.

We improved efficiency and effectiveness of several services or tools through the following efforts:

- completing one year of e-dissemination of our audit products;
- consolidating four separate service desks into one, creating a “one-call” help capability for our IT services;
- upgrading and replacing several hardware and software components of the IT infrastructure;
- eliminating a duplicative remote access dial-up service;
- enhancing the usability of automated performance and learning tools, such as the Web-based time and attendance system and the electronic individual development plan; and
- implementing a new bid protest module to provide work flow automation and tracking for our procurement law group in General Counsel.

Impact: These initiatives led to a 76 percent reduction in paper usage and a printing cost savings of over \$350,000 for our audit

products, maintenance/improvement of network stability and performance and cell phone and Blackberry performance, improved network security, approximately \$163,000 annual savings for dial-up service, and a reduction in administrative burden and increase in productivity for our staff.

Become a professional services employer of choice

4.12.C. Promoting an Environment That Is Fair and Unbiased and That Values Opportunity and Inclusiveness:

We implemented several initiatives aimed at promoting a fair and unbiased environment where opportunity and inclusiveness are valued. The most important initiatives were

- committing to addressing over 25 recommendations of the Ivy Planning Group following their examination of performance appraisal differences between Caucasian and African American analysts (see p. 90 for a full discussion of the Ivy study);
- conducting an analysis of the agency’s diversity profile and programs and issuing a Workforce Diversity Plan with strategies grouped around 3 goals: recruiting more Hispanics, African Americans, and staff with disabilities; enhancing staff development opportunities that prepare staff for upper level positions; and creating a more inclusive environment;
- outreaching to our employees through 2 panels and several working sessions to identify ways to improve the work environment; and
- establishing the GAO Diversity Committee, in conjunction with our GAO Employee Organization, IFPTE, and

the Employee Advisory Committee, to provide a forum for raising and addressing diversity issues and concerns of staff.

Impact: Our efforts resulted in a staff better informed on the problems and recommended solutions associated with ratings disparities between our African American and Caucasian analysts; a clear framework to address underrepresentation of minorities and people with disabilities in our workforce; and clear and timely information and strategies to our staff and managers for resolving differences, improving communication, enhancing performance, and supporting a productive and inclusive work environment.

4.13.C. Providing Tools, Technology, and a World-class Working

Environment: We improved our work environment and energy efficiency by

- replacing the outdated cooling tower with a new, more energy efficient one,
- installing a more energy efficient gas-fired domestic water heater, and
- completing a comprehensive energy audit and identifying additional energy use improvements to be implemented over the next 3 to 5 years.

Impact: These projects reduced energy costs and steam and water consumption, provided better temperature control, identified areas for additional energy use improvements, and helped to integrate energy management goals with asset management and customer-driven initiatives.

4.14.C. Providing a Safe and Secure

Workplace: We strengthened our information technology security by

- successfully completing our Federal Information Security Management Act compliance review, scoring an A+ using the OMB template;
- providing agencywide security awareness training;
- improving our network monitoring capability to detect unauthorized intrusions and potential threats;
- operating an alternative computing facility, as a backup in case of disaster at the GAO building;
- conducting disaster recovery and continuity of operations planning;
- enhancing inventory controls over IT assets;
- encrypting notebook computers; and
- conducting comprehensive reviews of all IT projects.

Impact: These efforts enhanced our IT security and emergency preparedness and ensured that we were consistent with FISMA requirements.

We made several improvements to our physical security program, including

- completing a multiyear Integrated Electronic Security Systems improvement program,
- relocating our security operations center,
- upgrading and modernizing the electronic security system,
- installing new cameras and compliant card readers;
- implementing smart card access to headquarters via turnstiles; and

- co-locating all receiving and mail functions in headquarters to a new mail center with blast mitigation and separate air exhaust, to minimize our risk of exposure to explosives and biocontaminants delivered via the mail, parcel post, or messenger.

Impact: These efforts improved physical security and emergency response services for our headquarters staff.

We also instituted several improvements to our information security program, including

- providing information security briefings and training that emphasized the importance of protection of classified, sensitive, and personally identifiable information;
- established a dedicated Information Security Branch in the Office of Security; and
- appointed a Privacy Officer to begin inventorying and assessing electronic personally identifiable information holdings.

Impact: These improvements help ensure that sensitive/classified information is adequately protected through enhanced knowledge sharing, policies, and procedures.

4.15.C. Enhancing Employee Views

about GAO: In our first year in a labor relations environment, we committed to bargain in good faith and establish and maintain a positive working relationship with our new union, the GAO Employees Organization, IFPTE. Specifically, we

- established a Workforce Relations Center to work with and negotiate with the union,

- successfully negotiated the first pay agreement affecting 2008 salaries and the interim collective bargaining agreement,
- drafted our first workplace violence order,
- established a Diversity Committee (see 4.12.C.),
- established the notification procedure for formal discussions and changes in conditions of employment, and
- revised/updated the GAO adverse actions/discipline order.

Impact: Our demonstrated commitment to a mutually cooperative working relationship has positioned us well as we begin negotiations on the first formal collective bargaining agreement.

2. GAO's Report on Personnel Flexibilities

As required by section 11 of the GAO Human Capital Reform Act of 2004 (Pub. L. No. 108-271), GAO is reporting actions that have taken place in fiscal year 2008 under sections 2, 3, 4, 6, 7, 9, and 10.²⁰

Section 2 of the Human Capital Reform Act made permanent GAO's authority to offer voluntary early retirements and separation incentive payments. During fiscal year 2008, GAO offered its employees an agencywide voluntary early retirement opportunity to assist in dealing with fiscal year 2008 budget constraints, as well as to better align its workforce to meet mission needs, correct selected skill imbalances, and reduce high-grade supervisory and managerial positions. Eleven GAO employees applied for this opportunity; 6 applicants were approved, 1 applicant was ineligible, 1 applicant was denied, and 3 applicants withdrew their applications. GAO also permitted employees to apply for voluntary early retirement outside of an open season. The use of this authority supported efforts to ensure that we had the appropriate numbers and skill mix of employees to respond to the requests of our congressional clients. An additional 4 employees applied for voluntary early retirement under this authority; 2 applicants were approved, 1 applicant was denied, and 1 application is pending a decision. Because of high costs, GAO did not authorize any voluntary incentive payments, for the reasons indicated in prior performance and accountability reports.

²⁰The Government Accountability Office Act of 2008, Pub. L. 110-323, 111 Stat. 3539, enacted in September 2008 amended certain sections of the GAO Human Capital Reform Act of 2004, and will be addressed as appropriate in the next performance and accountability report.

Section 3 of the act authorizes the Comptroller General to determine the amount of the annual pay adjustments provided to GAO employees and prescribes the factors to be considered in making this determination. In determining the amount of the adjustments and consistent with section 31 U.S.C. 732 (c)(3), the Comptroller General considered various data, including salary planning data reported by professional services, public administration and general industry organizations; the General Schedule (GS) adjustment; various purchasing power indexes; overall budgetary resources; and the appropriate distribution of available funds between the annual adjustment and individual performance-based compensation (PBC).

After the Comptroller General made preliminary determinations regarding pay adjustments, GAO management negotiated with representatives of the GAO Employees Association, International Federation of Professional and Technical Engineers (IFPTE) to reach final agreement regarding salary adjustments. This first-time agreement was ratified by 97.8 percent of union voters and was then authorized by the Comptroller General for GAO's nonbargaining unit staff as well.

Pay adjustments for GAO staff were effective on January 6, 2008, and included an annual adjustment of 3.5 percent and PBC using a budget factor of 2.75 percent. Salary ranges were increased by 4.5 percent not to exceed the GS-15, step 10, statutory limit.

The annual adjustment was provided to all banded employees who were performing at a satisfactory level and whose salaries were at or below the maximum salary rate for their pay ranges. One hundred seventy-one

employees received no annual adjustment or a partial annual adjustment because their salaries were near or over the maximum rates for their bands or because their performance was not at a satisfactory level.

In addition to the annual adjustment, GAO employees were eligible for PBC based on their performance appraisal ratings. All (100 percent) of an employee's PBC amount was provided as a base pay adjustment not to exceed the maximum rate of the employee's pay range. Any PBC amount that could not be paid because of the salary cap was provided to staff as a lump sum bonus.

GAO's banded employees (other than developmental staff) were also eligible for a "floor guarantee" if the total increase from the annual adjustment and PBC did not equal at least 4.49 percent of salary. The floor guarantee ensured that all staff received a base pay increase of at least 4.49 percent and was provided without regard to pay range maximums limited only by the GS-15, step 10, statutory maximum rate. In providing the floor guarantee to staff, the additional amount required to bring the base pay adjustment to 4.49 percent of salary was deducted from any PBC bonus. Overall, the average total dollar amount resulting from employees' annual adjustments, PBC base pay increases and bonuses, and floor guarantees was approximately 6.12 percent of salary.

GAO employees participating in one of GAO's development programs (Professional Development Program, Attorney Development Program, Communication Analysts Pay Process, Program and Technical Development Program, and Administrative Pay Process) received the 3.5 percent annual adjustment, not to exceed the maximum rate of their bands. These employees were not eligible for the floor guarantee because they receive additional

performance-based salary increases every 6 months for the 2-year duration of the development program.

GAO's SES and senior level (SL) employees were provided the same 2.5 percent increase authorized for the executive branch, effective January 6, 2008. SES and SL members were also eligible for PBC using a budget factor of 2.25 percent. The PBC was provided to the SES and SL staff as a base pay increase not to exceed \$169,300. At the Comptroller General's discretion, remaining amounts were provided as bonuses to staff rated "Outstanding" or "Exceeds."

Employees of GAO's Personnel Appeals Board and student employees are paid according to GS rates, and GAO's wage grade employees are paid according to the Federal Wage System (FWS) salary rates. These employees received the same percentage across-the-board adjustment on the same effective date as the increases authorized for GS and FWS employees in the executive branch. The pay ranges for these employees incorporated the changes made to the comparable executive branch pay ranges.

Section 4 of the act authorizes the Comptroller General to place employees on pay retention. In fiscal year 2008, GAO had one Administrative Professional and Support Staff employee on pay retention. This employee has been subject to pay retention provisions continuously since prior to the act.

Section 6 of the act authorizes the Comptroller General to increase the annual leave accrual rate for officers and employees in high-grade, managerial or supervisory positions who have less than 3 years of federal service. In fiscal year 2008, GAO increased the annual leave accrual rate of eight employees as an incentive to retain them.

Section 7 of the act authorized GAO to establish an Executive Exchange Program, to bring executives from private industry to work on special projects at GAO and to permit GAO officers and employees to be assigned to private sector organizations. This authority was not used in fiscal year 2008. GAO anticipates that this authority will be used in the future on a sporadic basis.

Section 9 of the act establishes requirements for GAO's performance appraisal system. GAO's performance appraisal system meets these requirements; however, GAO has undertaken various initiatives in the past year to ensure that the system meets its objectives and provides an even playing field for all employees. In response to continuing differences between African American and Caucasian analyst performance appraisal averages, the Ivy Planning Group was selected to conduct an independent assessment of the factors that may influence these differences. The Ivy Planning Group was also tasked with identifying what additional steps GAO can take to ensure fair, consistent and nondiscriminatory application of the appraisal system. A final report was issued on April 25, 2008, which contained over 25 major recommendations. GAO is committed to implementing the Ivy Planning Group's recommendations and is developing a framework for moving forward.

GAO has also initiated a systematic and comprehensive review of its competency-based appraisal systems to identify what works well, what does not, and what could be done better. The system is over 5 years old and employee feedback indicates a growing consensus that changes may be needed. Employee and management concerns have been documented from a variety of feedback sources, including the annual Customer Satisfaction and Employee Feedback surveys. The evaluation, which is ongoing, is utilizing

a transparent and inclusive process to synthesize input received to date, obtain additional employee input, and develop proposals that lay out options for changes. To date, the study team has conducted focus groups and interviews and is developing an all-employee survey to collect input from GAO staff. Findings are expected in fiscal year 2009.

In response to another Ivy Planning Group recommendation, GAO assigned a team to develop an approach to the review of appraisal ratings to maximize consistent application of performance appraisal standards within the team. The process builds on the existing mechanisms that GAO uses to review ratings and will be used on an interim basis for the fiscal year 2008 rating cycle. A key element of the new process is the requirement for all designated performance managers to present their preliminary ratings to team review panels. The requirements for these presentations have been standardized across the agency and all staff have been trained on these elements. This practice is designed to support consistent application of performance standards by different supervisors and supplements existing reviews of preliminary ratings by a higher-level reviewer and by the Office of Opportunity and Inclusiveness and the Human Capital Office.

GAO provides continuing training on the performance appraisal system and the roles and responsibilities of staff, supervisors, and managers. To ensure that all designated performance managers are knowledgeable about appraisal policies, procedures, and practices, GAO is requiring raters to take online training prior to preparing fiscal year 2008 appraisals.

Section 10 requires the Comptroller General to consult with any interested groups or associations representing officers and

employees of GAO before implementing any changes under the act. During this reporting period, changes to GAO's compensation regulations were issued for notice and comment. However, even prior to the passage of the act, the Comptroller General and other relevant agency officials were meeting periodically with the Employee Advisory Council (EAC) to discuss current and emerging issues of mutual interest and concern, especially those in the human capital area. GAO also uses employee forums, focus groups, and other mechanisms to obtain employee input on major proposals. GAO provides all employees with advance copies of draft orders concerning proposed policies and regulations for their comments prior to publication in final form. These steps were taken in regard to the promulgation of all policies and regulations implementing the provisions of the Human Capital Reform Act of 2004. The Executive Committee considered all input from EAC members and other GAO employees before implementing any changes. With the election of the IFPTE as the exclusive representative for GAO bargaining unit employees, GAO consults, and negotiates where appropriate, with the IFATE with respect to those employees; the EAC now represents those GAO employees who are not included in the bargaining unit.

In summary, GAO human capital management continues to use the value-added flexibilities provided under sections 2, 3, 4, 6, 7, 9, and 10 to acquire and maintain the talent necessary to carry out and meet its strategic mission and goals. These and other human capital tools and flexibilities support the achievement of GAO's strategic objective to be a world-class professional services organization and model federal agency. Without these provisions, GAO would have difficulty attracting and retaining top-flight talent in adequate numbers to properly support the Congress and serve the American people within current and expected resource levels.

3. GAO's FISMA Efforts

GAO has implemented a strong Information Security Program that relies on protection, detection, and compliance. The Federal Information Security Management Act (FISMA) and related guidance are the cornerstone of our program, establishing the standards and practices that strengthen our protections. Even though we are not obligated by law to comply with FISMA under the EGovernment Act of 2002, we have adopted FISMA requirements to strengthen our information security program and demonstrate our ongoing commitment to lead by example. Our security standards are based on the federal guidance found in the National Institute of Standards and Technology (NIST) 800 series and Federal Information Processing Standards publications. As existing NIST guidance has been updated and new guidance disseminated, we have adjusted our internal IT security policies and procedures as well as expanded our efforts to effectively integrate these governmentwide policies and practices into our IT security processes.

GAO's Information Security Program seeks to continually improve the protection of data, strengthen access controls, and streamline security processes. Generally, GAO's systemwide security controls meet or exceed key requirements set forth in NIST Special Publication 800-53, Revision 2, *Recommended Security Controls for Federal Information Systems*. We monitor these requirements and work to ensure that our protections evolve as the environment changes. We also support recurring external assessments of our information security program, including internal reviews by GAO program offices, the IG, and security staff, to strengthen and streamline our security practices. For example, our IG

independently evaluates our information security program annually, consistent with FISMA requirements, and identifies any weaknesses in our implementation of FISMA while offering additional recommendations to further strengthen our IT security program. In addition, we follow the standard practice of using a public accounting firm, as well as other external sources, to provide independent external evaluations and testing of IT controls on our major applications. We have leveraged third-party audits to successfully validate our security controls through a rigorous certification and accreditation process. During this past year, we conducted a full certification and accreditation of our General Support System using a third party to conduct the system test and evaluation. The audit team noted that we implemented a greater percentage of controls than other agencies that the team inspected. A major improvement in our security program has been the recent implementation of recurring security assessments of our financial and human capital systems operated by third parties. These reviews provide assurance of the effectiveness of the security policies and practices of these service providers.

Compliance consistent with FISMA has enabled us to maintain excellent information systems security practices at GAO through our efforts to

- implement and refine an enterprisewide, risk-based security program;
- develop and update essential policies, procedures, and reporting mechanisms to ensure that our security program is integrated into every aspect of IT system life cycle planning and maintenance;

- provide recurring security training and awareness to all of our staff through annual awareness training, security fairs, and focused security briefings;
- integrate security into our Capital Planning and Investment Control and project management processes; and
- implement and refine an enterprise disaster recovery solution.

The dynamic nature of security threats requires that our Information Systems Security Group constantly monitor activities and adjust our strategy to thwart these challenges and meet the needs of GAO. As we continue to evolve and improve our Information Security Program, our strategies will also evolve to reduce the risk to GAO, streamline processes through the use of technologies, and reduce costs through standardization.

Activities undertaken to improve our Information Security Program during fiscal year 2008 are listed below.

- Certification and accreditation of information systems. We have implemented security practices to cover the entire life cycle of our information systems. Our process starts with an initial security assessment, establishes requirements for a system security plan, provides an independent system test and evaluation, provides remediation of security risks, and implements a continuous monitoring process, until finally the system is retired. In addition, we have updated our existing risk assessments to include the evaluation of security controls for systems operated by third parties. We have established and implemented processes for visiting vendors operating systems on our behalf to validate security processes, practices, and system controls, for the purpose of providing assurance to GAO management that the risk to GAO information is minimized and vendor operations are within acceptable federal security guidance.
- Enterprise workstation security. We continue to upgrade our workstation images as our laptops are replaced to include full-disk encryption; mobile media encryption; an integrated antivirus, antispyware, and personal firewall application; and two-factor authentication. To enhance our enterprise workstation security solution, we have implemented a “least privilege” access for staff, limiting the ability to change the workstation configuration by installing software and preventing the unintentional downloading of malware and viruses. The enterprise end point security application continues to provide centralized policy management and control and automatic monitoring and remediation of security threats to the workstation, and events identified by the application flow to the event correlation engine.
- Enterprise Internet screening. Following a successful pilot last year, we have now fully implemented an Internet screening tool that provides antivirus protection to our Web-based services and has successfully identified and removed numerous threats to our workstations. Screening non-business-approved sites implements GAO’s Internet access policy. This tool has already provided added security for our Internet access to Web sites and applications by improving the overall security posture for GAO’s network.
- Business partner connections. We have secured our connections to our applications operated by third parties using virtual private networks. These

secure tunnels control direct access from GAO to these remote sites in a secure and encrypted manner.

- Classified processing upgrade. We enhanced our Secret Internet Protocol Router Network service with upgrades to the laptops, including a refreshed secured image. This network allows our staff to obtain specific classified data directly from agency officials via secure e-mail, improves efficiency of our research through direct access to classified information, posts our classified reports for review and dissemination to appropriately cleared officials, electronically transmits our classified reports to agencies for comments, and reduces the necessity of using certified mail for classified data.

Image Sources

This section contains credit and copyright information for images and graphics in this product, as appropriate, when that information was not listed adjacent to the image or graphic.

Front cover: (GAO Capitol), PhotoDisc (bills, scale, computer)

Inside front cover: Corbis (statue of Thomas Jefferson and inscription of his words at the Jefferson Memorial)

Page i: PhotoDisc (bills, scale, computer)

Page 14: Map Resources (map)

Page 27: GAO (flag), PhotoDisc (bills)

Page 30: GAO (flag), Corbis (Capitol dome interior), Comstock (Lincoln Memorial)

Page 63 and 123: GAO (flag), Comstock (Doctor and Patient), Corbis (transportation)

Page 67 and 135: GAO (flag), DOD (soldiers), Corbis (map)

Page 71 and 147: GAO (flag and IRS Form 1040A), NASA (Space Shuttle and rocket)

Page 75 and 157: GAO (flag and GAO building), Comstock (people)

Inside back cover: Corbis (words of Thomas Jefferson inscribed on his Washington, DC memorial), GAO (GAO building), and Comstock (Lincoln Memorial)

Providing Comments on This Report

To provide comments for improving this report, please contact our Chief Quality Officer, who can be reached at (202) 512-6100, at qci@gao.gov, or at the following address:

U.S. Government Accountability Office
441 G Street NW, Room 6K17Q
Washington, D.C. 20548

Obtaining Copies of GAO Documents

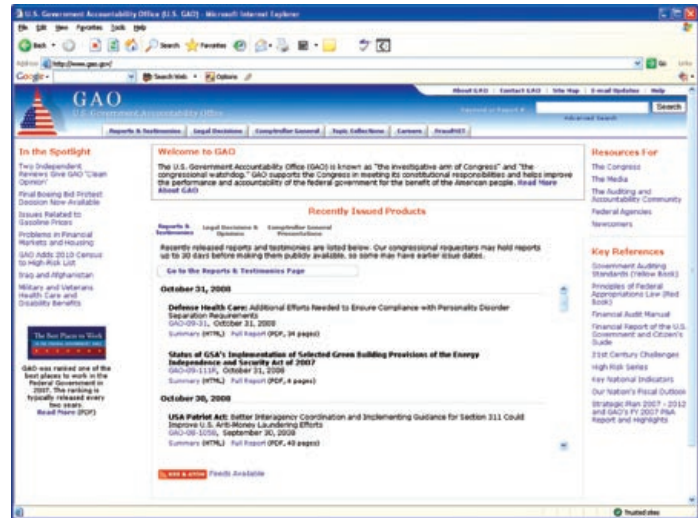
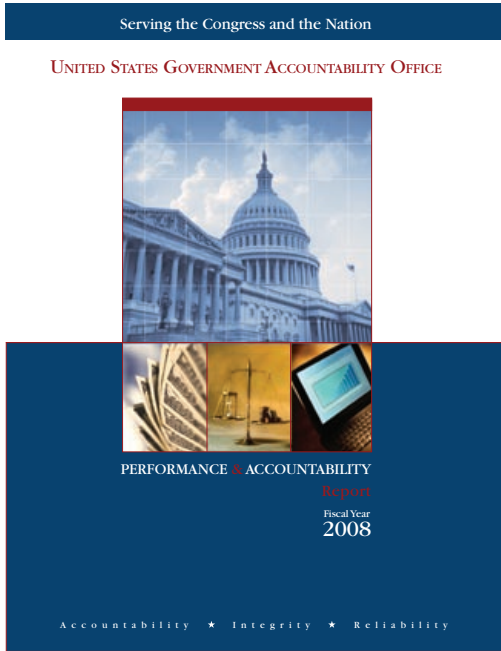
The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

However, you can also order GAO documents by phone. The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

This page intentionally left blank



This report and a summary version of it will be available through our Web site at www.gao.gov/sp.html. Also linked to that page are our strategic plan and our past performance and accountability publications.



Other Web pages of possible interest

Legal products

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

www.gao.gov/legal.htm

E-mail alerts

Get automatic updates on new GAO products

www.gao.gov/subtest/subscribe.html

Careers at GAO

Review current job openings, apply online, and learn about GAO's teams and offices at

www.gao.gov/jobopp.htm

Report allegations of fraud, waste, abuse, or mismanagement of federal funds

www.gao.gov/fraudnet/fraudnet.htm

