

United States Government Accountability Office



GAO
STRATEGIC
PLAN
2007 - 2012

Serving the Congress and the Nation



SERVING THE CONGRESS AND THE NATION

GAO'S STRATEGIC PLAN FRAMEWORK

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.

THEMES

Changing Security Threats

Sustainability Concerns

Economic Growth & Competitiveness

Global Interdependency

Societal Change

Quality of Life

Science & Technology

GOALS & OBJECTIVES

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 *related to . . .*

- Health care needs
- Lifelong learning
- Work benefits and protections
- Financial security
- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

. . . Respond to Changing Security Threats and the Challenges of Global Interdependence *involving . . .*

- Homeland security
- Military capabilities and readiness
- Advancement of U.S. interests
- Global market forces

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges *by assessing . . .*

- Roles in achieving federal objectives
- Government transformation
- Key management challenges and program risks
- Fiscal position and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization *in the areas of . . .*

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience
- Process improvement
- Employer of choice

CORE VALUES

Accountability

Integrity

Reliability

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Abbreviations

| | |
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| DHS | Department of Homeland Security |
| DOD | Department of Defense |
| Fannie Mae | Federal National Mortgage Association |
| FEMA | Federal Emergency Management Agency |
| Freddie Mac | Federal Home Loan Mortgage Corporation |
| GAO | Government Accountability Office |
| GDP | gross domestic product |
| Ginnie Mae | Government National Mortgage Association |
| GSE | government-sponsored enterprise |
| HUD | Department of Housing and Urban Development |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IRS | Internal Revenue Service |
| IT | information technology |
| K-12 | kindergarten through 12th grade |
| NNSA | National Nuclear Security Administration |
| SBA | Small Business Administration |
| SCHIP | State Children's Health Insurance Program |
| VA | Department of Veterans Affairs |

Letter from the Comptroller General

March 2007

In keeping with GAO's commitment to update its strategic plan at least once every 3 years—consistent with the Government Performance and Results Act—this strategic plan describes our proposed goals and strategies for serving the Congress for fiscal years 2007 through 2012. As expected, with the Congress and the nation facing such challenges as the large and growing long-term fiscal imbalance and increased concerns about meeting the health care needs of American citizens, this plan includes bodies of work that address anticipated requests for evaluations of those and other major issues. In addition, our plan covers anticipated work related to major government transformation efforts, especially in the areas of homeland security and defense.

Since our last update to the strategic plan, many challenges continue and others have emerged. For example, the war on terrorism has continued, as has the nation's involvement in Iraq and the ensuing reconstruction effort that is still unfolding. Hurricanes Katrina and Rita and predictions of an influenza pandemic have raised the nation's awareness of nonmilitary threats to homeland security. Historic budget deficits have added to our country's national debt. Perhaps more disturbing is that our nation's long-range fiscal outlook remains unsustainable given existing federal commitments and the challenges of caring for a growing elderly population. Consequently, policymakers will be increasingly required to judge what the nation can afford, both now and in the future. In addition, national boundaries are becoming less relevant to policymakers as they address a range of economic, security, social, and environmental issues. At the same time, the composition of our nation's population is becoming older and more diverse, resulting in a virtual kaleidoscope of demands for federal funds and services. Scientific research and technological developments provide opportunities to improve the lives of U.S. citizens but also raise profound ethical questions for society. Accompanying these changes are new expectations about the quality of life for Americans and the ways of measuring the nation's position and progress. Governance structures are evolving in order to contend with these new forces and an accelerating pace of change. These broad themes—changing security threats, sustainability concerns, economic growth and competitiveness, global interdependence, societal change, quality of life, and science and technology—provide the context for our plan.

The broad goals and objectives of our plan have not altered dramatically since our last plan, but events such as the continuing war in Iraq and recent and predicted natural disasters account for some modifications in emphasis. Also, we have retained our goal of becoming a model agency and world-class professional services organization—a goal that remains as vital to us as ever. To ensure that our plan reflects evolving congressional and national needs, we solicited input on the plan from members of the Congress and their staffs, our sister congressional agencies—the Congressional Budget Office and the Congressional Research Service, the inspectors general, state and local government audit organizations, and other key accountability organizations.

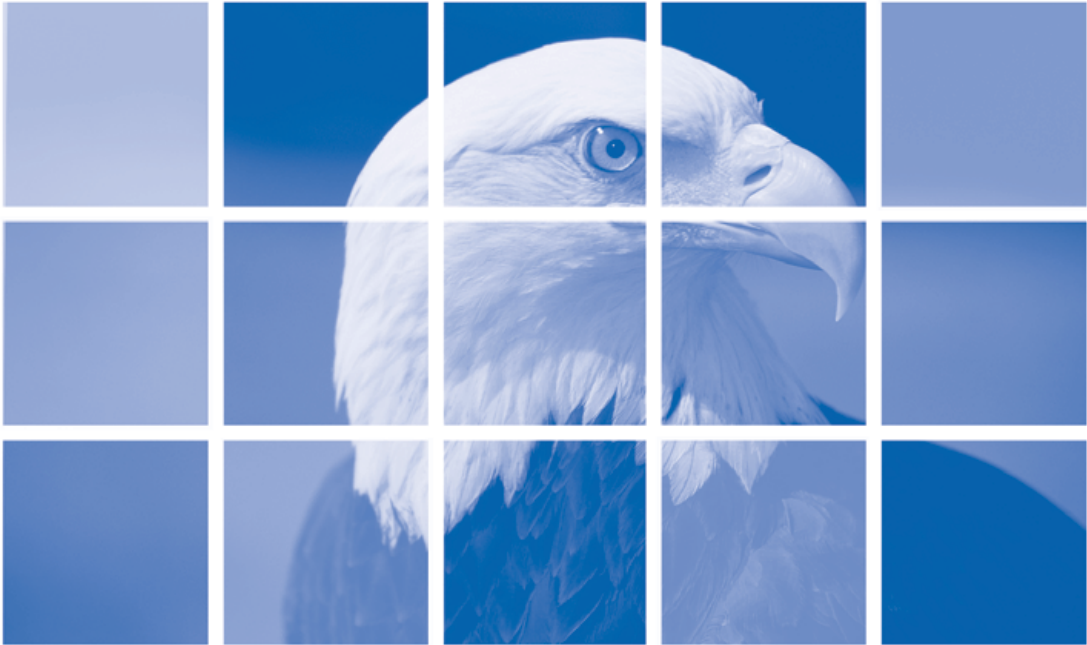
We are dedicated to our mission of serving the Congress and our nation and to achieving results that are unmatched by any other accountability organization in

the world. By working together, leading by example, and focusing on our results, we hope to continue to improve our performance and strengthen the GAO brand name both domestically and internationally. If you would like to know more about specific areas of our work, detailed performance and accountability information is available on our Web site at www.gao.gov/sp.html.

If you have questions about the strategic plan, please contact me at (202) 512-5500 or walkerd@gao.gov or Gene L. Dodaro, Chief Operating Officer, at (202) 512-5600 or dodarog@gao.gov.



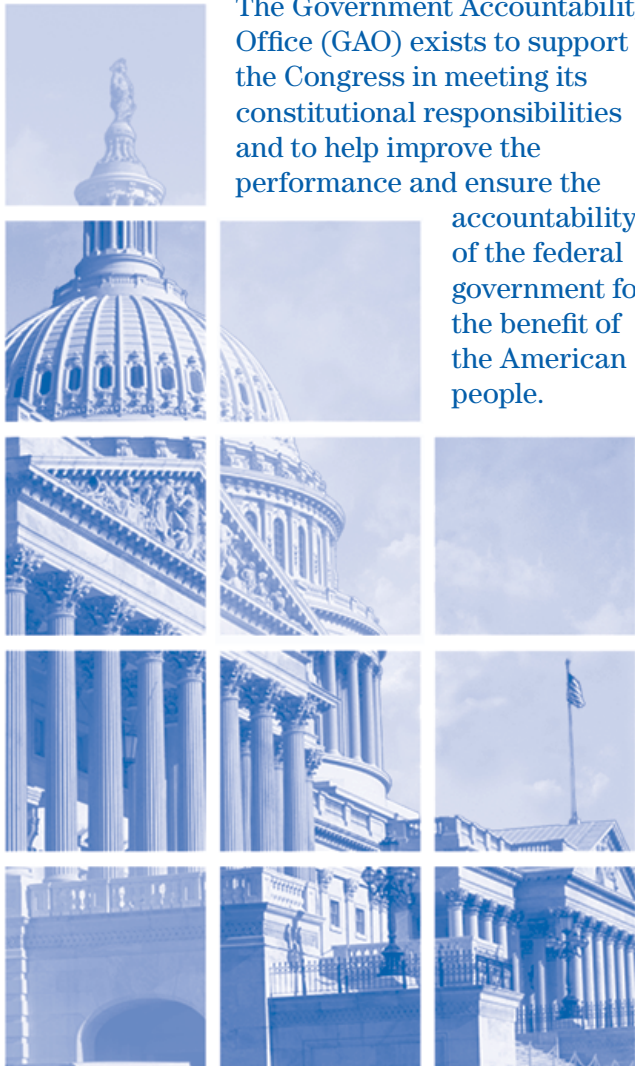
David M. Walker
Comptroller General
of the United States



Source: See Image Sources.

Our Mission, Goals, Strategies, and Means

Mission Statement



The Government Accountability Office (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.

Source: See Image Sources.

Statutory Responsibilities

Through the Budget and Accounting Act of 1921, the Congress established GAO with the broad role of investigating “all matters relating to the receipt, disbursement, and application of public funds” and to “make recommendations looking to greater economy or efficiency in public expenditures.” Since World War II, the Congress has clarified and expanded that original charter in the following ways:

- The Government Corporation Control Act of 1945 provided GAO the authority to audit the financial transactions of government corporations.

- The Budget and Accounting Procedures Act of 1950 assigned GAO responsibility for establishing accounting standards for the federal government and carrying out audits of internal controls and financial management.
- The Legislative Reorganization Act of 1970 expressly authorized GAO to conduct program evaluations and analyses of a broad range of federal activities.
- The General Accounting Office Act of 1980 reiterated GAO’s authority to obtain agency and other records needed for its investigations and evaluations and added the authority for GAO to enforce its access rights in court.
- The Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 authorized GAO to audit agencies’ financial statements and annually audit the consolidated financial statements of the United States.
- Numerous other laws complement GAO’s basic audit and evaluation authorities, including the Congressional Budget and Impoundment Control Act of 1974, which provided for GAO review of reported or unreported impoundments; the Inspector General Act of 1978, which provided for GAO-established standards for the audit of federal programs and activities; and the Competition in Contracting Act of 1984, which provided for GAO’s review of protested federal contracting actions.

At GAO, we implement our statutory responsibilities by engaging in a range of oversight, insight, and foresight activities that span the full breadth and scope of federal activities and programs. We publish thousands of reports and other documents annually and provide a number of other related services. By making recommendations to improve the practices and operations of government agencies, we contribute not only to the increased effectiveness of and accountability for federal spending, but also to the enhancement of the taxpayers’ trust and

confidence in their federal government. We also look at national and international trends and challenges to anticipate their implications for public policy.

Our Strategic Goals

To accomplish our mission, we use a strategic planning and management framework 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 Government by Supporting a Broad-Based Reexamination of Federal Programs
- Strategic Goal 4: Maximize the Value of GAO by Being a Model Federal Agency and a World-class Professional Services Organization

Figure 1: Our Strategic Planning Hierarchy



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

Each of our strategic goals is further defined by strategic objectives, performance goals, and key efforts. The strategic objectives and performance goals provide progressively more detailed descriptions of what we plan to achieve. Each key effort outlines a body of work that supports a performance goal. The performance goals and key efforts described later in this strategic plan cover areas in which we plan to complete work by the end of fiscal year 2009.

Key Performance Measures

We primarily use quantitative performance measures to assess progress in achieving our strategic goals and objectives. Collectively, these measures help demonstrate the degree to which we (1) provide timely, quality service to the Congress and the federal government so that they can respond to current and emerging challenges and (2) help the government meet 21st century challenges by transforming its role and its ways of doing business. To assess our progress toward achieving our strategic goals and their objectives, we use a variety of quantitative measures, which are described in table 1. We set performance targets for all of these quantitative measures annually and compare our actual performance with the targets.

We publish annual performance and accountability reports that describe our progress in achieving our performance measures. These are available on our Web site, <http://www.gao.gov/sp.html>. We are continuing to refine our measures, working toward a balanced set of measures that evaluate performance based on four key perspectives: our results, our clients, our people, and our internal operations.

Table 1: Annual Quantitative Performance Measures

| Measure | Description |
|---|---|
| Financial benefits | Benefits to the federal government that can be estimated in dollar terms (e.g., decreased costs, increased revenues, or revenues made available for other purposes) that result in improved services to the public, improved statutes or regulations, or improved government business operations that occurred because of work that we completed over the past several years. |
| Nonfinancial benefits | Benefits to the federal government that cannot be estimated in dollar terms that result in improved services to the public, improved statutes or regulations, or improved government business operations that occurred because of work that we completed over the past several years. |
| Past recommendations implemented | Of the recommendations made 4 fiscal years prior to the current fiscal year, the percentage of recommendations that were implemented. |
| Percentage of products with recommendations | Of the written products issued in the fiscal year, the percentage that included at least one recommendation. Not all products that we issue during the fiscal year contain recommendations—some provide the Congress with policy options or are purely informational. |
| Testimonies | The number of hearings at which we presented testimony. |
| Timeliness | From a survey sent to our congressional clients for our more significant written products, the percentage that indicated the product was delivered on time. |
| New hire rate | The ratio of the number of people hired to the number we planned to hire. |
| Acceptance rate | The ratio of the number of applicants accepting offers to the number of offers made. |
| Retention rate | The ratio of the number of people who did not leave GAO during the fiscal year to the average number of people on board during the year. (Retention rate is the inverse of attrition rate.) We examine two calculations of retention rate—one that includes retirees and one that excludes retirees. |
| Staff development | From an annual employee survey, the percentage of people responding favorably to questions on internal, external, and on-the-job training. |
| Staff utilization | From an annual employee survey, the percentage of people responding favorably to questions on our use of staff's knowledge and skills. |
| Leadership | From an annual employee survey, the percentage of people responding favorably to questions about specific qualities of our managers, such as whether leaders treated staff fairly, made timely decisions, demonstrated GAO's core values, implemented change effectively, and dealt effectively with diversity issues. |
| Organizational climate | From an annual employee survey, the percentage of people responding favorably to questions on teamwork, morale, and overall satisfaction. |
| Help get job done | From an annual employee survey, we calculate a composite score from questions related to how well internal processes help employees get their jobs done. The composite score represents how employees rated their satisfaction with these services 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). |
| Quality of work life | From an annual employee survey, we calculate a composite score from questions related to how internal processes affect employees' quality of work life. The composite score represents how employees rated their satisfaction with these services relative to how they rated the importance of these services to them. The importance scores and satisfaction levels are both rated on a scale of 1 (low) to 5 (high). |

Source: GAO.

Another major evaluation we used to inform the update of the strategic objectives under goals 1, 2, and 3 was the January 2007 edition of our biennial high-risk report. This report provides the status of major government operations considered high risk because of their greater vulnerabilities to waste, fraud, abuse, and mismanagement. The series is, among other things, a valuable

planning tool for us, helping us identify those areas in which our continued efforts are needed to maintain the focus on important policy and management issues facing the nation.

Similarly, we drew from our report *21st Century Challenges: Reexamining the Base of the Federal Government* in preparing this strategic plan.

This report was intended to help the Congress in reviewing and reconsidering the base of federal spending and tax programs. In preparing our strategic plan, we took into consideration the federal activities that are discussed in this report and the related work that we might perform to support congressional decision making.

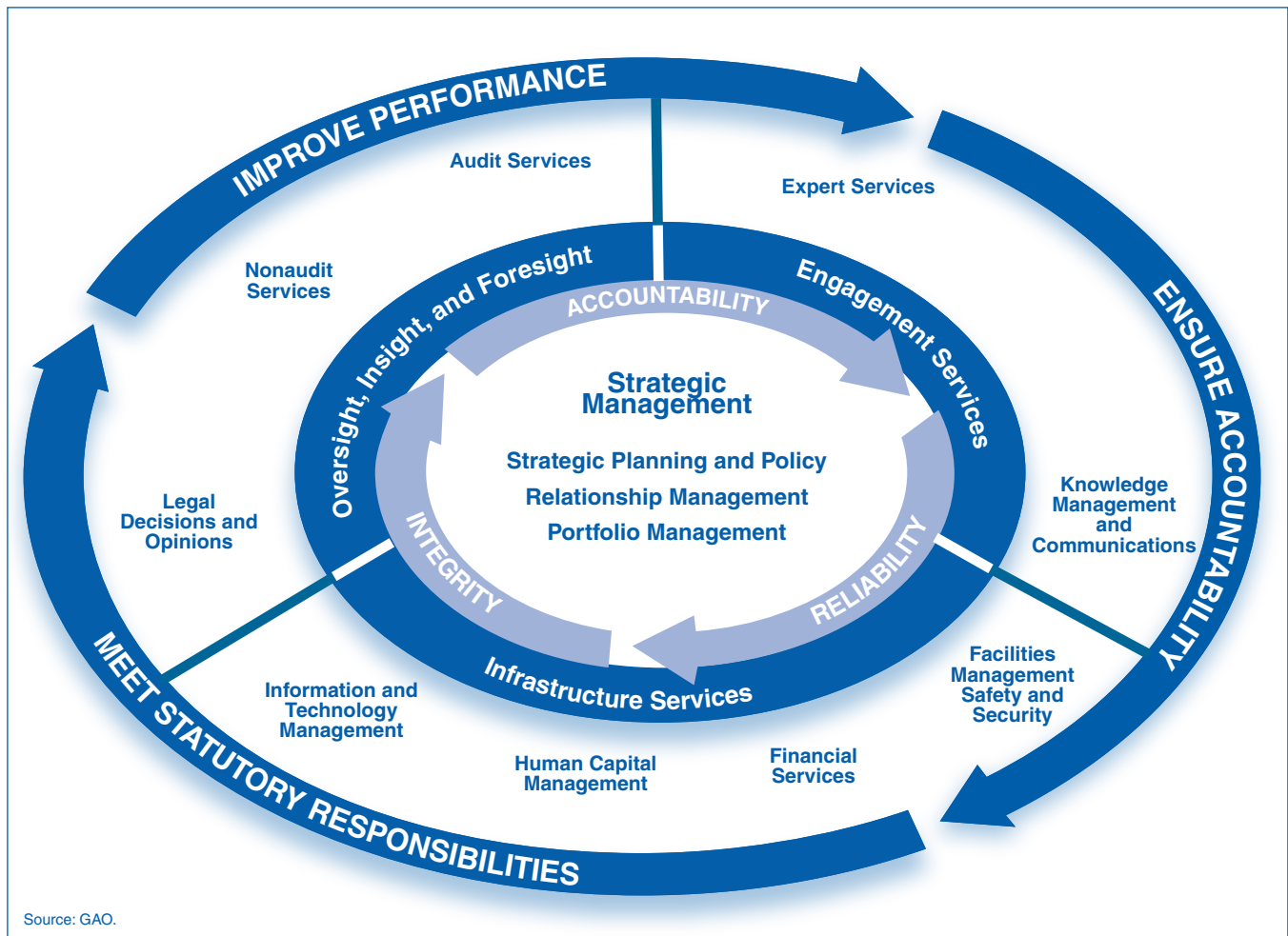
Finally, our Office of the Inspector General evaluates the administration of the agency, including an assessment of key performance measurements. The Inspector General's evaluations are useful for ensuring that our operations are efficient and economical and serve as additional input for updating the objectives under strategic goal 4. We also evaluated (1) our engagement policies and quality control practices and (2) the effectiveness of a number of our core and support processes to enhance their usefulness and improve efficiency.

Strategies and Means

The business model depicted in figure 2 shows how we strategically manage our work to meet our statutory requirements while improving our performance and ensuring that we are accountable to our clients. Our strategic management processes—including efforts to plan our work, periodically assess whether we are on the right track, and make adjustments when necessary—are at the center of this model. Staff aligned with all four of our strategic goals are involved in these processes. In addition, our three core values of accountability, integrity, and reliability are part of the model's core, which is appropriate because they are an integral part of all of our work. The remaining business of the agency is divided into the following three parts:

- Oversight, insight, and foresight. We conduct performance audits, financial audits, attestations, and investigations; issue legal decisions

Figure 2: GAO's Business Model



and opinions; and provide nonaudit services for our clients. This work is aligned primarily with strategic goals 1, 2, and 3.

- Engagement services. Some of our staff provide direct support to our oversight, insight, and foresight activities by lending expert services that include legal analyses and counsel, quality assurance, and design and methodological development. This work also is aligned primarily with goals 1, 2, and 3.
- Infrastructure services. We conduct foundational services that support GAO operations and activities—many of which are aligned with strategic goal 4. These services include financial management, IT management, security and safety, and human capital management.

Throughout GAO, we emphasize two overarching strategies to achieving our strategic goals. These are (1) providing information from our work to the Congress and the public and (2) continuing and strengthening our internal operations. Specifically, we achieve our results mainly through the actions taken by the Congress and federal agencies in response to the information and recommendations that we provide. Our strategies also emphasize the importance of (1) working with other organizations on crosscutting issues and (2) 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 annual performance measures as well as our multiyear performance goals. That level of performance, in turn, will allow us to achieve our 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 programs, policies, operations, and performance;
- 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 help guide their efforts toward achieving positive results;
- legal decisions and opinions to determine whether agencies are in compliance with applicable laws and regulations;
- policy analyses to assess needed actions and the implications of proposed actions; and
- additional assistance to the Congress in support of its oversight, appropriations, legislative, and other responsibilities.

We conduct specific engagements based on requests from congressional committees and mandates written into legislation, resolutions, and committee reports. We also coordinate our work with our sister agencies in the legislative branch and the offices of inspector general in the executive branch. While we devote most of our engagement resources to work requested or mandated by the Congress, we initiate some work under the Comptroller General's authority. Traditionally, this work has been related to government programs and operations that we have identified as being at high risk for fraud, abuse, or mismanagement; reviews of agencies' budget requests; and various emerging challenges that are of broad-based interest to the Congress, such as the cost of fighting terrorism and the status of the reconstruction efforts in Iraq.¹ When appropriate, we make recommendations that are intended to improve the accountability, operations, and services of government agencies; contribute to increasing the effectiveness of federal spending; and enhance 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

¹ In fiscal years 2004 and 2005, the work performed under the Comptroller General's authority represented 10 percent and 13 percent, respectively, of our engagement efforts.

analyze. More often than not, this information is documented in a product that is made available to the public. We generally issue around 1,200 to 1,300 products each year, both electronically and in printed format. In addition, we publish about 250 to 350 legal decisions and opinions each year. Our products include the following:

- letter reports, chapter reports, and other 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;
- oral 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. For example, we issued a primer on motor fuels to help improve public understanding of the major factors that influence the U.S. price of gasoline and we issued a guide on Social Security that answers concisely some basic questions about how the program works and why it needs to be reformed.² Our publication, *Principles of Federal Appropriations Law*, is viewed both within and outside of the government as the primary resource in the area of appropriations law. It discusses in detail Comptroller General and federal case law on the availability, use, and control of federal funds. In addition, we maintain the government's repository of reports of 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 to examine the impact of our past

² GAO, *Motor Fuels: Understanding the Factors That Influence the Retail Price of Gasoline*, GAO-05-525SP (Washington, D.C.: May 2005), and *Social Security Reform: Answers to Key Questions*, GAO-05-193SP (Washington, D.C.: May 2005).

work and use that information to shape our future work. Consequently, we evaluate actions taken by federal agencies and the Congress in response to our past work. 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 (see <http://www.gao.gov/openrecs.html>).

Two reports have been especially valuable planning tools because they help us to identify areas where our continued efforts are needed to maintain the focus on important policy and management issues that the nation faces. First, our biennial high-risk report, most recently updated in January 2007, provides a status report on major government operations that we consider high risk because they are vulnerable to waste, fraud, abuse, and mismanagement or are in need of broad-based transformation. We have made hundreds of recommendations to improve these high-risk operations and plan to continue work that will lead to further improvements. Second, we use our report on 21st century challenges, which was issued in February 2005, to guide a portion of our planned work. This report highlights current and emerging issues facing the nation. For example, the report concludes that the nation's growing fiscal imbalance stems primarily from the aging of the population and rising health care costs. Absent significant changes on the spending, revenue, or both sides of the budget, these long-term deficits will test the capacity of current and future generations to afford federal commitments. Addressing the nation's long-term fiscal imbalances constitutes a major transformational challenge that may take a generation to resolve.

To attain our fourth strategic goal—an internal management goal—and its 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. These studies and evaluations have included

- assessing our administrative processes and ways to determine internal customers' satisfaction;

- surveying employees' about their work environment;
- surveying employees' skills and work preferences;
- conducting an ongoing review of our workforce and our future needs for skilled mission and support staff as well as for senior managers;
- evaluating the practices and procedures that analysts use to develop core products and whether these practices adhere to policies that ensure the quality of our engagements and products;
- extensively studying our training and curriculum strategies;
- comprehensively assessing our building security and safety, especially in the event of a major disaster or national security incident; and
- conducting annual security and other related audits of our IT systems.

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; to leverage our resources; and in turn, to improve our service to the Congress and the American people.

Through newly established forums and a number of ongoing advisory boards and panels, we gather information and perspectives for our strategic and annual performance planning efforts. Ongoing advisory boards and panels also support strategic and annual work planning by alerting us to issues,

trends, and lessons learned across the national and international audit communities that should factor into our work. These groups include the Comptroller General's Advisory Board, the 40 members of which represent both the public and private sectors and have broad expertise in areas related to our strategic objectives. The board meets with our senior managers annually to share its views on our strategic direction and specific initiatives. Through the National Intergovernmental Audit Forum, chaired by the Comptroller General, and 10 regional intergovernmental audit forums, we consult regularly with federal inspectors general and state and local auditors. In addition, through the Domestic Working Group, the Comptroller General and the heads of 18 federal, state, and local audit organizations exchange information and seek opportunities to collaborate.

Internationally, we participate in the International Organization of Supreme Audit Institutions (INTOSAI), the professional organization of the national audit offices of 184 countries. The Comptroller General also leads the Global Working Group, through which the heads of our counterparts from 15 countries meet annually to discuss mutual challenges, share experiences, and identify opportunities for collaboration.

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.

We combine our general strategies with specific strategies for each strategic objective. These specific strategies take the form of performance goals, each of which has a set of key efforts that connect with our day-to-day work. These performance goals and key efforts are described later in this plan.

Internal Management Challenges

For at least the next 3 fiscal years, we anticipate continuing to address three management challenges—physical security, information security, and human capital—because they are evolving and will require us to continuously

identify ways to adapt and improve. 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. (See our [performance and accountability report](#) for a more complete description of these challenges.)

External Factors That Could Affect Our Performance

Several external factors could affect the achievement of our performance goals. These include the amount of resources we receive, shifts in the content and volume of our work, and various 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 unpredictable events—such as terrorism, natural disasters, and military conflicts and threats abroad—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 2006, we

- stayed abreast of current events (such as protecting U.S. ports and borders and preventing possible pandemics) 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 (e.g., on the cost and recovery efforts related to Hurricane Katrina) so that we could deal with major changes as they occurred;
- maintained broad-based staff expertise (i.e., in the Social Security, health care financing, and homeland security areas) so that we could readily address emerging needs; and

- initiated research under the Comptroller General's authority on several selected topics, including various issues relating to Iraq, the U.S. federal elections, and our 21st century challenges and high-risk work.

We have experienced heavy demand from the Congress for work in a number of subject areas, especially in the disaster recovery and preparedness areas in the aftermath of Hurricane Katrina and in the health care area. Our ability to effectively manage this demand could have an impact on our ability to meet our performance targets. We will continue to manage these requests in order to minimize any negative impact they may have on our ability to meet the needs of the Congress and the American people. Given large current federal budget deficits and the nation's long-range fiscal imbalance, the Congress is likely to place increasing emphasis on fiscal constraint. 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 the agency. In addition, because almost 80 percent of our budget is composed of people-related costs, any serious budget situation will likely have an impact on our human capital policies and practices. This, in turn, would have an impact on our ability to serve the Congress and meet our performance targets.

While 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. It is both appropriate and prudent for us to engage in such planning. At the same time, we are hopeful that the Congress will recognize that performance-based budgeting concepts would support providing additional resources to entities with prudent budget requests and proven performance results. If the Congress employs such an approach, we should be in a good position to continue to provide a high rate of return on the resources invested in the agency.

A growing area for us involves our work on bid protests. As required by law, our General Counsel

prepares Comptroller General procurement law decisions that resolve protests filed by disappointed bidders. These bidders challenge the way individual federal procurements are being conducted or how the contracts were awarded. In recent years, we have experienced an increase in the number of bid protests that have been filed, and in fiscal year 2005 the Congress enacted legislation that expanded our authority to allow certain representatives of affected government employees to protest when the private sector wins a private-public competition. We will continue to monitor our workload in this area to ensure that we meet our statutory responsibilities with minimal negative impact on our other work.

Another external factor is the extent to which we can obtain access to certain types of information. With concerns about operational security being unusually high at home and abroad, we may have more difficulty obtaining information and reporting on sensitive issues. Historically, our auditing and information gathering have been limited whenever the intelligence community is involved. In addition, we do not have a right of access to records or other materials held by other countries or, generally, by the multinational institutions that the United States works with to protect its interests. Consequently, our ability to fully assess the progress being made in addressing several national and homeland security issues may be hampered. Given the heightened security environment, we also anticipate that more of our reports may be subject to classification reviews than in the past, which means that the public dissemination of these products may be limited. We plan to work with the Congress to identify both legislative and nonlegislative opportunities for strengthening our access authority as necessary and appropriate.

Our Organizational Structure

As the Comptroller General of the United States, David M. Walker is the head of GAO and is serving a 15-year term that began in November 1998. Three other executives join Comptroller General Walker to form GAO's Executive Committee; these executives are Chief Operating Officer Gene L. Dodaro, Chief Administrative Officer/Chief Financial Officer Sallyanne Harper, and General Counsel Gary Kepplinger.

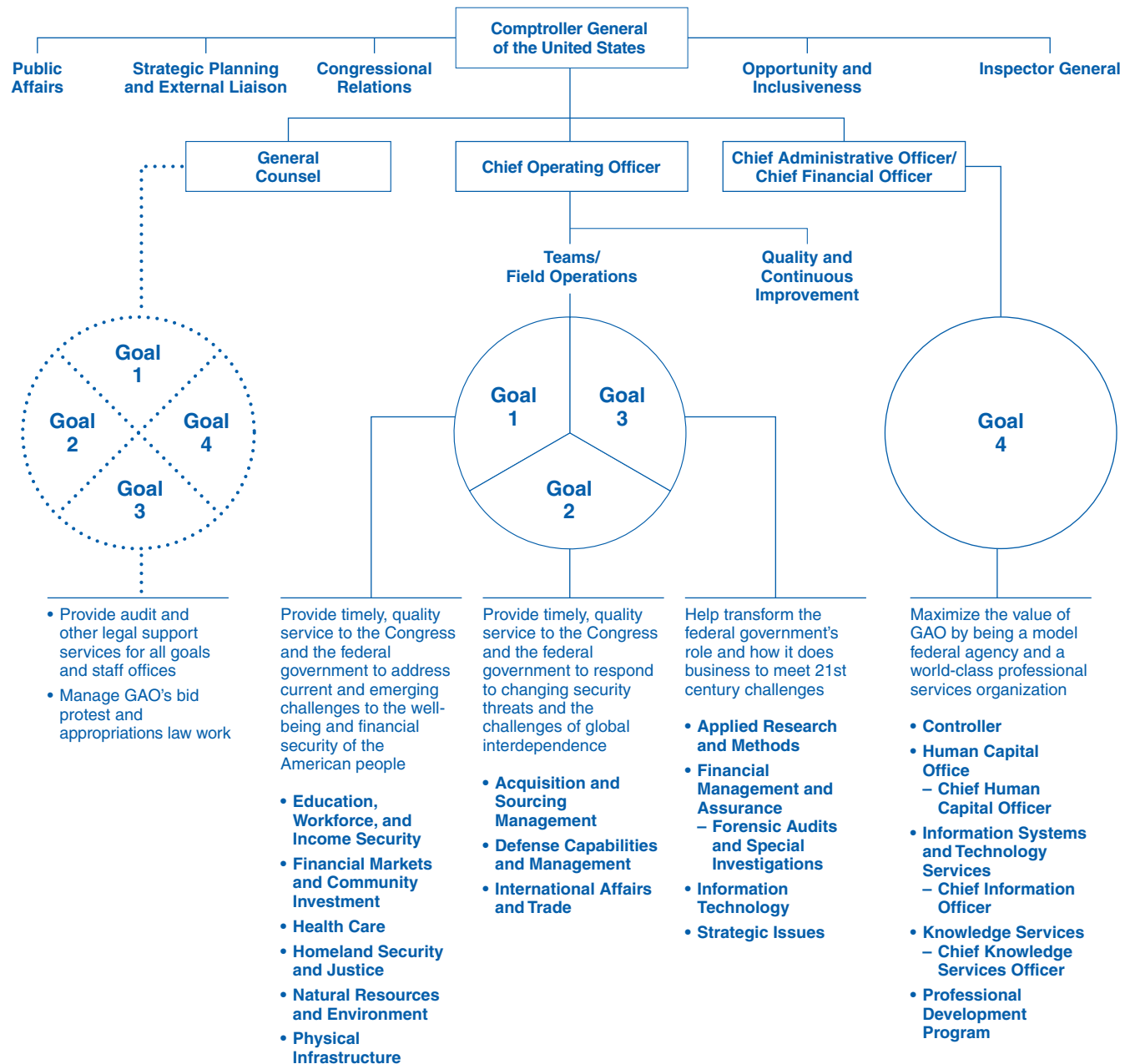
To achieve our strategic goals, our staff is organized as shown in figure 3. For the most part, our 13 research, audit, and evaluation teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal. 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 efforts that flow 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. In fiscal year 2005, we formed a new unit—Forensic Audits and Special Investigations—within our Financial Management and Assurance team. This unit was designed to provide the Congress with high-quality forensic audits; investigations of fraud, waste, and abuse; and evaluations of security vulnerabilities and other appropriate investigative services as part of its own assignments or in support of other teams. This unit 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. The unit is composed of investigators and staff from our former Office of Special Investigations; auditors from the Financial Management and Assurance team who have experience with forensic audits; and staff in General Counsel who worked with FraudNet—our online system designed to facilitate the reporting of allegations of fraud, waste, abuse, or mismanagement of federal funds.

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. And 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 organizationally along subject matter lines to facilitate the delivery of legal services. This structure allows General Counsel to (1) provide legal support to GAO and its audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the 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 GAO's management on a wide array of human capital matters and initiatives and on information

Figure 3: Our 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.

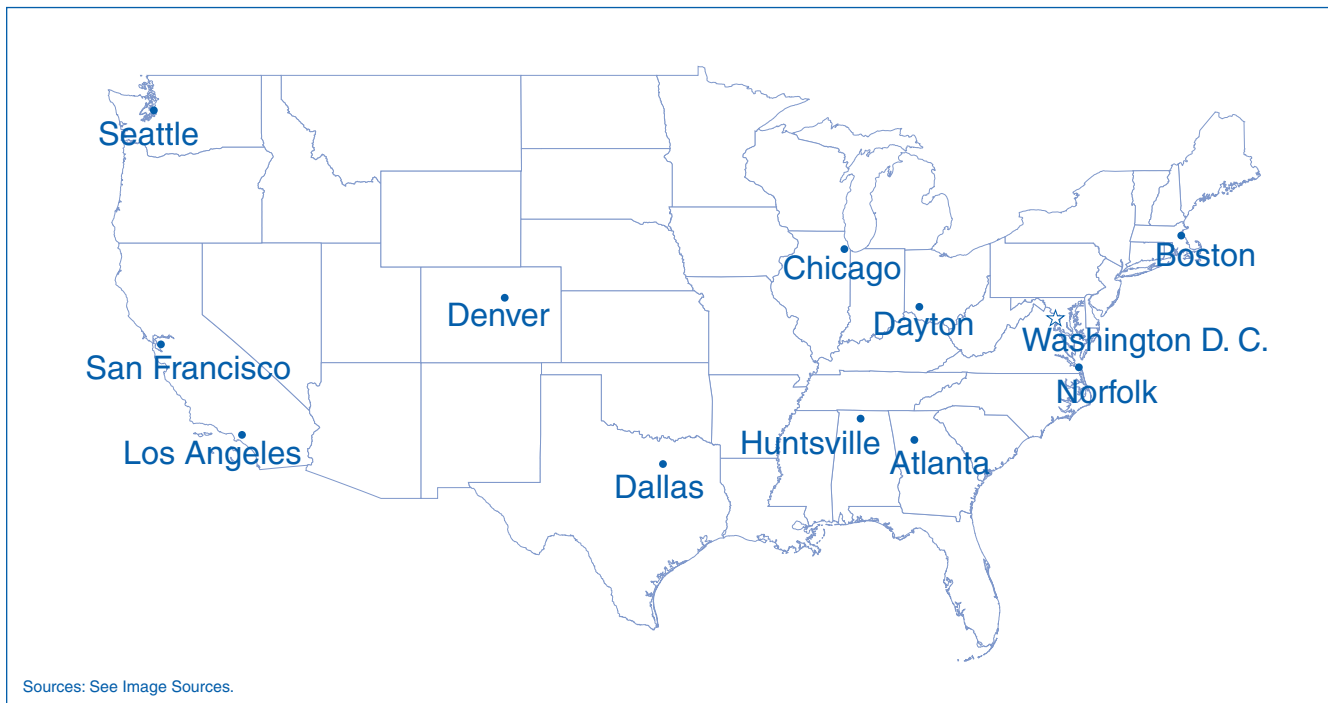
management and acquisition matters and defends the agency in administrative and judicial forums. Finally, attorneys in the Procurement Law and the Budget and Appropriations Law groups prepare administrative decisions and opinions adjudicating protests to the award of government contracts or opining on 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. To maximize their productivity, we must make steady investments in IT. We must also ensure the safety and security of our people, information, and assets. The strategies

we will use to ensure that we have the human capital we need to carry out our responsibilities and that our human capital, business processes, IT, and other resources are well managed and secure are covered under the fourth strategic goal of this plan.

Throughout GAO, 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 3,200 employees are based at our headquarters in Washington, D.C; the rest are deployed in 11 field offices across the country. (See fig. 4.) Staff in these field offices are aligned with our research, audit, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals. Through our field office structure, we have been able to attract and retain top talent from across the country.

Figure 4: Our Office Locations



Themes Affecting the Plan: Preparing the United States for an Interdependent World

In charting our work over the next several years, our strategic plan takes into account the forces that are likely to shape our society, the place of the United States in the world, and the role of the federal government. We have grouped these forces under seven themes that suggest major trends that may influence congressional actions and that form a context for our strategic goals and objectives. Table 2 summarizes the themes, and a detailed description of each theme is provided in a separate publication titled *Forces That Will Shape America's Future: The Themes from GAO's Strategic Plan (GAO-07-467SP)*, which was issued in conjunction with this update of the strategic plan.

Our nation faces a range of key public policy trends, challenges, and opportunities that transcend geopolitical and sectoral boundaries. Through our strategic planning efforts, we have identified seven key themes that embrace the major trends that are likely to shape our society, the place of the United States in the world, and the role of the federal government in the decades to come. These themes are ensuring the security and safety of the nation; sustaining our nation's capacity, national resources, and environment, especially given the nation's

large and growing long-term fiscal imbalance; maintaining economic growth and competition; recognizing global interdependence related to people, information, goods, and capital; adapting to societal changes resulting from demographic and other shifts; sustaining U.S. citizens' quality of life; and managing advancements in science and technology.

These seven themes and the issues they encompass will require the federal government to form strategic partnerships and alliances with state and local governments, as well as with the governments of other nations around the world. They will also require partnering for progress between levels of government, the private sector, and the independent sector. Successful approaches to these issues will also need to focus on maximizing value, managing risks, and achieving real and sustainable results.

Any significant changes in these areas over the period covered by this plan will affect our ability to meet our goals and objectives. We will therefore continue to track developments in these areas to ensure that our plan continues to respond to the needs of the Congress, the federal government, and the American people.

Table 2: Forces Shaping the United States and Its Place in the World



Changing security threats: The world has changed dramatically in overall security, from the conventional threats posed during the Cold War era to more unconventional and asymmetric threats. Providing for people's safety and security requires attention to threats as diverse as terrorism, violent crime, natural disasters, and infectious diseases. The response to many of these threats depends not only on the action of the U.S. government but also on the cooperation of other nations and multilateral organizations, as well as on state and local governments and the private and independent sectors. Complicating such efforts are a number of failed states allowing the trade of arms, drugs, or other illegal goods; the spread of infectious diseases; and the accommodation of terrorist groups. Meeting the nation's defense needs in the future may prompt decision makers to reexamine fundamental aspects of the nation's security programs, such as how the Department of Defense (DOD) and the Department of Homeland Security (DHS) plan, budget, and position their resources to respond to these various threats.

Sustainability concerns: Current fiscal and environmental policies are clearly unsustainable. The \$248 billion deficit forecast for fiscal year 2006, the anticipated growth of spending on social insurance programs, and the potential tax gap resulting from the changing nature of the economy will erode the ability of government to respond to the needs of U.S. citizens over the long term. The growing awareness of the effect of climate change on the environment and the economy and concerns about quality of life add a new layer of complexity to the already difficult question of how to sustain economic growth when components of that growth—factories, cars and trucks, fertilizers, and electricity-generating plants—often adversely affect air and water quality and can change climates in potentially catastrophic ways.

Economic growth and competitiveness: Economic growth and competition are also affected by the skills and behavior of U.S. citizens, the policies of the U.S. government, and the ability of the private and public sectors to innovate and manage change. The U.S. education system must prepare the workforce by providing the necessary skills and knowledge to drive innovation, productivity, and economic growth while enabling the United States to continue to improve its standard of living and competitive posture. Importantly, the saving and investment behavior of U.S. citizens affects the capital available to invest in research, development, and productivity enhancement. And the tax and regulatory policies of the U.S. government affect its economic growth and ability to compete. The U.S. economy benefits from less restrictive labor and product market regulation and lower tax burdens than those of many other Organisation for Economic Co-operation and Development countries, although deregulation can present its own challenges and requires oversight to protect the public interest.

Global interdependency: Economies as well as governments and societies are becoming increasingly interdependent as more people, information, goods, and capital flow across increasingly porous borders. Indicators like international trade and financial transactions reveal how economic activity has come to link nations. Both U.S. imports and exports as a share of the gross domestic product (GDP) more than doubled from 1970 to 2005. The United States faces the challenge of securing its borders to protect the safety and security of the nation without impeding the exchange of people, ideas, goods, and capital needed to sustain economic growth and to strengthen society. And transportation systems—highway, rail, and air—as well as immigration and employment policies and practices may require modifications to support these changes.

Societal change: The U.S. population is aging and becoming more diverse. As U.S. society ages and the ratio of elderly persons and children to persons of working age increases, the sustainability of social insurance systems will be further threatened. Specifically, according to the 2000 census, the median age of the U.S. population is now the highest it has ever been, and the baby boomer age group—people born from 1946 to 1964, inclusive—was a significant part of the population. As this group ages, it will have a continuing influence on society and social programs.

Quality of life: Concerns about the sustainability of the nation's resources and current U.S. policies represent threats to the quality of life of U.S. citizens and of other people around the globe. Despite increasing productivity and economic growth, U.S. citizens increasingly face income insecurity and a growing gap between the haves and the have nots. Lack of affordable housing leading to urban sprawl and growing commute times leave many Americans struggling to balance the demands of work and family.

Science and technology: Science and technology offer many possibilities for improving people's quality of life. These areas hold the promise of future productivity gains and economic growth. However, with opportunities come challenges, such as ensuring cybersecurity, protecting personal privacy, and preserving tax bases for state and other governmental entities. The proliferation of information on the Internet, for example, has helped break down borders and has increased our nation's global interdependence. However, safeguards on the quality of information are few. At the same time, the possibilities suggested by advances in science and technology, especially in areas such as medicine, raise ethical and moral questions that society must confront.

Source: See Image Sources.



Source: See Image Sources.

Goal 1

Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-being and Financial Security of the American People

In keeping with GAO's mission to support the Congress in carrying out its constitutional responsibilities, our first strategic goal focuses on several aspirations of the American people that were defined by the founding fathers to "establish justice, insure domestic tranquility, ... promote the general welfare, and secure the blessings of liberty" for U.S. citizens now and in the future. The nation's aging and more diverse population and rapid technological change and Americans' desire to improve quality of life have major policy and budgetary implications for the federal government. In particular, growing commitments to the elderly will crowd the capacity of a smaller generation of workers to finance the competing needs and wants brought to the federal doorstep.

The first goal in this plan, therefore, continues to be to help the Congress and the federal government address the challenges that affect the well-being and financial security of the American people. The stakes involved with the federal policies and programs covered under goal 1 are high, as the benefits have become critical to the well-being of families, businesses, state and local governments, and other key sectors of the nation's economy and society. Moreover, as the nation moves to address the challenges of homeland security, it is becoming apparent that a wide range of

domestic policies and programs are relevant to protecting the nation against terrorist threats. The continuing presence of budget deficits should prompt greater scrutiny of the performance and costs of many of these programs, and we expect to be a major contributor to these debates through our audit and evaluation work.

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

- 1.1 the health needs of an aging and diverse population;
- 1.2 lifelong learning to enhance U.S. competitiveness;
- 1.3 benefits and protections for workers, families, and children;
- 1.4 financial security for an aging population;
- 1.5 ensuring a responsive, fair, and effective system of justice;
- 1.6 the promotion of viable communities;
- 1.7 responsible stewardship of natural resources and the environment; and
- 1.8 a safe, secure, and effective national physical infrastructure.

Strategic Objective 1.1

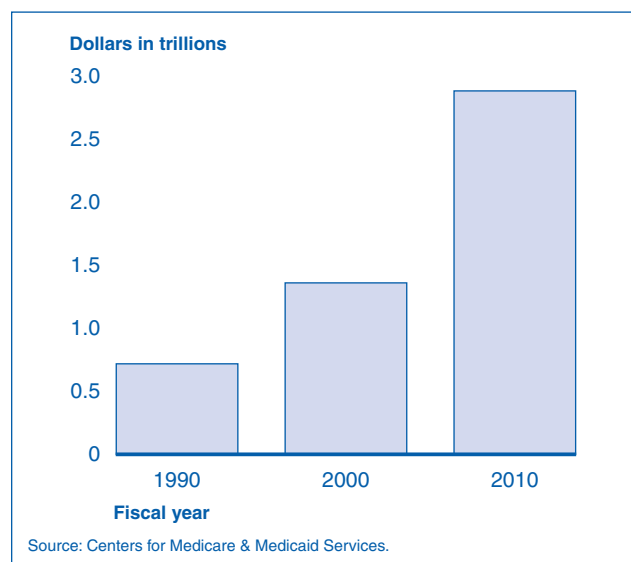
The Health Needs of an Aging and Diverse Population



Source: See Image Sources.

Total health care spending in the United States from all sources—public and private—continues to increase at a breathtaking pace. From 1990 through 2000, spending nearly doubled to over \$1.3 trillion and by 2010 is estimated to more than double again to almost \$2.9 trillion. (See fig. 5.) This unrelenting growth is producing a health care sector that continues to claim an increasing share of the nation's gross domestic product (GDP)—about 12 percent in 1990 versus an estimated 18 percent in 2010 and 20 percent by 2015.

Figure 5: Total National Health Care Spending, Fiscal Years 1990, 2000, and 2010

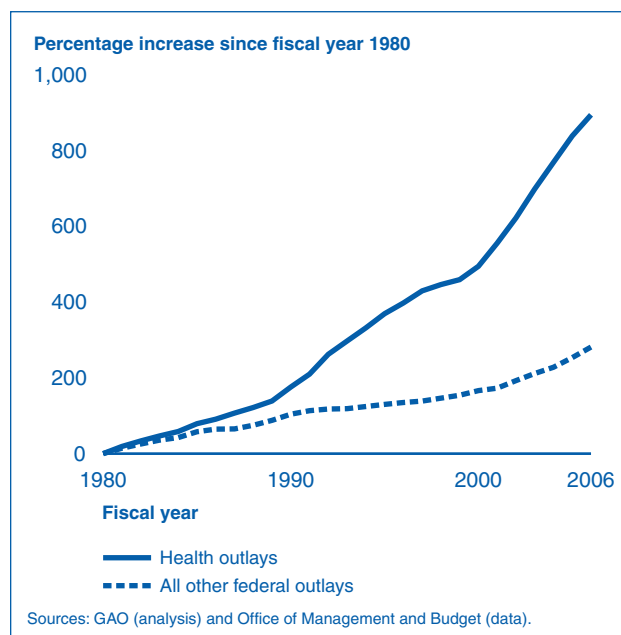


Note: The dollar amounts for 1990 and 2000 are in nominal dollars; the dollar amount for 2010 is projected.

Not surprisingly, health care spending has been one of the most rapidly rising elements of federal spending, growing three times faster than the rest of the federal budget over the last quarter century. (See fig. 6.) Expenditures on health-related programs, one of the largest components of federal spending, totaled \$583 billion in fiscal year 2006, or about 22 percent of federal spending. Health care also accounts for significant federal tax expenditures, with \$132.7 billion in forgone revenues projected for fiscal year 2006 because of employer contributions to medical care and medical insurance. The cost pressures of serving a growing population—particularly those 65 and older—are compounded by scientific advances in

medical treatments, which can blur the lines between needs and wants and make it difficult to reasonably assess what society can afford.

Figure 6: Growth of Federal Health Expenditures, Fiscal Years 1980–2006



Of particular concern is the growth in Medicare expenditures, which totaled over \$336 billion in 2005. Even without considering the financial effects of its new prescription drug benefit, Medicare is expected to more than double its share of the economy by 2030, competing with other spending and economic activity of value. Indeed, expenditures for hospital insurance, one component of Medicare, exceeded hospital insurance income (exclusive of interest income) in 2004. This fiscal imbalance is projected to continue. Consequently, the Hospital Insurance Trust Fund is projected to be depleted by 2018. Also of concern are issues of (1) modernizing Medicare's management structure, payment policies and methodologies, and benefits package and (2) reducing Medicare's administrative burden on providers. Moreover, because of its size and complexity, Medicare is inherently difficult to manage and is a target for fraud, waste, and abuse. Medicare claims administration contracting is undergoing significant changes. In the next 3 to

5 years, all of the contracts will be recompleted and much of the claims administration workload will be transferred to about half the number of current contractors—an undertaking on a scale unlike anything Medicare has experienced before. Consequently, effective oversight is critical to protecting program dollars and promoting efficient program operations.

Although the introduction of competitive principles to health care helped to contain medical care cost increases for several years, costs continue to rise, as do the number of Americans without health insurance. These cost increases have important implications for federal health care programs and outlays and for the availability of employer-sponsored health insurance. Many employers reportedly have been considering or made changes to decrease the generosity of their health insurance benefits, or have shifted risk to employees in the form of health plans with significantly higher deductibles, sometimes coupled with health savings accounts. Moreover, the public is concerned about the quality of care, consumer protection mechanisms, and the availability of information to allow purchasers to make informed insurance choices.

The government also must address pressing issues in its own health care delivery systems. The Department of Veterans Affairs (VA)—one of the nation’s largest health care delivery systems—spends about \$30 billion a year to provide health care to approximately 4.9 million of the almost 7.7 million veterans enrolled for VA care. VA provides this care using a physical infrastructure that is, in many instances, obsolete and burdened with excess capacity for inpatient care. The Department of Defense’s (DOD) health care system will spend about \$38 billion in fiscal year 2006 to provide health care to over 9 million eligible beneficiaries who receive health care provided directly by DOD or through DOD purchase of health care from civilian providers. Because of potential complementary aspects of the DOD and VA health care delivery systems, pressure is mounting to integrate aspects of the two systems to increase the efficiency and effectiveness of federal health care delivery, including improvement in the process for veterans returning from Iraq and Afghanistan who transition from DOD to VA health care.

Other areas of concern are the efficiency and effectiveness of the government’s public health programs, including those administered by the National Institutes of Health, Food and Drug Administration, Centers for Disease Control and Prevention, Health Resources and Services Administration, Substance Abuse and Mental Health Services Administration, and Indian Health Service. These programs include those that support and conduct research on infectious and chronic diseases and disabilities or provide grants to states and nonprofit organizations for conducting public health activities, such as mental health and substance abuse prevention and treatment services; for reducing risk factors for potentially disabling conditions such as heart disease, stroke, and diabetes; and for operating health care safety net facilities. The Food and Drug Administration also conducts regulatory oversight of the United States’ drug and medical device industries.

In recent years, threats to the public health, such as Hurricane Katrina, severe acute respiratory syndrome, and the potential for pandemic influenza, have posed significant challenges for the government. The threat of terrorists using biological weapons of mass destruction, such as anthrax and smallpox, has raised similar concerns about the nation’s ability to adequately respond to bioterrorist attacks. Awareness of these public health threats has heightened concern about disease surveillance systems (both domestic and international); the surge capacity of the health care system (including hospital beds and equipment, trained personnel, and laboratories); and coordinated communication systems among federal, state, and local emergency responders. Greater attention has been given to federal, state, and local efforts to develop coordinated plans for dealing with public health emergencies and to develop emergency response systems linking hospitals, emergency rooms, health personnel, and fire and police efforts to respond to any public health threat.

Finally, the baby boom generation will undoubtedly place increasing pressure on the Medicaid program for which joint federal/state expenditures are estimated to be \$326 billion for fiscal year 2005. Medicaid helps to pay for nursing home and other community-based forms of long-term care services. Yet meeting an increasing demand for such services at a time when many

states are recovering from financial difficulty and the federal government is once again operating at a deficit will pose significant challenges for federal and state decision makers, with important implications for the services offered by each state. At the other end of the population spectrum are millions of uninsured children whose families have no health insurance. Medicaid and the State Children's Health Insurance Program (SCHIP) help cover the health insurance costs of these low-income Americans. However, as state revenues continue to recover from the most recent economic downturn, Medicaid costs continue to rise, thus prompting states to find new ways to contain program spending. In considering reauthorization of SCHIP in 2007, it will be important to examine state experiences implementing SCHIP and whether the program has met the legislation's original goal to reduce the number of uninsured children. Accounting for and overseeing these two programs represents a formidable challenge for the federal government because of the variation in state policies, procedures, and delivery systems. In particular, Medicaid's size and complexity make it vulnerable to fraud, waste, and abuse, making effective federal oversight critical.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

- 1.1.1 evaluate Medicare reform, financing, and operations;
- 1.1.2 assess trends and issues in private health insurance coverage;
- 1.1.3 assess actions and options for improving VA's and DOD's health care services;
- 1.1.4 evaluate the effectiveness of federal programs to promote and protect the public health;
- 1.1.5 evaluate the effectiveness of federal programs to prevent, prepare for, and respond to public health emergencies;
- 1.1.6 evaluate federal and state program strategies for financing and overseeing long-term health care; and
- 1.1.7 assess state experiences and federal oversight in providing health insurance coverage for low-income populations.

Performance Goal 1.1.1

Evaluate Medicare Reform, Financing, and Operations

Medicare now finances health care for over 40 million Americans, accounting for almost one-eighth of all federal expenditures. Even without considering the financial effects of the new prescription drug benefit, Medicare is expected to more than double its share of the nation's economy by 2030, crowding out other government spending and economic activity. Medicare's Hospital Insurance Trust Fund essentially began running a cash deficit in 2004 and is projected to become insolvent in 2018. The 2003 Medicare legislation did provide for the phase-in of several reforms to help restrain program spending growth, including reforms that seek to encourage price competition among Medicare health plans and among suppliers. It also included a reform that provides an incentive for beneficiaries to make cost-effective choices among Medicare's health plans. These reforms, while steps in the right direction, will not be sufficient to avert Medicare's fiscal crises. Fundamental, structural program reforms

will be necessary to ensure Medicare's long-term sustainability.

Any structural changes will take time to fully implement. Therefore, it is imperative to continue to concentrate on improving the existing program and refining Medicare's payment methods in ways that reward fiscal discipline while preserving access to care. Effectively managing the Medicare program, including safeguarding its integrity, remains a continuing challenge, in part because of the program's size and complexity. Since 1990, we have designated Medicare as a high-risk program, vulnerable to waste, fraud, abuse, and mismanagement. Because Medicare currently pays out over \$336 billion annually and is responsible for financing health services delivered by over 1 million providers, it is an especially attractive target for fraud, waste, and abuse, and therefore good management is critical.

Key Efforts

- ➡ Analyze Medicare's financial condition and the potential consequences of program structural reforms
- ➡ Evaluate the Centers for Medicare & Medicaid Services' management of Medicare, including its implementation of legislative reforms and its service to providers and beneficiaries
- ➡ Evaluate Medicare payment methods for health care providers and plans
- ➡ Assess the effects of Medicare's payment methods on access to, and quality of, health care services
- ➡ Evaluate the Centers for Medicare & Medicaid Services' safeguards and program controls over provider and plan payments, beneficiary access, and quality of health care services

Potential Outcomes

- ➡ Better congressional understanding of Medicare's financial condition and program reform proposals, including implications for the budget and for health care
- ➡ Improvements in the Centers for Medicare & Medicaid Services' program management and implementation of legislated Medicare program changes
- ➡ Development of more comprehensive, accurate, and timely data for evaluating program performance and services to beneficiaries
- ➡ Medicare payment methods that minimize federal costs and promote access to quality medical care
- ➡ Reductions in improper payments to health care providers and plans and in unnecessary program expenditures

Performance Goal 1.1.2

Assess Trends and Issues in Private Health Insurance Coverage

Private health insurance provided coverage for more than 198 million Americans in 2004; however, nearly 46 million individuals did not have health insurance. The federal government has an increasing role in overseeing employer-sponsored health benefits and private insurance coverage both through its traditional roles established by the Employee Retirement Income Security Act of 1974 and the tax code and through more recent federal insurance standards, such as the Health Insurance Portability and Accountability Act of 1996, and tax incentives, such as health insurance tax credits for displaced workers in the Trade Adjustment Assistance Reform Act of 2002.

The Congress continues to consider additional approaches to increase private health insurance coverage, such as new tax incentives for individuals who are unemployed or do not have coverage through their employers or purchasing arrangements for small employers. Such new approaches may increase access to health insurance for some individuals or employers but need to be carefully assessed for their budget implications, effects on those already purchasing coverage, and need for effective regulatory oversight.

Strong interactions exist between the private health insurance market and public health insurance programs, including Medicare and Medicaid, with financing innovations in the private or public sector often being adopted by the other sector. The Federal Employees Health Benefits Program, which provides health insurance to more than 8 million federal employees, retirees,

and dependents, has sometimes been considered a model for other large employers or public programs, but has also had to address issues of increasing costs. For example, like many private employers, the Federal Employees Health Benefits Program has introduced new so-called “consumer directed health care plans,” such as those coupled with health savings accounts. The impact these new plans will have on cost, access, and quality of health care is currently unknown. Recent expansion of the Medicare benefit to include outpatient prescription drug coverage affects employers that provide health coverage for their retirees as they may redesign their benefits to coordinate with the Medicare coverage or receive a federal subsidy to maintain primary drug coverage. In addition, the federal government began offering long-term care insurance to employees, retirees, and their families in 2002, which has contributed to the further development of the private long-term care insurance market. Thus far, this market has played a relatively small part in financing long-term care services compared to public programs. However, increases in consumer purchases of long-term care insurance could help decrease future demands on Medicaid for such care.

The impact of public and private efforts to contain costs or improve access in one sector may lead to unintended consequences for the other. These complex interrelations between federal policy and the private health insurance market greatly affect the affordability, availability, and quality of insurance coverage that most Americans receive.

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Key Efforts

- ➡ Analyze potential modifications to federal tax policies and new insurance purchasing arrangements for their impact on the numbers of uninsured, costs of health care services, and implementation challenges for federal and state agencies
- ➡ Evaluate trends in, and distribution of, health insurance coverage, including long-term care insurance and employer sponsorship of private health insurance for employees and retirees
- ➡ Analyze the coverage and affordability of products available to consumers in the individual insurance and small group insurance markets
- ➡ Assess the impact of public and private agencies' efforts to achieve compliance with federal and state health insurance standards

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Potential Outcomes

- ➡ Better congressional understanding of proposals to alter tax treatment of health care insurance costs and to establish new health insurance purchasing arrangements
- ➡ More complete congressional understanding of trends in health and long-term care insurance, including changes in private health insurance coverage and the evolving health and long-term care insurance markets
- ➡ Better congressional understanding of the impact of public and private efforts to achieve compliance with federal health insurance standards

Performance Goal 1.1.3

Assess Actions and Options for Improving VA's and DOD's Health Care Services

VA and DOD operate two of the largest health care systems in the world, together spending about \$68 billion a year for health care. Both systems face great challenges in an era of growing demand for health care and increasing fiscal pressures. For instance, VA operates and maintains a large portfolio of aged health care assets, primarily buildings, which were built when greater emphasis was placed on inpatient care than today. These buildings are not effectively aligned with VA's new health care delivery model, which emphasizes outpatient care delivered closer to where veterans live. VA has opened hundreds of community-based outpatient clinics to increase the number of veterans who have reasonable geographic access to VA-provided outpatient care. As a result of multiple factors, including VA's new health care delivery model, the influx of new veteran enrollees because of relaxed eligibility standards, and the return of veterans from Iraq and Afghanistan, VA faces difficult realignment decisions involving resource allocation, capital investments, consolidations, closures, and contracting with local health care providers. These may have significant ramifications for stakeholders, such as medical schools and unions, and for the use

of VA's existing resources, primarily because realignments involve shifting the workload among delivery locations.

Similarly, DOD faces pressures to adapt its health care structure because of changing military threats; a decreased force size; expanded benefits; and an evolving health care marketplace, characterized by rising costs and increasing beneficiary concerns about access. Beneficiaries include active duty, reserve, and retired servicemembers and their dependents. In response to long-standing issues faced by DOD's health care system, DOD established its nationwide managed care program, TRICARE, in the mid-1990s. However, beneficiary concerns have continued under TRICARE, as have concerns about the efficiency of the program. Further, concerns have been raised about rising program costs, and beneficiaries continue to complain about poor access to care. These concerns have led DOD to propose increases to some TRICARE fees, co-payments, and deductibles to promote cost sharing and focused attention on the need for DOD to identify cost reduction measures and alternative approaches for delivering health care.

Key Efforts

- ➔ Evaluate proposals to restructure or consolidate VA's health care system, including proposals on capital asset realignment and resource sharing
- ➔ Assess implications of changes to VA and DOD health benefits and health care delivery systems
- ➔ Examine VA and DOD efforts to provide care and seamless transition for veterans returning from Iraq and Afghanistan
- ➔ Assess vulnerability of VA's system to fraud, waste, and abuse
- ➔ Examine access to and quality and cost of care provided to VA and DOD beneficiaries
- ➔ Review implementation of VA resource allocation and revenue collection systems and budget formulation and execution practices
- ➔ Examine DOD's efforts to contain and share costs of expanded benefits for active duty, reserve, and retired beneficiaries

Potential Outcomes

- ➔ More effective and efficient organizational structures and service delivery for both VA and DOD
- ➔ Improved understanding of how potential changes affect costs, utilization of services, and retention
- ➔ Reductions in unnecessary health care expenditures
- ➔ Better understanding of factors that explain VA and DOD variations in access to, quality of, and timeliness of care and patient safety
- ➔ Improved VA budgeting and resource allocation systems that more adequately reflect workload and costs and promote efficiency and optimization
- ➔ Better understanding of DOD's costs and how they are affected by beneficiary fees and co-payments

Performance Goal 1.1.4

Evaluate the Effectiveness of Federal Programs to Promote and Protect the Public Health

To promote and protect the health of the nation, public health agencies pursue a broad range of activities that tangibly affect the well-being of every American. These include conducting public health surveillance on new and emerging infectious diseases, nationally and internationally; sponsoring and conducting biomedical research; evaluating the effectiveness and safety of pharmaceuticals and medical devices; leading efforts to address infectious and chronic diseases; increasing the availability of health services and health care providers for medically underserved populations; and funding treatment services for people with mental health conditions. Over 90 percent of the National Institutes of Health's annual budget of almost \$29 billion funds biomedical research, contributing to a dramatic increase in the number of new medical treatments. New technologies and therapies will further test the ability of the Food and Drug Administration

to ensure the safety and efficacy of new medical products while not unduly delaying the availability of new products to consumers. Federally funded health centers increase access to preventive and primary health care for medically underserved Americans, including many who are poor or lack health insurance. These safety net and other public health organizations can help improve health outcomes, particularly for people with chronic conditions, such as diabetes and hypertension, and are making efforts to eliminate racial and ethnic disparities in health. In recent years, there has been increased recognition that many families are affected by mental illnesses and that there are greater opportunities to treat people with these conditions and help them lead productive lives in their communities. There is also growing attention to the important role that health information technology can play in improving the delivery of health care services.

Key Efforts

- ➔ Evaluate impediments and barriers to the development of new prescription drugs and vaccines
- ➔ Assess the regulatory structure for ensuring the safety and efficacy of medical devices, drugs, and other medical products and therapies
- ➔ Evaluate programs targeted at improving the health status of the population
- ➔ Evaluate the effectiveness of programs to provide prevention, treatment, and other services related to mental health conditions, including substance abuse

Potential Outcomes

- ➔ Improved medical therapies and preventive measures, including vaccines
- ➔ More effective and efficient determination of the safety and efficacy of medical products by the Food and Drug Administration
- ➔ Greater access to preventive and primary health care services, including for medically underserved populations, resulting in improved health status
- ➔ More effective programs for prevention and treatment of mental health conditions, including substance abuse, allowing people with these conditions to function better in their work and relationships

Performance Goal 1.1.5

Evaluate the Effectiveness of Federal Programs to Prevent, Prepare for, and Respond to Public Health Emergencies

The changing nature of public health threats—including emerging infectious diseases like severe acute respiratory syndrome and a potential pandemic influenza—requires effective surveillance and prompt action by the Centers for Disease Control and Prevention and other public health agencies at international, federal, state, and local levels. The use of anthrax as a weapon of terrorism in 2001 heightened concern over the public health threats posed by biological terrorism and raised worries that the nation is not adequately prepared to respond to bioterrorist attacks. Similarly, disasters such as the attack on the World Trade Center and Hurricane Katrina have highlighted the need to effectively plan for events that can disable a regional health care system or cause widespread acute or chronic physical and mental health problems. To improve the nation's preparedness, federal agencies engage in a number of activities aimed at improving planning, detection, treatment, and response, and the Congress has substantially increased funding for these programs. These activities include public health surveillance systems to identify disease outbreaks, development of technologies to more rapidly detect and diagnose infectious agents,

improved communication systems to facilitate sharing information on disease outbreaks, and plans for increasing the surge capacity of the health care system and ensuring that the emergency and trauma care systems can address national needs.

Federal funding, primarily through the National Institutes of Health, has recently been increased for the development of vaccines, antibiotics, and antivirals to treat emerging pandemic diseases and diseases that could result from bioterrorism. The Department of Health and Human Services is also expanding the Strategic National Stockpile of essential drugs and equipment that could be deployed to the scene of an outbreak. The Department of Health and Human Services also has recently released its comprehensive plan for a medical response to an influenza pandemic. Several federal agencies provide funding to state and local governments for response planning, offer training for emergency response, fund equipment purchases, and maintain response teams that can be deployed in the event of an attack. However, concerns remain that funding may not be directed to the areas of greatest need.

Key Efforts

- ➡ Evaluate the ability of federal public health agencies to detect and counter emerging threats to the nation's health
- ➡ Evaluate the effectiveness of federal programs in ensuring the preparedness of state and local governments for the public health and medical consequences of a public health emergency
- ➡ Evaluate identified needs and associated cost projections for federally funded efforts at state and local government levels to improve public health surveillance, training, communication systems, and laboratories for public health preparedness
- ➡ Evaluate the development and acquisition of vaccines and other treatments for biodefense

Potential Outcomes

- ➡ Improved federal agency efforts to counter emerging public health threats
- ➡ More effective programs to assist state and local government preparedness efforts
- ➡ More effective and efficient allocation of resources for addressing state and local government needs
- ➡ Improved access to essential vaccines and other treatments

Performance Goal 1.1.6

Evaluate Federal and State Program Strategies for Financing and Overseeing Long-term Health Care

The aging of the baby boomers, combined with medical advances that are contributing to longer life expectancies, will lead to a tremendous increase in the elderly population over the next three decades. In particular, there will be a substantial increase in the number of individuals 85 and older, many of whom will require long-term care services. Financing these services—within the context of evolving service needs and alternative settings for receiving long-term care services—will be a challenge for the baby boomers, their families, and federal and state governments.

Medicaid contributes the most for long-term care, covering at least some of the costs for two-thirds of nursing home residents, followed by private expenditures. Many individuals become impoverished, and thus eligible for Medicaid, by “spending down” their assets. Taken together,

Medicaid, Medicare, and other public programs contributed about 70 percent of the \$193 billion spent on nursing home and home health care in 2004. Private insurance (including long-term care insurance as well as services paid by traditional health insurance) accounted for about 10 percent, with the remainder paid by the elderly, the disabled, or their families.

The long-term care expenditures for the elderly are disproportionately used to purchase nursing home care. There is growing emphasis, however, on delivering services in the community rather than in nursing homes and other institutional settings—not only to the younger disabled but also to elderly individuals. The highly vulnerable nature of the long-term care population underscores the importance of oversight to ensure that providers comply with federal and state quality standards.

Key Efforts

- ➡ Examine nursing homes’ compliance with federal and state quality standards, including the adequacy of federal and state oversight and resources
- ➡ Review federal requirements and standards and their use to ensure quality care in community-based, long-term care settings, such as home health arrangements, assisted living facilities, and adult day care
- ➡ Analyze public and private payment sources and strategies that finance the continuum of long-term care, including integrated programs for elderly or disabled beneficiaries who are dually eligible for Medicare and Medicaid

Potential Outcomes

- ➡ Improved quality of care in nursing homes
- ➡ Improved public and private awareness of alternatives to traditional long-term care settings and the federal role in ensuring quality care

Performance Goal 1.1.7

Assess State Experiences and Federal Oversight in Providing Health Insurance Coverage for Low-Income Populations

Two jointly funded federal-state programs that provide health insurance to low-income Americans are vulnerable to the cyclical nature of the economy and to the problems of exploitation endemic to large government programs. Medicaid is a means-tested entitlement program that provides health care coverage to over 50 million low-income individuals. SCHIP, which was created in 1997, provides health insurance to uninsured children whose families' incomes are too high to qualify for Medicaid. As SCHIP is scheduled for reauthorization in 2007, congressional leaders will not only consider state experiences implementing SCHIP but also whether the program has met the legislation's original goal to reduce the number of uninsured children.

In the economic downturn from 2000 to 2002, states were faced with declining revenues and, with respect to their Medicaid programs, increased enrollment of nearly 9 percent per year from 2000 to 2003. In response to this fiscal crisis, states curtailed enrollment, reduced benefits, and increased beneficiary cost-sharing requirements in an effort to contain costs. While many states have recovered from this downturn and Medicaid spending has slowed, program costs continue to outpace growth in states' revenues. As states and the federal government look for ways to realize Medicaid savings, the recently enacted Deficit Reduction Act of 2005 provides new state flexibility to increase beneficiary cost-sharing requirements and reduce Medicaid benefit packages. With this flexibility, the act is expected to reduce federal Medicaid spending by \$4.8 billion from 2006 to 2010 and by \$26.1 billion from 2006 to 2015; however, this reduced spending may adversely affect access to care for these vulnerable populations.

Federal oversight continues to be essential to ensuring the programs' financial and operational integrity. The challenges inherent in overseeing a program of Medicaid's size, growth, and diversity, combined with the open-ended nature of the program's federal funding, puts the program at high risk for waste and exploitation. We added Medicaid to our 2003 list of high-risk programs and have focused our work on strengthening the program's operations. Our work shows, for example, that the federal government has been vulnerable to questionable state Medicaid financing practices, through which some states have generated excessive federal payments without paying their fair share or without assurances that the payments are for covered Medicaid services. The Deficit Reduction Act's establishment of a Medicaid Integrity Program as well as other provisions designed to increase the Centers for Medicare & Medicaid Services' level of effort to support state activities to address fraud, waste, and abuse in Medicaid are further recognition of the need to address systemic financial weaknesses.

In addition, vigilance must be maintained regarding the appropriateness of allowing states to enhance their flexibility in identifying eligible populations and increasing cost sharing for beneficiaries eligible for Medicaid and SCHIP. Our work further shows that some of the federally approved waivers are inconsistent with statutory authority or long-standing administration policy. Federal oversight must balance support of state flexibility in designing and implementing states' programs—which can vary greatly in terms of eligibility rules, benefits offered, and delivery systems—with the need to ensure the appropriate use of federal funds to meet the statutory and regulatory requirements of both programs.

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Key Efforts

- Assess Medicaid and SCHIP coverage for vulnerable populations, including chronically ill, elderly, and disabled populations
- Evaluate Medicaid and SCHIP access to and use of services under different service-delivery systems, payment methodologies, and cost-sharing practices
- Evaluate federal oversight of states' implementation of Medicaid and SCHIP, including ensuring fiscal integrity and the appropriate use of authority to waive certain statutory provisions

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Potential Outcomes

- Greater access to services for eligible beneficiaries
- More efficient and effective delivery of services
- Improved accountability and oversight of federal-state health financing programs serving low-income populations

Strategic Objective 1.2

Lifelong Learning to Enhance U.S. Competitiveness



Source: See Image Sources.

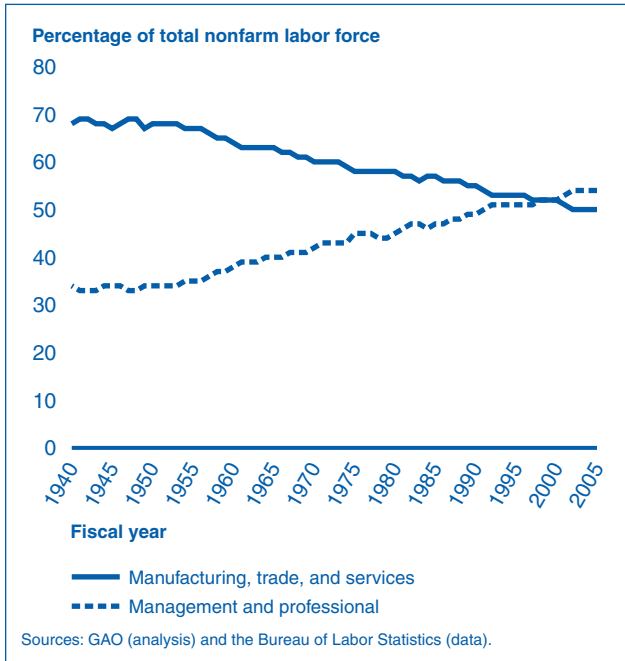
Ensuring that people of all ages have the opportunity to continue to learn throughout their lifetimes has long been regarded as critical to the continued vitality of this democratic society and to its long-term ability to compete in a global marketplace. To this end, the federal government invests more than \$89 billion per year in programs that foster the development, education, and skill attainment of children and adults of all ages. These programs include those targeted to the very young, such as child care and early childhood education; those serving primary and secondary school children; and higher education and employment assistance programs that serve working-age adults. The federal government's involvement in programs and policies that promote lifelong learning is becoming increasingly important in light of recent trends in workforce demographics and changes in the global economy. For example, immigrants, both legal and illegal, are having a profound effect on U.S. schools, businesses, and social service programs. Our nation's ability to provide this population of children and adults with the English language and academic skills they need to live as U.S. citizens above the poverty line will contribute greatly to our nation's economic success. Moreover, as the demographics of the workforce change and globalization increases, it will become even more important for Americans to have the flexibility and skills to adapt to the changing economic environment. As a result, it will be critical that the Congress and the federal government have reliable information on how efficiently and effectively federal funds are being used to provide or augment educational and lifelong learning opportunities, particularly among those most in need of help; how well federal programs are achieving their objectives and meeting the needs of the 21st century workforce; and how the management and oversight of these programs can be improved.

The federal government has long had a central role not only in funding child care, education, and employment services, but also in shaping national education policy and ensuring that those most in need of help have access to educational and employment opportunities. Federal investment

in child care has been growing, in part to support low-income mothers who have entered the workforce after welfare reform. In fiscal year 2005, the federal government invested over \$13 billion in early childhood education and care programs for young children. In addition, Americans have placed a high priority on educating their school-age children and preparing them to become self-sufficient adults and productive workers. The federal investment in elementary and secondary education has increased from over \$20 billion in fiscal year 2000 to about \$37 billion in fiscal year 2005. Beyond providing for basic educational needs, a competitive national economy depends, in part, on effectively preparing workers to compete in the labor force. In fiscal year 2005, the Department of Education invested over \$33 billion in vocational education, adult education, and student financial aid.

Over the past half century, American demographics and the economy have undergone significant changes, increasing the demand for early childhood education and care as well as a more highly educated and skilled workforce. As labor force participation has increased among women, including mothers of young children, the availability of early childhood education and care has become increasingly important. At the same time, the aging of the American population will put additional demands on the productivity of the working-age population, increasing the demand for a more educated workforce. Researchers warn that unlike in the past when economic growth was fueled in part by increases in the size and skill of America's workforce, over the next two decades the potential for shortages of skilled workers could present mounting challenges for productivity and economic growth. Since 1940, the share of the nonfarm labor force composed of managers and professionals has increased by more than 50 percent while the share made up of manual production employees, laborers, and craftspeople has fallen by nearly half. (See fig. 7.) A focus on developing and maintaining a flexible, highly skilled workforce will be critical to ensuring our nation's economic competitiveness.

Figure 7: Percentage of Nonfarm Labor Force by Occupation



To meet these challenges, discussions of upcoming legislation affecting key education and employment programs emphasize the increased importance of targeting federal resources strategically to achieve desired outcomes and managing these programs efficiently and effectively. For example, as the Congress considers reauthorizing the Head Start program, discussions have centered on provisions to increase coordination between Head Start and other early childhood programs and to increase teacher qualifications, among others. The No Child Left Behind Act of 2001, which is due to be reauthorized in 2007, has focused national attention on increasing accountability for states and school districts to improve achievement for all students while continuing the traditional

focus of federal elementary and secondary school programs that provide opportunities for children from disadvantaged families. Helping states to meet these requirements requires a larger role for the Department of Education in providing leadership and oversight. The Higher Education Act, the Adult Education and Family Literacy Act, and the Carl D. Perkins Vocational and Technical Education Act are all due to be reauthorized in the near future. The Congress will be debating several key issues, including the role of federal grant and loan programs in increasing access to higher education, institutional accountability for educational costs and quality, how best to provide for a skilled workforce, and the Department of Education’s management of the federal investment in postsecondary education. Finally, the Congress has also begun work in reauthorizing the Workforce Investment Act of 1998. Some of the issues likely to be addressed include indicators of program performance and funding flexibility. As these examples illustrate, the Congress and the federal government continue to be challenged as they refine the country’s education and employment programs to meet the needs of the 21st century economy.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

- 1.2.1 identify opportunities to improve programs that target federal resources to activities that support lifelong learning;
- 1.2.2 assess the effectiveness of education and training programs in meeting the needs of the 21st century workforce; and
- 1.2.3 support improved oversight and management of education and training programs

Performance Goal 1.2.1

Identify Opportunities to Improve Programs That Target Federal Resources to Activities That Support Lifelong Learning

The federal government invests more than \$89 billion per year in education and employment programs for children and adults to help them to become self-sufficient and productive workers. To ensure the efficient and effective use of these funds, many programs target federal resources to disadvantaged or at-risk populations, including those from poor families, with disabilities, or with limited English proficiency.

In recent years, increasing emphasis has been placed on preparing children to learn starting in early childhood. To that end, federal resources devoted \$13 billion to child care and early childhood education in fiscal year 2005. The largest early childhood education program, Head Start, had funding of over \$6.8 billion in fiscal year 2005 and is targeted to low-income children. The federal government also funds at least eight other programs that serve young children and provides tax incentives for child care. In an era of scarce resources, there is interest in ensuring that these funds are used effectively to have the greatest impact. In ensuring that federal resources are appropriately targeted, there continues to be concern about the cost, coordination, and availability of child care and early childhood education.

Americans have placed a high priority on educating children and ensuring that all children have access to an education that will prepare them to be productive citizens. Although most funding for elementary and secondary education comes from state and local resources, in fiscal year 2005 the federal government invested \$38 billion in elementary and secondary education programs. Most major sources of federal funding for elementary and secondary education are targeted to disadvantaged or at-risk populations, including Title I of the Elementary and Secondary Education Act (Title I), which is targeted to low-income school districts and schools; special education programs authorized by the Individuals

with Disabilities Education Act; and the Carl D. Perkins Vocational and Technical Education Act of 1998. In addition, the No Child Left Behind Act of 2001 modified Title I allocation formulas to increase targeting to high-poverty school districts. As states move forward in improving their kindergarten through 12th grade (K-12) education programs, it is important that the federal government ensure that federal funds are appropriately targeted to reach designated student groups.

To enhance U.S. competitiveness, the federal government has an interest in promoting access to postsecondary education and lifelong learning. The federal government's investment in postsecondary education is significant, but several factors confound the nation's efforts to support postsecondary goals. Students and their families face escalating educational costs, postsecondary enrollments are projected to increase in the next decade, and fiscal and budgetary pressures will constrain the federal and state governments' ability to support higher education. In light of these challenges, it is critical that federal resources be used effectively to expand access to higher education. To that end, the federal government uses several tools to ensure access to postsecondary education and lifelong learning, including Pell Grants, student loans, tax benefits, state and local grant programs, funding to improve the quality of institutions that serve high proportions of minority and disadvantaged students, and funding to provide services to help disadvantaged students to enter and complete college. In addition to supporting a traditional college education, the Department of Education and other agencies also administer programs for vocational education, occupational training, and adult basic education that may aid at-risk youth and other vulnerable populations' transition to the workplace.

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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

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Potential Outcomes

- More effective use of federal funds aimed at improving the coordination and availability of child care and early childhood education
- Better targeting of federal resources to K-12 education programs serving different types of at-risk students
- Increased participation of disadvantaged students in postsecondary education through more effective use of federal resources

Performance Goal 1.2.2

Assess the Effectiveness of Education and Training Programs in Meeting the Needs of the 21st Century Workforce

In recent years, the federal government has placed increased emphasis on assessing the effectiveness of federally funded programs and ensuring that they achieve their intended outcomes. While education, starting in early childhood and continuing into adulthood, clearly results in a more enlightened citizenry and strengthens the nation's democracy, it also demonstrably improves the nation's workforce and the quality of life for the nation's workers. Yet, poor academic achievement, poverty, and immigration challenge the nation's ability to prepare its citizens for living and working in the United States in the 21st century.

There is interest in measuring student outcomes and monitoring progress in educational programs at all levels. In the area of early childhood education and child care, federal initiatives emphasize the importance of helping all children develop school readiness skills, including early reading skills. Interest in assessing performance and outcomes in this area contributed to our work on testing in the Head Start program, teacher qualifications, and program data and monitoring. In the area of K-12 education, there continues to be interest in how schools are implementing the No Child Left Behind Act of 2001 and measurement of outcomes. As required by the act, the states have implemented standards-based assessments in reading and mathematics to monitor performance outcomes and are working toward the goal of all pupils reaching a proficient or higher level of achievement by the 2013 to 2014 school year. In the area of adult and vocational education and employment programs, such as the Food Stamp Employment and Training program and Trade Adjustment Assistance, a key issue

is the extent to which these programs are held accountable for achieving desired results.

In addition to improving performance and outcomes for all students, federal initiatives have also included efforts to close achievement gaps among disadvantaged populations. Students from ethnic and racial subgroups, from poor families, with disabilities, or with limited English proficiency generally have not performed as well as other groups of children on tests. The No Child Left Behind Act of 2001 instituted new requirements to facilitate eliminating achievement gaps, and policymakers are exploring ways to improve teaching and enhance educational options in K-12 education. To facilitate eliminating these achievement gaps in postsecondary education, the federal government provides funding for services to help disadvantaged students not only enter college, but also complete college.

Efforts to assess effectiveness of workforce development programs have been increasingly focused on the extent to which these programs meet the needs of employers in the face of increasing competition in the global marketplace. The Workforce Investment Act of 1998 sought to create a coherent nationwide service delivery system and shifted the emphasis for federally funded workforce development services to providing a full range of programs and services, including postemployment training and assistance. However, there remain long-term challenges to developing the sophisticated skills that employers require and a slowing rate of growth in the number of workers entering the workforce and attaining college degrees.

Key Efforts

- ➔ Determine whether early childhood, education, and employment programs are improving student performance and employment outcomes
- ➔ Assess the impact of efforts to close achievement gaps among disadvantaged populations in K-12 and postsecondary education programs
- ➔ Evaluate federal efforts to address employers' changing needs for workers

Potential Outcomes

- ➔ Greater assurance that the federal investment in early childhood, education, and employment programs is improving student performance and addressing current and future skill needs
- ➔ Better congressional understanding of whether federal efforts to close achievement gaps among disadvantaged populations are achieving positive results
- ➔ Enhanced ability of federal education and employment programs to meet employers' needs while enhancing the job opportunities, wage potential, and job retention for America's workers

Performance Goal 1.2.3

Support Improved Oversight and Management of Education and Training Programs

Ensuring adequate oversight and management of education and employment programs is one of the federal government's highest priorities. As pressure increases to control federal spending in all areas of government, it is important that reliable accountability systems are in place.

Our work has focused on evaluating and ensuring the Congress's ability to carry out its responsibilities to oversee federal agencies. For example, we concluded that the Department of Health and Human Services needed to improve monitoring of state grantees that receive funds from the Community Services Block Grant, which provides funding to local agencies that help disadvantaged families. We also evaluated how the Department of Labor and states implemented some key provisions of the Jobs for Veterans Act, which is intended to improve employment and training services for unemployed veterans and to encourage employers to hire them. We evaluated actions to improve performance and accountability, data quality, and factors affecting program oversight and accountability for a number of programs, including Workforce Investment Act employment programs and Trade Adjustment Assistance programs. In addition, we provided information to the Congress on possible changes to its management of the Federal Family Education Loan Program and the Federal Direct Loan Program that could reduce federal costs while helping borrowers manage their student loan debt.

Because education and employment programs rely on a large network of state, local, and private entities to provide services, there are substantial challenges to ensuring accountability. One of these challenges is ensuring that states provide accurate and complete data to federal agencies. Federal programs carried out in partnership with states and localities continually balance the competing objectives of collecting uniform performance data with giving program implementers the flexibility they

need. For example, as a condition of receiving federal funding for elementary and secondary education programs, states each year provide vast amounts of data to the Department of Education. To improve the information by which it evaluates such programs and to ease states' reporting burden, the Department of Education initiated an ambitious, multiyear plan in 2002 to consolidate elementary and secondary data collections into a single, departmentwide system focused on performance. Given the importance of this initiative, we conducted work to provide the Congress with information on its progress. Our work also has focused on the quality of performance data for the key employment and training program—the Workforce Investment Act—and for Trade Adjustment Assistance.

Opportunities also exist to more effectively use limited resources and improve services and outcomes through coordination between and within programs. It is important to know the extent to which federally funded programs target the right people and the right areas and make the best use of available resources. For example, we found that the Department of Education, in its oversight of the Troops-to-Teachers program, has taken some steps to improve program management, but has not effectively coordinated resources with another teacher recruitment program also targeting military personnel. In addition, our recent work found limited coordination among over 200 federally funded programs designed to increase the numbers of students and employees in the science, technology, engineering, and mathematics fields. Since the report was issued, the Congress established an Academic Competitiveness Council to identify, evaluate, coordinate, and improve federal science, technology, engineering, and mathematics programs. We are also evaluating opportunities for more effective coordination among Head Start and other federally funded early childhood education programs.

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Key Efforts

- ➡ Evaluate federal oversight and management of education and employment programs, including accountability systems and opportunities for restructuring programs to enhance cost-effectiveness
- ➡ Evaluate oversight of and support for state, local, and private sector program service providers and efforts to coordinate service delivery of education and employment programs

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Potential Outcomes

- ➡ Administrative and potential legislative actions to improve education and employment programs and more efficiently target federal resources
- ➡ Enhanced oversight, support, and coordination of federal, state, and local entities responsible for education and employment programs

Strategic Objective 1.3

Benefits and Protections for Workers, Families, and Children



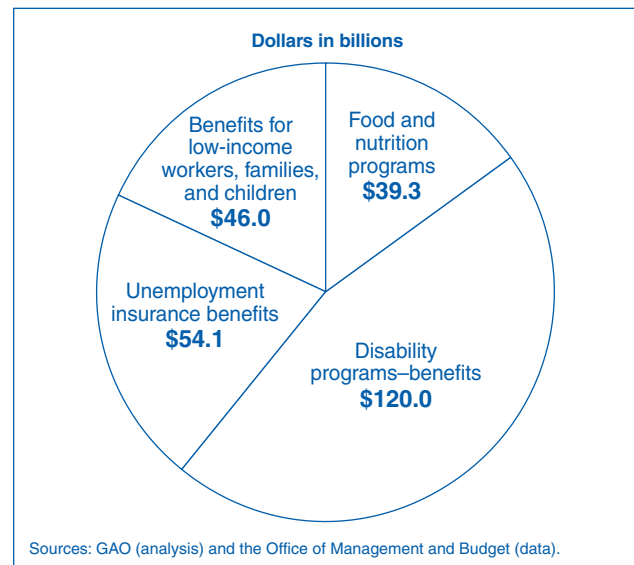
Source: See Image Sources.

The shift to a more global economy, technological advances, changing workforce demographics, and the growing federal deficit are challenging customary federal approaches to providing benefits to the needy—low-income workers, the indigent, at-risk children, and people with disabilities—and protecting workers and their families. While globalization will likely fuel economic growth, it is also likely to create a more fluid job market where workers move from job to job throughout their working lives. Some of this movement will be voluntary; but some workers and their families may find the transition more challenging and will require income support, nutrition assistance, and other social services at some point in their lives. In order to reach these beneficiaries and improve services, federal assistance programs must adapt to these market changes, and they must do so within very tight budget constraints. While enrollment and costs for the largest federal disability programs are growing and are poised to grow even more rapidly in the future, we have found that many of these programs are poorly positioned to provide meaningful and timely support for people with disabilities. Many of the same forces creating challenges for these programs will create new challenges for worker protection programs as well. Federal efforts to protect workers must account for changes in the nature of work: membership in organized labor has declined, traditional work arrangements are giving way to alternatives such as temporary employment and teleworking, and lifelong service with a single employer is becoming much less common. Finally, identity theft has emerged as a growing concern for many. The Social Security number has long been used primarily as a means to record workers' contributions and benefits. Now, the Social Security number is a universal identifier used by public agencies at all levels of government and the private sector. Efforts to address the terrorism threat have underscored both the weaknesses and strengths of current efforts to protect individuals' identities.

As the labor market tightens over the next two decades, tapping into new sources of workers

will be important. The nation will need to look outside the traditional workforce to find ways to bring people who have long remained on the sidelines into the job market. Specifically, a modern labor force should include at-risk populations, people with disabilities, and people with weak attachments to the labor force. Federal policies for providing income supports for the low-income population have increasingly focused on promoting work in exchange for government assistance. For example, the federal government invested about \$260 billion in fiscal year 2003 to help those who have been laid off from their jobs and assist them in becoming reemployed, assist and rehabilitate workers with injuries or disabilities, and encourage people on welfare to work. (See fig. 8.) As the nation reconsiders key aspects of its immigration policies, it will be important to balance future workforce needs against other national and homeland security needs and adequate protections for the current workforce.

Figure 8: Fiscal Year 2003 Expenditures on Selected Benefits Programs



Also, work alone cannot meet some social needs. Federal programs to feed people and educate them on the benefits of a nutritious diet have long focused on helping low-income individuals, families, and children avoid hunger and make

healthy food choices. New nutrition concerns are being raised as the nation seeks to protect itself against the health hazards brought on by obesity. In schools across the country, concerns have been raised about the nutritional content of the meals served and the ready availability of nonnutritious foods. Likewise, a key federal nutrition program is updating its recommended foods to respond to the changing nutritional needs of its participants. There are also a number of federal programs targeted to at-risk children to help ensure that they get a healthy start. Each year, an estimated 900,000 children are the victims of abuse and neglect by their parents, relatives, or other caregivers. Tragically, approximately 1,300 children die each year from abuse and neglect. The federal government supports states' efforts to care for these children and invests almost \$8 billion annually to provide care for children who need placement outside their homes, services to help keep families together or to reunite them, and training and research activities to improve child welfare services nationwide.

Many of the nation's benefits programs are vulnerable to fraud, waste, and abuse. The Department of Labor estimates a 10.6 percent error rate, including \$3.4 billion in overpayments, in unemployment insurance benefits paid in 2004. Likewise, the Department of Agriculture reports that there were about \$1.4 billion in payment errors in the Food Stamp Program in 2004. While the federal government and the states are taking steps to reduce these errors, more needs to be done. The mounting federal deficit will make it difficult to maintain funding for these benefit programs, and program officials will have to ensure that benefits are paid correctly and reach those with the greatest need.

The federal government also plays a vital role in assisting people with disabilities by providing employment-related services, medical care, and income support. Public concern and congressional action have produced a broad array of federal programs designed to help people with disabilities, but many of these programs have not evolved in line with economic, medical, technological, and social changes. These changes have increased the opportunities for individuals with disabilities to live with greater independence and more fully participate in the workforce; however, the rate of return to work for individuals with disabilities receiving cash

and medical benefits is very low. Furthermore, program enrollment and costs for the largest federal disability programs have been growing and are poised to grow even more rapidly in the future, further contributing to the federal government's large and growing long-term structural deficit.

Federal employment and worker protection programs must deal with new challenges as technology, changes in the organization of work, and increasing global interdependence are redefining the labor market for workers and employers. These changes raise concerns about the adequacy of efforts to ensure that workers have safe, healthy, and productive workplaces. Regulations and activities designed to ensure workplace safety and health must be revised to accurately reflect the technological changes of the recent past. The Congress and the administration face challenges as they redefine the role of public policies to help employers and workers enhance productivity and increase earnings while also protecting workers' rights.

Identity theft is a growing concern for many Americans. Efforts to address the terrorism threat have underscored both the weaknesses and strengths of current efforts to protect individuals' identities. In particular, the Social Security number, once an internal marker for the agency to record contributions and pay benefits, is now virtually a universal identifier, used by public agencies at all levels of government and private business entities of all sizes and from many different economic sectors. The Social Security number's wide use, besides raising many serious privacy issues, has also put citizens throughout the nation at risk of identity theft, fraud, and other types of illegal activity. How to use the Social Security number in a way that ensures effective agency operations, prevents its illegal use, and protects the privacy of U.S. citizens is a formidable challenge facing the Social Security Administration.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

- 1.3.1 identify opportunities to improve programs that provide social services, economic, and nutrition assistance to individuals, families, and children;

1.3.2 identify ways to improve federal policies and support for people with disabilities; and

1.3.3 assess the effectiveness of strategies and safeguards to protect workers, as well as individuals' identities, in an increasingly complex work and economic environment.

Performance Goal 1.3.1

Identify Opportunities to Improve Programs That Provide Social Services, Economic, and Nutrition Assistance to Individuals, Families, and Children

As an increasingly volatile job market creates and eliminates jobs, programs that provide income support, nutrition assistance, and other social services to low-income people and the unemployed will have to adapt to changes in global markets under tight federal budget constraints. Many federal, state, and local assistance programs are designed to ease the transition into and between jobs, but more information is needed on whether the assistance is targeted to the people with greatest needs or whether the programs are achieving their intended objectives. Moreover, while globalization will likely fuel economic growth, it is also likely to create a more fluid job market where workers move from job to job throughout their working lives. While some of this movement will be voluntary, some workers may face new challenges participating in a more global marketplace. In fiscal year 2004, unemployment insurance—the nation’s support program for newly unemployed workers—covered about 129 million workers and paid about \$41 billion in benefits to 9 million workers; yet there is little national information to fully assess the program’s efforts to foster reemployment. States and the federal government spent about \$26 billion on the nation’s main welfare program—the Temporary Assistance for Needy Families program—in fiscal year 2004. However, policymakers lack the information they need to assess states’ progress in meeting federal welfare reform goals and ensure that federal funds are used to assist needy families cost effectively. The recently reauthorized Temporary Assistance for Needy Families program will focus increased attention on states’ efforts to involve more welfare recipients in work-related activities.

About 27 percent of all children live in one-parent households and, in fiscal year 2003, there were about 16 million child support cases. As the workforce becomes increasingly mobile and workers move from job to job, there are concerns about the Child Support Enforcement and Family Support program’s ability to increase collections. In addition, the effectiveness of current

enforcement tools and how new databases are used—particularly in light of privacy concerns—have drawn policymakers’ attention.

While these income support payments are a crucial bridge for many, the federal government also reaches one in five Americans through its nutrition assistance programs. These programs spend more than \$50 billion a year to provide food, cash, or services to help decrease hunger and improve nutrition among low-income families, children, and individuals. These programs now face the additional challenge of confronting the rising number of adults and children who are overweight or obese. Yet little is known about the effectiveness of nutrition education programs, and in schools, concerns have been raised about the nutritional content of the meals served and the ready availability of nonnutritious foods. Also, programs are modernizing in response to the need for more cost-effective service delivery. The program for at-risk low-income pregnant women, infants, and young children is piloting a new electronic benefit system while facing the dual challenges of updating its package of recommended foods and meeting new cost containment policies.

The mounting federal deficit combined with a steadily increasing demand for benefits from these economic support and nutrition programs highlight the need to ensure that benefits are paid correctly and reach those in most need. Some progress is being made to address these programs’ vulnerability to fraud and abuse. For example, the Food Stamp Program has succeeded in decreasing payment errors and benefit trafficking—the exchange of food stamps for cash or certain nonfood items—and the Department of Labor is taking some steps to improve the unemployment program’s integrity. Nevertheless, recent estimates show that \$1.4 billion in Food Stamp benefit payments were trafficked or made in error, and the unemployment insurance program overpaid its beneficiaries about \$3.4 billion in 2004.

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Key Efforts

- ➡ Determine whether social services, economic, and nutrition assistance programs are achieving their goals and whether federal resources are targeted to meet the needs of the people they are designed to serve
- ➡ Assess federal and state oversight and management of social services, economic, and nutrition assistance programs to ensure program integrity
- ➡ Analyze and highlight key issues associated with cost-effective service delivery, effects on special populations, interactions among programs, and the changing human services environment

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Potential Outcomes

- ➡ Improved access to benefits by targeting scarce resources to individuals, families, and children in greatest need
- ➡ Enhanced oversight and improved techniques to address fraud and abuse in the nation's social service, economic, and nutrition assistance programs
- ➡ Better coordination between levels of government and federal programs to ensure that federal assistance is cost-effective, addresses the special needs of special at-risk populations, and adapts to a changing human services environment

Performance Goal 1.3.2

Identify Ways to Improve Federal Policies and Support for People with Disabilities

Federal disability programs have experienced significant growth over the past decade and are expected to grow even more steeply as more baby boomers reach their disability-prone years. In particular, the Social Security Administration and VA oversee five major disability programs that provide cash assistance to individuals with physical or mental conditions that reduced their earning capacity, collectively paying more than \$120 billion in cash benefits to more than 13 million beneficiaries in 2003. In addition, almost 200 other programs provide varying types and levels of support for individuals with disabilities.

Paradoxically, recent scientific advances as well as economic and social changes have redefined the relationship between impairments and work. Advances in medicine and technology have reduced the severity of some medical conditions and have allowed individuals to live with greater independence and function in work settings. Moreover, the nature of work has changed in recent decades as the national economy has moved away from manufacturing-based jobs to service- and knowledge-based jobs.

The labor force participation rate of people with disabilities has remained quite low as federal disability programs remain mired in concepts from the past and are poorly positioned to provide meaningful and timely support for workers with disabilities. In addition, the Social Security Administration and VA struggle to provide accurate, timely, and consistent disability decisions to program applicants. For these reasons, we added modernizing federal disability programs to our 2003 high-risk list. Our designation of the Social Security Administration's disability programs as high risk can serve as a catalyst to bring together the partners needed to resolve these long-standing problems. As the primary manager of multibillion-dollar programs with responsibility for significantly large trust funds, the Social Security Administration must take the lead in forging the partnerships and cooperation that will be needed in reorienting federal disability programs.

Key Efforts

- ➡ Determine the extent to which federal policies and programs that support employment and independence of individuals with disabilities operate consistently with the current state of law, science, medicine, technology, and labor market conditions, and assess the adequacy of any actions taken to modernize these programs
- ➡ Assess the extent to which federal disability programs' internal controls are adequate for ensuring program integrity and whether services and benefits are provided in accordance with best practices
- ➡ Assess the extent to which multiple disability programs provide seamless and efficient service and support, through coordinated planning, goals, and criteria for eligibility

Potential Outcomes

- ➡ Improvement in current and future service-delivery structures and practices, including modernization within and increased coordination among federal disability programs
- ➡ Administrative and legislative actions to improve the timeliness, accuracy, and consistency of disability decisions for program applicants
- ➡ Reduced fraud, waste, and overpayments in disability programs

Performance Goal 1.3.3

Assess the Effectiveness of Strategies and Safeguards to Protect Workers, as Well as Individuals' Identities, in an Increasingly Complex Work and Economic Environment

Regulations and activities designed to provide protections for workers may need to be revised to reflect dramatic changes in the demographics of the nation's workforce as well as heightened risks of terrorism and identity theft. Federal agencies that help employees provide safe, healthy, and productive workplaces, such as the Occupational Safety and Health Agency, will have to adapt their efforts to changes in the nature of work itself. For example, membership in organized labor has declined, traditional work arrangements are giving way to alternatives such as temporary employment and teleworking, and lifelong service with a single employer is becoming much less common. Federal and state enforcement authorities, which for years have largely been able to focus their efforts on the most dangerous work sites or exploitative employers, now may have to rethink what types of workplace safety issues are paramount. Namely, the nation faces heightened security risks, and workers may be less able to work productively and creatively if they do not feel safe in the workplace and believe their employers are not devoting sufficient resources to protecting their health and safety. However, the level of protection that employers should provide in response to external threats to workers' safety, such as threats to national security, is unclear. As employers and workers adapt to these changes, it will be important to maintain a balance between ensuring the safety and health of workers and minimizing burdens for employers. No consensus

exists on the types of revisions that would result in the most efficient ways of protecting workers and minimizing employers' burden in the 21st century.

Protecting Americans against identity theft is a growing concern for many, as efforts to address the terrorism threat have underscored both the weaknesses and strengths of current efforts to protect individuals' identities. While the Social Security Administration relies on the Social Security number as an essential element of its operations, the number has also become an integral part of daily life for millions of Americans. Public and private employers, hospitals, and individuals now use the number to conduct routine business, obtain drivers licenses and other government documents, and apply for loans and employment as well as for a host of other activities. As a result, Social Security numbers are easily obtained by almost anyone from any number of public documents, raising a wide array of serious policy issues, including the increased potential for identify theft and other types of fraud or illegal activity, the degree to which foreign nationals can access federal employment and education programs, and the privacy protection of individuals' personal information. Our work on the use of the Social Security number in American society and agency policies regarding its use seeks to fill a major gap in the policy debates on all these issues.

Key Efforts

- ➡ Assess the effectiveness of federal and state efforts to ensure that workers are treated fairly and receive the wage, benefit, and safety and health protections afforded by federal labor laws and regulations
- ➡ Assess federal and state efforts to promote workplace quality through direct intervention and cooperative approaches with industry and labor organizations
- ➡ Assess efforts by the Social Security Administration and other agencies to appropriately use and safeguard an individual's Social Security number while improving government operations and minimizing the risk of illegal activity

Potential Outcomes

- ➡ Better-informed congressional and agency decisions on the types of changes needed in regulations and enforcement policies to address current work arrangements and workplace conditions
- ➡ Enhanced ability of enforcement and other strategies, such as voluntary compliance programs, to result in safer workplaces and healthier workers while eliminating unnecessary burdens for employers
- ➡ Increased efficiency and financial management in the delivery of worker protection programs and policies
- ➡ Improved public safety and homeland security through responsible use and improved security of Social Security numbers

Strategic Objective 1.4

Financial Security for an Aging Population



Source: See Image Sources.

Providing retirement income security in the United States has traditionally been a shared responsibility of government, employers, and individual workers. However, the burgeoning federal deficit—especially in federal retirement programs such as Social Security and Medicare—and declining coverage of employer-provided pension plans suggest a shift in responsibility to individual workers for ensuring an adequate and secure retirement. These trends are the outgrowth of broader developments associated with population aging, global competition, and labor market trends and are unlikely to abate in the near future. With the baby boom generation poised to move into retirement beginning in 2008, the Congress will need more information on the economic, financial, and social implications of these trends to ensure that the government, employers, and workers share retirement risk in an equitable and efficient manner. Such information will also aid workers in making informed retirement planning decisions, including the decisions regarding when and how to retire and invest their savings.

Since 1960, life expectancy at age 65 has increased by over 3 years. By 2050, persons aged 65 and over will account for over 20 percent of the total U.S. population, up from about 13 percent in 2000. Consequently, people are expected to spend more time in retirement. These trends are adversely affecting the sustainability of pay-as-you-go-financed federal retirement programs. Although the Social Security trust funds are not expected to be depleted until 2040, the strains on government finances will begin as early as 2017 when the program starts to pay out more than it takes in each year. Given current benefit and revenue streams, the federal retirement programs are unsustainable over the long run, and the federal government is going to have to make some hard choices in reforming them. To the extent that such reforms reduce benefits to workers, this will affect the level of financial resources they can draw upon during retirement.

Employer-provided pensions have been and remain an important contributor to American retirement security, with private pension benefits

accounting for about 10 percent of the total income received by persons 65 years of age and older. Yet, like the federal retirement programs, the national employer-provided pension system is also facing serious financial challenges. The past two decades have seen a dramatic decline in the number of defined benefit pension plans and the percentage of the private labor force covered by these plans.³ Historically, defined benefit plans have been an important and stable source of retirement income, typically providing monthly payments throughout the retirement life of the participant. The decline means that workers approaching retirement will have to make up the difference in income from another source, most likely from personal saving or extending work life. Meanwhile, the role of defined contribution plans in the private pension system has increased dramatically, but this trend has not necessarily led to increases in coverage.⁴ The number of defined contribution plans rose from 341,000 in 1980 to 653,000 in 2003, covering 64.1 million workers and retirees. As of 2006, 54 percent of all workers in private industry were offered a defined contribution plan. However, participation in such plans is typically voluntary, and many covered employees choose not to participate. In 2006, only 43 percent of all workers in private industry chose to participate in such a plan—an 80 percent participation rate among those offered a defined contribution plan.

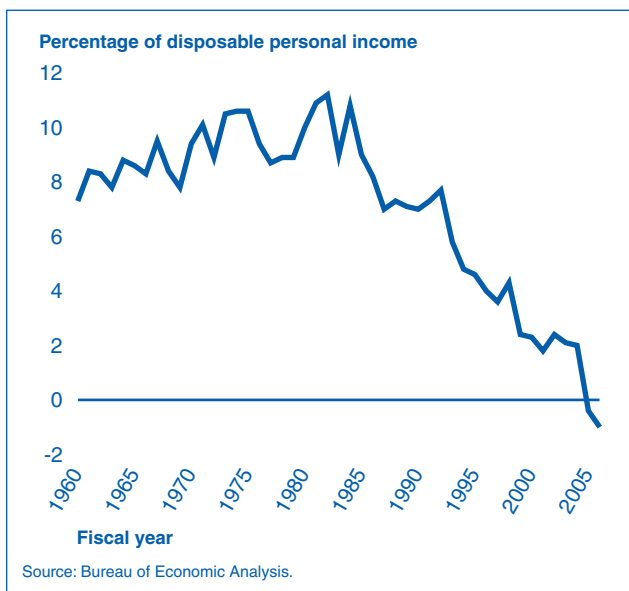
Despite the outlook for federal retirement programs and employer-sponsored pension plans, individuals have so far not filled in the gap with personal saving. Only 44 percent of families headed by someone aged 55 to 64 owned an

³ A defined benefit pension plan generally provides benefits based on a specific formula linked to the worker's earnings and tenure. Typically, a defined benefit plan is funded completely by the employer, who bears the investment risk of such an arrangement.

⁴ Defined contribution plans are much like savings accounts maintained by the employer on behalf of each participating employee. In a 401(k) plan, the employee, the employer, or both defer receipt of current income to deposit it on a pretax basis into a retirement account. When the worker retires, the retirement benefit that he or she receives is the balance in the account, which is the sum of all the contributions that have been made plus interest, dividends, and capital gains (or losses).

Individual Retirement Account, and among these families, median Individual Retirement Account balances were \$60,000. From 2000 to 2005, meanwhile, personal saving as a percentage of disposable income averaged just 1.3 percent—one-sixth the postwar average. In 2006, the saving rate was -1.0 percent, the lowest level in almost 50 years. (See fig. 9.) Helping to depress the saving rate has been the widespread “leakage” of retirement assets to support nonretirement consumption. Through 2003, for example, 21.6 percent of recipients of lump sum pension distributions reported diverting some part of their pension to support consumption.

Figure 9: Personal Saving Rate, 1960–2006



In response to these challenges, many workers may need to stay in the labor market past today’s typical retirement age, which is at about age 62 for both men and women. Greater labor force participation by older workers would benefit the economy by filling anticipated skill gaps and by

allowing workers to accumulate more assets and delay the drawdown of assets for retirement. This trend may already be under way. In 2003, almost 33 percent of men aged 65 to 69 participated in the labor force, up from 26 percent in 1990; similarly, the participation rate for women in the same age group rose from 17 percent to almost 23 percent during this period. However, while many employers indicate a willingness to recruit or retain older workers, most employers are not currently engaged in these practices. To date, most employers have not made the types of changes—such as establishing alternative work and schedule arrangements or allowing phased retirement—that would accommodate the needs and preferences of older workers.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals, which are associated with the three sources of financial security for older Americans—government, employer, and individual resources:

- 1.4.1 assess the policy and administrative challenges to the federal government in providing for Americans’ financial security in retirement;
- 1.4.2 assess the financial and administrative challenges to providing employer-sponsored pensions and retaining older Americans in the workforce, and the implications of these challenges for national retirement security; and
- 1.4.3 assess options and strategies to help individuals ensure retirement security for themselves and for their families.

Performance Goal 1.4.1

Assess the Policy and Administrative Challenges to the Federal Government in Providing for Americans' Financial Security in Retirement

Demography is playing a major role in the financial weakness of Social Security and other retirement plans, as rising age longevity, declining fertility, and the large retirement of the baby boomers is leading to the projected rapid aging of the population. This aging will slow the rate of labor force growth, posing challenges for robust economic growth and the federal budget. Rising federal fiscal deficits will pose a growing risk to the sustainability of Social Security and the future living standards of the retired and nonretired alike. Programmatic reforms that achieve long-term financial solvency and consider the need to balance benefit adequacy, progressivity, and equity will continue to be on the national policy agenda and will only become more pressing in the future. Reform efforts will also have to consider any possible adverse effects on labor force participation and the willingness to save, particularly for lower-income workers. A related

issue is the impact of rising health costs on the level of Social Security benefits. For example, the average Medicare Part B (medical services) plus Part D (prescription drug) premiums will rise from 12 percent of the average Social Security benefit in 2010 to about 26 percent in 2080. Similarly, the average amount of deductibles, co-payments, and other cost-sharing amounts would increase from 17 percent of the average Social Security benefit in 2010 to 37 percent in 2080. Management challenges to the Social Security Administration will also become an area of prominence. Agency workloads are expected to explode as the baby boom generation enters retirement. In this context, the Congress, as it continues to grapple with these issues, will also need to be mindful of the effects of reform on the ability of the Social Security Administration to manage its programs effectively and the agency's ability to implement that reform.

Key Efforts

- ➡ Analyze effects of Social Security solvency, economic, labor market, pension expenditure and coverage, and health care cost trends on retirement income adequacy for all Americans
- ➡ Assess the implementation and administrative challenges facing the Social Security Administration in providing customer service and maintaining the integrity of the benefit program, despite a rising workload

Potential Outcomes

- ➡ Greater congressional and public understanding of the factors that influence the Social Security and Medicare programs' contributions to the retirement income adequacy of all Americans, and what changes to these federal programs may be considered
- ➡ Improved understanding of the administrative challenges facing the Social Security Administration and how they might be met

Performance Goal 1.4.2

Assess the Financial and Administrative Challenges to Providing Employer-Sponsored Pensions and Retaining Older Americans in the Workforce, and the Implications of These Challenges for National Retirement Security

The percentage of all civilian workers participating in retirement plans has remained more or less constant since the late 1970s, averaging just under half of the workforce. The emergence of defined contribution plans and the decline in coverage by defined benefit plans has exposed an increasing number of participants to investment risk, as participants in these plans have responsibility for managing their retirement assets. Also, about one-fifth of workers whose employers sponsor a defined contribution plan choose not to participate. In addition, there is substantial evidence of “leakage”—the spending of retirement balances prior to retirement. These trends raise the question of whether defined contribution plans, in their current form, are sufficient to meet future retirement needs, especially for low- and middle-income workers. At the same time, however, funding problems also plague the defined benefit system. The continued weakness of major employers in manufacturing

and transportation sectors suggests that the Pension Benefit Guaranty Corporation could face larger deficits in the years to come, posing threats to the insurance fund’s solvency. Low pension plan participation combined with these threats to retirement income adequacy suggest that large numbers of older Americans will need to supplement their retirement income with earnings. At the same time, slower population growth in the traditional working ages is likely to tighten labor markets—which can be expected to increase employment opportunities for older workers. To date, however, most employers have not responded to the aging of the labor force with changes that would facilitate the hiring of older employees. Effectively addressing fiscal and workforce challenges associated with population aging may require policies that balance the interests of an aging workforce with those of labor market flexibility.

Key Efforts

- ➡ Analyze options to address the significant financial challenges to the Pension Benefit Guaranty Corporation and state and local government employers from large underfunded defined benefit pension plans and examine the current federal agency regulatory and enforcement efforts to protect the benefits of plan participants
- ➡ Identify strategies to enhance the role of private pensions of all designs and increased employment of older workers in providing a secure retirement for low- and medium-wage workers

Potential Outcomes

- ➡ Increased stabilization of the nation’s private defined benefit system, improved Pension Benefit Guaranty Corporation financial solvency, and enhanced value of defined contribution plans through better regulation and initiatives to foster greater coverage and benefits
- ➡ Greater congressional and employer understanding of the labor market challenges posed by an aging population and ways to enhance the labor force participation of older workers

Performance Goal 1.4.3

Assess Options and Strategies to Help Individuals Ensure Retirement Security for Themselves and Their Families

As of the end of 2005, the combined assets of defined contribution pension plans and Individual Retirement Accounts, at \$6.6 trillion, were three times greater than assets in defined benefit plans. This growth in personally managed retirement assets is changing the character of retirement planning. Although defined contribution plans are portable in a way that defined benefit plans are not, along with the increased decision making inherent to defined contribution plans, individuals bear increased risk. These risks include such unpredictable factors as market expectations regarding future economic growth rates, global capital flows, and other macroeconomic factors, along with rates of return. In addition, there is uncertainty about future health care costs and individual longevity. All of these factors contribute to a greater risk of outliving one's assets in retirement. Indeed, the share of lifetime income spent in retirement has been rising, while

individual and employer-sponsored retirement savings have not.

These trends signal the need for individuals to save more for retirement and may stimulate demand for financial products designed to improve individual asset and risk management. Yet if the personal saving and pension plan participation rates are indicators, retirement saving and pension plan participation may not be responding to the rising costs of retirement. As individuals face the resulting shortfall in personal retirement finances, many will seek to remain in the labor force longer. Public and employer policies that promote lifelong retirement planning can aid in both asset accumulation strategies and goals as well as in the retirement decision itself. Fundamentally, there is a real need to increase financial literacy among all Americans.

Key Efforts

- ➡ Examine challenges to workers posed by the rise in the risk and responsibility they bear for their own retirement security, the barriers to employment at older ages, and the trade-off between health and retirement plan participation
- ➡ Identify and assess existing financial vehicles and emerging options to foster greater individual retirement savings, and the extent to which such savings are redirected to alternative consumption purposes

Potential Outcomes

- ➡ Greater awareness of retirement income needs and the various strategies to ensure income security in old age
- ➡ Greater individual awareness of the need to save more, or work later, in anticipation of higher lifetime retirement costs

Strategic Objective 1.5

Ensuring a Responsive, Fair, and Effective System of Justice



Source: See Image Sources.

The terrorist attacks of September 11, 2001, redefined the mission of the Department of Justice, making the prevention of terrorism and the promotion of national security its primary mission. In accordance with this shift in focus, the Department of Justice restructured its internal organizations. In particular, it undertook a substantial restructuring of the Federal Bureau of Investigation, redefining the agency's mission and priorities in light of the increased focus on antiterrorism. Moreover, the USA Patriot Act, passed in October 2001, significantly expanded federal law enforcement and investigative authority and, with billions of dollars in additional funding, greatly increased the federal counterterrorism role. Although the Department of Homeland Security (DHS) is expected to coordinate the executive branch's efforts to detect, prepare for, prevent, respond to, and recover from terrorist attacks within the United States, many of these functions are the primary roles of law enforcement at the federal, state, and local levels. This heightens the importance of effective coordination and cooperation and the Department of Justice's responsibilities and leadership in preventing terrorism and promoting homeland security.

In addition to its primary mission, the Department of Justice continues to enforce federal laws; deter, investigate, and prosecute federal crimes, including gun, drug, and civil rights violations; incarcerate offenders; partner with federal, state, and local governments and organizations to prevent crime, including crimes against children; and provide leadership and assistance in meeting the needs of crime victims. In particular, the Congress and the public look to the federal government for leadership on how to control domestic and transnational crime, including terrorism, while protecting civil liberties. Increases in funding also require that the federal government efficiently use and effectively manage the resources available for the administration of justice and the judiciary.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

- 1.5.1 assess the federal justice system's ability to operate fairly and efficiently and
- 1.5.2 identify ways to improve federal agencies' ability to prevent and respond to terrorism and other major crimes.

Performance Goal 1.5.1

Assess the Federal Justice System's Ability to Operate Fairly and Efficiently

In the wake of the September 11 attacks, counterterrorism figures prominently in the Department of Justice's efforts, as it attempts to balance that priority with its efforts to address traditional crimes (such as violent, fraud, and drug crimes), protect citizens (through incapacitation of criminal activity), and safeguard the judiciary. Through legislation such as the USA Patriot Act, the Congress provided the Department of Justice and DHS, which was created with the primary mission of protecting the nation against further terrorist attacks, with tools to facilitate investigating suspected terrorists. Under provisions of these acts and by executive authority, investigators have accessed information that can be viewed as private, thereby presenting challenges to enhancing our nation's security while at the same time protecting individual rights.

While the Department of Justice has taken steps to align its goals with its performance measures, independent analyses have not been performed on the extent to which it has achieved this alignment, gathered reliable data on performance outcomes, and used credible evaluations to assess its effectiveness. We have opportunities to assess the degree to which the department's efforts are based upon knowledge of what works. Traditionally, some of our work in this area has focused on the agency's grant programs. Moving forward, we need to expand our efforts to assess the Department of Justice's stewardship to address a variety of substantive and programmatic matters. These may

include resource allocation issues as they relate to the Federal Bureau of Prisons' expenditures, specific grant programs, crime victims' rights, as well as quality assessments of Federal Bureau of Investigation information.

Finally, both the Department of Justice and the federal judiciary, responding to congressional direction, have undertaken a number of actions that may have resource allocation implications. For example, in the Justice for All Act of 2004, the Congress enumerated the rights of victims of federal crimes and required the Department of Justice and the federal judiciary to afford victims these rights; their efforts to do this may affect their workloads. Other legislation provided that a growing number of class action lawsuits may now originate in federal court, and new requirements enacted in bankruptcy legislation may affect the workload of the federal judiciary and the Department of Justice's U.S. Trustee Program. In addition, immigration cases continue to increase, particularly along the Southwest border, and the judiciary faces challenges of supervising an increasing number of offenders on postprison community supervision at the same time that it is facing a growing number of retirements among supervisory officers. Monitoring how the judiciary responds to these and other workload demands also is important because it affects other aspects of the federal justice system, such as prosecution decisions and prison populations.

Key Efforts

- ➡ Assess Department of Justice and DHS efforts to balance security with protecting individual privacy and civil liberties
- ➡ Evaluate whether the Department of Justice and its components are being effective stewards of their resources
- ➡ Evaluate the federal judiciary's efforts to manage its workload and respond to changing concerns related to litigation, such as those related to bankruptcy and immigration
- ➡ Assess major components of federal detention and correction operations as they address new and existing challenges
- ➡ Evaluate progress in addressing challenges facing the nation's election system

Potential Outcomes

- ➡ Increased balance between efforts to protect civil liberties and enhance security
- ➡ Improved congressional oversight of Department of Justice resources
- ➡ More effective alignment of the Department of Justice's allocations to performance goals and outcomes based on credible evidence of the effectiveness of its efforts
- ➡ Identifying judicial workload imbalances and potential solutions

Performance Goal 1.5.2

Identify Ways to Improve Federal Agencies' Ability to Prevent and Respond to Terrorism and Other Major Crimes

The September 11 attacks changed the priorities of the Department of Justice, its components, and various other federal law enforcement agencies. For example, the missions, roles, and relationships of various federal law enforcement agencies were changed. New and revised partnerships and intergovernmental agreements between and among federal, state, and local law enforcement agencies and the private sector were developed. Also, the Federal Bureau of Investigation undertook a major transformation effort, including realigning its priorities and resources toward efforts to combat terrorism and to conduct counterintelligence. Various legacy Department of Justice law enforcement agencies were merged into a newly established DHS. In addition, state and local governments and other nongovernmental entities were asked to partner with federal law enforcement agencies in combating terrorism and other major crimes. The United States now has more law enforcement interagency working groups and crime prevention and joint terrorism task forces than ever before. All of these transformation efforts raise concerns as to whether the various government components and other key stakeholders will be able to work effectively together and whether there are controls in place to ensure that there are sufficient federal law enforcement resources and mechanisms to prevent and combat terrorist acts and other major crimes.

At the same time, the Congress has increased the budgets of the Department of Justice, DHS, and their components to recruit, hire, and train more law enforcement personnel to investigate and prosecute major crimes. In addition, new priorities

and a focus on sharing intelligence gathered with the law enforcement community require the federal government to rethink its human capital management practices and to improve its efforts to recruit, train, and retain personnel in various areas now being identified as critical skill sets, such as intelligence, foreign languages, and IT. However, many of these agencies (for example, the Federal Bureau of Investigation and the Drug Enforcement Administration) continue to face challenges in achieving their hiring goals and in retaining personnel in critical skill sets.

The Congress has also made billions of dollars available to states and localities through grants and other assistance to help them prevent and combat terrorism and respond to local crimes that have national significance, such as efforts to prevent and combat illegal drug use and public corruption. Among the more important issues is how well the federal law enforcement agencies work with state government, local government, private sector, and international stakeholders. For example, are there adequate mechanisms in place to encourage information sharing and to share intelligence and law enforcement data? How well federal law enforcement agencies carry out their responsibilities to prevent and respond to acts of terrorism and other major crimes and work with their state and local counterparts is a continuing concern, particularly given the competing demands for limited resources and the impact of the shift in federal resources away from traditional crimes to combating terrorism and securing the homeland.

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Key Efforts

- Assess the transformation efforts of federal law enforcement agencies in response to the war on terrorism, including its effect on other core missions
- Assess the effectiveness of key federal efforts to control the supply and demand for illicit drugs
- Assess federal law enforcement coordination and effectiveness in addressing major crimes
- Evaluate the management and results of key federal law enforcement grant programs
- Assess federal law enforcement capacity, structure, functions, and efforts to coordinate and form partnerships among federal, state, local, and tribal governments to more efficiently address their missions

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Potential Outcomes

- Improved congressional and public understanding of the use of federal resources devoted to preventing and responding to terrorism and other major crimes
- Enhancements to internal controls and management oversight of federal law enforcement and grant programs intended to combat domestic and transnational crimes, including terrorism
- More efficient and effective programs that target limited resources to areas identified by the Department of Justice's strategic plan as high priority and critical to national security
- Identifying potential areas for improving collaboration and information sharing between and among federal law enforcement agencies and other key stakeholders, such as state, local, and foreign government partners

Strategic Objective 1.6

The Promotion of Viable Communities

Source: See Image Sources.



The economic and social well-being of communities is vital to the nation's overall growth and prosperity. Yet the viability of many of America's communities is threatened by a variety of economic and social problems, including high levels of long-term unemployment, inadequate retail activity, and a deteriorating housing stock. For decades, federal, state, and local governments and the private and nonprofit sectors have sought ways to revitalize distressed communities. The federal government alone operates well over 100 programs that offer to communities various grants, loans, loan guarantees, and special tax incentives that are designed to assist distressed areas. For example, the Community Development Block Grant program provides assistance for a variety of infrastructure and capacity-building needs and the Empowerment Zone program is intended to encourage investment in targeted areas.

Despite these efforts, no simple answer has been found to the question of how best to revitalize America's distressed communities, in part because of the difficulty of measuring the factors that actually cause communities to improve. Also, the issue of how best to deliver aid is complicated by the need to strike a balance between the goals of the federal government and those of state and local governments and nonprofit organizations, which administer a large share of federal dollars for community and economic development.

Small businesses, which employ more than half the nation's workforce, are crucial to economic growth in many communities. The Small Business Administration (SBA)—the nation's single largest financial backer of small businesses—guarantees over \$61 billion of business loans and provides management and technical assistance to about 1 million small business owners annually. SBA also has oversight responsibility for federal contracting goals for small and minority-owned businesses. Because SBA has undertaken numerous initiatives to address management issues that affect the agency's performance, the Congress needs up-to-date assessments of its performance.

To promote homeownership, a key element of a vibrant community, the federal government assists home financing in several ways. VA and the Department of Housing and Urban Development's (HUD) Federal Housing Administration provide mortgage guarantees and insurance, while HUD's Government National Mortgage Association (Ginnie Mae) guarantees securities backed by these mortgages. Three government-sponsored enterprises (GSE)—the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corp (Freddie Mac), and the Federal Home Loan Banks—support the mortgage market and are also responsible for promoting homeownership among underserved households. In recent years, the effectiveness of the regulatory structure for the GSEs has been questioned. The federal government also promotes homeownership through tax incentives and requirements placed on mortgage market participants. It must balance the benefits of increasing home ownership, especially among the underserved, against the financial risk taken on directly (through mortgage guarantees) or indirectly (through GSEs).

The federal government—principally HUD and the Department of Agriculture's Rural Housing Service—spends some \$30 billion annually on numerous programs to help rental households with lower incomes reside in safe, decent, and affordable housing. HUD has made substantial progress addressing long-standing management weaknesses that placed its rental housing assistance programs at risk of waste and abuse. However, in recent years, legislative and administrative actions have changed HUD's biggest programs—Section 8 and public housing—in ways that may call for different oversight approaches. Further, both HUD and the Department of Agriculture's Rural Housing Service, which oversees rural housing programs, face challenges in ensuring that federally assisted properties are maintained in a physically and financially sound manner, are administered in a way that best serves the needs of low-income households, and remain available to lower-income tenants to the extent practicable.

To support the Congress and the federal government in their efforts to address these issues, we will use the following performance goals:

- 1.6.1 assess federal community and economic development assistance and its impact on communities;
- 1.6.2 assess the effectiveness of federal initiatives to assist small and minority-owned businesses;

1.6.3 assess how the federal government can balance promoting home ownership and financial risk while adapting to changing markets and policies; and

1.6.4 assess how well federal programs that support affordable rental housing meet objectives, manage financial risk, and improve recipients' well-being.

Performance Goal 1.6.1

Assess Federal Community and Economic Development Assistance and Its Impact on Communities

One way the federal government demonstrates its commitment to ensuring strong and stable communities is through its numerous and diverse federal economic development assistance programs. More than 100 federal programs provide communities with such assistance in the form of grants, tax incentives, loans, and loan guarantees involving billions of dollars each year. These programs primarily address issues surrounding the living conditions of low- and moderate-income families and the stability of urban and rural American communities. A large share of the federal commitment is administered through state and local governments and nonprofit organizations. As a result, local support and the state of local economies often affect the outcomes

of these programs, and achieving program goals may take years. Furthermore, communities face an increasingly complicated governance challenge in bringing together state, regional, and federal players and resources to address issues and concerns that cut across governance boundaries. Thus, federal decision makers face the challenge of finding ways to improve the design and flexibility of federal programs to help communities maintain their quality of life and deliver key services while working with multiple players to meet crosscutting program goals. At the same time, federal agencies must provide enough oversight to ensure that programs meet their goals and comply with federal requirements.

Key Efforts

- ➡ Identify approaches and best practices for measuring the impact of community and economic development programs
- ➡ Assess the impact of program coordination on targeted communities and residents
- ➡ Assess the impact of specific economic development initiatives on communities

Potential Outcomes

- ➡ Improved coordination among federal programs and streamlined delivery of development assistance
- ➡ Better congressional understanding of federal programs' effect on the growth and development of communities

Performance Goal 1.6.2

Assess the Effectiveness of Federal Initiatives to Assist Small and Minority-Owned Businesses

America's small businesses play a critical role in the nation's economy, employing more than half the nation's workforce. Since its inception in 1953, SBA has had a clear mission: to serve the small business sector of the economy by providing financial, technical, and management assistance that helps Americans start, run, and develop their own businesses. SBA is also charged with making sure that small and minority-owned businesses get a fair share of the approximately \$200 billion annual federal procurement market. SBA has undertaken a number of initiatives to

address problems that have been identified in both programmatic and operational areas, including its business loan guarantee programs, minority business development program, and information systems management. As SBA pursues its mission of maintaining and strengthening the nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses, the Congress needs up-to-date assessments of SBA's performance and the effectiveness of its programs.

Key Efforts

- ➡ Assess SBA's initiatives to make its programs more efficient, effective, and helpful to small businesses, especially to those businesses least able to access credit markets
- ➡ Assess SBA's management initiatives in areas such as organizational alignment, IT, financial management, and human capital and determine how these improvements may have helped SBA better meet its mission
- ➡ Assess SBA's ability to achieve its mission of meeting the needs of small businesses
- ➡ Assess the impact of federal contracting policies and practices on small businesses and determine what oversight SBA provides to ensure that federal agencies meet small business contracting goals

Potential Outcomes

- ➡ Improved SBA assistance to small businesses
- ➡ Improved SBA management practices that lead to more results-oriented performance
- ➡ Increased knowledge of the effects of SBA's loan and technical assistance programs on small businesses, their access to credit markets, and their ability to contribute to the national economy
- ➡ Increased knowledge of the effects of federal contracting practices on small businesses and enhanced oversight of federal small business contracting goals

Performance Goal 1.6.3

Assess How the Federal Government Can Balance Promoting Home Ownership and Financial Risk While Adapting to Changing Markets and Policies

The federal government promotes homeownership through various housing finance programs, incentives, and requirements. HUD's Federal Housing Administration, VA's Loan Guaranty Services, and the Department of Agriculture's Rural Housing Service participate in the primary mortgage market, insuring home mortgages for homebuyers who might otherwise have difficulty obtaining them. Together, these agencies are responsible for managing more than \$600 billion in insured home mortgages. In addition, Ginnie Mae guarantees about \$450 billion in mortgage-backed securities, providing liquidity to the housing finance market. The association's guarantee enables lenders of government-insured loans to readily sell their loans, and the additional funds help provide mortgages for other qualified borrowers. Finally, GSEs—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—through purchases of mortgages, issuances and guarantees of mortgage-backed securities, and other means, provide capital for home mortgages and needed liquidity for lenders. GSEs are also required to operate in a “safe and sound” manner, but are encouraged to focus on underserved markets.

The housing finance system supported by these federal agencies and GSEs represents one of the nation's largest financial markets, with significant risks to taxpayers and investors. These entities have long-term commitments, the ultimate costs of which depend on losses in their underlying mortgages. For this reason, using appropriate methods to predict loan performance is crucial to HUD's ability to estimate the costs of its mortgage insurance programs and manage risks to its insurance funds. GSEs' costs are also affected by

the prudence they exercise in their management and funding strategies. These federal agencies and GSEs have substantial influence on the availability of housing finance, particularly for traditionally underserved markets. In recent years, however, they have faced challenges. For example, economic trends and increased competition from conventional lenders have caused HUD's share of the mortgage market to decline sharply at the same time that foreclosure rates for federally insured mortgages have risen. These factors have prompted proposals to modernize and broaden the customer base for HUD's programs. Further, risk management and accounting deficiencies at the GSEs have called into question the effectiveness of the regulatory structure for these entities. Legislation on reforming the structure has been intensely debated.

The federal government's role in the housing market remains a significant factor in maintaining homeownership rates in the United States. Although the nation's homeownership rate has reached an all-time high, buying a home is a confusing process for many families, partly because of complex settlement procedures and disclosure requirements that have not kept up with changes in the mortgage industry. But sustaining high levels of homeownership may be difficult. For some homebuyers, credit has become easier to obtain, but only on terms that cause uncertainty about borrowers' ability to maintain their mortgage payments in the future. As lenders move toward financing a higher proportion of home purchase costs and offering nontraditional mortgage products, some homeowners have become vulnerable to losing their homes if their home values decline or interest rates climb.

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Key Efforts

- ➡ Evaluate the factors underlying the decline in HUD's share of the mortgage market and identify options for modernizing HUD's mortgage insurance programs
- ➡ Assess HUD's ability to estimate the costs of its mortgage insurance programs and to evaluate the credit risk of potential borrowers
- ➡ Evaluate efforts to reform and enforce fair lending laws and disclosure requirements for mortgage products
- ➡ Evaluate the effectiveness of federal programs, tax and other incentives, and requirements that support financing for traditionally underserved segments of the single-family housing market
- ➡ Assess how federal programs can help promote and sustain high levels of home ownership in the face of rising mortgage rates and slower growth in home equity
- ➡ Assess the financial risks associated with the activities of GSEs and whether the GSEs have achieved homeownership lending goals for low- and moderate-income households
- ➡ Evaluate potential changes to the GSE regulatory framework and determine how new regulatory authorities and responsibilities would help in GSE oversight

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Potential Outcomes

- ➡ Improved administration and effectiveness of HUD's single-family mortgage insurance programs
- ➡ Improved capital reserves and funding for HUD's insurance programs
- ➡ Improved supervision of the GSEs, helping ensure public policy and safe and sound operational goals are met
- ➡ More effective efforts to help additional low- and moderate-income families become homeowners and to ensure that gains in homeownership rates are sustainable

Performance Goal 1.6.4

Assess How Well Federal Programs That Support Affordable Rental Housing Meet Objectives, Manage Financial Risk, and Improve Recipients' Well-being

The federal government administers numerous programs, at a cost of about \$30 billion annually, to help households with lower incomes secure safe, decent, and affordable rental housing. Some of this assistance is provided to directly increase or maintain the supply of decent rental housing that is affordable to low-income households; for example, HUD financially supports public housing and insures mortgages on privately owned multifamily dwellings, while the Internal Revenue Service (IRS) administers low-income tax credits. Other assistance takes the form of rental assistance payments; both HUD and the Department of Agriculture's Rural Housing Service provide rental assistance for individual households. However, these programs do not operate as entitlements: less than one-fourth of the 23 million low-income households eligible for federal housing assistance currently receive it, and a critical shortage exists in the supply of rental units affordable to households with extremely low incomes. Further, existing housing assistance and supportive service programs are faced with the growing and changing needs of special populations, including the elderly, the homeless, and persons with disabilities.

The Quality Housing and Work Responsibility Act of 1998 provided for greater flexibility in local public housing agencies' use of federal funds, including leveraging federal funds with private capital. Despite a backlog of public housing modernization needs estimated at over \$24 billion,

use of these approaches has been limited; further, both HUD and public housing agencies are just beginning to implement a new approach, provided for by the Quality Housing and Work Responsibility Act, for accounting for and funding the capital and operating costs of public housing developments. Moreover, the Congress has changed how it funds the Housing Choice Voucher program—from a unit-based approach that funded all vouchers authorized, regardless of whether all of the vouchers were used, to a dollar-based approach that is based on actual expenditures from previous years. This change places a greater demand on the agencies to limit growth in subsidies without reducing the number of assisted households. Both HUD and the Rural Housing Service face challenges in efficiently serving the needs of households served through project-based programs. HUD's large portfolio of federally insured and HUD-held multifamily housing loans and its inventory of foreclosed multifamily properties carry financial risks and require proper management and oversight, areas in which HUD has historically experienced significant challenges. Moreover, most privately owned rental housing developments assisted through HUD and Rural Housing Service programs were built in the 1980s or earlier, and their owners may decide to convert them to market-rate developments as their long-term government contracts expire; such decisions raise questions about the availability of housing affordable to low-income households, especially in high-cost rental markets.

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Key Efforts

- ➡ Assess federal agencies' efforts to ensure that federally assisted rental housing is effectively managed; remains in good physical and financial condition; and to the extent practicable, remains available for lower-income households
- ➡ Assess how effectively federal programs that support rental housing are used in combination with other community investment and federal assistance programs to promote decent, affordable housing and suitable living environments
- ➡ Examine public housing agencies' use of alternative capital financing mechanisms and legislatively authorized management flexibilities
- ➡ Examine how public housing agencies use Housing Choice Voucher funds in light of the change from unit-based to dollar-based budgeting
- ➡ Assess HUD's performance in overseeing the administration of its rental housing assistance programs, including its oversight of public housing agencies and contract administrators

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Potential Outcomes

- ➡ More effective and efficient HUD oversight of the public housing agencies and contract administrators that play essential roles in rental housing assistance program delivery
- ➡ Improved efforts by HUD and the Rural Housing Service to assess and address the physical and financial needs of federally supported rental housing, including efforts to keep units available and affordable to lower-income households
- ➡ Improved physical and financial management of properties occupied by federally assisted tenants

Strategic Objective 1.7

Responsible Stewardship of Natural Resources and the Environment

Source: See Image Sources.



The nation's natural resources and the systems associated with their use are under widespread and increasing stress, generating intense debate and posing daunting challenges to policymakers at all levels of government. In large part, this is the consequence of the country's growing population and economy and attendant increased demands on a finite resource base. Accommodating these demands runs headlong into long-standing legislation aimed at protecting the country's resources in a healthy state for the good of current and future generations. Likewise, how policymakers resolve this balance has global consequences because the United States is the world's single largest consumer of energy and other resources and is seen as out of step with international efforts to limit resource use and associated pollution. At the same time, the nation needs to protect its natural resources from terrorist threats. In fact, nearly half of the critical infrastructure sectors listed in the President's National Strategy for Homeland Security cover natural resource areas. These areas are food, meat and poultry, energy, water, chemical industry and hazardous materials, and agriculture.

For decades the nation has benefited from plentiful and relatively low-priced domestic and global energy supplies. The long-standing availability of these supplies, however, has made businesses and consumers dependent on large amounts of low-priced energy as a means to maintain our nation's global competitiveness and way of life. Unfortunately, in recent years, the nation has witnessed a tightening of energy supplies in the face of rising demand—resulting in a more precarious supply and demand balance. This tightening, or stress on energy markets, has contributed to steep price increases for oil, natural gas, and electricity, with prices more than tripling over just a few years, in some cases. If these price increases persist, they may cause economic dislocations for U.S. industry and financial peril for workers and consumers. In addition, the United States has increasingly relied on some imported energy supplies, such as oil, that come from parts of the world that are both

hostile toward the United States and politically unstable at times. Recent global trends, such as huge increases in oil demand by China and India, are complicating the nation's energy picture by further pushing up energy prices. Exacerbating these already difficult market developments and trends is the renewed and widespread debate as to whether the world is nearing a peak in oil production after which global supplies would begin to decline. Finally, despite several years of concerted efforts to combat terrorism, key aspects of the United States' far-flung energy infrastructure—including hundreds of thousands of miles of transmission lines, pipelines, and rail lines connecting to thousands of major energy facilities—remain vulnerable. It is in this context that federal leaders will face difficult choices on how the nation can meet its energy needs in the near term, and daunting strategic decisions about how the federal government can best aid in a thoughtful transition to the energy systems that will meet the country's needs in the 21st century.

More than ever, the country's lands and waters are under increasing stress. This is evidenced by rapidly dwindling open spaces, declining biodiversity, depleted aquifers, and collapsing fisheries—the unintended consequences of economic growth and the need to sustain the lifestyle of a growing population. Reconciling and balancing the demands of often competing objectives—economic growth for today versus natural resource protection for the future—is a major challenge facing the American public and its elected leaders. The heated debate on possible future oil development in the Arctic National Wildlife Refuge in Alaska presents this issue in microcosm. In this case, the issue pertains to the use of federal lands, which constitute about 30 percent of the country's total land surface, but similar controversies exist over privately held lands affected by federal law and regulations. The use of the nation's waters presents equally sobering challenges, as pollutants and overfishing rapidly threaten coral reefs and deplete offshore fisheries, while competition over rights to freshwater supplies grows among various interests, such as agriculture, communities,

utilities, wildlife, and recreational users. Even under normal conditions, water managers in 36 states expect water shortages to occur within the next 10 years. If such shortages actually occur, they could have severe economic, environmental, and social impacts.

The increasing globalization of natural resource issues also affects environmental protection matters, as seen in the federal government's discussions with other governments about climate change issues. Such discussions add a new layer of complexity to the already difficult question of how to sustain economic growth when the engines of that growth—factories, cars and trucks, fertilizers, and electricity-generating plants—often adversely affect air and water quality and can change climates in potentially catastrophic ways. Another factor in attaining federal air and water quality goals is that land use practices, often resulting in “urban sprawl,” are controlled mainly by local governments and private owners. Moreover, the federal government relies upon state and local governments for inspection and enforcement actions.

Because of the pervasiveness and mounting evidence of the effects of climate change and the potential consequences of human-induced climate change and response options, we are increasing the emphasis on climate change over the next few years. This increase in emphasis was overwhelmingly encouraged by the Comptroller General's Advisory Board. More than ever, decision makers in public and private sector organizations need reliable and readily understood information to make informed judgments and decisions. Over the past 15 years, the United States has invested heavily in scientific research, monitoring, data management, and assessment for climate change analyses to build a foundation of knowledge for decision making.

Also, significant challenges remain in cleaning up the country's hazardous and radioactive waste sites. Today, an estimated 60 million Americans live within 4 miles of a hazardous site, and radioactive waste from weapons production still needs to be cleaned up at Department of Energy sites in 13 states. These sites' continued existence poses not only potential health and

safety problems, but also fiscal and economic problems. Delayed cleanup results in higher price tags for eventual cleanup and stunted economic development in the affected communities. Potential terrorist attacks underline the need for steps to ensure the security of hazardous and radioactive materials during storage, transportation, and disposal.

Finally, the Congress continues to debate the direction of U.S. farm policy in areas such as subsidies and world trade, land conservation, and energy production efforts. Food safety and security lie at the forefront of concerns about the country's agricultural resources, an urgent matter given the potential for, and the consequences of, agricultural bioterrorism. Besides this troubling matter, a whole range of other food safety issues, while less ominous, nevertheless pose serious questions. These include questions about the adequacy of the government's devolution of food inspection authority and its efforts to implement a “farm-to-table” food safety approach. At the same time, a number of countries have raised concerns about the safety of U.S. genetically modified crops and foods—a matter of growing importance given the significant role that food exports play in the U.S. economy.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

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

Performance Goal 1.7.1

Assess the Nation's Ability to Ensure Reliable and Environmentally Sound Energy for Current and Future Generations

As we reported to the Congress and the American people as part of our 21st century challenges report, the United States faces monumental challenges in the energy sector. The nation's public and private sector leaders face choices that may well affect its economy, environment, national security, and way of life for generations.

In the near term, today's tighter energy markets and global energy trends present a national challenge to assess U.S. energy security while keeping the U.S. economy humming and its way of life unchanged. Because there is little additional supply immediately available in some markets, the country faces the risk that an unanticipated disruption in supply or unforeseen increase in demand can produce sharply higher prices or interrupt service to businesses and consumers. Rising prices present difficult choices to many U.S. industries now facing international competition from companies that have access to cheaper energy. Closer to home, rising prices for natural gas and electricity can also present difficult budgetary choices for some of the most vulnerable citizens, many of whom must decide if they should heat and cool their homes or purchase food, medicine, or other basic necessities. In tight market conditions it is especially important to ensure that markets are sufficiently well structured to provide clear price signals. Providing these signals allows consumers to reduce demand when it is efficient for them to do so, thereby potentially lowering the extent of price spikes and minimizing interruptions in service. Moreover, these signals also serve to motivate suppliers (traditional and alternative) to

bring additional supplies or new technologies to markets. Under today's conditions, the Congress and regulators must remain active and vigilant in their respective oversight roles to identify, correct, and punish behavior that threatens public confidence.

Beyond these near-term concerns, the country may face the need to begin to alter its energy supply base to make it more sustainable. Clearly, some of the country's most vital traditional energy sources are becoming significantly more expensive and periodically more difficult to obtain when needed. Coupled with increasing long-term environmental health and global warming concerns, these factors raise questions about whether the United States should consider other options. It may soon be necessary to contemplate a long-term shift that would develop cutting-edge technologies that could use traditional fuel sources (such as clean coal and advanced nuclear power); reduce energy demand; use other sources of energy, perhaps including a greater share of renewable energy; or a combination of these actions. Although private companies will remain primarily responsible for producing energy, the President, the Congress, and other national leaders will have a great deal of influence on balancing the nation's portfolio of traditional and alternative sources of energy. Because energy remains vital to the health of the U.S. economy and way of life, the decades ahead require critical policy and investment choices to create an energy system that meets the changing needs of all Americans.

Key Efforts

- ➡ Evaluate short-, medium-, and long-term efforts to maintain an adequate balance between energy supply and demand, including assessing (1) the trade-offs between increasing the availability of traditional energy sources (e.g., oil, natural gas, coal, nuclear, and hydroelectric) and developing viable alternative energy sources (e.g., solar, wind, hydrogen, and ethanol) and (2) proposed actions to reduce demand by using energy more efficiently or conserving energy
- ➡ Evaluate federal investments in emerging energy supply options (e.g., new generation nuclear power plants, fuels such as hydrogen and ethanol, and energy conversion technologies such as photovoltaic solar cells) and in demand-reducing technologies
- ➡ Analyze trading and selling practices in national and international energy markets; federal oversight of these markets; and factors contributing to the periodic price spikes and increases, including the identification of federal actions that could reduce their frequency and impact
- ➡ Assess energy security plans and other efforts to protect the nation's energy infrastructure from terrorism and other sources of disruption and assess the need for additional investment in the vast national energy infrastructure to improve systemwide capacity and explore private investment
- ➡ Evaluate the role of federal power providers (e.g., Tennessee Valley Authority and Bonneville Power Administration) in light of the shift toward competition and identify potential risks that operating in a competitive market may pose to the federal treasury
- ➡ Analyze management performance at the Department of Energy, Federal Energy Regulatory Commission, and Nuclear Regulatory Commission

Potential Outcomes

- ➡ Congressional consideration of the full range of realistic projections of supply options with information on the benefits and costs of alternative actions, such as demand reduction
- ➡ Congressional consideration of innovative alternatives to escalating production and consuming greater amounts of energy
- ➡ A more informed debate on alternative energy paths, including a better understanding of related environmental effects
- ➡ More informed congressional funding decisions resulting in effective research spending, more efficient energy use, and budgetary savings
- ➡ Greater congressional awareness of how energy market concentration affects the consumer market and of the effectiveness of federal incentives, such as energy tax credits
- ➡ Improved congressional understanding of transitional issues in restructuring energy markets (such as electricity), market design and monitoring (including balanced rules and enforcement), and implications for the role of federal power marketing administrations
- ➡ Improved security of the nation's energy supplies against terrorism and other threats in areas such as the Strategic Petroleum Reserve, the nation's energy grid, commercial nuclear power plants, and other energy and related infrastructure
- ➡ Improved federal and private market structures, incentives, and standards to encourage necessary enhancements and modernization of U.S. energy infrastructure
- ➡ Improvements in the Department of Energy's, the Federal Energy Regulatory Commission's, and the Nuclear Regulatory Commission's organization, human capital, and management processes

Performance Goal 1.7.2

Assess Federal Strategies for Managing Land and Water Resources in a Sustainable Fashion for Multiple Uses

For many years, federal policies over land and water resources have been the subject of sometimes-bitter conflict. While most land in the United States is privately owned, the resources owned and managed by the federal government are vast. Specifically, these resources include over 650 million acres of land, or 30 percent of the nation's total land surface; over 700 million acres of mineral estate that underlie both federal and other surface ownerships; about 1.75 billion acres of the Outer Continental Shelf; and fisheries extending up to 200 miles offshore. In 2002, the estimated market value of production occurring on public lands was nearly \$12.5 billion, and the direct and indirect economic effect of all commercial activities amounted to over \$27 billion. Federal laws also affect activities on some private lands by protecting wetlands or protecting threatened or endangered species.

The inherent conflict over federal land use policies has been, first, over which of the current competing needs and uses for resources on federal lands should be addressed and, second, over whether to use resources today or to preserve and sustain them for future generations. Achieving a

balance among these forces remains a constant struggle. Amid this conflict along with competing budgetary demands, the nation's land and water resources are showing increasing signs of stress—more catastrophic wildfires, shrinking aquifers, an accelerating rate of extinction of plants and wildlife, destruction of wildlife habitats, and the collapse of many fisheries. In this regard, there are increasing signs that the nation is on an unsustainable ecological path, potentially leaving future generations to face an increasingly impoverished natural environment. Moreover, the risk of terrorist attacks has heightened the need to protect critical natural resource systems not only from natural disasters or negligence, but also from acts to intentionally damage those resources or use them in assaults against the nation's security. In this context of competing demands and security considerations, policymakers will need objective, nonideological information to make rational policy choices and ensure that federal taxpayers benefit from the use of natural resources. How the nation addresses these challenges today will profoundly affect the viability of its natural resources, and the well-being of the public, for generations to come.

Key Efforts

- ➡ Evaluate federal land and water management agencies' progress in coordinating activities, addressing resource issues, and protecting critical environmental and natural resource systems from misuse, negligence, or intentionally harmful acts
- ➡ Review federal land management agencies' efforts to develop and implement a strategy to reduce wildfires on federal lands
- ➡ Assess federal land management agencies' operational and maintenance needs at national parks, forests, and other facilities
- ➡ Analyze federal efforts to identify and use various sources of revenue to manage federal lands and obtain a fair market value for federal land use, while balancing consumption, conservation, environmental, and recreational needs
- ➡ Assess federal efforts to manage and restore the nation's rivers, oceans, and marine environments in a way that is cost-effective and balances resource protection with consumption and conservation needs
- ➡ Evaluate the federal government's efforts to clarify its relationship with, and meet its responsibilities to, Native Americans and Alaska Natives
- ➡ Analyze federal agencies' efforts to protect threatened and endangered species on federal and nonfederal lands and in bodies of water
- ➡ Analyze the adequacy of the land and water resource agencies' organization, human capital, and management processes for supporting the agencies' operations

Potential Outcomes

- ➡ More efficient and effective resource management to better protect the nation's land and water resources and the surrounding environment
- ➡ Congressional action on charges for the use of federal resources to facilitate a move toward greater self-sufficiency by the parks, forests, and other entities and to ensure a fair return for the use of public resources
- ➡ Governmental steps to better balance production, revenue generation, and conservation of natural resources
- ➡ Clearer understanding of the government-to-government relationship between the federal government and Native Americans and Alaska Natives and of ways to improve programs promoting Indian self-determination and self-sufficiency
- ➡ An improved understanding of the political, financial, scientific, and social issues associated with species protection efforts to inform the debate on reauthorizing the Endangered Species Act
- ➡ Improvements in natural resources agencies' organization, human capital, and management

Performance Goal 1.7.3

Assess Environmental Protection Strategies and Programs

Americans have long placed a high value on protecting the environment and human health, especially for particularly susceptible groups, such as children and the elderly. During the last three decades, the nation has worked hard to limit the quantities of pollutants that degrade the nation's air, surface and ground waters, and land. The Environmental Protection Agency has estimated that pollution control expenditures by all sectors from 1972 through 2000 totaled approximately \$2 trillion. Such efforts have yielded impressive results; for example, aggregate emissions of the six principal air pollutants have declined by 25 percent since 1970, and virtually all discharges to the nation's waters from point sources are now controlled. Also, the Congress increased funding for climate change by 55 percent (after adjusting for inflation) from 1993 to 2004. Most of this funding has been aimed at researching and developing new technologies to reduce emissions or to increase energy efficiency and to better understand climate change science.

However, serious problems remain. Urban areas housing millions of Americans still fail to meet air quality standards, particularly during summertime high-ozone periods, and acid rain continues to degrade forests, lakes, and streams, with attendant effects on many wildlife species. An estimated 20,000 impaired water bodies, including parts of such national treasures as the Chesapeake Bay and the Great Lakes, still do not meet quality standards. Improving their status will require addressing heretofore little-regulated nonpoint pollution sources, such as agricultural, suburban, and urban runoff. Furthermore, drinking water systems will be hard pressed to meet more stringent standards and address heightened security concerns. Many federal facilities do not fully comply with a number of environmental standards. An increasing number of experts believe that climate change poses a threat to the U.S. economy and environment. Moreover, it is difficult to determine when, and how, to best address emerging environmental threats that could involve considerable or irreparable damage, but for which there is currently imperfect information.

Several factors add complexity to the resolution of these issues. These factors include the following:

- decision-making systems that do not effectively integrate attainment of environmental goals with land use, transportation, energy supply choices, and economic development;
- economic and technological changes that affect the mix of pollutants emitted as well as the ability and cost to monitor and control emissions;
- the difficulty in balancing consistent application of environmental laws with flexibility for states to exceed or adapt federal standards to their own needs;
- escalating concerns about environmental justice and its implications on licensing major pollution sources and on selecting sites and issuing permits for waste disposal facilities;
- the looming demand for billions of dollars over the next decade to replace, rehabilitate, and expand the aging sewage treatment plants necessary for meeting drinking water and surface water quality standards;
- the transboundary nature of many pollutants with global effects that require international solutions; and
- the lack of comprehensive, integrated, quantifiable environmental data with which to measure the success or failure of alternative strategies.

In addition, there is interest in alternatives to traditional regulatory programs, such as those that employ pollutant trading or other market-based mechanisms or place greater control in the hands of state or local authorities. During the next few years, the Congress will be called upon to address these challenges as it evaluates the implementation of, and potential changes to, the major pollution control statutes, including the Clean Air, Clean Water, and Safe Drinking Water acts. The Congress has also shown an interest in introducing climate change-related legislation.

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Key Efforts

- ➡ Evaluate current and alternative strategies to improve the quality of the nation's air
- ➡ Assess current and alternative approaches for improving the quality of the nation's surface and ground waters
- ➡ Examine strategies for ensuring safe drinking water and wastewater treatment for all Americans, including protection from security threats and breaches
- ➡ Assess approaches for controlling the harmful effects of pesticides and toxic substances, and efforts to protect critical environmental and health-related infrastructure from security threats and breaches
- ➡ Examine the full implications of climate change for the nation (including its effects on the nation's natural environment, its economy, and its fiscal health), and assess proposals to address this issue including strategies for research, emissions reduction, and adaptation to a changing environment
- ➡ Assess the use of indicators, science-based information, and other data to measure environmental performance, and evaluate alternative and innovative environmental protection approaches
- ➡ Analyze the organization, human capital, and management processes for supporting efficient and effective environmental protection

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Potential Outcomes

- ➡ Congressional use of information, analyses, and recommendations in amending key statutes, including the Clean Air, Clean Water, and Safe Drinking Water acts
- ➡ Improved understanding of the science of climate change and the implications of a changing climate for the U.S. economy, natural resources, and human health
- ➡ More efficient administration of existing statutes, including alternative regulatory approaches for controlling air and water pollution and cleaning up waste
- ➡ Increased information on the efficiency and effectiveness with which the Environmental Protection Agency and the states are spending the billions in federal appropriations targeted for environmental infrastructure
- ➡ Congressional action to improve the efficiency and effectiveness of environmental programs
- ➡ Improvements in programs to control pollutants in drinking water and in wastewater discharges
- ➡ Enhanced efficiency and effectiveness of environmental protection, organization, human capital, and management processes

Performance Goal 1.7.4

Assess Efforts to Reduce the Threats Posed by Hazardous and Nuclear Wastes

Hazardous and nuclear wastes can cause serious environmental damage lasting decades or even centuries. The problems associated with the containment and cleanup of these wastes pose major financial and management challenges to the United States that will continue well into the 21st century. Past practices have allowed health-threatening substances to seep into the land and water at thousands of federally and privately owned sites. Such seepages threaten public health and quality of life nationwide. The federal government spends almost \$10 billion annually to address health and environmental threats from Superfund and other private hazardous waste sites, remove and dispose of nuclear wastes from federal nuclear weapons facilities, and clean up hazardous waste at active and formerly used defense facilities. Such activities could ultimately cost the federal government over \$300 billion and the private sector hundreds of billions more.

Sound management practices are needed to prioritize and hasten cleanups, control costs, and

develop innovative technologies. Cleanup and disposal decisions must also take into account governance issues, such as the rights of states and local communities to control land uses within their borders, and also fiscal issues, such as the need to assess the economic trade-offs between completely cleaning up a contaminated property for reuse or simply restricting future access without complete cleanup. Moreover, terrorist activities have resulted in states and localities facing a new urgency to protect their citizens from dangers associated with the transport and storage of hazardous and nuclear wastes. Globally, other countries face similar concerns and decisions, and Russia has proposed to store nuclear wastes from other countries. Whether deliberating policy options, reauthorizing key statutes, or annually appropriating funds to the various federal cleanup activities, the Congress needs accurate information on the scope of the problem, the effectiveness of existing programs and activities, and the pros and cons of potential alternatives.

Key Efforts

- ➡ Assess progress in, and potentially less costly alternatives for, identifying, transporting, cleaning up, and disposing of nuclear, ordnance, and other hazardous waste resulting from federal activities
- ➡ Evaluate current and alternative strategies for cleaning up abandoned Superfund and other private sector hazardous waste sites and responding to emergency contamination releases
- ➡ Assess federal, state, and private sector progress and performance in finding and developing environmentally acceptable sites on which to build essential waste disposal facilities
- ➡ Analyze the adequacy of waste cleanup agencies' organization, human capital, and management processes for supporting efficient and effective operations

Potential Outcomes

- ➡ Improved and potentially less costly handling of nuclear, ordnance, and other hazardous waste related to federal activities
- ➡ More efficient and effective cleanup of abandoned Superfund and other private hazardous waste sites and responses to emergency contaminations
- ➡ A more informed discussion of federal, state, and private options for environmentally acceptable waste disposal sites
- ➡ More effective and efficient management of cleanup activities by responsible federal agencies, including DOD, the Department of Energy, and the Environmental Protection Agency

Performance Goal 1.7.5

Assess Federal Programs' Ability to Ensure a Plentiful and Safe Food Supply, Provide Economic Security for Farmers, and Minimize Agricultural Environmental Damage

The Department of Agriculture farm assistance programs and federal food safety oversight play a critical role in ensuring an abundant, affordable, and safe food supply. In fiscal year 2005, the Department of Agriculture spent about \$23 billion on a variety of farm assistance programs, including farm loan, price support, disaster assistance, land conservation, and environmental programs. Although many argue that federal support of farmers is necessary to ensure a plentiful and affordable food supply now and in the future, others question the effect, relevance, and costs of these programs given that most farm assistance goes increasingly to a relatively few large entities. The most recent Farm Bill also places increased emphasis on conserving the land, reducing agriculture's impact on water quality, and promoting renewable energy production on agricultural land. However, questions remain as to how the United States can continue supporting a viable agricultural sector while still meeting its trade agreement commitments. For example, as a member of the World Trade Organization, the United States has committed to eliminating export subsidies and reducing tariffs and trade-distorting domestic support. In addition, the Department of Agriculture's ability to deliver farm program assistance continues to be plagued by inefficiencies in its organizational structure and management processes and allegations of racial discrimination in serving farmers. In 2007, the Congress will have the opportunity to address many of these issues through reauthorization of the Farm Bill.

The Department of Agriculture, the Food and Drug Administration, and other federal agencies have shared responsibilities for ensuring the safety and security of the U.S. food supply.

Although the food supply is generally considered safe, food-borne illnesses continue to threaten the nation's health and tax its medical system. Experts estimate that food-borne pathogens cause 76 million cases of gastrointestinal illnesses, 325,000 hospitalizations, and 5,000 deaths annually. Furthermore, illnesses from just the five principal food-borne pathogens cost about \$7 billion in medical expenses and productivity losses each year. Additionally, an outbreak of some animal diseases, such as mad cow disease, can rapidly bring economic havoc to segments of the U.S. farm economy.

While the federal government distributes over \$1 billion annually to its various agencies to reduce the health and economic consequences of food-borne illnesses, regulatory agencies, in varying degrees, are transitioning to new science-based regulatory strategies that place increasing responsibility on industry for identifying and controlling risks in the production processes. Although better than the existing outmoded process of preventing food-borne illnesses, these science-based strategies address only a segment of the food production and distribution continuum, and their implementation is inconsistent across the food supply. In addition, scientific and technical advances in producing food, such as the development of genetically modified foods, place additional responsibilities on the federal food safety agencies. Furthermore, recent events have heightened the awareness that threats to the food supply are a component of terrorism and present new challenges to an already burdened system. Consequently, a new "farm-to-table" approach for food safety and security—one that starts with growers and extends to retailers—is needed to ensure that the full spectrum of food production is safeguarded.

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Key Efforts

- ➡ Evaluate the effectiveness, budgetary consequences, and international trade implications of federal programs designed to aid farmers in times of declining global crop prices or domestic production and compensate farmers for crop losses
- ➡ Evaluate the outcomes and costs of federal programs designed to minimize the adverse land use and environmental effects of agricultural practices and to promote renewable energy production on agricultural land
- ➡ Evaluate federal programs' ability to ensure a safe and wholesome food supply across the full spectrum of food production from the farm to the table, including imported foods, and to guard against agroterrorism and infectious disease
- ➡ Analyze the adequacy of the Department of Agriculture's organization, human capital, and management processes for supporting efficient and effective operations

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Potential Outcomes

- ➡ Improvements in the cost-effectiveness of the safety net for farmers (farm loan, price support, and disaster assistance programs)
- ➡ More effective conservation and agricultural programs designed to conserve the land, enhance the environment, and promote renewable energy development
- ➡ Better understanding of how to integrate farm program assistance with commitments made under agricultural trade agreements in order to ensure a growing share of global food markets for American farmers and food industries
- ➡ Enhanced efforts to address agricultural terrorism and threats from invasive pests and diseases, such as foot and mouth disease and avian influenza—"bird flu"
- ➡ Enhanced effectiveness of federal food safety programs in addressing safety issues arising from a global food marketplace, changing regulatory approaches, and the threat of terrorism
- ➡ Improvements in federal food safety agencies' actions to evaluate and regulate the safety of new technologies, such as genetically modified foods
- ➡ Improved Department of Agriculture organization, human capital, budgetary, and management processes

Strategic Objective 1.8

A Safe, Secure, and Effective National Physical Infrastructure



Source: See Image Sources.

The nation's economic vitality and the quality of life of its citizens depend significantly on the soundness, security, and availability of its physical infrastructure. Transportation and telecommunications systems, for instance, provide the superstructure for the nation's economic engine, facilitating the movement of people, goods, and information. The nation faces major challenges in improving both efficiency and safety in the movement of people and goods. The nation relies heavily on its postal system for efficient mail delivery service. And thousands of federal facilities house and support staff and the other assets needed to provide services to the American people.

In both the short and long term, the nation faces important infrastructure challenges as federal, state, and local governments confront new demands brought on by changes in national security, demographics, technology, and lifestyles. The challenges are complex, cutting across many interrelated issues, and require coordinated intergovernmental responses. For example, the nation's commercial passenger airlines, which were experiencing financial difficulties even before the September 11 terrorist attacks, have experienced unprecedented financial losses stemming from reduced air travel, raising debate over the appropriate federal response. Also, long-term trends indicate that increasing numbers of motorists are encountering increasingly congested highways, while bottlenecks have escalated for freight transportation at intermodal connection points.

Suburban growth has raised demands for new roads, water and sewer systems, and access to telecommunications. At the same time, existing communities are demanding that the environment and their citizens' quality of life not be harmed by this growth.

The cost of maintaining and modernizing its infrastructure is only one concern of a U.S. Postal Service that faces growing financial, operational, and human capital challenges. In addition, the deregulated transportation and telecommunications industries require continuous oversight to help ensure that firms compete on a level playing field

and that consumers receive the intended benefits of deregulation.

The responses of the federal government and other levels of government to these infrastructure challenges will have important consequences for the nation's future because of their effects on the quality of life and their significant costs. With the return to large federal deficits, decision makers will be faced with difficult choices on how to allocate funding among infrastructure needs and other demands in an increasingly tight budget environment. Given limited resources, decision makers must choose investments that promise to be most cost-effective and targeted to address national infrastructure needs. These choices must be supported by credible data on needs and costs, performance information and measures highlighting outcomes from existing programs, and a budget process prompting a more explicit focus on investment spending across agencies.

It is therefore essential for government at all levels to have the information needed to make well-informed decisions about how to allocate funds among competing priorities, evaluate the challenges to determine which solutions are most cost-effective, and implement these solutions as efficiently and effectively as possible.

To support efforts by the Congress and the federal government to address these efforts, we will use the following performance goals:

- 1.8.1 assess strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's transportation infrastructure challenges;
- 1.8.2 assess the impact of transportation and telecommunications policies and practices on competition and consumers;
- 1.8.3 assess the federal government's role in fostering and overseeing telecommunications in the public interest;
- 1.8.4 assess efforts to improve safety in moving people and goods across the nation's transportation system;

1.8.5 assess the U.S. Postal Service's transformation efforts to ensure its viability and accomplish its mission; and

1.8.6 assess federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets.

Performance Goal 1.8.1

Assess Strategies for Identifying, Evaluating, Prioritizing, Financing, and Implementing Integrated Solutions to the Nation's Transportation Infrastructure Challenges

An integrated and efficient transportation system is critically important to the well-being and financial security of the American people. The nation's highways and transit systems move people to and from home, work, school, shopping, and recreation. Highways and railroads help move raw materials to plants and finished products to the marketplace. Airports and airlines facilitate the rapid movement of people about the nation and the globe for business and pleasure. Ports, which now account for 95 percent of the overseas freight tonnage, are a crucial link in the rapidly increasing flow of goods to and from our nation's overseas trading partners. The federal government already invests heavily in transportation—for example, in 2002, it invested \$32.8 billion for highways and \$6.3 billion for transit systems. However, federal, state, and local decision makers face daunting challenges in meeting the public's expectations for every transportation mode—highway, transit, aviation, rail, and ship. The Department of Transportation estimates that nearly \$143 billion per year could be needed over 20 years from federal and nonfederal entities to maintain and improve the nation's roads, bridges, and transit systems. On the nation's highways alone, travel time—an indicator of congestion—increased sharply in the last decade. Similarly, air traffic is increasing and changing, and the Federal Aviation Administration is working both to modernize the current ground-based air traffic control system and to transition to the next generation of satellite-based air traffic control systems. The Federal Aviation Administration estimates that this air traffic modernization effort, which we have designated as a high-risk area, could cost \$32 billion. The current authorization for the Federal Aviation Administration and its principal source of funding, the Airport and Airway Trust Fund, is due to expire on September 30, 2007. Any policy decisions that the Congress makes concerning reauthorization will be framed by structural changes in the aviation industry and by external events that have affected revenues flowing into and out of the trust fund. The capacity of ports to handle increasing freight

volumes from China and other trading partners is dwindling, and billions will be required to expand existing ports or build new ones. Creative mechanisms, including federal incentives to spur private sector participation, will be needed to finance such expansion. The role of intercity passenger rail also continues to be questioned. While freight railroads are experiencing increasing congestion, particularly at intermodal connection points, intercity passenger rail carries about 0.5 percent of the nation's intercity travelers. According to Amtrak, about \$1.7 billion in average annual federal assistance will be needed to stabilize the railroad and bring the infrastructure to a state of good repair.

At present, no national strategy exists to integrate these modes of transportation into a system that is more than the sum of its parts. Taking steps to break down the modal stovepipes within which funding decisions are currently made could lead to considering a variety of alternatives when deciding which mode or combination of modes will best achieve a specific transportation objective. In addition, revenue generated for federal highway and transit programs is not keeping pace with planned spending. As federal, state, and local decision makers face competing demands for scarce funds, the Congress will look to us and others to understand the costs and benefits of potential investments, search for and apply best practices, and consider innovative and efficient financing alternatives to ensure that federal expenditures maximize the nation's mobility benefits. Recent authorizing legislation—Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users—recognizes the problem of funding transportation needs and includes provisions to address these issues. Specifically, the legislation requires the creation of a National Surface Transportation Infrastructure Financing Commission to review the current conditions and future needs of the surface transportation system and identify potential funding to meet such needs.

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Key Efforts

- ➡ Assess national approaches and best practices to address challenges to promoting mobility and establish a framework for an integrated, multimodal transportation system to sustain economic growth
- ➡ Evaluate federal management and oversight of infrastructure investments, including efforts to control costs, enhance performance, and make more effective use of existing infrastructure
- ➡ Identify opportunities for increased efficiency and equity in financing strategies for funding infrastructure projects and improvements, including opportunities to optimize state, local, regional, and private roles in, and accountability for, investments of public funds

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Potential Outcomes

- ➡ Sound management and investment decisions that enhance mobility, improve infrastructure conditions, and balance the costs and benefits of diverse strategies for investments in infrastructure
- ➡ More informed decisions that consider the potential interrelationships of all modes of transportation when planning for an integrated transportation system, and better decisions by federal, state, and local governments in planning, prioritizing, and implementing new infrastructure investments and technology solutions
- ➡ More sustainable infrastructure project financing; better leveraging of federal, state, local, and private funds; and more efficient infrastructure use

Performance Goal 1.8.2

Assess the Impact of Transportation and Telecommunications Policies and Practices on Competition and Consumers

The various modes of transportation and the telecommunications industry provide networks to move people, cargo, and information around the country and abroad. These networks directly contributed over \$600 billion to the nation's GDP in 2000. These industries are subject to varying degrees and types of regulation but generally are free to develop products, establish prices, and otherwise compete for business in the commercial marketplace. As these industries have changed over time, concerns have arisen about whether the existing policies, procedures, and organizational structures are adequate to address certain consumer and industry needs. For example, the globalization of markets and ease of global communication have made harmonizing standards more critical now than in the past.

Recent consolidation across the telecommunications and transportation industries has raised concerns in the Congress and elsewhere about the existence of a level playing field and the ability of competition to act as a natural control over prices in the future, as

well as about the effect of financial instability on pension plans. In reaction to the mergers of major telecommunications companies, the Department of Justice proposed forced divestitures of certain key pieces of the companies' infrastructures. We are examining how competition has changed in some of these high-capacity telecommunications services. The Congress also looks to us and others to determine whether competition has developed sufficiently to ensure that new telecommunications technologies are introduced and lower costs are passed on to consumers. Increasingly, the globalization of the economy also brings the practices and policies of foreign entities to bear on U.S. providers of transportation and telecommunications services. Since 2000, four major U.S. network airlines have declared bankruptcy, and two of those terminated their defined benefit pension plans, forcing the Pension Benefit Guaranty Corporation to assume nearly \$9.7 billion (in 2005 dollars) in unfunded liabilities.

Key Efforts

- ➡ Determine the effects of government organization, policies, and practices and private market forces on the status of competition and the ability to provide affordable and accessible services in the transportation and telecommunications industries
- ➡ Assess whether federal and state programs and regulations adequately protect consumers and communities from anticompetitive, abusive, and unfair business practices
- ➡ Assess U.S. policies and management approaches in supporting the competitiveness, financial health, and performance of the transportation and telecommunications industries in light of increased globalization and emerging technologies
- ➡ Assess U.S. policies planned to address increasing congestion and changing needs in all transportation modes

Potential Outcomes

- ➡ A more informed congressional assessment of U.S. policies affecting the level of competition in the transportation and telecommunications industries
- ➡ Improvements in consumer protection, enforcement of existing requirements, and prevention of abusive and unfair practices
- ➡ More informed congressional decisions on the appropriate role and organization of regulatory bodies, including their interaction with relevant state and international regulatory organizations
- ➡ A more informed congressional assessment of technological developments, market factors, and resource utilization issues in the telecommunications sector, including efforts to accommodate the rapidly growing consumer demand for advanced wireless communications services
- ➡ A more informed congressional assessment of the nation's global competitive position in transportation and telecommunications and efforts to accommodate expected growth in demand

Performance Goal 1.8.3

Assess the Federal Government's Role in Fostering and Overseeing Telecommunications in the Public Interest

Faster than ever before, technology is changing how Americans communicate, conduct business, and educate themselves. The rapid growth of the Internet and mobile phone service is unmatched by any other telecommunications technology—whether telephone, radio, or television. From 1997 through 2005, for instance, the U.S. wireless industry's estimated subscribership level jumped from about 55 million subscribers to nearly 208 million, with annual service revenues increasing from about \$27.5 billion to over \$113.5 billion.

Demand for radio-frequency spectrum, which is used to provide an array of wireless communications services, has exploded over the past several decades. This demand will persist as the private sector continues to introduce new technologies and services and as new needs unfold among government users, including wireless communications critical for public safety officials responding to natural and man-made disasters. As a result, nearly all parties are becoming increasingly concerned about the availability of spectrum for future needs because most of the usable spectrum in the United States has already been allocated to existing services and users. Many parties believe that spectrum management reform is essential to meeting the growing and unpredictable demand for spectrum. Broadband technology—which can bring high-speed voice, video, and data services to businesses, schools, and homes—also has potential to transform

Americans' lives even more fundamentally. However, with such innovations come questions about the adequacy of the laws, regulations, and practices that have guided federal involvement in fostering and overseeing telecommunications in the public interest since the 1930s. Take, for example, the federal government's multibillion-dollar "universal service" program to support affordable basic telephone service to rural and low-income Americans. There is disagreement over whether this program should be expanded to include affordable access to the Internet and broadband services in order to avoid having a nation of "haves and have nots" for advanced telecommunications services.

As wireless communications services continue to grow, the nation must decide how the government should apportion the limited technical resources available to support operations, such as orbital slots for communications satellites and radio frequencies for mobile communications. Also, the Federal Communications Commission needs to keep pace with requirements to reexamine and redefine the regulatory framework as new services emerge that do not easily fit into current policies and practices and as the competitive landscape of the industry changes through consolidation. Addressing these and other challenging issues has become an intense concern for both the Federal Communications Commission and the Congress as they consider regulatory and legislative options for fostering and overseeing telecommunications.

Key Efforts

- ➔ Assess the federal universal service program in promoting the availability and affordability of basic and advanced telecommunications services to all Americans
- ➔ Assess the effectiveness of key federal agencies in managing the technical resources needed to meet the growing demand for telecommunications services by government and commercial users
- ➔ Assess the ability of the Federal Communications Commission to respond to and resolve legal, regulatory, capacity, and policy issues that affect how the commercial telecommunications industry can develop and operate

Potential Outcomes

- ➔ Strengthened effectiveness and long-term viability for the federal universal service program
- ➔ An improved legislative and regulatory framework for managing the radio-frequency spectrum
- ➔ More informed federal decision making to facilitate the availability and deployment of modern telecommunications infrastructure

Performance Goal 1.8.4

Assess Efforts to Improve Safety in Moving People and Goods across the Nation's Transportation System

Ensuring the safe movement of people and goods on the nation's transportation infrastructure is a top priority for the Department of Transportation. Recent legislation to reauthorize federal surface transportation programs significantly increased federal funding authorized for highway safety programs; however, our work has raised concerns about the performance and accountability of some of these programs. A number of other federal authorizations are scheduled to expire within the next 2 years. As a result, starting in fiscal year 2006, the Congress will begin considering how to fund these agencies in the 21st century. The Federal Aviation Administration is likely to submit a proposal that requests significant changes to its current tax-based funding system. The Congress will also be considering reauthorizing federal pipeline safety programs and the National Transportation Safety Board.

Despite considerable federal investment and oversight, transportation accidents continue to exact a horrific toll on our nation's citizens. Each year, 45,000 people are killed and another 3.2 million are injured in all modes of transportation. The vast majority of these

deaths and injuries (about 42,000 and 3.1 million, respectively) occur on our nation's highways, with traffic accidents being the leading cause of death for people aged 4 through 34. In addition, about 12,000 people are killed or injured each year in rail accidents, as are another 1,200 in commercial and general aviation accidents. To support the U.S. economy and allow it to grow and prosper, the nation relies on the safe movement of people and goods. For example, on a typical day in the United States in 2002 (latest data available), about 53 million tons of goods valued at about \$36 billion moved nearly 12 billion ton-miles on the nation's multimodal transportation network. This freight movement is expected to increase by 70 percent by 2020, while the national airspace system is projected to grow threefold by 2025. This growth will likely result in larger numbers of deaths and injuries unless transportation safety can be markedly improved. The National Transportation Safety Board's use of available technology to investigate the causes of accidents—a topic we are reviewing—is one means of obtaining information that can be used to help prevent future transportation-related accidents.

Key Efforts

- ➔ Examine the federal oversight, guidance, and regulations that guide federal, state, and local governments' and private organizations' efforts to ensure that the American public and its goods travel as safely as possible
- ➔ Examine how state, local, and private organizations are using the billions of dollars provided by the federal government to address important transportation safety issues and determine whether efforts have been made to assess the effectiveness of these activities
- ➔ Assess federal research, development, and demonstration efforts to use advances in technology to cost effectively improve the safety of the nation's transportation system

Potential Outcomes

- ➔ Improved use of billions of dollars in federal funding and state matching funds, leading to reduced deaths, injuries, and property damage
- ➔ Enhanced federal oversight and regulation of actions taken by state, local, and private organizations to improve aviation, highway, rail, and pipeline safety
- ➔ Improved information available to the Congress when it considers legislation to reauthorize safety programs and organizations with transportation safety missions
- ➔ A better understanding of the causes of transportation-related accidents, injuries, and fatalities and their related societal cost to aid the Congress and the Department of Transportation in implementing potential solutions
- ➔ Improved federal program administration directed at finding new technologies and adopting new solutions for increasing the safety of people and goods on the transportation system

Performance Goal 1.8.5

Assess the U.S. Postal Service's Transformation Efforts to Ensure Its Viability and Accomplish Its Mission

In April 2001, we designated the U.S. Postal Service's transformation and long-term outlook as a high-risk area because the service's financial outlook had deteriorated significantly and it had no comprehensive plan to address its financial, operational, or human capital challenges. We concluded that the need for a comprehensive transformation of the service was more urgent than ever and called for the Congress to act on comprehensive postal reform legislation. Since then, the U.S. Postal Service developed a transformation plan to guide its ongoing efforts related to implementing initiatives included in its plan. Further, in December 2006, the Congress enacted comprehensive postal reform legislation to provide a framework for modernizing the U.S. Postal Service's rate-setting processes and strengthening regulatory oversight and financial transparency. Thus, in January 2007, we removed the U.S. Postal Service's transformation and long-term outlook from our high-risk list. However, the U.S. Postal Service continues to face major challenges from changes in technology and increasing competition that include

- generating sufficient revenues as the volume of First-Class mail declines and the mail mix changes, with volume growth primarily in lower-contribution mail;
- controlling costs while maintaining high-quality universal services;
- optimizing retail and mail processing infrastructure to reduce costs and improve efficiency;
- managing workforce changes related to retirements and operational changes; and
- providing reliable data to assess performance.

The successful implementation of the postal reform law and the U.S. Postal Service's transformation plan will be critical to ensuring that the U.S. Postal Service can remain self-financing and continue to provide universal postal services at an affordable rate.

Key Efforts

- ➡ Evaluate the U.S. Postal Service's implementation of the postal reform law and its impact on the service's financial condition, outlook, and ability to meet its mission
- ➡ Assess the U.S. Postal Service's operational changes, transformation initiatives, and management of its real property assets to determine how the results achieved compare to intended goals, cost savings, and improved efficiencies
- ➡ Assess the effectiveness and transparency of the new regulatory oversight structure and reporting requirements implemented under the recently passed postal reform law
- ➡ Assess quality-of-service issues, including the adequacy of the U.S. Postal Service's information and how well it protects its customers and employees from potential hazards sent through the mail
- ➡ Evaluate the U.S. Postal Service's efforts to develop a performance-based workforce, including plans to restructure its workforce, address future retirements, improve incentive programs, and maintain market-based compensation

Potential Outcomes

- ➡ More informed congressional decision making on postal policy, reform, and oversight of progress in implementing postal reform law and addressing transformation challenges
- ➡ Improved oversight and transparency of the U.S. Postal Service's financial condition, costs, and performance results to ensure it meets customer obligations and remains self-sufficient
- ➡ Increased cost savings and efficiency of mail processing, transportation, and service delivery
- ➡ Improved protections for customers and employees from hazardous materials sent through the mail
- ➡ More effective implementation of human capital initiatives and programs

Performance Goal 1.8.6

Assess Federal Efforts to Plan for, Acquire, Manage, Maintain, Secure, and Dispose of the Government's Real Property Assets

More than 30 federal agencies, including DOD, VA, the General Services Administration, and the U.S. Postal Service, control about \$328 billion in real property assets worldwide and maintain buildings or offices in 11 regions across the nation. But these assets and organizational structures reflect a business model and the technological and transportation environment of the 1950s. Many of these assets and organizational structures are no longer needed; others are no longer effectively aligned with, or responsive to, agencies' changing missions; and many assets are in an alarming state of deterioration, potentially costing taxpayers tens of billions of dollars to maintain or restore. Federal agencies also face problems with their real property data and have come to rely too much on costly leasing instead of ownership to meet new space needs. Furthermore, the challenge of protecting facilities from the threat of terrorism is significant.

Since we designated this area as high risk in January 2003, the administration and executive branch agencies have initiated some important efforts to address these problems. For example, the President issued an executive order on real property reform, and real property management was added to the President's Management Agenda. The executive order is clearly a positive step. However, it has not been fully implemented, and further actions are necessary to address the underlying problems and related obstacles, including competing stakeholder interests in real property decisions and legal and budget-related disincentives to optimal, businesslike real property decisions. Realigning the government's real property, taking into consideration the government's future role, likely organizational structure, geographic presence, and workplace needs, will be critical to improving the government's performance and ensuring accountability within expected resource limits.

Key Efforts

- ➡ Assess the administration's efforts to take action governmentwide in response to GAO's designating federal real property as a high-risk area
- ➡ Assess the efforts of individual federal agencies to realign and restore federal real property assets to meet current and future mission needs and identify best practices and innovative asset management approaches that federal agencies are using or could pursue
- ➡ Assess the efforts of federal agencies to acquire or construct new facilities in a timely and cost-effective manner
- ➡ Assess the efforts of federal agencies to ensure that their facilities effectively and efficiently support the agencies' strategic planning, service-delivery, and mission accomplishment needs
- ➡ Assess the efforts of federal agencies to prepare for, prevent, detect, and respond to the consequences of terrorist attacks and other possible security breaches aimed at federal facilities and their occupants

Potential Outcomes

- ➡ Enhanced use of businesslike best practices, such as maintaining an accurate facility inventory, regular property condition assessments, public-private partnerships, and benchmarking, by agencies to acquire and manage real property
- ➡ Enhanced space quality, safety, and operational efficiency and effectiveness of federal facilities
- ➡ Improved efficiency and effectiveness in preparing for, deterring, detecting, and responding to terrorist and other threats to federal facilities and their occupants
- ➡ Savings through disposing of surplus real property and reducing reliance on costly leasing
- ➡ Improved reliability and availability of governmentwide data on the federal real property inventory



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

Our second strategic goal is to help the Congress and the federal government respond to changing security threats and the challenges of global interdependence. Our specific objectives are to support congressional and federal efforts to

- 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.

Responding to emerging threats to security has become increasingly challenging. The threats to national and international security and the means of attack have changed significantly in the post-Cold War era and even more since the September 11 terrorist attacks. Today, there is a greater likelihood of irregular threats, those more likely to involve dispersed, global terrorist networks. Adversaries are more likely to strike vulnerable civilian or military targets at home and overseas in nontraditional ways to avoid direct confrontation with U.S. military forces or their allies on the battlefield. Responding to today's threats requires new rules and new roles for all levels of government, best represented by the federal government's structural changes associated with creation of DHS and realignment of intelligence activities. Recent U.S. experience in dealing with natural disasters at home also gives new importance to the need for more effective planning, coordination, and response mechanisms

at the federal, state, and local government levels for responding to catastrophic events.

To ensure military capabilities and readiness against a broader array of security challenges than those faced in the past, transformation of U.S. forces is required. The transformation will require significant trade-offs in defense funding priorities in the future to meet pressing defense needs amid growing competition for resources across the government and the need to deal with growing fiscal imbalances and deficits. Moreover, the United States faces the challenge of transforming its military capabilities to maintain its technological edge while executing a global war on terrorism, recognizing that military power alone cannot respond to today's new threats.

Advancing and protecting U.S. international interests and responding to the impact of global market forces on U.S. economic and security interests has become more difficult as the world grows increasingly interconnected. The United States is facing increasing challenges and threats to its security and economy from sources that range from terrorism to regional conflicts to instability sparked by adverse economic conditions, corruption, ethnic hatred, nationalism, and disease. In today's environment, advancing and protecting U.S. international interests has required interventions abroad to address terrorism at its roots or other interventions to make or keep the peace. Globalization of markets and rapidly developing technology have created new opportunities for the nation as a whole and for American producers and consumers. In response, the federal government works to

promote foreign policy goals, sound trade policies, and other strategies to advance the interests of the United States and those of U.S. trading partners and allies in every corner of the world.

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

2.1 protect and secure the homeland from threats and disasters,

2.2 ensure military capabilities and readiness,

2.3 advance and protect U.S. international interests, and

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

Strategic Objective 2.1

Protect and Secure the Homeland from Threats and Disasters

Source: See Image Sources.



The nature of the threats to national and international security and the means of attack have changed significantly in the post-Cold War era. Threats stem from differences in national or state ideologies and geopolitical, economic, and strategic considerations and now, increasingly, from religious conflicts and the aims of nonstate-sponsored groups. Adversaries are more likely to strike vulnerable civilian or military targets at home and overseas in nontraditional ways to avoid direct confrontation with U.S. military forces or their allies on the battlefield.

The nation must assess and defend against a wide range of means and methods of attack, ranging from unconventional means to conventional weapons to weapons of mass destruction. International access, global interdependencies, interconnected and less diverse systems, and rapid technological change make such threats more viable and decrease the effectiveness of physical borders in ensuring security.

These threats put at risk the nation's values, economic interests, way of life, and the personal security of its citizens. National strategies have proposed homeland security and combating terrorism initiatives to address these threats, but the effectiveness of these efforts remains unclear. Decision-making approaches based on risk analysis and the coordination and alignment of federal efforts and funding with state, local, and private sector investments are still works in progress. At the federal level, the effectiveness of major structural changes to provide leadership is critical. Passage of the Homeland Security Act of 2002 moved several major federal law enforcement agencies around—the Immigration and Naturalization Service, the U.S. Customs Service, the Coast Guard, the Transportation

Security Administration, and other agencies all moved to the newly created DHS. While the movement of these agencies into their new units presents management challenges, it also raises concerns about the impact the transfers will have on agencies' ability to perform their missions. These concerns, as well as the sheer size of the undertaking, the fact that DHS's proposed components already faced a wide array of existing challenges, and the prospect of serious consequences for the nation should DHS fail to address its management challenges and program risks adequately, led us to add implementing and transforming the new department to the list of high-risk areas in 2003.

The primary mission of DHS is to prevent, reduce vulnerability to, and aid in recovery from domestic terrorist attacks. Homeland security requires effectively transforming DHS into a well-managed organization and effective efforts of other federal agencies, such as the Federal Bureau of Investigation and the intelligence community. DHS's efforts to effectively secure all modes of transportation; land, air, and sea ports of entry; and our nation's borders and enforce immigration laws within U.S. borders are of critical importance in adequately protecting and securing our homeland. In addition, Hurricane Katrina graphically demonstrated the shortcomings of the nation's ability to respond to a catastrophic disaster whether from natural or human means. Preventing, preparing for, and responding to emerging security threats, as well as natural disasters, entail successful national information sharing and coordination, involving defense and domestic federal agencies and programs; state, local, and tribal governments and organizations; the private sector; and domestic and international communities.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

- 2.1.1 assess federal homeland security management, resources, and coordination;
- 2.1.2 assess efforts to strengthen border security and immigration enforcement to enhance homeland security;
- 2.1.3 assess U.S. national emergency preparedness and response capabilities;

2.1.4 assess efforts to strengthen security in all transportation modes;

2.1.5 evaluate ways to strengthen government information security and protect computer and telecommunications systems that support the nation's critical infrastructures; and

2.1.6 assess homeland security information and intelligence sharing.

Performance Goal 2.1.1

Assess Federal Homeland Security Management, Resources, and Coordination

The United States must assess, defend, and be able to recover from a wide range of attacks that threaten its economic interests, as well as the way of life and personal security of its citizens. Federal leadership in directing and guiding these efforts is critical to addressing security needs while balancing the legitimate flow of commerce and people. DHS was created with a primary mission of preventing, reducing vulnerability to, and aiding in the recovery from domestic terrorist attacks. To be effective, DHS must effectively manage, leverage, and direct the efforts of over 20 formerly separate government agencies, while also identifying ways to address growing and changing terrorist threats and system vulnerabilities. The sheer size of this undertaking, and the prospect of serious consequences for the nation should DHS fail to address its management challenges and program risks adequately, stresses the criticality of DHS's efforts.

Because the number of potential terrorist acts is nearly infinite, and federal resources are finite, DHS must make difficult choices about how to manage resources against those risks that pose the greatest threat to the nation. In allocating resources, it is critical that the federal government strive to ensure the efficient use of these resources, and link strategic planning,

performance measurement, program evaluation, and operational decision making to ensure programs are achieving intended results in the most effective and efficient manner. These elements should be closely linked to the budget process to support accountability, continuous improvement, and the best use of the taxpayers' resources.

Despite the importance of federal leadership, protecting the nation and its citizens is a tremendous task that would overwhelm any single agency. The federal government recognizes that it does not alone have the resources needed to achieve this end. However, through partnering with important external and industry stakeholders, efforts can be coordinated and resources leveraged so that security measures are effectively implemented. Further, if a terrorist attack does occur, stakeholders can collectively mobilize resources to respond quickly and effectively. These coordinated efforts include developing plans for responding to an incident to ensure the quick restoration of freedom of movement and commerce, developing and executing capabilities to support a rapid and effective response to any attack, and developing after-action activities to build public confidence and assess lessons learned.

Key Efforts

- ➡ Assess DHS's transformation efforts and its ability to appropriately measure performance
- ➡ Assess whether DHS is identifying and directing resources to areas of greatest risk and being an effective steward of its resources
- ➡ Evaluate DHS's and its components' efforts to define requirements and acquire, manage, and efficiently use their assets
- ➡ Assess DHS's efforts to develop and coordinate national and interagency strategies and plans
- ➡ Assess federal efforts to identify, coordinate, and direct homeland security-related strategies

Potential Outcomes

- ➡ Improved management of DHS and its component agencies
- ➡ More effective allocation and utilization of DHS resources based on risk
- ➡ Better clarity of roles and improved coordination between federal, state and local, private sector, and international stakeholders involved in homeland security efforts
- ➡ Strengthened acquisitions of systems, such as the Coast Guard's Deepwater program, which will replace its aging fleet of ships, aircraft, and related systems
- ➡ Improved performance measurement and assessments of security initiatives and programs implemented

Performance Goal 2.1.2

Assess Efforts to Strengthen Border Security and Immigration Enforcement to Enhance Homeland Security

Since the September 11 terrorist attacks, the Congress and the administration have devoted significant attention and funding to ensuring that people and cargo that enter the United States are not connected to terrorist groups. Hundreds of millions of people and millions of cargo containers enter each year through the over 300 ports of entry. In addition, estimates indicate that several million people may try to enter the country illegally each year across the over 7,000 miles of mostly unguarded land border with Canada and Mexico. DHS faces the major challenges of identifying and apprehending those trying to enter the country illegally, including suspected terrorists, and interdicting suspect cargo, particularly materials that could be used in weapons of mass destruction, while simultaneously not significantly impeding the flow of legitimate travelers and cargo.

The terrorist attacks demonstrated vulnerabilities in the immigration system and the impact that terrorists can have if they enter and remain in the country. Potential vulnerabilities in the cargo transportation network have increased concerns that weapons of mass destruction materials could enter the country and be used by terrorists. DHS plans to spend billions of dollars to hire thousands of additional personnel and to deploy advanced technologies to (1) conduct more rigorous inspections of people and cargo that enter the country through the ports of entry and (2) deter people from crossing the border illegally. In addition, the Congress has been considering major immigration reform legislation, which, if passed,

would significantly affect DHS's enforcement of immigration law within the United States. DHS faces a major challenge in obtaining the right mix of staff and technology to achieve its current mission and to be able to face the challenges posed by any new immigration legislation.

Millions of noncitizens each year apply for an immigration benefit that allows them to live and, in some cases, work in the United States. DHS faces significant obstacles that impede its ability to process immigration benefit applications in a timely manner while ensuring the integrity of the immigration benefits process. These obstacles include (1) antiquated automation systems and a reliance on paper processing; (2) a management culture that has stressed production over integrity; (3) weak application policies and procedures, including little if any verification of evidence submitted by applicants; and (4) insufficient user fees to cover the cost of processing applications. Consequently, many legitimate applicants are not serviced in a timely manner, and DHS is vulnerable to those wishing to commit immigration fraud, including potential terrorists and criminals. Legislation being considered could place significant additional demands on an already overburdened system. Addressing these challenges will require a long-term commitment by DHS on a number of fronts to put into place the necessary infrastructure, operational policies and procedures, and funding mechanisms to meet current and any future demands.

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Key Efforts

- ➡ Evaluate DHS's efforts to prevent the unlawful movement of people, money, and materials across United States borders
- ➡ Evaluate DHS's use of customs and immigration authorities to respond to homeland security threats, address related vulnerabilities, and perform other mandated functions within the United States
- ➡ Assess DHS's efforts to efficiently, effectively, and fairly process and adjudicate alien applications for immigration benefits
- ➡ Evaluate immigration reform initiatives and proposals

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Potential Outcomes

- ➡ Improved management and oversight of key border security initiatives
- ➡ Expanded use of risk assessment to focus limited resources on the most significant border security vulnerabilities
- ➡ Better assurance that DHS is obtaining the right mix of people and technology
- ➡ Reduced vulnerabilities in the systems that process people and cargo
- ➡ Reduced or better allocated expenditures related to border security initiatives
- ➡ Improved implementation of new immigration reform legislation
- ➡ Increased efficiency and timeliness in providing immigration benefits to eligible applicants
- ➡ Reduced vulnerability to immigration benefit fraud in DHS programs

Performance Goal 2.1.3

Assess U.S. National Emergency Preparedness and Response Capabilities

Whether emergency incidents are caused by a natural disaster, such as a hurricane, or a terrorist incident, our nation's first responders must be ready and able to prevent or mitigate, where possible; respond to; and recover from major emergency incidents with well-planned, well-coordinated, and effective actions across disciplines and jurisdictions. Recent efforts related to Hurricane Katrina vividly demonstrated that the nation was not ready and able to respond effectively to a catastrophic disaster, including one for which there was forewarning.

The emergency response capabilities that a state or locality may need are determined by the specific risks the area faces. Determining how to economically build the appropriate mix of capabilities nationally and by state, region, or locality is a significant challenge, particularly because risks are not static. Success requires the coordinated efforts of all levels of government; and the federal government plays major role in providing leadership, guidance, and technical and financial assistance.

Since the September 11 terrorist attacks, there has been a continuing debate concerning emergency preparedness and response. Two principal issues have dominated the debate to date: (1) the balance between preparing for emergencies caused by terrorist attacks and those caused by accidents or natural disasters and (2) the appropriate role of federal, state, and local governments and non-governmental entities in preparedness, response, and recovery, including the funding of appropriate equipment, personnel, training, and assistance. The key issues can be reduced to four basic questions: (1) What is important? (2) How do we know what is important? (3) How do we measure, attain, and maintain success? (4) How do we make trade-offs, given limited resources?

During fiscal years 2002 through 2006, the federal government provided more than \$11 billion in grants to state and local governments to build the capacity to effectively prepare for and respond to major disasters. At the same time, DHS developed three key policy documents—the National Response Plan, the National Incident Management System, and the National Performance Goal—de-

signed to provide a comprehensive structure for identifying and developing the capabilities—the ability to perform specified tasks with desired results—needed for effective disaster prevention, preparedness, response, and recovery.

Mitigation is a fundamental part of emergency preparedness and response. As the Gulf Coast rebuilds, it faces critical decisions on the extent to which it will include mitigation activities in its rebuilding plans, that is, the extent to which prevention activities or projects are put in place to prevent future disasters or reduce future losses from disasters. Examples include assessing the relative merits of requiring that homes in flood-prone areas be elevated or wetlands be expanded to reduce the impact of future storm surges.

In response to terrorist attacks and catastrophic hurricanes, billions of dollars have been appropriated for recovery and relief efforts to assist disaster victims and their communities. Specifically, flood insurance policyholders filed more than 150,000 claims that the Federal Emergency Management Agency (FEMA) estimates will result in more than \$22 billion claims payments. This effectively bankrupted a program whose income totals about \$2 billion per year. FEMA and the Congress face a major challenge in assessing how the National Flood Insurance Program can be better structured and managed to reflect the claims risks the program faces. These challenges have resulted in the program being placed on our high-risk list.

In addition, as the primary federal lender to homeowners, renters, and businesses that have been affected by disasters, SBA plays a crucial role in assisting these victims and is charged with providing timely, affordable financial assistance to disaster victims. Establishing an efficient and cost-effective approach to disaster assistance is difficult in the face of pressures to provide relief for disaster victims. Furthermore, as concerns about controlling future disaster spending grow, decision makers will face new issues regarding the availability and affordability of insurance coverage and mitigation assistance for terrorist incidents as well as natural disasters.

Key Efforts

- ➡ Assess whether the federal government provides reasonable guidance and assistance to state, tribal, and local governments to assess their risks and identify, develop, and sustain needed prevention, preparedness, response, and recovery capabilities on an individual or regional basis
- ➡ Assess whether local, state, and federal emergency management organizations (and first responders) have the capabilities necessary to ensure an adequate and effective response to the disasters for which they are at risk, regardless of cause
- ➡ Determine whether emergency management officials (including first responders) are effectively and economically using federal grant funds in conjunction with their own resources to develop and sustain appropriate levels of capabilities
- ➡ Assess the extent to which DHS is fulfilling its responsibilities to lead the identification, cross-agency and cross-program coordination, and assessment of federal emergency prevention, preparedness, response, and recovery capabilities
- ➡ Assess whether FEMA's management of the National Flood Insurance Program ensures that the areas at greatest risk of flooding are accurately mapped and the program is actuarially sound, minimizing taxpayer liability to pay for property losses caused by flooding
- ➡ Assess the cost and benefits of implementing existing disaster-related insurance programs
- ➡ Assess the capacity of private insurance markets to supply coverage to protect individuals, families, and businesses from catastrophic losses, and assess federal efforts to support and supplement that protection
- ➡ Assess SBA's initiatives to help people recover from disasters by providing affordable and timely financial assistance to homeowners, renters, businesses, and nonprofit organizations
- ➡ Assess progress in protecting critical infrastructure

Potential Outcomes

- ➡ More focused, risk-based, strategic development and sustainability of critical emergency prevention, preparedness, response, and recovery capabilities on an organizational and regional basis
- ➡ Effective and efficient leveraging of federal and nonfederal funds and assets for emergency capabilities
- ➡ Effective DHS management to set policy for, coordinate, and assess federal, state, tribal, and local capabilities and implement necessary policy and operational changes
- ➡ Effective federal, state, tribal, and local government management of needed capabilities, including mitigation activities
- ➡ Effective and efficient management of the National Flood Insurance Program that recognizes and manages the program's actuarial risks
- ➡ Increased understanding of the pros and cons of increased federal involvement in providing catastrophic insurance or other forms of backup protection to enhance the capacity of private insurance markets

Performance Goal 2.1.4

Assess Efforts to Strengthen Security in All Transportation Modes

Terrorist events around the world have shown that transportation systems are often the target of attack—roughly one-third of past terrorist attacks worldwide have targeted various components of the transportation system. The U.S. transportation network is vast, and includes 3.9 million miles of roads, almost 600,000 bridges, over 300 ports, 2.2 million miles of pipelines, over 500 train stations, and over 5,000 public-use airports. Securing this vast network from terrorism is critically important to the economy and the American way of life. Adding to this complexity are the multiple and diverse stakeholders involved in maintaining, funding, overseeing, and coordinating with this network, including federal, state, and local governments, the private sector, and the international community.

The September 11 terrorist attacks demonstrated the vulnerabilities of the U.S. transportation system and the impact that terrorist attacks can have on the system and the nation. While the U.S. government's initial focus following the attacks was ensuring the security of commercial aviation, emphasis on securing other modes of transportation—to include ports and mass transit—have since grown as potential vulnerabilities are identified, such as the threats of introducing weapons of mass destruction through ports of entry or launching attacks on

mass transit systems. The 2005 terrorist bombings on Madrid and London's mass transit systems have highlighted these systems' vulnerability to terrorist attack, further increasing the nation's focus on the security of the transportation network.

Recognizing that transportation systems are multimodal and intermodal in nature, terrorists should not be driven from one mode of transportation to another mode that is perceived to be less secure. Further, as no single measure is likely to provide complete security, layers of diverse but coordinated security measures should be implemented where possible. Security approaches must also recognize that protecting the transportation system from a terrorist attack is a permanent mission that requires a continued commitment from the public and private sector; that is, security approaches must be sustainable over time. Equally important is that security measures implemented not unduly impact the efficient flow of legitimate commerce and people or put industry at an economic disadvantage. The need to facilitate the legitimate flow of commerce is critical because the national economy depends on the transportation network, and the network plays a vital role in the continuity of all other critical sectors.

Key Efforts

- ➡ Assess the progress the federal government has made in effectively allocating and balancing security resources across and within all transportation modes
- ➡ Determine the extent to which the federal government is taking an efficient, effective, sustainable, diverse, and coordinated approach to securing the aviation and surface transportation sectors, while facilitating the legitimate flow of commerce and people
- ➡ Assess federal efforts by the Coast Guard, Customs and Border Protection, and other agencies to improve maritime security through implementing the Maritime Transportation Security Act and other legislation, container cargo inspections, and other port security programs

Potential Outcomes

- ➡ Better oversight, management, and coordination of federal, state, local, and private sector efforts to strengthen security measures and reduce vulnerabilities in the transportation network
- ➡ Improved leveraging and balancing of the key components of transportation security measures—people, processes, and technology
- ➡ Expanded use of a risk-managed approach to focus and target limited resources to the areas of greatest need across the aviation, maritime, and surface transportation sectors
- ➡ Increased consistency, coordination, and sustainability of security measures within and across all transportation modes

Performance Goal 2.1.5

Evaluate Ways to Strengthen Government Information Security and Protect Computer and Telecommunications Systems That Support the Nation's Critical Infrastructures

Protecting federal information systems and the nation's critical infrastructure—including energy, financial services, transportation, vital human services, and communications systems—is becoming increasingly important largely because of the dependence on complex interconnected computer and telecommunications systems. Criminals, terrorists, and others, working anonymously from remote locations and with relatively limited resources, can use computers and the open interconnectivity of the Internet to severely disrupt this infrastructure, which is essential to national defense, economic prosperity, and quality of life. Similar means can be used to gain access to highly sensitive information—including personally identifiable information—and commit massive fraud and theft. Finally, the widespread destruction that occurred during the 2005 hurricane season demonstrated

the vulnerability of key information and communications systems to disruption following a natural disaster. Laws, such as the Federal Information Security Management Act, and presidential initiatives, such as Homeland Security Presidential Directive #7, have prompted an array of federal efforts aimed at improving critical infrastructure protection, especially information security, in both the public and private sectors. At the same time, efforts have been increased to protect the government's essential operations and restore those operations following disruptions. These efforts have also raised a variety of policy and budgetary issues that will need to be addressed as the government works with the private sector to develop an effective strategy for protecting against computer-based attacks and other significant disruptions.

Key Efforts

- ➡ Review the effectiveness of computer and network security at federal agencies to better ensure the protection of government and personal information
- ➡ Assess efforts to manage and protect the computer and cyberinformation systems that support the nation's critical infrastructures
- ➡ Assess executive branch agency continuity of operations planning

Potential Outcomes

- ➡ Reasonable assurance that critical federal operations are protected from disruption, fraud, and misuse
- ➡ Enhanced capability of organizations to detect, protect against, and respond to computer intrusions
- ➡ Greater coordination among public and private sector institutions in protecting U.S. computer-based critical infrastructure systems
- ➡ Improvements to the legislative framework for information security
- ➡ Greater public assurance that the Internet, electronic commerce transactions, and the nation's telecommunication infrastructure are secure
- ➡ More secure and efficient electronic government operations

Performance Goal 2.1.6

Assess Homeland Security Information and Intelligence Sharing

Information is a crucial tool in fighting terrorism, and the timely dissemination of that information to the appropriate government agency is critical to maintaining the security of our nation. The ability to share security-related information can unify the efforts of federal, state, and local government agencies, as well as the private sector as appropriate, in preventing or minimizing terrorist attacks.

One of the government's single greatest failures in the lead-up to the September 11 attacks was the inability of federal agencies to effectively share information about suspected terrorists and their activities, according to the National Commission on Terrorist Attacks Upon the United States (also known as the 9/11 Commission). In addressing this problem, the commission recommended that the sharing and use of information be guided by a set of practical policy guidelines that would simultaneously empower and constrain

officials, clearly circumscribing what types of information they would be permitted to share as well as the types they would need to protect. This recommendation led to creating new laws, organizations, policies, and procedures aimed at ensuring that agencies better share information on terrorist threats, risks, vulnerabilities, and protective measures with each other as well as with key state and local homeland security and law enforcement organizations and the private sector, where needed.

Exchanging terrorism-related information continues to be a significant challenge for federal, state, and local governments—one that we recognize is not easily addressed. For these reasons, we added information sharing for homeland security to our list of federal programs and initiatives that pose a relatively high risk to the federal government and that we will continue to monitor.

Key Efforts

- ➡ Assess whether agencies' roles and responsibilities have been effectively defined
- ➡ Determine what progress federal, state, local, and tribal agencies are making in sharing information, including their use of major technology innovations to facilitate these efforts
- ➡ Assess how federal, state, local, and tribal agencies are trying to balance sharing information and protecting privacy
- ➡ Assess how well new intelligence infrastructure efforts have been integrated into the law enforcement culture in order to advance domestic counterterrorism

Potential Outcomes

- ➡ Improved clarity of legislative and executive authorities and requirements for terrorism-related information sharing so that the requirements are complete, consistent, and complementary
- ➡ Better coordination of federal, state, local, and private sector efforts to share terrorism-related information
- ➡ Increased understanding of the barriers and incentives for terrorism-related information sharing at various levels of the government and the private sector
- ➡ Expanded use of a risk-management approach for balancing the merits of sharing information against necessary privacy protections
- ➡ Improved information sharing between the law enforcement and intelligence communities

Strategic Objective 2.2

Ensure Military Capabilities and Readiness

Source: See Image Sources.

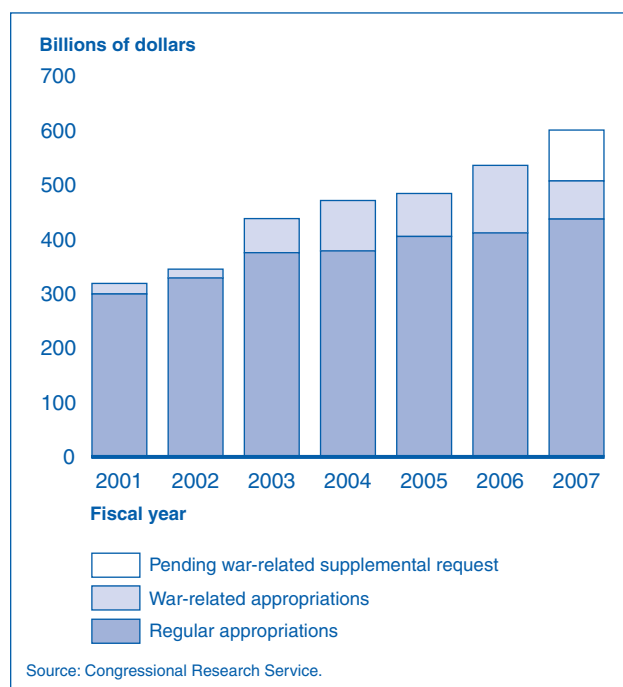


Today, DOD is engaged in a “long war,” a term recently coined to recognize the belief that the nation’s ongoing war on terrorism is one that will likely continue for an extended and indeterminable number of years. This war is being fought at the same time that DOD is attempting to adapt and transform legacy warfighting capabilities from the Cold War era to meet 21st century needs—needs that now extend to a more diverse range of threats than previously recognized. Events of recent years have also highlighted the growing importance of homeland security and multiple coordinated roles that DOD must play in addition to the key roles played by other federal, state, and local agencies in securing the homeland. Likewise, both the 2001 terrorist attacks and the 2005 hurricane disasters have provided important insights into areas needing increased attention to strengthen U.S. abilities to respond domestically to catastrophic events either of man-made or natural origin, especially the support that may be required from DOD. Although DOD has received significant increases in budget authority, including numerous supplemental appropriations, since 2001 questions exist about the extent to which these increases can be sustained in the coming years as the nation faces growing fiscal challenges and budget deficits, even as DOD faces challenges in addressing its own competing priorities under existing budget authorities. The recently completed *2006 Quadrennial Defense Review Report* provides an important frame of reference for considering these competing priorities in responding to today’s threat environment, but many details or actions are left for further study, development, or implementation.

In contrast to the downward trend in defense spending during the last decade, this first decade of the new century has seen a significant upward trend in authorized defense spending. After dropping below \$300 billion in years past, total defense budget authority increased in the years since 2001 to around \$400 billion in recent years, excluding substantial war-related appropriations totaling about \$451 billion since 2001. (See fig. 10.) However, we and others have noted that some portion of these funds has also been used to support other needs, such as transformation efforts. Absent steps

to reshape, reduce, and reorient defense priorities, reducing or eliminating supplemental appropriations could place additional pressures on regular defense appropriations to meet defense needs.

Figure 10: Total Defense Appropriations and Supplemental Funding for Fiscal Years 2001–2007



Note: The 2007 dollar amount is projected based on available information as of April 2006; all budget data are to be updated as the fiscal year 2007 appropriation is finalized.

The *2006 Quadrennial Defense Review Report* articulated a vision for change and highlighted numerous areas for change and transformation. The report defined two fundamental imperatives for DOD: (1) continuing to reorient DOD’s capabilities and forces to be more agile in this time of war, to prepare for wider asymmetric challenges, and to hedge against uncertainty over the next 20 years and (2) implementing enterprisewide changes to ensure that organizational structures, processes, and procedures effectively support its strategic direction. The quadrennial review effort reportedly has identified more than 120 action items for implementation, and DOD has named a senior-level working group to guide their implementation as well as oversee a number of follow-on studies in

such areas as departmental institutional reform and governance, building partnership capacity, and intelligence. Nevertheless, some defense analysts have expressed concern that the quadrennial review did not go far enough in identifying reductions in conventional capabilities or providing a greater level of detail and specificity to the framework for reshaping defense and realigning funding priorities.

As noted in our report on 21st century challenges, as DOD seeks to meet the demands of the new security environment, it continues to bear the costs of the past by implicitly maintaining or continuing

to pursue many programs and practices from the Cold War era. In this context, the magnitude of funding and potential for current investments and operations to turn into long-term financial commitments are prompting real questions about the affordability and sustainability of the rate of growth in defense spending. As DOD continues its emphasis on transformation, it faces numerous competing issues or challenges. (See table 3 for some of the more significant issues/challenges DOD is likely to face.)

Table 3: Significant Challenges Confronting DOD as It Furthers Its Transformation Efforts

| |
|--|
| Overcoming cultural resistance to change and the inertia of various organizations, policies, and practices that became well rooted in the Cold War as an impediment to increased joint capability, that is, capability to support a defined mission area using resources that cut across functional and organizational areas |
| Realistically distinguishing between needs and wants within a risk framework in determining to what extent DOD can afford to invest in transformation systems and force structure initiatives, such as the Future Combat System, national missile defense, and Army modularity, at the same time it continues to pursue large investments in legacy systems |
| Ensuring more realistic portrayal of long-term program costs to provide an improved basis for program funding decisions and requisite trade-offs |
| Addressing multiple long-standing problems with the weapon system acquisition process, particularly those factors contributing to growth in cost and cycle time |
| Addressing growing operational costs of the war on terrorism and costs of resetting/replacing war-damaged equipment against other competing priorities |
| Addressing the growing impact of military pay and benefit costs, especially health care, on DOD's overall budget |
| Balancing requirements for civil support and homeland security with more traditional national security needs, including determining the right skill mix of active, reserve, civilian, and contractor personnel to meet current and future national defense and homeland security demands |
| Determining how the historical allocation of resources across services and programs should be changed to reflect the results of forward-looking comprehensive threat/risk assessment as part of DOD's capabilities-based approach to determining defense needs |
| Implementing enhanced personnel management systems and practices appropriate to 21st century needs |
| Determining the potential for reductions in conventional aircraft given the growing long-range strike capabilities of unmanned aircraft |
| Considering changes to the strategic triad to meet the challenge of providing strategic deterrence in the new security and fiscal environment |
| Making sufficient investment in joint capabilities in line with DOD's vision for the future |
| Strengthening interagency emphasis on stabilization and reconstruction efforts abroad |
| Alleviating years of neglect and underfunding of facilities even as DOD continues efforts to realign forces and facilities at overseas and domestic locations |
| Ensuring sustained commitment and leadership to strengthen strategic planning and transform DOD's daily business operations and to address the related and long-standing high-risk areas |
| Ensuring defense organizations are aligned and empowered to meet the demands of the new security environment as efficiently as possible considering the potential for improved economies of scale and improvements in delivery of support services from combining, realigning, or otherwise making changes in selected support functions (e.g., combat support, training, logistics, procurement, infrastructure, or health care delivery) |

Source: GAO.

Notwithstanding these challenges, DOD is continually faced with the overall challenge of maintaining a ready force to meet today's operational requirements through the requisite provision of manning, equipping, and training of its forces even as it transforms for tomorrow.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

2.2.1 assess DOD's ability to maintain adequate readiness levels while transforming forces and capabilities to meet 21st century challenges;

2.2.2 assess DOD's efforts to respond to emerging threats and irregular warfare;

2.2.3 assess progress and challenges DOD faces in emphasizing increased joint capabilities;

2.2.4 assess overall human capital management to ensure a high-quality total force;

2.2.5 assess the ability of weapon system acquisition programs and processes to achieve desired outcomes;

2.2.6 assess progress in improving the economy, efficiency, and effectiveness of DOD's support infrastructure and business systems and processes;

2.2.7 assess the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile; and

2.2.8 analyze and support DOD's efforts to improve planning, programming, budgeting, execution, and program performance.

Performance Goal 2.2.1

Assess DOD's Ability to Maintain Adequate Readiness Levels While Transforming Forces and Capabilities to Meet 21st Century Challenges

During the past few years, we have had many opportunities to assist the Congress in analyzing the war on terrorism's effect on DOD operations. We have assessed military readiness, force structure, training, and issues related to the cost of operations. The long war, DOD's implementation of the 2006 Quadrennial Defense Review, and changing economic and military relationships in the Asia Pacific region and other key areas of the world will continue to present many opportunities for us to assist the Congress in analyzing the basis for and effect of changes to defense strategies, programs, force structure, deployment plans, and operations. Moreover, the need for DOD to coordinate more closely on its future plans and operations with other federal agencies, nongovernmental organizations, and allies has become known in recent operations at home and abroad. Our independent assessments

will highlight potential risks associated with proposed changes and examine how changes will affect DOD's capabilities and ability to address readiness problems.

The defense strategy continues to emphasize many areas under a looming fiscal crisis. This will force the department to make difficult trade-off decisions and more closely examine how to achieve defense goals most cost effectively. Accordingly, analyses of the cost-effectiveness of defense alternatives and options will be needed. Similarly, the Congress and DOD will continue to focus on how DOD can best blend the diverse elements of its total force (active, reserve, and civilian forces) and how it can better manage costs related to overseas operations, as well as the integration of contractors in its total mix.

Key Efforts

- ➡ Assess service plans for transforming active and reserve force structure and capabilities, including projected funding needs relative to available funding
- ➡ Assess protection of forces and assets worldwide
- ➡ Assess DOD strategies and plans for strategic triad capabilities
- ➡ Assess application of lessons from current operations to training, doctrine, and materiel solutions
- ➡ Assess readiness and training to accomplish new and ongoing missions
- ➡ Analyze costs and funding for military operations and key initiatives

Potential Outcomes

- ➡ Greater understanding of the basis for, and cost and budgetary implications of, proposed changes in military capabilities
- ➡ Operational improvements, including ground force protection, based on lessons learned
- ➡ Improved links between force structure and training to address future threats
- ➡ Improvements in assessments of military readiness
- ➡ Improvements in strategic mobility capabilities and the role of pre-positioned assets
- ➡ Better data on costs and implications of overseas training and operations
- ➡ More effectively integrating military and civilian personnel, contractors, allies, and host nations to meet defense needs
- ➡ Improved interagency coordination of domestic and overseas operations

Performance Goal 2.2.2

Assess DOD's Efforts to Respond to Emerging Threats and Irregular Warfare

While globalization has had many positive developments, such as the free movement of goods, services, and information, it also has accelerated the transmission of diseases, the proliferation of weapons associated with irregular warfare such as improvised explosive devices, the movement of terrorists, and the vulnerability of major economic segments. As a result, the U.S. forces, populace, and infrastructure are increasingly vulnerable to these and a variety of other threats. The *2006 Quadrennial Defense Review Report* calls for continuing to reorient DOD's capabilities to identify and address a wider array of challenges, such as irregular warfare (conflicts in which enemy combatants are not regular military forces of nation states), counterterrorism, counterinsurgency, weapons of mass destruction, and other disruptive threats to the U.S. ability to project power. For example, the report called for expanding U.S. special operations forces by 15 percent. The report also recognized the growing importance of joint command and control with deployable, standing joint task force headquarters to meet the range of

potential future contingencies. It also emphasized the need to harness the power of information connectivity with the potential for collecting, processing, storing, disseminating, managing, and sharing information within DOD and with others to include federal, state, local, and coalition partners. Clearly, there is the need for improved processes for dealing with national security homeland defense and other issues that may require the involvement of DOD as well as various other agencies, which may or may not be among those traditionally considered part of the broader national security community. The Congress will continue to be interested in the evolution of DOD's strategy for homeland defense and how well its plans are integrated into overall planning for homeland security, including support to civil authorities for responding to natural and man-made disasters. More broadly, the Congress will also be interested in DOD's strategy for addressing today's threats worldwide as well as protecting U.S. military forces, population, and critical infrastructure in today's threat environment.

Key Efforts

- ➡ Evaluate DOD's role in homeland security and support to civil authorities
- ➡ Assess DOD's efforts to identify and respond to emerging threats and irregular warfare posed by state and nonstate actors
- ➡ Assess protection of critical infrastructure, forces, and assets worldwide
- ➡ Assess efforts to improve cooperative working relations between DOD and others nationally and internationally

Potential Outcomes

- ➡ Enhanced capability of U.S. military forces to identify and respond to emerging threats and irregular warfare from state and nonstate actors
- ➡ Better protecting critical military infrastructure and assets

Performance Goal 2.2.3

Assess Progress and Challenges DOD Faces in Emphasizing Increased Joint Capabilities

Much progress has been made in increasing joint capability since the 1986 passage of the landmark Goldwater-Nichols legislation; witness the strengthened role of the Joint Chiefs of Staff relative to the individual military service chiefs and the increased emphasis on joint operations between the first Gulf War and current warfighting efforts. Despite these efforts, much remains to be done. As recent experience has shown in military operations in Afghanistan and Iraq, success greatly depends on the ability of military forces to work effectively as an integrated joint force. Not only must the United States integrate its forces, it must also have the capabilities to operate with those of its allies and coalition partners. The ability to conduct joint operations is vital to maintaining a superior force in an era in which the nature and extent of national security missions have become broader and more varied and the battlefield less segmented.

DOD has begun to transform the way the military has conducted operations in the past and establish a force that will function in smaller, more agile and deployable units, able to react quickly to changing missions and circumstances. However, to be effective, force components—units, soldiers, weapons, and sensors—must be closely aligned

and able to operate seamlessly together. Central to achieving a high degree of integration is the need for new and advanced capabilities, such as a Global Information Grid enabling warfighters to access, integrate, and exchange information quickly, reliably, and securely through linked systems and military components. Also important will be new concepts, doctrine, and institutional changes for DOD and its partners to strengthen joint capability within DOD and across agencies in dealing with national security and homeland defense issues and catastrophic national disasters. The *2006 Quadrennial Defense Review Report* placed much emphasis on reorienting operational capabilities, such as joint intelligence, surveillance, and reconnaissance and strike capabilities, to include use of land-, air-, and space-based systems, as well as use of unmanned systems, joint maritime capabilities, joint mobility, and joint command and control. It also emphasized achieving unity of effort through such means as strengthening interagency operations and working with international allies and partners, for example, to provide logistics support, supplies, and services to allies and coalition partners, without reimbursement as necessary, to enable coalition operations with U.S. forces.

Key Efforts

- ➡ Evaluate how DOD and the military services are establishing joint requirements, doctrine, and other arrangements, and developing equipment, weapon, and logistics systems to achieve integrated joint capabilities and support to interagency and coalition partners
- ➡ Identify ways to optimize DOD's efforts to develop and field networking and information systems that interoperate effectively

Potential Outcomes

- ➡ A better understanding of the progress, limitations, and potential steps to mitigate future progress toward joint capability and potentially increased operational efficiency and effectiveness
- ➡ Improved interoperability of networking and information systems

Performance Goal 2.2.4

Assess Overall Human Capital Management to Ensure a High-Quality Total Force

Human capital management represents one of DOD's most significant challenges today and in the foreseeable future. Strategic human capital management in DOD has been included in our list of high-risk programs since 2001. DOD is the largest U.S. employer, with about 700,000 civilian federal employees, 1.2 million reservists, and about 1.4 million active duty members. DOD also increasingly relies on a large but undetermined number of contractor personnel, which, along with civilian federal workers functioning on the battlefield, presents a unique force management challenge. A force of this size and diversity requires a large financial investment. Costs to provide compensation for military personnel, for example, are substantial and growing, increasing from about \$76 billion to about \$109 billion from fiscal years 2000 through 2006. Also, in fiscal year 2004, it cost the federal government about \$112,000, on average, to provide annual compensation to active duty enlisted and officer personnel. Even with substantial financial investment, DOD faces numerous challenges in managing its total force of civilian employees, reservists, and active duty members.

By organizing the work in this performance goal around the three personnel components of the total force, we are positioned to address

Key Efforts

- ➡ Assess DOD's management of its civilian (including contractor) workforce
- ➡ Assess DOD's management of its reserve components
- ➡ Assess DOD's management of its active duty forces

both emerging and long-standing areas of congressional concern for any component. Such concerns include

- DOD's actions to sustain the all-volunteer force via improved recruitment and retention of enlisted and officer personnel;
- DOD's costs to implement its new National Security Personnel System for civilian employees;
- the adequacy of DOD's contract workforce, which is critical to providing services to the military forces;
- the timeliness and completeness of the personnel security investigation and adjudication processes for top secret clearances for DOD contractor personnel; and
- DOD's conversion of military positions to civilian positions.

These concerns also include various issues associated with reserve personnel reemployment rights, military absentee voting, implementation of the Defense Integrated Military Human Resource System, and DOD's casualty assistance program.

Potential Outcomes

- ➡ A more strategic approach to overall DOD human capital planning and overall management of the civilian (including contractor) workforce
- ➡ An enhanced overall strategic approach to DOD human capital management of reserve forces
- ➡ An improved and more strategic approach to DOD human capital management of active duty forces

Performance Goal 2.2.5

Assess the Ability of Weapon System Acquisition Programs and Processes to Achieve Desired Outcomes

DOD invests well over \$147 billion each year in a wide array of weapon systems to equip the U.S. armed forces. These systems range from tank and fighter aircraft upgrades to sophisticated satellites and networks of systems, such as those used for national missile defense. It is not unusual for a single program to cost over \$40 billion. These investments represent the largest discretionary portion of the U.S. budget.

While DOD's investment has produced superior weapons, it is not unusual to see cost increases that add up to tens or hundreds of millions of dollars, schedule delays that add up to years, and large and expensive programs frequently rebaselined or even scrapped after years of failing to achieve promised capability. Recognizing this dilemma, DOD has tried to embrace best practices in its policies, instill more discipline in requirements setting, strengthen training for program managers, reorganize offices that support and oversee programs, and require the use of independent cost estimates and systems engineering. Yet, despite these and many other

actions, DOD still has trouble distinguishing wants from needs, and many programs are still running over cost and behind schedule.

Our reviews have identified a number of causes for the problems just described, but several stand out. First, DOD starts more programs than it can afford to sustain, which creates competition for funding. This competition encourages low cost estimating, optimistic scheduling, overpromising, and suppressing of bad news. Second, DOD has exacerbated this problem by not clearly defining and stabilizing requirements before programs are started. Third, DOD commits to its programs before it obtains assurance that the capabilities it is pursuing can be achieved with available resources and within time constraints. Fourth, officials are rarely held accountable when programs go astray. Our work, therefore, focuses on the adequacy of DOD's business case for starting and sustaining programs as well as on ways DOD as a whole can strengthen planning, development, execution, and accountability.

Key Efforts

- ➡ Assess and identify ways to optimize DOD's investments in weapon systems—including planning, development, and execution—across the department as well as within specific mission areas
- ➡ Provide annual status and risk updates on a wide range of weapon systems, observing trends in acquisition performance and opportunities for budgetary actions
- ➡ Target reviews of individual weapon systems for more in-depth analysis early enough to ensure that they are well positioned for execution
- ➡ Assess DOD's progress in improving life cycle management and reducing the total life cycle cost of military systems

Potential Outcomes

- ➡ Increased accountability for acquisition outcomes
- ➡ Improved capabilities to the warfighter sooner
- ➡ Lower costs and reduced delivery delays
- ➡ More relevant knowledge base for congressional decision making
- ➡ Increased use of best practices to achieve desired outcomes
- ➡ Improved life cycle management and cost of weapon systems

Performance Goal 2.2.6

Assess Progress in Improving the Economy, Efficiency, and Effectiveness of DOD's Support Infrastructure and Business Systems and Processes

This performance goal focuses on three areas of defense: (1) logistics and supply chain management, (2) facilities infrastructure, and (3) transformation of overall business processes, each having been included on our list of high-risk government programs since 1990, 1997, and 2005, respectively. We expect significant congressional interest in these issues.

With active engagement from the Office of Management and Budget, DOD has developed a plan to show progress toward the long-term goal of getting supply chain management removed from our high-risk list. As we monitor DOD's efforts to address this issue, we will be reporting on efforts to make improvements in the areas of material requirements forecasting, distribution of material, and asset visibility, and meeting the challenges of repairing, rebuilding, and maintaining equipment having high usage rates in the war on terrorism.

DOD has sought to address long-standing weaknesses in the management of its facilities infrastructure, yet many challenges remain. Our recent reports highlight continued challenges,

including continued deterioration of facilities with inadequate funding devoted to maintenance and repair and recapitalization and migration of funds for other uses. Likewise, our July 2005 report on the 2005 base realignment and closure round identified likely challenges in implementing recommendations from that round, as well as the likelihood of fewer savings than DOD projected.

We have reported, over time, on inefficiencies in a broad array of DOD business operations. DOD recognizes continuing challenges in this area, and while it has taken some important recent steps to address this issue, those efforts are largely focused on business systems modernization rather than overall business transformation. DOD components are expected to pursue various business reform and business process reengineering efforts in the coming years in efforts to gain efficiencies and reduce operating costs amid competing budget pressures. We will be assessing and reporting on progress and challenges in this area.

Key Efforts

- ➡ Assess DOD's logistics transformation efforts to meet warfighter needs
- ➡ Identify ways to improve the economy, efficiency, and effectiveness of logistics functions
- ➡ Assess efforts to improve sustainment, restoration, modernization, and recapitalization of facilities as well as achieve efficiencies in base operating and facility maintenance costs
- ➡ Assess progress, challenges, and costs and savings in implementing base realignment and closure recommendations
- ➡ Assess DOD efforts to improve its overall business processes

Potential Outcomes

- ➡ Improved logistics support to enhance operations and readiness
- ➡ Improved facilities condition, management, and cost-effectiveness of facilities management
- ➡ Improved management and planning to achieve overall business transformation goals
- ➡ Improved business practices for support functions at reduced costs
- ➡ Improved transparency in base realignment and closure costs and savings

Performance Goal 2.2.7

Assess the National Nuclear Security Administration's Efforts to Maintain a Safe and Reliable Nuclear Weapons Stockpile

The National Nuclear Security Administration (NNSA)—a semiautonomous agency within the Department of Energy—is responsible for producing nuclear weapons, preventing the proliferation of weapons of mass destruction, and producing naval reactors. Since its establishment, NNSA has been developing approaches for addressing management issues associated with planning, organization, procurement, personnel, and security. Although NNSA has reorganized and made improvements in project management, additional new management approaches will be vital if NNSA is to effectively address the programmatic challenges before it. Specifically, because it is assumed that the United States will continue its policy of no nuclear weapons testing, NNSA must develop first-of-a-kind experimental

facilities and advanced supercomputing technology to ensure that the nation's nuclear weapons stockpile is safe and reliable without underground testing. It also must ensure that there is a modern and efficient production infrastructure to maintain and refurbish the stockpile as it ages. It must find effective human capital strategies to respond to an aging contractor and federal workforce. It must continue to improve its project management and contract administration to ensure effective results from the over \$9 billion per year appropriated for this effort. Finally, in response to the September 11 terrorist attacks, NNSA must improve security operations at all its facilities to ensure that classified information, nuclear materials, and weapons are adequately protected.

Key Efforts

- ➡ Assess NNSA's efforts to establish effective personnel, procurement, and planning systems to address the workforce and infrastructure challenges it faces
- ➡ Assess NNSA's research and development and production programs to support a safe and reliable stockpile
- ➡ Assess the extent to which the Department of Energy and NNSA have developed an effective and efficient security program to protect nuclear weapons material and information

Potential Outcomes

- ➡ A better understanding of the stockpile stewardship program to help the Congress ensure that the annual investment of more than \$6.6 billion is spent efficiently and supports specific program outcomes
- ➡ Improved Department of Energy processes for safely producing and storing nuclear materials and components at the nuclear weapons complex
- ➡ Improved NNSA and Department of Energy programs for ensuring the security of classified information, nuclear materials, and weapons
- ➡ Better information to help decision makers gauge the ability of NNSA's stockpile stewardship program to ensure the safety and reliability of existing nuclear weapons

Performance Goal 2.2.8

Analyze and Support DOD's Efforts to Improve Planning, Programming, Budgeting, Execution, and Program Performance

Over the past several years, DOD has experienced a significant infusion of funds, with an annual defense appropriation totaling over \$400 billion for fiscal year 2006 and supplemental funding of around \$400 billion from fiscal years 2001 through 2006 for homeland defense and overseas military operations related to fighting terrorism. We have reported, over time, on long-standing problems in DOD's financial management systems and reporting. Our focused yearly budget justification reviews of DOD's spending of annual appropriations, particularly for operations and maintenance and personnel expenses, have shown consistent trends in over- and underexecuting funds, raising questions about whether DOD is efficiently managing programs and funding. Furthermore, our analysis of supplemental budget requests and spending concluded that neither DOD nor the Congress could reliably know how funds that were appropriated for combating terrorism had been spent. Factors affecting the reliability of DOD's data include long-standing material weaknesses in DOD's accounting systems, a lack of a systematic process to ensure that data are correctly entered into those accounting systems,

the use of estimates rather than actual costs for some of DOD's reported costs, and errors in some reported costs identified by us and some of the military services' audit agencies. In some cases, the difference between reported and actual costs may be material.

In addition, DOD's overall approach to planning and budgeting often results in a mismatch between programs and budget and does not always fully consider long-term resource implications and the opportunity cost of selecting one alternative over another. To that end, we have recommended that DOD adopt a risk-based and results-oriented strategic investment approach. While DOD has taken some steps in this direction, its efforts are still very much a work in progress and lack key elements. DOD's recent quadrennial defense review suggests that DOD plans significant reforms to its risk-based approach and key planning, requirements determination, and budgeting processes. We will be assessing and reporting on progress and challenges in all these areas.

Key Efforts

- ➡ Analyze DOD's annual and supplemental budget requests and related obligations, including funding and costs related to ongoing military operations
- ➡ Assess DOD's efforts and identify alternative approaches to improve planning, programming, budgeting, and processes in support of its overall defense strategy

Potential Outcomes

- ➡ Improved accountability for planning, programming, budgeting, and executing resources for current defense needs
- ➡ Improved accountability through providing of information to defense-related appropriations and authorization committees for their deliberations on DOD's budgets
- ➡ Improved budget and program planning processes to realistically address changing national security needs with limited resources

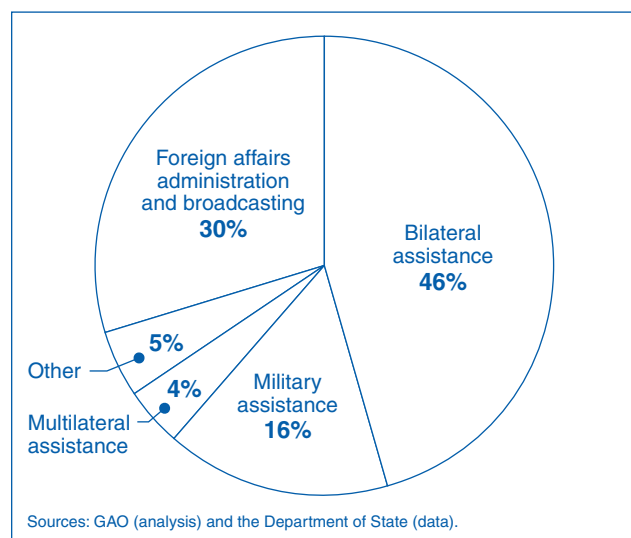
Strategic Objective 2.3

Advance and Protect U.S. International Interests



Although U.S. leaders agree on the ultimate goal of promoting global peace, prosperity, and stability, and spent over \$35.6 billion on international affairs in fiscal year 2005 (see fig. 11), intense debate is occurring over how to achieve that goal.

Figure 11: Spending type for the \$35.6 Billion in Fiscal Year 2005 International Affairs Funds



Note: The total adds to 101 percent because of rounding.

Conflict interventions to make or keep the peace, stabilize failed states, and end terrorist regimes have dominated recent U.S. foreign policy actions. These interventions are sometimes controversial, both domestically and internationally. They also are often costly. For example, from fiscal years 2003 through 2006, the U.S. government appropriated about \$310 billion to support U.S. stabilization and reconstruction efforts in Iraq, including over \$34 billion for reconstruction assistance alone. The United States also spent more than \$1.6 billion in Afghanistan from 2002 to 2004. Moreover, the administration has requested about an additional \$51 billion to support U.S. stabilization and reconstruction operations in Iraq and Afghanistan in fiscal year 2007. Such interventions are likely to continue to play a prominent role in stabilizing regions used as staging areas for efforts to undermine or threaten U.S. interests.

U.S. foreign aid to developing countries is critical for advancing U.S. economic and security interests. For example, the United States supports countries trying to adopt democratic and free market structures through developmental and humanitarian programs as well as rule-of-law assistance and measures to improve local governance capacity. These countries and regions in transition have combined populations in excess of 2 billion, and they face complex development problems. In addition, the Millennium Challenge Corporation's mission is to reduce poverty by supporting sustainable, transformative economic growth in developing countries that create and maintain sound policy environments. Ensuring the effectiveness and efficiency of these programs is important because the extent to which countries can successfully make the transition to and maintain democratic governments and market economies will significantly affect U.S. security and economic objectives and, ultimately, the U.S. budget.

Protecting U.S. strategic interests in the face of new tests has presented challenges for alliances established decades ago and raised questions about how the United States should respond to shifting needs and priorities. Traditional alliances continue to evolve. For example, membership in the North Atlantic Treaty Organisation is expanding to the east and south, and its missions are broadening to include responding to security threats and crises outside of its members' territories. The United States continues to provide bilateral security assistance and pursue programs that counter transnational threats, like drug trafficking, human trafficking, money laundering, and infectious diseases, in order to foster international security.

U.S. participation in multilateral organizations, such as the United Nations, is sometimes debated when questions arise about these organizations' effectiveness and their ability to advance U.S. interests. Multilateral organizations facilitate international cooperation in many areas, including promoting economic and social development; responding to security and humanitarian

challenges; and addressing transnational threats, such as a potential avian flu pandemic. The United States, as a member of these organizations, has advocated improved accountability and management.

Conducting foreign affairs is becoming more complicated as the lines between domestic and international issues blur and change how America does business. About 35 federal agencies have around 19,000 U.S. staff assigned to overseas embassies, and most federal policies have international aspects. The Department of State plays a key role in coordinating U.S. policy and programs for regions, countries, or multilateral organizations. To carry out its responsibilities, the Department of State operates more than 260 embassies and consulates in over 185 countries. The size and composition of the department's overseas infrastructure and human capital are being questioned, particularly in light of security concerns. Moreover, attacks on the United States prompted a rethinking of U.S. public diplomacy and public affairs activities and ways to better understand, inform, and influence foreign publics and policymakers.

The threat of terrorist attacks on U.S. facilities and personnel overseas has shifted the focus of many U.S. agencies' international activities and programs. For example, the practices for granting entry into the United States and the need to block the entry of terrorists and criminals while at the same time facilitating entry for legitimate travel key to the nation's prosperity have changed. Similarly, the terrorist attacks against the United States and interventions in Afghanistan and Iraq have given rise to new U.S.-led coalitions to pursue military, political, and economic efforts to erode terrorists' networks and their sources

of support. Finally, the continuing proliferation of weapons of mass destruction has received heightened attention because of concerns that terrorists or a rogue regime could threaten the United States with nuclear, chemical, or biological attack.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

- 2.3.1 analyze the plans, strategies, roles, costs, and results of the United States and its allies in conflict interventions;
- 2.3.2 analyze the effectiveness and management of U.S. foreign aid and developmental and humanitarian programs and the tools used to implement them;
- 2.3.3 analyze the plans, costs, and outcomes of responding to challenges to U.S. strategic interests;
- 2.3.4 evaluate the extent to which U.S. interests are effectively served by U.S. participation in multilateral organizations;
- 2.3.5 assess the strategies and management practices for U.S. foreign affairs functions and activities;
- 2.3.6 evaluate the effectiveness and coordination of U.S. international counterterrorism efforts; and
- 2.3.7 assess the effectiveness of U.S. and international efforts to prevent proliferating nuclear, biological, chemical, and conventional weapons and sensitive technologies.

Performance Goal 2.3.1

Analyze the Plans, Strategies, Roles, Costs, and Results of the United States and Its Allies in Conflict Interventions

The United States engages in major military operations to maintain peace between nations, stabilize states, or end terrorist regimes, either unilaterally or with the support of U.S. allies or other regional organizations. The United States has employed its armed forces and civilian agencies, often in conjunction with U.S. allies and the international community, most prominently in Iraq and Afghanistan. In these two countries, the United States has made a significant financial, political, and military commitment to enhancing stability and security; industrial infrastructure; economic growth; and institutions in key social, economic, and legal sectors. As of April 2006, the Congress has appropriated about \$310 billion to support U.S. stabilization and reconstruction efforts in Iraq. The United States also plans to spend about \$877 million in Afghanistan in fiscal year 2006. Over the past 3 years, this commitment has brought a mix of progress, frustration, and continuing concern over the efficiency and efficacy of U.S. efforts. In late 2005, the U.S. government elevated integrated postconflict intervention planning as a key aspect of national security planning. The President announced the United States had a significant stake in enhancing U.S. capacity to help stabilize and reconstruct countries in transition from conflict. He directed the Secretary of State to plan, coordinate, and conduct integrated U.S.

government and international responses to future postconflict crises and needs. Moreover, DOD announced at about the same time that integrated military-civilian stability operations now would be a core U.S. military mission and would include assisting efforts to restore rule of law, develop the private sector, and foster government institutions.

While Iraq and Afghanistan have consumed a large share of U.S. resources and effort, elsewhere, peacekeeping missions for the United Nations have expanded, resulting in financial and operational pressures for U.S. participation and support. The United Nations currently fields 16 peacekeeping missions, including operations in the Sudan, on the Pakistan-India border, and in the Middle East. These missions address territorial disputes, armed ethnic and nationalistic conflicts, civil wars, and terrorist and other threats that endanger regional and international peace and stability. Successful interventions often require multidimensional operations involving political and diplomatic efforts and sophisticated intelligence and communications capabilities and security measures. Building, sustaining, and projecting these efforts and capabilities requires commitment, coordination, resources, and consensus—which can be difficult to achieve in the face of conflicting international priorities and strained resource bases.

Key Efforts

- ➔ Evaluate U.S. and multilateral activities intended to stabilize the security environment in areas of conflict
- ➔ Evaluate U.S. and multilateral activities intended to rebuild and protect critical physical infrastructure in Afghanistan and Iraq and manage their transition to secure, peaceful, and independent states
- ➔ Evaluate U.S. and multilateral efforts to promote economic growth and enhance management capacity within key social, economic, and legal institutions in Afghanistan and Iraq in support of U.S. efforts to develop stable and prosperous countries that are at peace with their neighbors and are partners in the war against terrorism
- ➔ Assess the roles and capabilities of the United States, coalitions of other nations, and international organizations such as the United Nations in peacekeeping and similar military interventions in areas of conflict

Potential Outcomes

- ➔ Improved congressional oversight of U.S. and international efforts to bring security to Afghanistan and Iraq
- ➔ Improved planning, execution, and coordination of U.S. and multilateral operations and more efficient use of military and civilian resources in current and future conflict interventions

Performance Goal 2.3.2

Analyze the Effectiveness and Management of U.S. Foreign Aid and Developmental and Humanitarian Programs and the Tools Used to Implement Them

The September 2002 National Security Strategy, which was a response to the September 11 terrorist attacks, elevated development assistance to the third pillar of U.S. national security, along with defense and diplomacy. Since the United States military action began against Afghanistan in 2001 and in 2003 in Iraq, multibillion-dollar, multiyear efforts to rebuild these countries have been under way. Since 2003, the U.S. government has made \$34 billion available for rebuilding and stabilization in Iraq. The United States made available over \$12 billion for humanitarian and developmental assistance programs in fiscal year 2006, including about \$1.8 billion for the Millennium Challenge Corporation. In an effort to advance democracy and support good government around the world, the United States implements assistance programs to strengthen local governance capacities in foreign countries and to combat transnational crime.

Furthermore, the spread of infectious diseases, notably the HIV/AIDS pandemic, is viewed as a threat to global economic growth and security, in addition to causing tremendous human suffering. To respond to the threat, the President initiated a 5-year, \$15 billion emergency plan for AIDS relief in 2003 and tasked the Department of State with coordinating the global effort. The United States has also focused increasingly on disaster recovery assistance. In May 2005, the Congress appropriated \$908 million for relief and reconstruction aid in countries affected by the 2004 Southeast Asia tsunami and

has provided over \$780 million for hurricane and earthquake recovery in the Caribbean and Central America since 1999.

The United States government has taken a number of steps in an attempt to coordinate and manage its diverse foreign aid assistance programs. In 2004, the Secretary of State created the Office of the Coordinator for Reconstruction and Stabilization to enhance U.S. institutional capacity to respond to crises involving failing, failed, and postconflict states and complex emergencies. Furthermore, the Secretary recently created the new position of Director of Foreign Assistance to coordinate assistance programs within both the U.S. Agency for International Development and the Department of State. The Director of Foreign Assistance will serve jointly as the U.S. Agency for International Development Administrator and at the level of Deputy Secretary of State. It is a matter of intense debate whether this move will further politicize foreign aid assistance or will succeed in providing a clear implementation strategy for coordinating a broader portfolio of assistance. In light of concerns about the effectiveness of U.S. assistance, continued attention must be given to evaluating assistance program accountability and management, determining whether foreign assistance efforts are achieving their intended objectives, and assessing whether U.S. foreign aid programs are being managed effectively to advance U.S. policy goals.

Key Efforts

- ➡ Monitor and evaluate U.S. efforts to provide developmental and humanitarian assistance, including assistance to Iraq and Afghanistan
- ➡ Determine the accountability for and effectiveness of U.S. humanitarian and development assistance, including assistance funded through the Millennium Challenge Corporation
- ➡ Assess U.S. efforts to conduct nation-building activities, including programs to enhance the rule of law, democracy, and governance and to combat crime
- ➡ Evaluate the effectiveness and progress of U.S. programs to combat HIV/AIDS and other infectious diseases, as well as programs to provide disaster recovery assistance to other nations

Potential Outcomes

- ➡ Increased accountability for and oversight of U.S. funds and greater focus on achieving results that advance U.S. policy objectives
- ➡ Better-informed government decisions about the best options for delivering foreign assistance
- ➡ Improved effectiveness and efficiency of foreign assistance programs
- ➡ More informed congressional evaluations of the outcomes associated with U.S. and multilateral assistance and their advantages and disadvantages

Performance Goal 2.3.3

Analyze the Plans, Costs, and Outcomes of Responding to Challenges to U.S. Strategic Interests

The United States faces other serious challenges to its efforts to promote democracy and to build a stable and secure world beyond Afghanistan and Iraq. U.S. efforts to make or keep the peace, stabilize failed states, combat transnational illicit activities and end regimes that threaten U.S. interests and world security are no less important.

In response to these and other challenges to its strategic interests, the United States has sought to achieve international stability, on the one hand, by strengthening standing alliances such as the North Atlantic Treaty Organisation through expansion of its membership and capabilities, and on the other hand, by acting with an ad hoc “coalition of the willing,” as in Iraq. These approaches leave a variety of options for action open to the United States and its allies. They also raise questions about the most effective approaches for achieving international stability and the implications of these approaches for developing effective security arrangements and

providing bilateral security assistance to other countries.

In addition to terrorist threats at home and abroad, other less conventional transnational threats, such as trafficking in drugs and persons and water disputes, threaten regional stability in strategically important areas, including the Middle East, Asia, and Latin America. These threats create different challenges for developing effective alliances; providing assistance to other countries; and developing the means to deny terrorists, criminals, and corrupt regimes the ability to take advantage of the complexity of and weaknesses in the world financial system to sustain their activities. The United States is working with the United Nations, the Financial Action Task Force on Money Laundering, and other organizations to reduce the ability of transnational criminal organizations to earn, move, and store financial or other assets.

Key Efforts

- ➡ Analyze the implications and costs of evolving U.S. military alliances and international security arrangements, including efforts to transform and augment regional and international security organizations
- ➡ Assess the management, costs, and benefits of U.S. bilateral security assistance programs, such as foreign military financing and international military education and training
- ➡ Evaluate programs and initiatives to counter transnational threats and global forces affecting U.S. interests, such as illegal trafficking in drugs and persons, and the movement of illegitimate financial assets that fund illicit activities.

Potential Outcomes

- ➡ Enhanced coordination among U.S. allies and greater support for U.S. strategic interests
- ➡ Improved congressional decision making and oversight concerning the costs and benefits of new security arrangements and changes in existing security institutions
- ➡ More effective and coordinated implementation of programs to enhance U.S. security interests and promote more equitably shared costs between the United States and its allies
- ➡ Greater oversight of how U.S. agencies cooperate with international agencies and the financial sector in locating and repatriating illegally obtained assets and revenues.

Performance Goal 2.3.4

Evaluate the Extent to Which U.S. Interests Are Effectively Served by U.S. Participation in Multilateral Organizations

The United States seeks to advance its interests by participating in a wide variety of multilateral organizations, including the United Nations and 11 related agencies (such as the International Atomic Energy Agency), the International Monetary Fund, the World Bank, and four regional development banks. These organizations facilitate international cooperation in many areas, including promoting economic and social development; responding to security challenges; and addressing transnational threats, such as terrorism, crime, and the spread of infectious diseases. Because of humanitarian concerns and because infectious diseases are increasingly viewed as a threat to economic growth and political stability, the United States supports the World Health Organization; the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund); and the United Nations Joint Programme on HIV/AIDS. In addition, the United States is working with bilateral partners and international organizations to help plan and mitigate a potential avian flu pandemic. These

diseases are increasingly viewed as a threat to economic growth and political stability. Programs to fight these diseases depend on U.S. resources. To date, the United States remains the largest single contributor to the Global Fund, having contributed \$1.5 billion since 2001.

The United States is a strong advocate of action within multilateral institutions to (1) address today's needs, threats, and opportunities; (2) become more efficient and effective; and (3) ensure financial and programmatic accountability for funds that member nations provide. For example, the United States has urged the United Nations and the multilateral development banks to focus on monitoring and evaluating performance, and to use information on performance when making funding decisions. The United States has also requested that the United Nations improve its internal controls and has supported efforts to combat corruption in international organizations' programs.

Key Efforts

- ➡ Assess multilateral organizations' capabilities and effectiveness in carrying out their missions
- ➡ Evaluate U.S. efforts to fight global infectious diseases through financing and supporting multilateral organizations' activities
- ➡ Assess U.S. participation in and oversight of multilateral organizations, including efforts to reform United Nations' management

Potential Outcomes

- ➡ Enhanced congressional evaluation of multilateral organizations' activities and the results that they produce and, therefore, the potential gains
- ➡ Improved accountability, increased focus on results, and increased transparency at these organizations and more consideration of options to strengthen their capabilities and effectiveness
- ➡ More effective use of resources to advance U.S. interests through participating in these organizations

Performance Goal 2.3.5

Assess the Strategies and Management Practices for U.S. Foreign Affairs Functions and Activities

The United States spends over \$30 billion annually for traditional foreign affairs activities, including operating the Department of State and providing foreign aid. Long-standing questions exist regarding the level of resources and human capital needed to maintain the network of about 260 U.S. embassies, consulates, and other facilities. Most federal policies have international aspects, and about 35 agencies have staff assigned overseas to implement a variety of programs and activities to support U.S. foreign policies and domestic interests. Agencies such as the Departments of Agriculture, Commerce, Defense, Homeland Security, and Justice and the U.S. Agency for International Development have significant overseas operations that cover a vast array of programs and functions. These overseas operations are generally administered in coordination with the Department of State and its overseas embassy network. However, with so many agencies involved, there is potential overlap and poor coordination of roles and responsibilities, which could create confusion and discord in executing U.S. foreign policy. Thus, it is important that the resources expended to accomplish U.S. foreign policy goals are well managed and that personnel assigned to overseas posts are properly trained. Setting priorities and reconciling the many competing interests the United States has in its relationships with foreign countries is a challenge, but is critical for an effective overall foreign policy. This has led to an effort to “rightsized” or align U.S. overseas

resources with policy priorities. In an effort to better position the Department of State and other agencies to confront rising challenges and new transnational threats, the Secretary of State announced in January 2006 that the Department of State will shift hundreds of foreign service positions from Europe and Washington to difficult assignments in Africa, Asia, the Middle East, and elsewhere.

In recent years, the United States has begun to rethink its foreign affairs functions and activities, and the U.S. government has expanded overseas staffing and increased reliance on nongovernment organizations and contractors to respond to new international challenges. In addition, the U.S. government has placed renewed emphasis on key programs designed to promote U.S. foreign and domestic interests. Throughout the world, the public face of the United States generates strong opinions, positive and negative. The U.S. public image overseas directly affects the U.S. government’s ability to achieve its foreign policy and development assistance objectives. As such, public diplomacy programs promoting U.S. national interests abroad and U.S. international broadcasting are once again at the forefront of a coordinated foreign policy. The Congress needs to ensure that these and other critical programs achieve their intended results and that the U.S. government has a sound strategic plan for carrying out its foreign affairs functions and activities.

Key Efforts

- ➔ Assess efforts to improve U.S. diplomatic readiness and respond to human capital, technology, and other management challenges faced by foreign affairs agencies
- ➔ Assess efforts to rightsize the U.S. overseas presence.
- ➔ Evaluate the efficacy of U.S. public diplomacy and other key programs to improve the U.S. image abroad

Potential Outcomes

- ➔ More effective and efficient use of federal resources and human capital to meet foreign policy objectives
- ➔ Better coordination and synergy among U.S. foreign affairs agencies that are stakeholders in a given region or country
- ➔ More effective coordination and implementation of U.S. public diplomacy and international broadcasting efforts.

Performance Goal 2.3.6

Evaluate the Effectiveness and Coordination of U.S. International Counterterrorism Efforts

The terrorist attacks of September 11, 2001, underscored significant gaps and weaknesses in U.S. efforts to combat terrorism at home and abroad. Growing threats from international terrorist organizations have required the United States to rethink its international activities and became a central focus of the U.S. national security policy. In response to these concerns, the 9/11 Commission made numerous recommendations and the Congress passed several acts (including the Intelligence Reform and Terrorism Prevention Act of 2004) focused on U.S. efforts to combat terrorism at home and abroad. Additionally, the United States took several steps to respond to potential terrorist-related threats to the homeland and United States interests abroad, such as increasing and realigning resources devoted to combating terrorist threats and taking steps to revise diplomatic, military, intelligence, and law enforcement priorities at home and abroad. The U.S. government has spearheaded a variety of international efforts to combat terrorist activities. Among these efforts are a focus on (1) identifying and disrupting currently active terrorist groups and (2) reducing the flow of funding sources and new adherents into terrorist organizations, through public diplomacy, criminal interdiction, and other mechanisms. In addition, the United States has taken steps to train and equip foreign countries to prevent, combat, and respond to

terrorism and also began a \$21 billion program to replace approximately 200 of its overseas facilities to provide more secure and modern facilities for overseas workers and U.S. citizens.

Several government agencies play a key stakeholder role in these efforts (among them are DOD, DHS, Department State, Department of Justice, Federal Bureau of Investigation, and Central Intelligence Agency). Concerns have been raised as to whether the various entities with different roles and missions face challenges coordinating an international approach to combating terrorism and whether the challenges they face are magnified because many of these agencies continue to face program, human capital, and transformation challenges. Additionally, the U.S. government has placed renewed emphasis on key programs designed to protect U.S. borders and promote U.S. foreign and domestic interests. The United States annually processes over 7 million entry visas to foreign visitors, and several agencies work to prevent the entry of those who are a danger to the United States or who are likely to remain in the United States illegally. As such, the Congress has an important role to play in overseeing the implementation of these recommendations and in assessing the effectiveness and coordination of U.S. diplomatic, military, intelligence, and law enforcement efforts to combat terrorism abroad.

Key Efforts

- ➡ Evaluate the management and effectiveness of U.S. programs designed to train and equip foreign countries to prevent, combat, and respond to terrorism
- ➡ Assess U.S. efforts to protect overseas personnel, facilities, and interest from terrorist attack
- ➡ Assess the effectiveness and coordination of U.S. international programs focused on combating and preventing the growth of terrorism
- ➡ Evaluate U.S. efforts to improve passport, visa, and other travel document processes to keep terrorists or other criminals out, while minimizing disruption for legitimate travelers

Potential Outcomes

- ➡ Enhanced congressional and public understanding of the resources and challenges associated with the U.S. efforts to combat terrorism abroad
- ➡ Improved management of counterterrorism programs and more effective use of U.S. foreign assistance intended to reduce terrorist threats abroad
- ➡ Enhancements to U.S. diplomatic, military, law enforcement, intelligence, and national security programs designed to combat terrorism abroad
- ➡ More efficient and effective programs to prevent terrorists from entering the United States

Performance Goal 2.3.7

Assess the Effectiveness of U.S. and International Efforts to Prevent Proliferating Nuclear, Biological, Chemical, and Conventional Weapons and Sensitive Technologies

The continuing proliferation of weapons of mass destruction and delivery systems poses serious threats to the security of the United States and its allies. Increased concern that in the near future, a rogue regime or terrorists will be able to threaten the United States or its allies with nuclear, biological, or chemical weapons has prompted the United States to develop a new approach to combating proliferation. The President's 2006 National Security Strategy identified the need to bolster counterproliferation efforts to deter and defend against these threats, manage the consequences of using weapons of mass destruction, and enhance nonproliferation efforts. The United States is placing a renewed emphasis on strengthening these efforts by encouraging increased political and financial support for such activities.

Currently, the centerpiece of nonproliferation efforts is the growing multibillion-dollar array of efforts by DOD, the Department of Energy, and the Department of State to help former Soviet states control and reduce their vast, diverse holdings of Cold War-era nuclear, biological, and chemical weapons and their related delivery systems and infrastructure. However, U.S. programs to limit

proliferating weapons of mass destruction have begun to move beyond focusing on the former Soviet Union and are focusing more on risks in other countries, such as Iran and North Korea; at borders; and from terrorist networks. In addition, the United States controls the export of certain sensitive technologies (such as chemical weapons' precursors, missiles, and computers) and weapon systems through its national export control system and multilateral arrangements with other nations capable of supplying these technologies or weapon systems.

Nevertheless, the United States is seeking ways to strengthen multilateral export control regimes because rapidly evolving technologies and growing trade in sensitive items among countries of concern have weakened these controls. Finally, the United States is reassessing the effect of existing agreements and partnerships to control or reduce U.S. and foreign arsenals of weapons of mass destruction in the post-Cold War era, including a multibillion-dollar program to dispose of Russian weapons-grade plutonium. The United States is also reassessing the ability of prospective agreements and coalitions to prohibit and detect development of weapons of mass destruction.

Key Efforts

- ➔ Evaluate the management and effectiveness of U.S. programs and safety of facilities designed to minimize proliferating nuclear, biological, chemical, and conventional weapons; technologies; and expertise that pose the greatest risk to the United States and its interests
- ➔ Assess the management and effectiveness of U.S. and multilateral controls over exports of goods and technologies that contribute to proliferating weapons of mass destruction or conventional weapons to sensitive regions of the world
- ➔ Evaluate the United States' and other countries' use of accords and agreements aimed at reducing arsenals of weapons of mass destruction and the impact of their efforts

Potential Outcomes

- ➔ Improved management of programs and activities and more effective use of U.S. assistance that reduces the proliferation of weapons of mass destruction and diminishes the assets posing the greatest risks to U.S. national security
- ➔ Enhanced controls over the export and use of sensitive technologies that could facilitate proliferating weapons of mass destruction or other weapons of concern
- ➔ Improved implementation of accords and agreements to achieve greater impact in reducing arsenals of weapons of mass destruction

Strategic Objective 2.4

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



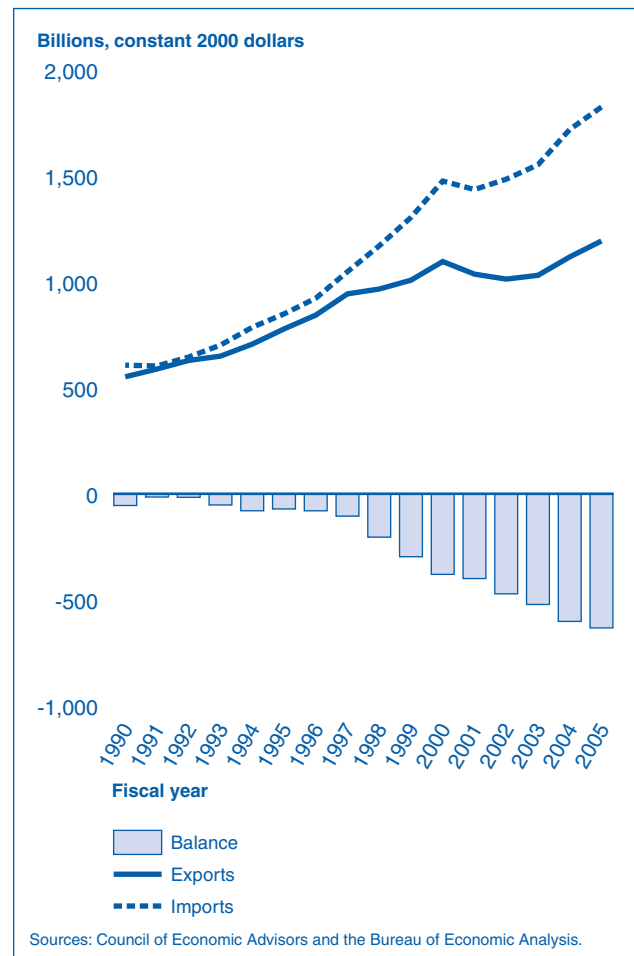
Source: See Image Sources.

The increasing interdependence of the world's economies has a significant impact on the national security and the economic well-being of the American people. U.S. exports have grown much faster than the economy as a whole. However, U.S. imports have grown faster, leading to a widening trade deficit, as shown in figure 12. Moreover, the United States has been the principal architect of an open world trading system and, as the world's largest exporter and importer of goods and services, has benefited immensely from global trade. But segments of U.S. and world populations have not shared equally in these benefits and may not do so in the future. Moreover, global market forces have resulted in large trade imbalances and made the United States more vulnerable to overseas economic crises. Trends such as rapid growth in China and India have increased international competition for scarce natural resources, such as energy. In addition, it has become more difficult for the United States to maintain control over critical technologies and the supplier base on which U.S. economic and military security depends. Also, the United States has faced terrorist threats emanating from some of the least integrated countries in the world as well as health threats from some of the most integrated regions of the world. For policymakers, several aspects of these trends require particular attention.

Trade agreements are increasing in number and importance to the U.S. economy. More than 300 international trade agreements affect hundreds of billions of dollars in trade and millions of U.S. jobs. The mutual dependence of international markets and the U.S. economy has increased even further with China's 2001 admission to the World Trade Organization and the emergence of developing countries such as India, shifting traditional patterns of trade, production, and investment. In addition, the United States is currently involved in major multilateral negotiations in the World Trade Organization, as well as numerous free trade agreements with other partners. Over 10 U.S. agencies have programs to promote U.S. exports. These programs include providing financial assistance

through loans, loan guarantees, and grants as well as providing U.S. businesses with information on the export process.

Figure 12: U.S. Imports, Exports, and Trade Balance, 1990–2005



Note: Trade values are in inflation-adjusted 2000 constant U.S. dollars. The values for fiscal year 2005 are preliminary.

The globalization of the supplier base is driving changes in the way the United States obtains technologies and capabilities to protect its national security interests. As companies increasingly engage in a wide variety of business arrangements across national borders, and DOD increasingly relies on them, the department is seeking new ways to benefit from the competitive sources and innovative technologies that a diverse supplier base may provide. For example, the department is partnering with foreign countries

to develop major weapon systems, such as the Joint Strike Fighter aircraft program. Although globalization has the potential to speed innovation and reduce costs, it also carries potential threats to the technological superiority of the U.S. military and may require new approaches to protect national security interests.

Global financial health and the maintenance of the world financial system are critical to long-term U.S. objectives and cornerstones of U.S. foreign policy. International financial institutions have created mechanisms to anticipate, prevent, and resolve financial crises, but it remains to be seen if these mechanisms will be adequate to safeguard the stability of the international financial system. International financial institutions, such as the International Monetary Fund and the World Bank, are at the center of efforts to address financial crises. The United States is the major contributor to the International Monetary Fund and relies heavily on it and the World Bank to promote world economic health. The operations and transparency of these institutions have come under increased scrutiny.

Overseeing financial institutions and markets in the 21st century is a growing challenge. Trillions of dollars flow through the nation's financial institutions and markets, including the investments and retirement savings of working households. The globalization of financial firms and markets coupled with continuing advances in technology have created opportunities to improve the speed and efficiency of market operations. But these advances also provide new opportunities

for illegal market activities and may broaden the scope of financial crises or cause them to spread more rapidly. Creating new products and the increasing importance of new market participants continue to pose challenges to existing regulatory frameworks and oversight programs. Innovations such as the increasing use of Internet-based financial activities also present new regulatory challenges. While these innovations can benefit U.S. markets and investors, they also expose individuals to increased risks and potential fraud.

To support efforts by the Congress and the federal government to address these issues, we will use the following performance goals:

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

Performance Goal 2.4.1

Analyze How U.S. Interests Are Served through Trade Agreements, U.S. Programs, and International Cooperative Efforts

The future direction of U.S. trade policy continues to be debated in the Congress, throughout the nation, and around the world, and the Congress may be asked to renew the President's Trade Promotion Authority, which expires in mid-2007. Trade proponents maintain that liberalizing trade barriers, establishing new trade rules, expanding coverage of trade agreements to new countries, and enforcing existing trade agreements are critical to U.S. commercial and foreign policy interests. For these reasons, the executive branch works to complete trade agreement negotiations on several fronts, often through use of trade promotion authority, which facilitates congressional approval of trade agreements. These include the World Trade Organization's Doha Development Agenda and regional and bilateral free trade agreements. Yet several of these have run into difficulty. At home, some U.S. firms and workers are questioning the benefits versus the costs of trade agreements. Internationally, certain issues such as agriculture are particularly problematic. Developing countries are taking a more active role in negotiating trade agreements, some claiming they should not be held to the same level of trade liberalization as developed countries, while others are seeking assistance to adjust and benefit from trade reform.

Nevertheless, some domestic observers express concern that the United States has not been sufficiently aggressive in monitoring and enforcing more than 300 existing trade-related agreements. U.S. trade policy and programs seek to increase export opportunities and to ensure that U.S. firms are able to compete globally, while aiming to contain "unfairly traded" imports and import surges that cause significant injury to certain domestic industries. For example, U.S. government agencies have a role in promoting exports as well as administering U.S. trade remedy laws. Some critics of U.S. trade policy and programs doubt that regional and global trade regimes can effectively achieve their desired outcomes and believe they may compromise U.S. sovereignty.

Finally, the United States uses its trade policy and programs as tools to support other foreign policy objectives. U.S. trade and investment assist developing countries around the globe in instituting market-based economies, democratically elected governments, and stability in areas of conflict. Since the September 11 terrorist attacks, security has become an important issue in trade policy. In such an environment, we can provide the Congress with independent, in-depth analyses of the status of trade negotiations, the extent to which trade agreements are being implemented, and the effectiveness of the U.S. government apparatus to develop and implement trade policy and programs.

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Key Efforts

- ➡ Assess preparations for, progress in, and results of trade negotiations, including the World Trade Organization's Doha Development Agenda and regional and bilateral free trade agreements, including the potential impact on U.S. policies such as the new farm bill
- ➡ Evaluate U.S. and international efforts to ensure the implementation of and compliance with trade agreements, which include the broad World Trade Organization agreements and more specific provisions, such as those pertaining to intellectual property rights
- ➡ Analyze the structure, processes, and resources used to develop, implement, and evaluate U.S. trade policy and programs, as well as their effectiveness, such as trade preferences for developing nations; export promotion; trade capacity building; legal remedies to counter unfairly traded goods and injurious import surges; import duty collection; and control and monitoring of in-bond shipments, textile imports, and illegal goods
- ➡ Evaluate the relationship between trade and other, sometimes competing, U.S. policy goals and emerging or renewed domestic and international challenges, such as the need to balance security and economic concerns when regulating trade at the border and the need to retain the United States' openness to foreign trade and financial flows while reducing currency and trade imbalances
- ➡ Review how the U.S. government assesses the extent and the impact of the dynamic change in U.S. international economic activity, such as offshoring of services by outsourcing them to foreign nations
- ➡ Assess U.S. participation in international efforts to address tight supplies of energy and other commodities and mitigate their economic impact

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Potential Outcomes

- ➡ Improved congressional oversight of trade negotiations, key emerging issues, economic implications, and the relationship of these issues to achieving U.S. objectives
- ➡ More effective congressional oversight of trade policy through better information on and greater transparency of complex trade programs and activities
- ➡ Improved implementation of and compliance with trade programs and agreements to ensure that the United States obtains anticipated benefits and mitigates costs
- ➡ Greater congressional understanding of the links and potential trade-offs between trade and other U.S. policy goals

Performance Goal 2.4.2

Improve Understanding of the Effects of a Global Supplier Base on U.S. National Security Interests

The multiple, and often divergent, interests of a global supplier base present challenges to the U.S. government as it obtains technologies and capabilities to protect national security interests. Domestic firms that develop defense products, produce parts and components for weapon systems, and integrate and maintain those weapons are forming business relationships with foreign firms. At the same time, DOD is increasingly relying on commercial products from industries that have already established such international relationships.

These trends are reflected in the department's new emphasis on partnering with foreign countries to develop major weapon systems, such as the Joint Strike Fighter aircraft program. Taking advantage of industry globalization has the potential to speed innovation and reduce costs but also carries potential threats to the technological superiority of the U.S. military. Our independent assessments of the effects of increased globalization on defense acquisitions will provide information needed for the U.S. government to manage technology transfers, the industrial base, and international weapon systems programs.

Key Efforts

- ➡ Evaluate the management of significant national security technology transfers
- ➡ Improve the U.S. government's knowledge of its commercial and foreign supplier base, ability to select key suppliers, and capacity to manage contractors to meet national security needs

Potential Outcomes

- ➡ Improved effectiveness of technology transfer processes through maximizing value and minimizing national security risks to the U.S. government
- ➡ Greater understanding and improved U.S. government management of commercial and foreign suppliers to meet national security needs

Performance Goal 2.4.3

Assess How the United States Can Influence Improvements in the World Financial System

Maintaining the health of the global financial system is critical to long-term U.S. objectives and is a cornerstone of U.S. foreign policy. International efforts to maintain this system are primarily undertaken through international financial institutions, most notably the World Bank and the International Monetary Fund, which use various means to help countries deal with financial problems and development needs. In light of the threat of financial crises and persistent poverty in many developing countries, the Congress and others have raised concerns regarding the effectiveness of the International Monetary Fund, the World Bank, and related multilateral organizations in maintaining the health and stability of the world financial system. This includes their efforts to address the increasing debt burdens of middle- and low-income countries, 42 of which have been classified as heavily indebted.

The United States seeks to create an environment that supports its foreign policy objectives by influencing international economic activity and policy through various activities, including

- negotiating international financial accords, like those sponsored by the Organisation of Economic Co-operation and Development to promote market economies;
- providing government finance programs like those run by the Export-Import Bank of the United States and the Overseas Private Investment Corporation to support U.S. trade and development objectives; and
- seeking consensus on the use of exchange rate policies, capital controls, and similar measures to promote efficient and sound international trade and investment flows with other countries.

Key Efforts

- ➡ Assess U.S. participation in and oversight of multilateral financial institutions, including the Department of the Treasury's efforts to influence how these institutions address the debt problems of developing countries
- ➡ Evaluate U.S. government efforts to influence developments in international markets through international accords; U.S. financing programs that support trade and investment; and other government activities that affect the international flow of goods, services, and financial assets, valuation of currencies, and trade balances

Potential Outcomes

- ➡ Increased understanding of the funding liabilities arising from U.S. participation in international debt relief efforts and more effective programs for reducing poor countries' debt burdens
- ➡ More informed congressional oversight of U.S. foreign economic policy, including efforts to reach accords on economic issues
- ➡ More efficient and effective management of U.S. government international finance programs and related activities

Performance Goal 2.4.4

Assess the Ability of the Financial Services Industry and Its Regulators to Maintain a Stable and Efficient Financial System in the Face of Market Change and Innovation

The financial services industry continues to develop, both in the size of financial institutions and in the range of services being provided to customers. Combined with introducing new products and marketing niche products—such as alternative mortgages—to a wider spectrum of consumers, this growth presents regulators with new challenges. Likewise, risk management practices are becoming more complex and difficult for regulators to assess. U.S. and foreign bank regulators' multiyear effort to better align capital standards with these risk management practices could improve financial system soundness but could also alter the competitive landscape. Banking regulators face expanding challenges as they respond to the changing structure of the industry, ensuring compliance with new rules and regulations (such as restructured capital adequacy rules) while seeking to lessen regulatory burden, particularly on medium- and small-sized firms. Questions have also been raised about the adequacy of oversight of industrial loan corporations as well as whether credit unions are meeting their mandated responsibilities of serving people of modest means.

Securities regulators also face ever-increasing challenges as they take on the responsibility of prudently supervising the largest investment firms and seek to increase oversight of the activities of large investors, including hedge funds

that are increasingly active in many financial markets. They are also struggling to update their regulatory requirements and approaches in light of changes in the ownership structure of U.S. and international exchanges, which raises concerns about potential conflicts of interest. In the insurance sector, where regulation is primarily at the state level, there is an increasing need for regulatory consistency across the states that may call for a wider federal role. All regulatory agencies must deal with the human capital challenges as they compete with the private sector for staff with the specialized skills needed to assess the more complex risk management systems.

Ensuring that the financial system remains stable but is also efficient and flexible enough to meet the changing demands of its customers is an important part of the government's role in ensuring the proper functioning of the nation's economy. The potential for new threats to financial market stability—such as those from terrorism or pandemic—challenges financial regulators and the Congress to ensure not only that customers and markets are protected but also that increased security does not stifle market efficiencies or hinder introducing beneficial new products and services, including those that would enable consumers and businesses to better manage those threats.

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Key Efforts

- ➡ Assess how regulators oversee financial firms that are increasingly global and manage multiple business lines across regulated entities
- ➡ Evaluate whether the overall regulatory structure and the role of existing financial regulatory agencies are appropriate given the ongoing changes in market practices and regulatory-ownership structures
- ➡ Assess how well regulators manage their operations and make effective use of technology and human capital
- ➡ Assess how well regulators respond to new products and market participants; emerging threats; and the impact of these developments on safety, soundness, and competition in the financial services industry

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Potential Outcomes

- ➡ Improved efficiency, effectiveness, and consistency of the overall federal regulatory framework
- ➡ Increased efficiency and competitiveness of the nation's financial markets
- ➡ Greater assurance that markets and financial institutions are resilient in the face of damage from physical or other threats
- ➡ Improved readiness of regulators to oversee new products and markets, financial holding company arrangements, and risk management practices
- ➡ Enhanced efficiency and effectiveness in the way regulators manage their operations, technology, and human capital
- ➡ Enhanced understanding and oversight by the Congress and regulators of the effects of new market practices, new participants, and new capital standards on financial market stability, efficiency, and competitiveness

Performance Goal 2.4.5

Assess the Effectiveness of Regulatory Programs and Policies in Ensuring Access to Financial Services and Deterring Fraud and Abuse in Financial Markets

Millions of U.S. households have invested in financial markets or deposited money at financial institutions. To a greater degree than ever before, the products offered by the financial services industry, such as mutual funds and insurance, are important to the financial well-being and retirement security of U.S. citizens. Increasingly, consumers are being offered an ever-widening array of financial products, including some with hybrid features involving combinations of savings, investments, or insurance. It is becoming more and more important that regulators ensure that consumers understand the benefits and risks of these products. As product diversity and complexity grows, financial regulators, consumers, and businesses must also be increasingly vigilant of fraudulent and abusive marketing practices. As financial institutions increasingly move into new and nontraditional markets, regulators must maintain their ability to ensure open and fair access to markets and consumer protection.

In response to recent scandals, various financial accounting, disclosure, and corporate governance reforms were implemented, such as the Sarbanes-Oxley Act or additional disclosure requirements for mutual funds. It is important to ensure that these reforms are effective and do not have unintended consequences. With individuals making greater use of financial products and interacting more directly with the markets than in the past, adequate risk disclosure and assurance of financial privacy and security have also assumed more importance. As a result, understanding the scope of financial literacy and evaluating approaches to enhance it have become increasingly important. The growing problems related to using the financial markets and institutions for illegitimate purposes—such as identity theft, money laundering, or terrorist financing—also demand regulatory attention to ensure that customers are protected and that the integrity of the financial system is preserved.

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Key Efforts

- ➡ Determine whether consumers and businesses, particularly low- and moderate-income consumers and small businesses, have appropriate access to financial services and assess the effectiveness of regulatory programs in ensuring fair and open access to financial markets
- ➡ Assess the effectiveness of regulatory programs and policies in deterring fraud and abuse in the financial marketplace
- ➡ Assess whether current regulatory efforts, policies, and requirements are adequate to ensure that investors and consumers are sufficiently informed of the costs and risks of traditional and innovative financial products and services
- ➡ Determine whether financial regulators and institutions are promoting the financial literacy of consumers and investors, including providing information on how to manage their finances with an emphasis on preparing to meet their retirement and other goals, using credit responsibly, and assessing and understanding risks
- ➡ Assess the adequacy of consumer information protection monitoring by regulators as well as regulatory responses to financial crimes, including identity theft and money laundering and terrorist financing

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Potential Outcomes

- ➡ Increased assurance of fair and open access to financial markets
- ➡ Improved regulatory actions to detect and deter fraud and abuse within the financial services industry
- ➡ Improved disclosure of financial product costs, benefits, and risks
- ➡ Better understanding of the state of financial literacy and which methods enhance it
- ➡ Regulatory oversight and financial institution compliance programs that better ensure that all financial transactions are from legitimate sources
- ➡ Cost-effective improvements in oversight and compliance programs that minimize the regulatory burden
- ➡ Improved protection for homeowners and homebuyers from predatory and unfair lending practices

Goal 3

Help Transform the Government by Supporting a Broad-Based Reexamination of Federal Programs

Source: See Image Sources.



The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the 21st century. Major trends—such as diffuse security threats, increasing interconnectedness of global markets and economies, and rapid technological advances—drive the need for federal agencies to transform their cultures and operations. In view of the broad trends and growing fiscal pressures, the federal government needs to engage in a fundamental reexamination of what government does, how it does business, how it is financed, and in some instances who does the government’s business.

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

This third strategic goal guides us in our efforts to help transform the federal government’s role and its efforts to meet 21st century challenges. The accompanying strategic objectives focus on the comprehensive reassessment necessary to position the government to take advantage of emerging opportunities and meet strategic challenges. Specifically, we focus on the government’s role in achieving national goals in an increasingly networked environment and its ability to deliver, and account for, high performance.

To ensure that we help transform the role of government and its efforts to meet 21st century challenges, we have established strategic objectives to

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

Strategic Objective 3.1

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



Within the context of the major trends and long-term fiscal imbalance, evaluating the role of the government and the programs it delivers is vital to determining how to best position the federal government for the 21st century. With the government facing an array of complex challenges and opportunities, a strategic long-term view is critical in considering how best to design programs to manage effectively across boundaries and meet the nation's needs and priorities today and in the future. Policymakers will need forward-looking information to set the stage for early warnings about emerging threats and make informed choices about effective government responses.

As the pace of change accelerates in every aspect of American life, policymakers and the public need more and better information to assess where the nation is and where it is going. In this regard, developing key national indicators for the United States can help policymakers assess the overall position and progress of the nation in key areas, frame strategic issues, and support informed public debate and decisions within and between levels of government and the United States as a whole.

Addressing the nation's strategic challenges increasingly depends on the joint efforts of all levels of government and the interactions and interdependencies between the various actors, policy tools, and management functions. In most federal mission areas—from low-income housing to food safety to higher education assistance—national goals are achieved through the use of various policy tools, such as direct spending, grants, loans and loan guarantees, insurance, tax expenditures, and regulations. Any assessment of federal missions and strategies must look at the tools that the federal government uses and the participation of other organizations in achieving national objectives.

Although policy tools have proliferated in recent decades, knowledge of how to design and manage the federal policy tool set has not kept pace. Policymakers need a better understanding of

how individual policy tools operate, how to measure their performance and effectiveness, which actors participate in implementing various tools, and what features are necessary to ensure accountability and oversight.

The effectiveness of federal programs increasingly depends on state and local management and resources as well as constructive interactions between federal, state, and local actors, including private and nonprofit entities. The intergovernmental system is being tested by a complex array of specific short- and long-term challenges. Federal, state, and local governments are facing daunting problems in managing programs involving numerous actors inside and outside of government that are both nonroutine and routine in nature. For example, jurisdictions face challenges in working with other levels of government, nonprofits, and the private sector in areas ranging from preparing for, responding to, and recovering from catastrophes, such as a potential influenza pandemic, to effectively managing key areas of national life, such as providing quality education and health care. Moreover, the unique advantages of a federal system—the flexibility and capacity to respond to local needs—are challenged by long-term trends, such as advances in technology and communications that span state and national boundaries.

To support the Congress in reexamining the federal government's role in achieving evolving national objectives, we will use the following performance goals:

- 3.1.1 examine emerging challenges and opportunities to position the federal government for the 21st century and
- 3.1.2 examine the relationships of governmental and nongovernmental organizations and the use of policy tools in achieving national goals.

Performance Goal 3.1.1

Examine Emerging Challenges and Opportunities to Position the Federal Government for the 21st Century

As demonstrated in our 21st century challenges report, the Congress faces a daunting challenge to bring the federal government and its programs in line with 21st century realities. Such a broad and fundamental reexamination of the federal government will test political wills and traditional oversight frameworks. For example, it may be difficult politically to eliminate outright or even change some programmatic or policy commitments, even if review and reexamination has found them to be outdated, unneeded, or

simply unaffordable. Entrenched programs and policies may have significant segments of the economy that have grown dependent on their continuation and that would experience disruption and significant transition costs if the status quo were abruptly altered. Yet the sooner that the Congress, federal managers, and others can implement change toward a new federal base of government, the more options they will have and the easier the changes will be to implement.

Key Efforts

- ➔ Examine, develop, and demonstrate information and tools to support potential government responses to 21st century challenges
- ➔ Examine one or more emerging challenges and the implications for current programs
- ➔ Identify specific foresight strategies that can be used to address current and emerging trends
- ➔ Monitor efforts to develop key national indicators

Potential Outcomes

- ➔ Enhanced congressional, agency, and GAO capability to reexamine what the government does, how it does it, who does it, and how it is financed
- ➔ Development and application of reexamination tools identifying opportunities to transform what the government does, how it does it, or how it is financed
- ➔ Improved anticipation and response to emerging trends and challenges
- ➔ Enhanced congressional, agency, state, local, and GAO capability to oversee and evaluate the performance of government and society
- ➔ Increased insight and foresight to the Congress and the American public on priority and emerging national challenges and policy decisions

Performance Goal 3.1.2

Examine the Relationships of Governmental and Nongovernmental Organizations and the Use of Policy Tools in Achieving National Goals

There is a growing understanding that the federal government is relying increasingly on networks and partnerships—often including multiple federal agencies, state and local governments, domestic and international nongovernmental or quasi-governmental organizations, and for-profit and not-for-profit contractors—to achieve results. Adding to this complexity, the federal government uses a variety of public policy tools, such as grants, tax expenditures, insurance programs, regulations, vouchers, and loans, to interact through these networks. Recognizing this increased interdependence is particularly important when developing and implementing national strategies and presents challenges for managing programs involving numerous actors, ensuring appropriate flexibility, building capacity, and maintaining sufficient accountability. In addition, there is a critical need for innovative leadership approaches to provide the governance capacity needed to address crosscutting and

multisector 21st century challenges, such as planning for and responding to catastrophic events such as an influenza pandemic, and for meeting the challenges posed by more routine concerns, such as health care financing over the long term. A governmentwide strategic plan, informed by a comprehensive set of national indicators, could help improve evaluations of the nation's progress and prospects in addressing key issues and support informed public debate and decisions about the respective roles of the public and governments at all levels in addressing the challenges the nation faces. Also of key importance is the understanding that the fiscal and policy issues facing governmental and nongovernmental parties are increasingly intertwined, and like the federal government, state and local governments have faced and will continue to face fiscal pressures in the form of slowing revenue growth and greatly increased spending demands.

Key Efforts

- ➡ Assess the development and implementation of national and governmentwide strategies, such as the strategy to prepare for and respond to an influenza pandemic
- ➡ Identify opportunities to improve the coordination, collaboration, and governance of networks of governmental and nongovernmental organizations to address complex national issues, such as the response to and recovery from hurricanes Katrina and Rita and preparations for pandemic influenza, as well as the routine delivery of services and programs
- ➡ Evaluate the efficiency, effectiveness, and use of policy tools, such as grants, tax expenditures, regulations, vouchers, loans, loan guarantees, and insurance
- ➡ Determine how federal policies and economic trends affect the short- and long-term fiscal capacities of states and localities to pursue national objectives

Potential Outcomes

- ➡ Bolstering of the Congress's decision making and oversight related to national strategies and measures
- ➡ Helping the United States prepare for nonroutine events (such as pandemics) in ways that are sustainable over the longer term, encompassing approaches to enhance critical capacities that will have value to preparedness, response, and recovery
- ➡ Improved coordination, collaboration, and governance of organizations and networks involved in emergency events and the routine delivery of services and programs
- ➡ Enhanced use of the various tools of government to achieve national outcomes and improve program results
- ➡ Increased insight that will allow the Congress to address the challenges facing all levels of government in the U.S. federal system, including the imbalance between current revenues and spending demands, financing of health care over the long term, and the adequacy of current tax structures

Strategic Objective 3.2

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



Source: See Image Sources.

The overarching trends and long-term fiscal challenges facing the nation drive the need to change how the government does business in the 21st century. To

become high-performing organizations, agencies must transform their cultures to respond to the transition that is taking place in the federal government's role. By building fundamental management capacity, the federal government can improve its performance and deliver economical, efficient, and effective programs and services that the American people need in a cost-effective and fiscally sustainable manner. Focusing on accountable, results-oriented management can help the federal government better position itself to meet the new challenges and opportunities of this century.

As part of its transformation efforts, the federal government needs to create a culture that moves from outputs to results, stovepipes to matrixes, hierarchical to more horizontal structures, an inward to an external focus, micromanagement to employee empowerment, reactive behavior to proactive approaches, avoiding new technologies to embracing and leveraging them, hoarding knowledge to sharing knowledge, avoiding risk to managing risk, and protecting "turf" to forming partnerships (see fig. 13). People are an organization's most important asset, and strategic human capital management should be the

centerpiece of any effort to transform the cultures of government agencies. A focus on results, not just of the organization but of its contribution to national goals, is essential. In establishing a results-oriented culture that can reach its full potential, the organization and its leaders need to carefully select the best solution for the organization in terms of structure, systems, and processes. Information is an important asset that needs to be managed appropriately and effectively. Vital to successful transformation will be building the management capacity of federal agencies to support new ways of doing business—including human capital, financial, IT, and acquisition management. Though progress is being made on many fronts, much remains to be done

Today's federal human capital strategies are not suited to meet current and emerging 21st century challenges or to drive needed transformation across the federal government. The federal government must have the capacity to plan more strategically, react more expeditiously, and focus on achieving results. Critical to the success of this transformation are the people who carry out the government's business. Traditionally, this work was performed largely by permanent, career civil servants. Increasingly, however, nonpermanent federal employees, as well as contractors and other third parties, are playing a bigger role in carrying out agencies' missions. We

Figure 13: Cultural Changes and Key Practices Necessary for Successful Transformation



designated strategic human capital management as a governmentwide high-risk area, and it is one of the President's governmentwide management reform initiatives. The area remains high risk because the federal personnel system is clearly broken in critical respects—designed for a time and workforce of an earlier era and not able to meet the needs and challenges of a rapidly changing and knowledge-based environment. While more progress in addressing human capital challenges has been made in the last few years than in the previous 25, improvements are needed in such areas as succession planning, knowledge transfer, pay and reward systems, recruitment and retention programs, and managing the multisector and blended workforce. As new agency-specific authorities and flexibilities are provided, it will be vital to have the institutional infrastructure in place to use them effectively. Critical institutional infrastructure includes agencies' human capital planning capabilities; the ability of their management teams to use flexibilities effectively; and the presence of modern, effective, and credible performance management systems with appropriate safeguards.

Agencies are confronted with long-standing and substantial challenges to becoming more results oriented. Since the 1990s, the Congress sought to instill a greater focus on results and accountability by enacting a statutory framework with the Government Performance and Results Act of 1993 as its centerpiece. Our work has shown significant growth in the number and types of results-oriented performance measures called for in the act. Managers' perceptions of being held accountable for results also have grown. On the other hand, progress in building organizational cultures to create and sustain a focus on results has been uneven. To help agencies effectively manage their resources and link resource decisions to results, agencies and the Congress need credible, rigorous evaluations to assess whether current programs and policies remain relevant, appropriate, and effective. It will also be important for the Congress to take full advantage of the benefits arising from the reform agenda under way in the executive branch; to do so, the government must find ways to foster accountability in ways the Congress considers appropriate for meeting its role, responsibilities, and interests.

Successfully transforming how the government does business depends on building high-performing organizations that network with key partners, both across and outside the government. Improved performance has been a primary goal of several recent restructurings, such as forming DHS, reorganizing the Federal Bureau of Investigation, and creating the National Intelligence Directorate. DOD is in the process of transforming its business operations, and the U.S. Postal Service faces the challenge of transforming its business model for the 21st century. However, government experience in reorganization has yielded mixed results. Future success will depend on identifying and implementing best practices of high-performing organizations operating in a complex, networked environment. Critical organization elements—structure, systems, and practices—must support achieving high performance. Leadership must set the direction, pace, and tone for the transformation and should provide sustained and focused attention over the long term. Establishing a chief operating officer position or chief management officer position with term appointments at selected agencies could help to (1) elevate attention on management issues and transformational change, (2) integrate various key management and transformation efforts, and (3) institutionalize accountability for addressing these issues and leading this change.

Information is a vital resource that needs to be properly managed. The growth in electronic information as well as new security threats facing the nation highlight challenges to effectively collecting and disseminating information that agencies need to take into account in developing new programs. While it is important to enhance the government's use of new technologies to improve collecting and disseminating government information, it is also important that this information—especially that collected for statistical purposes—meets the current needs of federal programs, policymakers, and the public. In areas in which the U.S. economic and social structure is undergoing major change, statistical agencies need to respond to these changes with relevant data on a timely basis.

Timely, accurate, and useful financial information is essential for making operating decisions day to day; supporting results-oriented management approaches; and managing the government's operations more efficiently, effectively, and

economically. Yet the federal government's financial management has suffered from neglect, and financial systems have serious shortcomings.

IT is a key element of management reform efforts that can dramatically reshape government to improve performance and reduce costs. However, numerous poorly managed IT systems have produced multimillion-dollar cost overruns, schedule slippages, and poor results. Further, poor information security remains a high-risk area across the federal government with potentially devastating consequences. Electronic government offers many opportunities to better serve the public and reduce costs, but the federal government has not reached its full potential in this area.

Effective acquisition management plays a key role in creating and sustaining high-performing organizations. Despite reforms to transform the federal acquisition process, the government still does not have a world-class purchasing system. All too often, many of the products and services the government buys cost more than expected, are delivered late, or fail to perform as anticipated. Encouragement of strategic contracting approaches that seek greater efficiencies as well as improvements in management and accountability are needed to produce better outcomes. Agencies are considering other approaches for achieving greater efficiency and effectiveness in their operations, including appropriate use of contracts with the private sector. After a yearlong study, the Commercial Activities Panel developed a set of principles to be used in addressing sourcing decisions and recommended that the public and private sectors compete for the opportunity to perform commercial functions. Competitions can be based

on the established framework of the Federal Acquisition Regulation. Changes published by the Office of Management and Budget in its Circular No. A-76, *Performance of Commercial Activities*, are generally consistent with the panel's recommendations. However, this competitive sourcing initiative is a major change in the way government agencies operate, and successfully implementing the circular's provisions will require that adequate support be available to federal agencies and employees. We will follow developments in this area closely.

To support the transformation to a results-oriented, high-performing government, we will use the following performance goals:

- 3.2.1 analyze and support efforts to improve the human capital infrastructure key to successfully transforming the government;
- 3.2.2 assess efforts to improve results-oriented management across the government;
- 3.2.3 identify ways to improve the collection, dissemination, and quality of federal information;
- 3.2.4 identify ways to improve financial management infrastructure capacity to provide useful information for managing results and costs day to day;
- 3.2.5 assess the government's planning, implementation, and use of IT to improve performance and modernize federal programs and operations; and
- 3.2.6 identify ways to improve how federal agencies acquire goods and services.

Performance Goal 3.2.1

Analyze and Support Efforts to Improve the Human Capital Infrastructure Key to Successfully Transforming the Government

Strategic human capital management must be the centerpiece of any serious change management and transformation initiative. Although progress has been made, it is clear that today's federal human capital strategies are not yet appropriately constituted to meet today's challenges and drive the needed transformation across the government. For example, the composition of the workforce has been changing, with nonpermanent employees, contractors, and other third parties performing functions that were once carried out by career civil servants. While this trend has given agencies more managerial flexibility, the human capital implications of a blended, multisector workforce, including performance, accountability, productivity, and training issues, must also be considered. Moreover, effective compensation reforms must consider employees' total compensation and be market-

based, performance-oriented, and sustainable over the longer term, given known cost trends and future fiscal imbalances. The Congress has extended additional authorities to agencies to address human capital challenges and enacted human capital reform initiatives to provide greater flexibility to agencies in developing and implementing their strategic human capital approaches. This gives additional urgency to improving agencies' institutional infrastructure necessary for successful use of such flexibilities. Critical elements of the needed infrastructure include agencies' human capital planning capabilities; the ability of their management teams to use flexibilities effectively; and the presence of modern, effective, and credible performance management systems with appropriate safeguards.

Key Efforts

- ➡ Assess the leadership, management, and delivery of human capital products and services necessary for agencies to carry out their missions cost effectively
- ➡ Evaluate agencies' efforts to develop a workforce that is flexible, resilient, capable, and competitively compensated
- ➡ Identify ways policies, programs, and practices can enhance individual performance and contributions toward agency outcomes
- ➡ Assess policies that create an inclusive environment by leveraging diversity and preventing and resolving conflicts

Potential Outcomes

- ➡ More effective human capital leadership at the Office of Personnel Management and across federal agencies
- ➡ A blended, multisector workforce that is more agile, adaptive, and able to accomplish agencies' missions in a transforming environment
- ➡ Performance management and other procedures that promote high-performing individuals and agencies
- ➡ Implementation strategies for promoting diversity and preventing and resolving conflict

Performance Goal 3.2.2

Assess Efforts to Improve Results-Oriented Management Oversight across the Government

Given current trends and challenges facing the nation—including the federal government’s long-term fiscal imbalance—we must take advantage of opportunities to enhance performance, ensure accountability, and position the nation for the future. To successfully navigate transformation across the government, agencies must fundamentally reexamine not only their business processes, but also their outdated organizational structures; management approaches; leadership; and in some cases, missions. This includes cultural transformation as well as creating the institutional capacity to become high-performing organizations by implementing more results-oriented and performance-based approaches for doing business. To that end, it is critical to reexamine the relevance of federal programs and their fit with national priorities, while maximizing program performance within current and expected resource levels.

Federal performance and accountability reforms have encouraged producing credible, results-oriented performance information since the 1990s. However, an increased supply of performance information must also be accompanied by

a demand for and use of that information by decision makers and managers alike. Importantly, while agency managers reported having significantly more measures of results under the Government Performance and Results Act, agencies differ considerably in the extent to which they use performance information to assess whether programs and policies remain relevant, appropriate, and effective; support decision making; and promote accountability. It will also be important for the Congress to take full advantage of the benefits arising from the reform agenda under way in the executive branch; to do so, government must find ways to foster accountability in ways the Congress considers appropriate for meeting its role, responsibilities, and interests.

Moving forward, progress governmentwide is particularly needed in planning better for how mission-critical challenges and risks are to be addressed, coordinating crosscutting programs, considering the performance consequences of budget decisions, integrating human capital and performance planning, and building the capacity to gather and use performance information.

Key Efforts

- ➡ Facilitate congressional use of performance information in decision making
- ➡ Monitor and evaluate efforts by agencies and the Office of Management and Budget to use performance information for management decision making
- ➡ Identify and disseminate useful strategies and methodological tools for agencies to apply to measure performance and solve analytical challenges to evaluating program and policy results
- ➡ Conduct targeted reviews and assessments of transformation efforts, management, and leadership at selected agencies and other organizations to improve effectiveness and identify efficiencies

Potential Outcomes

- ➡ Increased congressional use of and confidence in the integrity of performance data for accountability, oversight, and decision making
- ➡ Increased use of performance information within the executive branch to improve and reward performance, inform the allocation of resources, and share and replicate effective approaches for producing and using performance information and reporting on program results
- ➡ Increased agency capacity to measure and evaluate program and policy results
- ➡ Higher performance and greater results within governmental organizations

Performance Goal 3.2.3

Identify Ways to Improve the Collection, Dissemination, and Quality of Federal Information

Information is a critical strategic asset; however, agencies confront unique and sometimes conflicting demands in collecting and providing it. Some of the ongoing management challenges that agencies face include addressing statutory requirements to reduce reporting burdens, protect the privacy of personal information, provide access to public records, disseminate information effectively and appropriately, secure information from harm or misuse, and preserve information of historical value. Meanwhile, the ubiquity of Internet access; the growing sophistication of electronic government techniques; and advances in archival, search, and retrieval technologies are creating greater opportunities to provide citizens with more efficient and improved public access to government records and information. Agencies are being asked not only to make information more readily available to the public but to collect and share data far more extensively than they have in the past. These trends have overwhelmed agencies and raised concerns about the adequacy of the current governmentwide organizational and policy framework and about agencies' ability to manage information and knowledge in this evolving environment.

The demographic statistics and information from surveys generated by the U.S. Census Bureau inform major decisions by U.S. public and private sector decision makers and therefore must be of the highest quality. After the 2000 census, the bureau was criticized for undercounting certain portions of the U.S. population and for allowing the entry of duplicate addresses into its master address files. To address concerns about accuracy and costs, the bureau decided to reengineer

the processes to be used for the 2010 census. At this time, the bureau's preparations for the 2010 decennial census have reached a key stage. According to bureau officials, it is already too late to make significant changes to the design of the 2010 census, and they may need to enter into a risk mitigation mode of operations to promote the success of the bureau's reengineered design. We and the Congress will be closely monitoring the bureau's progress—including how it mitigates risk stemming from emerging operational issues—as it makes its way toward the 2010 census.

Better management of the federal information enterprise can yield significant returns. A case in point is the federal statistical system. Although the amount of money the government spends on federal statistical agencies—roughly \$4 billion a year—is a tiny portion of the federal budget, the impact of that spending is felt throughout society, as the information guides planning and investment decisions of the public and private sectors. For example, population data are used for congressional apportionment and redistricting, economic indicators are used by the Federal Reserve Board to set monetary policy, and regional data are used to allocate around \$200 billion in federal aid to state and local governments. Businesses use federal data to inform decisions on where to locate new stores and production facilities. Federal agencies use data to enforce statutory regulatory requirements. Simply put, as the public's demand for more responsive and cost-effective government has increased, so too has the need for accurate, timely, accessible, and apolitical information.

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Key Efforts

- ➡ Examine issues related to reauthorizing the Office of Management and Budget's Office of Information and Regulatory Affairs and overseeing the Paperwork Reduction Act
- ➡ Assess the government's ability to protect the privacy of individuals' personal information in an era of rapidly evolving technology
- ➡ Review the government's progress using electronic technology to store, preserve, and share public records
- ➡ Examine the employment of electronic technologies to improve public access to federal records and enhance collecting, using, and disseminating government information
- ➡ Identify ways to improve the management and cost-effectiveness of the U.S. census
- ➡ Assess the quality and use of statistical and other U.S. data

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Potential Outcomes

- ➡ An updated set of national policies on privacy, access, burden, data sharing, and storage in an electronic environment
- ➡ Improved compliance with existing privacy requirements and a better understanding of the challenges the government faces in ensuring the personal privacy of individuals in a rapidly expanding electronic age
- ➡ Expanded, less costly, and more responsive ways to provide the public access to government information
- ➡ Improved government records management and archival programs
- ➡ A more managed transition as the government moves away from printing as a primary means for disseminating information to the public
- ➡ Increased effectiveness and efficiency through better targeting investments, eliminating overlapping and outdated information investments, and helping develop a strategic approach to identifying, managing, and prioritizing information needs and investments
- ➡ A more accurate and cost-effective census in 2010
- ➡ Assurance of the quality and usefulness of key federal statistical data
- ➡ Improved regional data to more closely meet the needs of formulas for allocating federal funds

Performance Goal 3.2.4

Identify Ways to Improve Financial Management Infrastructure Capacity to Provide Useful Information for Managing Results and Costs Day to Day

Today, the government does not have timely, accurate, and useful financial information to measure and control costs, manage for results, and make timely and fully informed decisions. Routinely generating good financial information will require modern financial management systems that (1) ensure consistent agency and governmentwide reporting; (2) account for the full cost of programs and projects; (3) integrate

program, budget, and financial information; (4) report performance against established metrics; and (5) implement appropriate accounting standards. The government has not yet met this challenge nor has it addressed the persistent financial management human capital issues and the high-risk financial management operations we identified at several major agencies.

Key Efforts

- Monitor the management of projects to modernize financial management systems and assess whether they can provide meaningful, useful information
- Analyze and report on agencies' progress in implementing federal accounting standards and other Federal Financial Management Improvement Act requirements
- Identify financial management best practices and suggest ways to improve financial management operations, organizations, and related human capital practices
- Fulfill accounting, auditing, and internal control standards-setting responsibilities and act as a catalyst for reform in these areas

Potential Outcomes

- Reliable, useful, and timely financial and budget information routinely available to manage daily operations and properly implement a more accountable, results-oriented government
- Enhanced congressional oversight of agencies' progress in implementing federal accounting standards, improving financial systems, and resolving high-risk financial management operations
- Accounting, auditing, and internal control standards that are tailored to government's unique characteristics and special needs and are generally accepted
- Effective governmentwide financial management reform initiatives

Performance Goal 3.2.5

Assess the Government's Planning, Implementation, and Use of IT to Improve Performance and Modernize Federal Programs and Operations

Today, the government spends over \$57 billion annually on IT to support virtually all government operations and assets. With the rapid pace of technological change and innovation, including the growth of the Internet, government agencies have unprecedented opportunities to use IT to enhance government service to citizens, improve performance, and reduce costs. These opportunities, however, create significant challenges, such as the need to apply and use a wide range of complex new electronic technologies effectively, interconnect diverse networks and systems securely and reliably, and build improved technical capacity among agency personnel.

Addressing these challenges requires strong and effective IT management leadership. At the same time, federal agencies need to continue to reduce the risk of making poor IT investment decisions and costly mistakes that result in wasteful spending and lost opportunities for improving performance and delivery of services to the public. Best practices and our past work demonstrate that essential steps to avoiding such mistakes are to adopt sound enterprise architectures; adhere to structured IT investment practices; and implement disciplined IT systems acquisition, development, and integration management processes.

Key Efforts

- ➡ Evaluate government efforts to make the complex management and technical transformation to electronic government
- ➡ Identify opportunities and assess efforts to outsource government IT operations in support of mission strategies and needs
- ➡ Assess and promote the application and use of IT investment management best practices across the government
- ➡ Promote adopting sound enterprise architectures and assess government enterprise architecture efforts to engineer business processes for implementing IT systems that optimize mission performance
- ➡ Review federal agencies' management and effectiveness in carrying out systems acquisition, development, and integration efforts—including complex, multiyear modernizations
- ➡ Review the management of government telecommunications and interconnected systems and federal agencies' effectiveness in providing secure, reliable, and fast Internet and Web connections
- ➡ Review government progress in developing effective IT human capital strategies and identify how to improve IT workforce training programs

Potential Outcomes

- ➡ Expanded and improved citizen access to public services and information through electronic means
- ➡ Improved service delivery and greater economy and efficiency of government IT operations
- ➡ Increased return on the federal government's IT investments
- ➡ Improved agency enterprisewide management of IT and engineering capability to develop and acquire IT systems that support mission and performance objectives
- ➡ More informed congressional appropriations and oversight decisions on major planned and ongoing IT investments
- ➡ Greater viability, stability, and security built into the Internet and interconnected networks and systems used by government to transmit data and information
- ➡ More consistent application and use of human capital strategies and workforce training programs to address the government's IT needs

Performance Goal 3.2.6

Identify Ways to Improve How Federal Agencies Acquire Goods and Services

Among the many 21st century challenges the nation faces is the question of how agencies will decide who will do the business of government. Agencies are increasingly turning to the private sector for goods and services. Since September 11, federal procurement has jumped 50 percent to nearly \$350 billion, and all indications are that the trend will continue. Many agencies rely extensively on contractors to help carry out their missions, such as the Department of Energy, which spends about 90 percent of its \$25 billion budget to contract out the operation of its laboratories and other facilities. Further, agencies may again need to respond to emergencies and quickly acquire goods and services for relief and recovery from natural disasters, such as Hurricane Katrina, or an influenza pandemic.

Yet our work and that of the inspectors general continues to find that the acquisition function at many agencies is at risk for waste and mismanagement. Many agencies lack a sufficiently sized and qualified workforce to help ensure positive cost, schedule, and quality outcomes. Our high-risk list continues to include contract management at DOD, the Department of Energy, and the National Aeronautics and Space Administration; and more recently, we added managing interagency contracting to the list. Questions persist regarding whether the anticipated benefits of reforms over the last

decade, which were intended to streamline and simplify federal acquisition processes and practices, achieve economies and efficiencies, and leverage the government's buying power, are being achieved.

Greater reliance on third parties to conduct the business of government calls for an acquisition process based on realistic and well-defined requirements and contract terms that reflect a careful balancing of risks between the government and its contractors, as well as a skilled acquisition workforce capable of planning, negotiating, and managing increasingly complex contracts. In addition, accountability can be enhanced through an effective protest forum that resolves complaints that particular procurements may not have been conducted lawfully. In this connection, vested with statutory authority to resolve government contract formation disputes, we provide an objective, independent, impartial forum for resolving bid protests and we recommend actions to correct any procurement law violations. Our work will broadly address improving the government's ability to manage risks and achieve successful contract outcomes in an increasingly dynamic environment, including the need to acquire goods and services expeditiously in response to natural disasters while maintaining appropriate controls to minimize fraud and waste.

Key Efforts

- ➡ Enhance the government's ability to use efficient business processes to acquire needed products, services, and technologies
- ➡ Improve the government's knowledge of the supplier base, ability to select key suppliers, and capacity to manage contractors
- ➡ Identify ways to maximize the value of contract expenditures and mitigate the risk of potentially wasteful or abusive spending practices
- ➡ Determine whether contracting agencies in protested procurements acted lawfully

Potential Outcomes

- ➡ Enhanced efficiency, effectiveness, and accountability for contract decision making
- ➡ Improved selection, management, and oversight of suppliers of goods and services
- ➡ More positive cost, schedule, and quality contract outcomes
- ➡ Increased consistency in interpretations of procurement statutes and regulations, and greater public confidence in the integrity of the federal procurement system

Strategic Objective 3.3

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

Source: See Image Sources.



Strong, visionary, and persistent leadership will be needed to address today's challenges and prepare the nation for the future. Congressional leadership will continue to play a vital role in achieving a broad transformation of the government. Congressional oversight is needed to ensure that agencies continue to build their fundamental management capabilities, resolve high-risk areas, and address major management challenges to effectively address the nation's most pressing priorities and to take advantage of emerging opportunities.

Our 2007 high-risk list identified 27 high-risk areas, as shown in table 4. Continued persistence

in addressing these high-risk areas will ultimately yield significant benefits. Although effectively addressing some of these issues will require time, finding lasting solutions could potentially save billions of dollars, improve service to the American public, strengthen public trust in the national government, and ensure the ability of government to deliver on its promises. In fiscal year 2006, we documented financial benefits totaling \$22 billion that resulted from actions taken in response to our recommendations and reports to address high-risk issues. However, more remains to be done to ensure that the government has the capacity to deliver on its promises and meet current and emerging needs.

Table 4: GAO's 2007 High-risk list

| High-risk areas | 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 |
| • Federal Aviation Administration's 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 |
| Managing Federal Contracting More Effectively | |
| • DOD Contract Management | 1992 |
| • Department of Energy Contract Management | 1990 |
| • National Aeronautics and Space Administration 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 | 2006 |

Source: GAO.

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

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

As part of the drive to improve performance, agencies are increasingly being called on to demonstrate that their programs are conducting research that is relevant, of high quality, and producing results. As part of the President's Management Agenda, for example, the Office of Management and Budget is focusing on developing objective criteria that agencies can use to select, fund, and manage their research and development programs. According to the fiscal year 2004 budget, 12 of the top 13 agencies conducting research and development are using the Office of Management and Budget's Program Assessment Rating Tool, which contains criteria for research and development investments. Science and technology investments are critically important in

improving the quality of life and the performance of the economy in areas that include health care, defense, energy, and the environment.

However, the increased development and use of new technologies present challenges to the Congress in evaluating their potential and assessing the effects on security, safety, privacy, and equity. For example, despite many successes in space exploration, the loss of life, unsuccessful missions, and unforeseen cost overruns have recently increased the level of concern over the benefits of space exploration, particularly with regard to manned activities. Congressional oversight is critical in ensuring that the substantial federal investment in science and technology is allocated effectively and that intellectual property rights are protected here and abroad.

To support congressional oversight of key management challenges, we will use the following performance goals:

- 3.3.1 highlight high-risk federal programs and operations and monitor progress of executive branch management reforms,
- 3.3.2 identify ways to strengthen accountability for the federal government's assets and operations, and
- 3.3.3 assess the management and results of the federal investment in science and technology and the effectiveness of efforts to protect intellectual property.

Performance Goal 3.3.1

Highlight High-Risk Federal Programs and Operations and Monitor Progress of Executive Branch Management Reforms

We continue to provide the Congress with periodic updates on government programs and operations that we have identified as high risk. We have increasingly used the high-risk designation to draw attention to the challenges faced by government programs and operations in need of broad-based transformations to address major economy, efficiency, or effectiveness challenges. We also continue to focus on federal programs and operations when they are at high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement. 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. Since the program began in 1990 with 14 areas in need of attention, the government has taken high-risk problems more seriously and has made long-needed progress toward correcting them. In some cases, progress has been sufficient for us to remove the high-risk designation. For example, in 2007, 2 high-risk areas warranted removal from the list—U.S. Postal Service transformation efforts and long-term outlook and HUD single-family mortgage insurance and rental housing assistance programs. In total, 18 areas have been removed from the high-risk list since the inception of the program, 8 of them from the original list.

In our January 2007 high-risk program update, we designated three additional areas as high risk. The first new area involves transportation financ-

ing and capacity. In this area, revenues to support federal transportation trust funds are eroding at a time when investment is needed to expand capacity to address congestion caused by increasing passenger and freight travel. The second new high-risk area involves effective protection of technologies critical to U.S. national security. These technologies continue to be targets for theft, espionage, reverse engineering, and illegal export. Moreover, government programs established decades ago to protect critical technologies are ill-equipped to weigh competing U.S. interests as the security environment and technological innovation continue to evolve in the 21st century. The third area being designated as high risk involves federal oversight of food safety because of risks to the economy and to public health and safety. In this area, the current fragmented federal system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources.

A number of the areas in the President's Management Agenda focus directly on programs and issues that we had previously designated as high risk. Additionally, the Office of Management and Budget has initiated an effort focused on guiding and tracking progress toward addressing the areas that we have identified as high risk and has directed agencies to develop individual action plans, complete with goals and milestones for reducing risk in each of these areas.

Key Efforts

- ➔ For each new Congress, provide an update on progress in addressing high-risk areas, identify any areas in which progress has been sufficient for the high-risk designation to be removed, and identify areas to be newly designated as high risk
- ➔ Monitor the progress and continuing challenges related to governmentwide management reform initiatives, such as the President's Management Agenda and efforts to develop agency action plans to address high-risk areas
- ➔ Assist congressional and presidential transition efforts by highlighting key issues and solutions needed to improve the performance and accountability of the federal government and address high-risk programs and operations

Potential Outcomes

- ➔ Greater awareness of the extent and severity of high-risk areas at agencies at the beginning of each new Congress
- ➔ Sustained congressional and executive branch commitment to completing actions that will mitigate high-risk areas
- ➔ Enhanced consideration of GAO's recommendations to address the causes of the government's key management challenges, as well as federal programs and operations, to meet broad-based transformational objectives

Performance Goal 3.3.2

Identify Ways to Strengthen Accountability for the Federal Government's Assets and Operations

The government faces a wide range of financial management issues that affect program performance and accountability and that result in substantial losses of taxpayers' funds. For example, the President's Management Agenda addresses one such area: the government has

identified over \$35 billion in erroneous benefit and assistance payments. Our work provides insight and foresight into the extent, causes of, and solutions to pressing financial management issues such as this one and points out control weaknesses in critical government programs.

Key Efforts

- Perform financial analyses, undertake specifically requested financial reviews, and conduct a wide range of statutorily mandated financial audit work
- Assess internal control and recommend improvements to ensure that effective internal control is in place and operating as intended
- Conduct forensic audits and investigations to highlight vulnerabilities and to identify potential instances of waste, fraud, and abuse
- Identify and suggest improvements in a range of financial-related areas affecting program performance and accountability, such as managing improper payments, debt collection, cost accounting, deferred maintenance, asset control, user fees, credit cards, and social insurance
- Analyze the activities and capacity of the accountability community, including the inspectors general, in overseeing federal programs and funds

Potential Outcomes

- Greater congressional insight on the viability and financial status of major government entities
- Stronger systems of internal control to help deter waste, fraud, abuse, and mismanagement
- Enhanced accountability for managing programs more efficiently, effectively, and economically
- Strengthened accountability community efforts to work cooperatively and help ensure that resources are used effectively to oversee government programs and funds

Performance Goal 3.3.3

Assess the Management and Results of the Federal Investment in Science and Technology and the Effectiveness of Efforts to Protect Intellectual Property

The federal government's investment in science and technology is critical to long-term U.S. economic growth. Over the past 50 years, developments in science and technology have generated at least half of the nation's productivity growth and have created millions of high-skill, high-wage jobs. The quality of life in America has been bolstered by the pursuit of science and technology. The National Aeronautics and Space Administration's exploration and development of space has advanced scientific and technological knowledge while expanding the imagination of the nation's young people. These outcomes will be further enhanced as the National Aeronautics and Space Administration proceeds to implement its space exploration goals. Also, intellectual property—patents, trademarks, and copyrights—has been characterized as the fuel that drives

the U.S. economic engine and is an important component of the nation's knowledge-based economy.

Each year, the federal government spends over \$90 billion on research and development activities and grants or registers nearly 300,000 patents and trademarks and over 500,000 copyrights. The Congress's challenges are to ensure that federal resources are allocated to the most promising, highest payoff areas of research and, recognizing that we operate in a global economy, that the nation's investment in science and technology—its intellectual property—is protected here and abroad. Other challenges include ensuring that the government's and the public's interests are protected in funding research and promoting the commercialization of resulting technology.

Key Efforts

- ➡ Assess the management and results of major federal science and technology programs and identify ways to improve funding and coordinating research activities across government agencies
- ➡ Evaluate the National Aeronautics and Space Administration's efforts to fund, prioritize, and manage the nation's multibillion-dollar research investment in the International Space Station, Space Shuttle fleet, science, and new space exploration initiatives
- ➡ Conduct technology assessments to evaluate the implications of the technology for public policy and congressional decision making
- ➡ Analyze the adequacy of science agencies' organization, human capital, and management processes to ensure their effectiveness

Potential Outcomes

- ➡ Increased confidence that the federal science and technology programs are being well managed, achieving intended results, and contributing to the overall economic well-being of the nation
- ➡ Better understanding of the policy options that stimulate technological innovation and encourage partnering and cooperation among research institutions while protecting intellectual property rights
- ➡ A more informed congressional assessment of the National Aeronautics and Space Administration's ability to balance the need to maintain legacy systems—such as completing the International Space Station and retiring the shuttle fleet—with the development of new multibillion-dollar systems capable of reaching the moon and beyond

Strategic Objective 3.4

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



Source: See Image Sources.

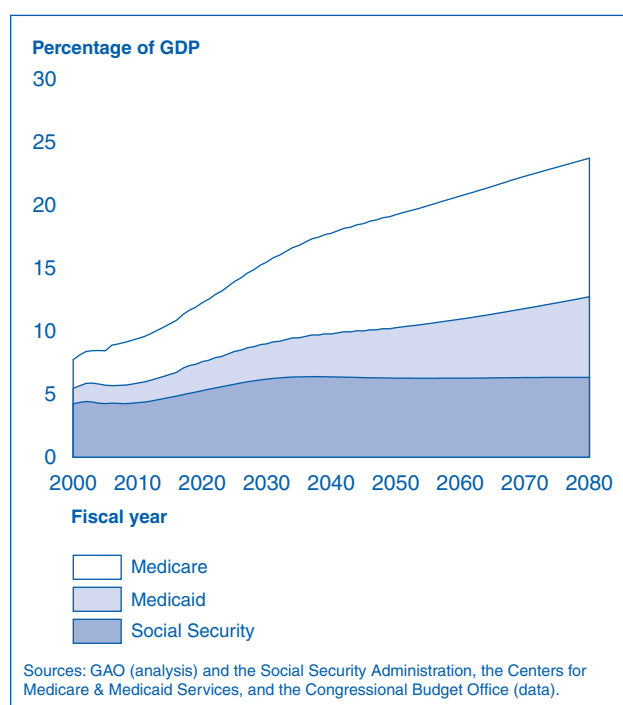
The federal budget is the principal annual vehicle through which the Congress and the President balance competing views about allocating federal resources, accountability for those resources, and allocating responsibility between the public and private sectors and among levels of government. The nation continues to run large budget deficits, and the squeeze on the federal budget from the impending retirement of the baby boom generation is becoming more apparent in the 10-year budget window.

Our long-term budget model has consistently suggested that without changes to the major retirement and health care programs, the nation will ultimately have to choose between escalating federal deficits and debt, significant tax increases, and dramatic budget cuts in other areas. Under the Congressional Budget Office's current 10-year budget and economic outlook, economic growth is projected to be about half a percentage point lower on average after 2008 because labor force growth will slow as the baby boom generation begins to retire. At the same time, the already rapid growth in entitlement spending for Social Security, Medicare, and Medicaid (see fig. 14) is projected to accelerate. As such, it will be increasingly difficult to address today's urgent needs without unduly exacerbating the nation's long-term fiscal challenges.

While Social Security and Medicare dominate the long-term outlook, they are not the only federal programs or activities that bind the future. Indeed, the federal government undertakes a wide range of programs, responsibilities, and activities that obligate it to future spending or create expectations for spending. Making government fit the challenges of the future will require not only dealing with the drivers—entitlements for the elderly—but also looking at the range of other federal activities. However, the budget controls

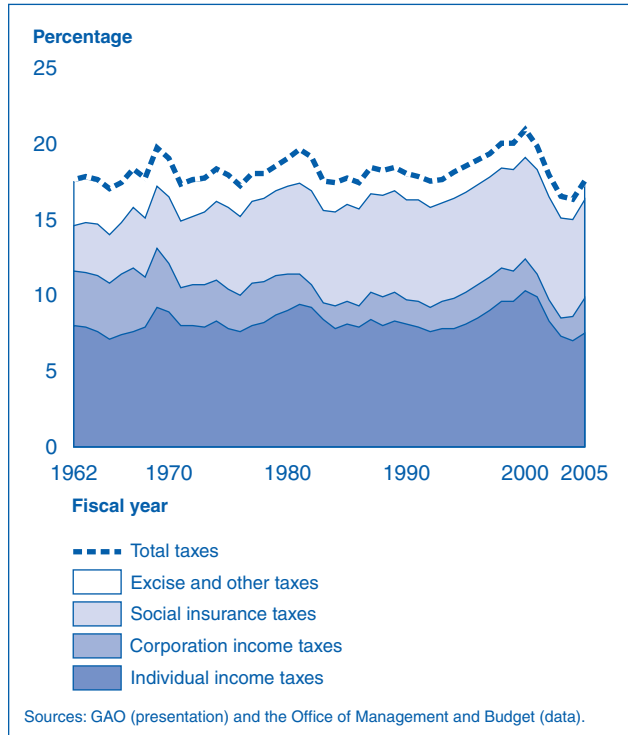
instituted to achieve balance in the past have expired, and no agreement has been reached on the appropriate structure or process for focusing on the fiscal challenges that now move to center stage.

Figure 14: Federal Medicare, Medicaid, and Social Security Spending as a Percentage of GDP, 2000–2080



Part of the solution to the long-term fiscal challenges will have to come on the revenue side of the federal budget. This will involve reexamining not only the amount of revenue needed to finance federal expenditures but also how that revenue is raised. The amount of revenue raised to finance federal spending has remained fairly stable over the last several decades when measured as a share of GDP (see fig. 15). Revenue would have to increase if growth in federal spending is not controlled.

Figure 15: Federal Revenue as a Percentage of GDP and by Source, 1962–2005

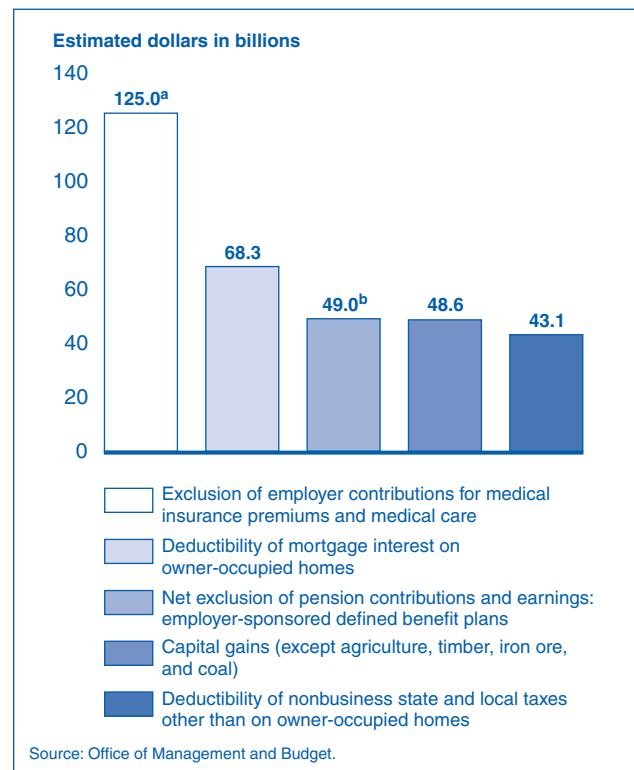


Tax policy, which determines the design of our nation’s tax system and thus how a given amount of revenue is raised, has profound effects on the economy as a whole and on the decisions that individuals and businesses make about working, saving, and investing. The federal tax system includes numerous tax provisions intended to influence taxpayers’ behavior throughout the economy, but little is known about the effects of many of these provisions. Given the size and complexity of the federal tax code, the Congress remains interested in tax reform, particularly its simplification. Among the many causes of complexity is the growing number of exemptions and exclusions from taxation, deductions, credits, deferral of tax liability, and preferential tax rates.

The federal tax system includes numerous tax provisions intended to influence taxpayers’ behavior throughout the economy, but little is known about the effects of many of these provisions. Given the size and complexity of the federal tax code, the Congress remains interested in tax reform, particularly its simplification. Among the many causes of complexity is the growing number of exemptions and exclusions from taxation, deductions, credits, deferral of tax liability, and preferential tax rates. The number of

tax expenditures reported by the Department of the Treasury has more than doubled since 1974, and the sum of revenue loss estimates for tax expenditures was nearly \$847 billion in 2006.⁵ Figure 16 shows the revenue loss estimates for the five largest tax expenditures reported for fiscal year 2006.

Figure 16: Revenue Loss Estimates for the Five Largest Tax Expenditures Reported for Fiscal Year 2006



Notes: These data are from *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2008*. “Tax expenditures” refers to the special tax provisions that are contained in the federal income taxes on individuals and corporations. The Office of Management and Budget does not include data on the forgone revenue from other federal taxes, such as Social Security and Medicare payroll taxes.

^aIf the payroll tax exclusion were also counted here, the total tax expenditure for employer contributions for health insurance premiums would be about 50 percent higher or \$187.5 billion.

^bThis tax expenditure does not include \$40.8 billion in revenue losses because of employer-sponsored defined contribution plans.

⁵Summing the individual tax expenditure estimates is useful for gauging the general magnitude of the federal revenue involved, but it does not take into account possible interactions between individual provisions.

To analyze the government's fiscal position and identify ways to strengthen approaches for financing the government, we will use the following performance goals:

3.4.1 analyze the structure and information for budgetary choices and explore alternatives for improvement, including implications for the long-term fiscal position;

3.4.2 contribute to congressional deliberations on tax policy;

3.4.3 identify specific opportunities to reduce the tax gap and improve federal tax administration; and

3.4.4 assess the reliability of financial information on the government's fiscal position and financing sources.

Performance Goal 3.4.1

Analyze the Structure and Information for Budgetary Choices and Explore Alternatives for Improvement, Including Implications for the Long-term Fiscal Position

Our long-term budget model has consistently shown that current fiscal policy is unsustainable over time as the population ages and workforce growth slows. Social Security and Medicare largely drive this outlook, but other programmatic and budgetary decisions also have long-term cost implications. Further, long-standing rules and budget conventions drive congressional decisions about resource allocation. The combination of short-term pressures for economic stimulus,

greater resource needs for national preparedness, and long-term fiscal challenges is resulting in the need for improvements in the budget process. While the process has not caused the problems, a lack of procedures, discipline, and controls can work against attempts to make difficult decisions. Conversely, a process that illuminates the looming fiscal pressures and provides appropriate incentives can at least help decision makers ask the right questions.

Key Efforts

- ➡ Analyze the long-term fiscal position of the federal government and ways to improve recognition of the implications of current decisions
- ➡ Explore congressional budget process and controls, including incentive structures, leakages/gaps around established controls, and other governments' experiences in controlling deficits
- ➡ Identify improvement opportunities related to budget transparency, budget coverage, performance information, clarity of budget presentation and scoring, and decisions that affect budget flexibility
- ➡ Assess agencies' budget processes and responses to resource decisions

Potential Outcomes

- ➡ More information for the Congress and the public on the long-term implications of current and alternative fiscal policies on budget results, the national debt, national saving, and other budgetary and economic measures of fiscal position
- ➡ More informed congressional decision making resulting from the greater transparency of the budgetary implications of long-term commitments
- ➡ An informed debate about alternative budgetary structures and control mechanisms, both for the short term and for the long term, and congressional understanding of the implications of current budget structures for the kinds of trade-offs that can be considered in the budget

Performance Goal 3.4.2

Contribute to Congressional Deliberations on Tax Policy

Concerns about the tax system's effect on future economic performance and the need to raise sufficient funds to meet the nation's fiscal challenges are drivers of the current debate about the future of that system. The nation's tax system has profound effects on the economy as a whole and on individual taxpayers, both for today and tomorrow. Taxes affect decision making throughout the economy, including decisions concerning how much and where to work, save, and invest. These decisions, in turn, affect

economic growth and future income, and thus future tax revenues. The growing complexity of the tax system stems in part from the extensive use of tax expenditures to promote social and economic objectives. Further, the U.S. position in the worldwide economy has fundamentally changed. U.S. workers and firms must now succeed in a world of fast-paced technological change and constantly evolving global competition.

Key Efforts

- ➡ Evaluate the effectiveness of individual tax expenditures and their aggregate impacts, such as those on tax revenue, the economy, and taxpayers
- ➡ Analyze how changes in the tax system affect objectives, such as equity, economic efficiency, simplicity, transparency, and ease of administration
- ➡ Analyze how the tax code affects business decisions, such as where to locate and how to structure operations
- ➡ Evaluate the consequences of tax policy for the nation's long-term fiscal challenges, including its effect on national savings and competitiveness

Potential Outcomes

- ➡ Improved tax system policies based on fact-based, objective analyses
- ➡ Improved governance of tax expenditure programs and better understanding of the effect of these programs on taxpayers and the economy
- ➡ Better understanding of how the tax code affects business behavior
- ➡ Better understanding of how changes in the tax system affect individual taxpayers, the economy as a whole, and the long-term fiscal challenges of the federal government

Performance Goal 3.4.3

Identify Specific Opportunities to Reduce the Tax Gap and Improve Federal Tax Administration

IRS faces demands from the Congress and the public to continue improving its taxpayer service and reduce the net tax gap, estimated to be \$290 billion in 2001 (the latest available estimate). In an era of tight budgets, IRS's success at improving both taxpayer service and compliance will depend mostly on its ability to use its resources more efficiently. Two ongoing IRS efforts are crucial to realizing efficiency

improvements: systems modernization and more general initiatives to improve management. However, making significant improvements to taxpayer compliance will likely require innovative solutions external to IRS. Such solutions include increasing withholding of taxes, expanding information reporting of income, and reducing the complexity of the tax code.

Key Efforts

- ➡ Identify opportunities to improve IRS's service to taxpayers, including submission processing, telephone services, and efforts to boost voluntary compliance
- ➡ Identify opportunities to improve IRS's enforcement programs in light of a changing U.S. and international economy, evolving technology, and the growing tax gap
- ➡ Evaluate IRS's efforts devoted to systems modernization, particularly its expenditure plans
- ➡ Assess IRS's crosscutting efforts to improve agencywide management, including reengineering efforts, human capital management, and use of research and data analyses to improve enforcement and service programs

Potential Outcomes

- ➡ Improved and more efficient IRS services to taxpayers
- ➡ Progress in addressing long-standing pockets of taxpayer noncompliance
- ➡ Mitigating risks inherent in modernizing IRS's operations and ensuring its potential success
- ➡ Enhanced agencywide management of IRS

Performance Goal 3.4.4

Assess the Reliability of Financial Information on the Government's Fiscal Position and Financing Sources

Since 1997, we have been statutorily required to audit the U.S. government's annual consolidated financial statements. We have seen significant progress with respect to the transparency and accountability of reporting over the federal government's operations and fiscal condition over the past 10 years. Accounting and financial reporting standards have continued to evolve. Beginning in fiscal year 2006, the Statement of Social Insurance, which shows long-range actuarial projections of scheduled social insurance benefits in excess of earmarked revenues, became a principal financial statement. Also beginning in fiscal year 2006, the consolidated financial statements included reporting on earmarked funds activity separately from nonearmarked funds activity. Nonetheless, we remain unable to render an opinion on the government's consolidated financial statements. Three major impediments remain: (1) serious and pervasive financial management problems at DOD, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies, and (3) the federal government's

ineffective process for preparing the consolidated financial statements. Further, while financial reporting has improved, additional financial reporting enhancements are needed to effectively convey the U.S. government's long-term financial condition and annual changes therein.

We will need to invest more resources over the next several years to effectively address these challenges. We are working cooperatively with DOD to develop strategies to address its financial management problems and identify effective and efficient audit approaches. Also, additional resources will be required to review the financial statement audit work of the inspectors general and external auditors at 35 significant agencies. In addition, because of the significance of federal revenue and debt to the federal government's overall fiscal position, we plan to continue carrying out annual financial statement audits at the Department of the Treasury's IRS and Bureau of the Public Debt.

Key Efforts

- ➡ Annually audit and report on the U.S. government's financial statements and the adequacy of related internal control
- ➡ Annually audit the Department of the Treasury's IRS revenue collection activities and the Bureau of the Public Debt because of the significance of federal revenue and debt to the federal government's overall fiscal position
- ➡ Provide technical advice to the Office of Management and Budget, the Department of the Treasury, and the agencies for addressing impediments to forming an opinion on the U.S. government's consolidated financial statements
- ➡ Provide technical advice to the Office of Management and Budget, the Department of the Treasury, and the agencies to (1) suggest solutions to material weaknesses in internal control, (2) improve the ability of agency financial information to be audited, and (3) reduce the use of extraordinary efforts to prepare financial statements

Potential Outcomes

- ➡ Enhanced assessment of the government's overall fiscal position and financing sources based on information that is timely, accurate, and useful
- ➡ Improved financial reporting for making budgetary decisions on and effectively managing areas significantly affecting the government's fiscal position, such as credit program costs and environmental liabilities
- ➡ Assurance as to the reliability of financial information covering major government financing sources, such as tax revenue and receivables, and the effectiveness in managing tax refund and collection activities
- ➡ Actions to address agencies' material control weaknesses and to help ensure compliance with laws and regulations in key areas



Source: GAO.

Goal 4

Maximize the Value of GAO by Being a Model Federal Agency and a World-class Professional Services Organization

To successfully carry out its responsibilities to the Congress for the benefit of the American people, GAO in its work must be professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced. To achieve our strategic goal of being a model federal agency we must lead by example, ensuring that our organization is client and customer driven, has strategic leadership focused on achieving results, leverages its institutional knowledge and experience, continuously enhances the services that support its engagements, and is regarded as an employer of choice.

In this respect, the focus of goal 4 for the period 2007 through 2012 is largely unchanged from the previous plan. We have refined some of the performance goals under goal 4 to reflect the numerous new key efforts to be undertaken over the next 3 years.

To accomplish our goal of being a model federal agency and a world-class professional services organization, we have established strategic objectives to

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

Strategic Objective 4.1

Improve Client and Customer Satisfaction and Stakeholder Relationships



Source: GAO.

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

For congressional clients, we will continue to update our understanding of their needs and expectations and investigate ways to communicate our results to them more timely and effectively. We will also take proactive measures to enhance communication with key committees to ensure a fuller understanding of emerging issues, will seek client feedback on our work, and will act on the feedback provided. To improve our capability to identify client needs, we will identify and implement technologies, methods, and strategies to increase response rates to the client feedback survey. Internally, we will work to improve the amount, quality, and timeliness of data in the Congressional Contact System to ensure a shared understanding and improved communications with our clients.

For internal customers, we will refine the customer satisfaction survey to include key administrative services and identify strategies to increase the survey response rate. We will act on customer feedback to improve delivery of internal products and services, and develop a mechanism to provide information to staff on improvements made in response to their feedback.

For external stakeholders, we plan to strengthen relationships through leadership in and sponsorship of forums, symposia, and meetings with a wide range of government accountability and professional organizations. We will also devote our efforts toward fostering initiatives in the federal, national, and international accountability, audit, and evaluation communities to build capacity and implement strategic plans that promote professional standards and

knowledge sharing. We will also seek to improve our institutional capacity building through training and seminars for our national audit office counterparts around the world and our International Fellows Program. We intend to work proactively with our teams to enhance communication and coordination with our stakeholders. Finally, we will continue to identify and support opportunities to leverage our resources and minimize risk by partnering with other accountability organizations, especially those that we consider our accountability partners—members of good-government organizations and working groups that are composed of our counterparts in local, state, federal, and international organizations.

To support the objective to improve client and customer satisfaction and stakeholder relationships, we will use the following performance goals:

- 4.1.1 strengthen communication with congressional clients;
- 4.1.2 measure our clients' satisfaction with our work and act on client feedback;
- 4.1.3 assess internal customer satisfaction with our services and processes and implement and measure improvement efforts; and
- 4.1.4 modernize and transform the accountability profession in the public and private sectors, both domestically and internationally, to leverage our resources and better meet the challenges of the 21st century.

Performance Goal 4.1.1

Strengthen Communication with Congressional Clients

To respond to our congressional clients' needs, we must foster exemplary communications with our clients. We will refine our protocols for working with our congressional clients to better address their needs and expectations. In response to the feedback received through our Web-based survey to measure client satisfaction with our services

and work, we will focus on communicating results more effectively and timely, obtaining a fuller understanding of issues important to our clients, and improving coordination of internal GAO communications related to our relationship and work for our clients.

Key Efforts

- ➡ Expand the use of enhanced technology and alternative media to communicate our results more effectively and timely
- ➡ Proactively work with teams to enhance communication with key committees and ensure that we have a full understanding of emerging issues
- ➡ Ensure a seamless GAO presence to the Congress by enhancing coordination between Congressional Relations and the teams
- ➡ Improve the quality and timeliness of the data in the Congressional Contact System to ensure a shared understanding and improved communications with our clients
- ➡ Monitor and, if necessary, revise our protocols for working with the Congress to address its needs

Potential Outcomes

- ➡ Improved quality and timeliness of our products and services
- ➡ Improved understanding of emerging issues important to our clients
- ➡ Enhanced accessibility to GAO services for our clients

Performance Goal 4.1.2

Measure Our Clients' Satisfaction with Our Work and Act on Client Feedback

In order to improve our services and products further, we will continue to seek ways in which we can improve the volume of client feedback that we receive. We have always met with key committees to obtain feedback and will continue this practice.

In addition, we must determine how we can increase the response rate to our client feedback survey so that we can ensure we are responsive to our clients' needs.

Key Efforts

- ➡ Meet with key committees to obtain client feedback on our work and act on the feedback provided
- ➡ Identify and implement additional strategies and technologies to make the client feedback survey more user-friendly and increase the response rate, further strengthening the usefulness of the feedback in improving our capability to identify clients' needs

Potential Outcomes

- ➡ Improved services and products
- ➡ Improved client needs identification capability

Performance Goal 4.1.3

Assess Internal Customer Satisfaction with Our Services and Processes and Implement and Measure Improvement Efforts

To be a high-performing organization, it is essential that we provide effective engagement and infrastructure support services to our internal customers. For several years, we have conducted an internal customer satisfaction survey on administrative services once a year. We now seek to ensure that the survey content is comprehensive, and to further increase our current good response rate so that we have the most complete understanding of internal

customer needs. We will use the results of our internal customer satisfaction survey to obtain feedback, analyze results, set targets for improvements, and implement improvements. To measure the impact of these improvements, we will use two performance measures related to our internal operations; these were included in our agencywide performance measures beginning in fiscal year 2006.

Key Efforts

- ➡ Enhance the usefulness of the internal customer satisfaction survey on administrative services by ensuring that all appropriate services are included and implementing strategies to further increase the overall response rate
- ➡ Collect and assess customer feedback on specific administrative programs and act on that feedback, incorporating best practices to improve the delivery of Chief Administrative Office products and services
- ➡ Develop and implement a proactive and visible approach for communicating to staff information on service delivery improvements made in response to their feedback and recommendations

Potential Outcomes

- ➡ Increased customer satisfaction with services
- ➡ Increased focus on our customers' top priority issues
- ➡ Increased understanding on the part of our customers of what we have done in response to their feedback

Performance Goal 4.1.4

Modernize and Transform the Accountability Profession in the Public and Private Sectors, Both Domestically and Internationally, to Leverage Our Resources and Better Meet the Challenges of the 21st Century

To address the challenges of the 21st century, the role of the federal government needs to adapt to evolving trends along with the manner in which it delivers programs. Specifically, program delivery now crosses borders domestically, involving federal, state, and local governments as well as the private and nonprofit sectors. With increased global interdependence, federal programs and activities increasingly cross international borders, involving other nations and geographic regions. Our ability to assess program performance and results in this changing environment requires us to work closely with our sister agencies and the broader audit and accountability community. In seeking to strengthen the capacity of the accountability

community, we plan to leverage our resources through other accountability organizations that support oversight of federal expenditures, assess program implementation and efficacy, and engage in collaborative work. In addition, we will take actions to promote the adoption, understanding, and application of the professional standards that we set for audits of government programs and activities by the accountability profession operating in the public and private sectors, both at home and abroad. Related to this effort are our work on federal accounting and auditing standards (see performance goal 3.3.2) and our work on corporate governance (see performance goal 2.4.5).

Key Efforts

- ➔ Identify additional opportunities for leveraging our resources and minimizing risk by collaborating with other organizations, such as the Comptroller General's Advisory Board, the Domestic Working Group, the Global Working Group, accountability organizations, private foundations, academia, and international development organizations
- ➔ Foster a program evaluation community of practice to help federal agencies build capacity to evaluate the implementation and effects of their policies and programs
- ➔ Evaluate and improve our institutional capacity-building efforts through initiatives such as the International Fellows Program, an audit training seminar for our national audit office counterparts in Iraq, and a pilot seminar on organizational transformation under INTOSAI auspices for our counterparts in developing countries
- ➔ Foster implementing INTOSAI's and the National Intergovernmental Audit Forum's strategic goals of promoting professional standards, capacity building, knowledge sharing, and becoming a model organization
- ➔ Strengthen and document the process for working with teams to enhance communication and coordination with stakeholders, including the inspectors general, the Congressional Research Service, the Congressional Budget Office, state and local auditors, and our national audit office counterparts, to minimize duplication of effort and ensure effective and efficient use of our resources

Potential Outcomes

- ➔ More effective and efficient use of our resources
- ➔ Increased adoption and application of government auditing standards
- ➔ Improved program evaluation capacity

Strategic Objective 4.2

Lead Strategically to Achieve Enhanced Results

Source: GAO.



We will continue to strengthen and further integrate our strategic planning and our performance, financial, and IT management to maximize results, manage risks, enhance responsiveness, and ensure exemplary practices and systems. To accomplish this objective, we will build on our established base of strategic planning, sound financial management, performance management, IT best practices, and leadership initiatives.

To support the objective to lead strategically to achieve enhanced results, we will use the following performance goals:

- 4.2.1 ensure a seamless strategic planning, workforce planning, and budget process to maximize results and manage risks within current and expected resources;
- 4.2.2 strengthen our strategic human capital management to achieve enhanced results;
- 4.2.3 ensure exemplary practices and systems in our fiscal operations; and
- 4.2.4 further enhance IT governance to achieve strategic results by applying emerging best practices in IT processes and management.

Performance Goal 4.2.1

Ensure a Seamless Strategic Planning, Workforce Planning, and Budget Process to Maximize Results and Manage Risks within Current and Expected Resources

We require an integrated approach to strategic and workforce planning and the budget process to enhance our ability to make timely, consistent, and responsive budget, strategic, and staffing decisions. As the need to enhance or shift

requirements or resources occurs, we seek to ensure through the integrated approach that all components affected by such changes are included in the decision-making process.

Key Efforts

- ➡ Strengthen our strategic planning process by enhancing the documentation of our 3-year strategic planning cycle
- ➡ Improve and document the process for convening new Comptroller General forums and the GAO speakers' series, "Conversations on 21st Century Challenges," to inform our strategic planning process and promote a continuous learning environment
- ➡ Enhance the budget process to ensure the most effective and efficient use of our resources in support of human capital, engagement support, and infrastructure operations
- ➡ Better integrate cost and staffing data to ensure timely, consistent, and responsive decisions on our workforce plan and budget
- ➡ Maximize the flexibility of workforce planning efforts to ensure seamless allocation of resources in support of shifting strategic areas and budgetary constraints
- ➡ Enhance the workforce planning and succession planning processes by fully integrating learning and development needs
- ➡ Continue strengthening the workforce planning process and document it in a guide that will enhance internal and external understanding of the process

Potential Outcomes

- ➡ Timely, consistent, and responsive workforce plan and budget decisions
- ➡ Increased flexibility in allocating resources
- ➡ Effective and efficient use of resources

Performance Goal 4.2.2

Strengthen Our Strategic Human Capital Management to Achieve Enhanced Results

We will reexamine, update, refine, and implement improvements to our human capital strategic plan, recruitment and hiring strategies, performance management systems, and the Human Resource

Information System to enhance our ability to attract, retain, motivate, and reward staff. Through exchange programs, we will be able to leverage our resources.

Key Efforts

- ➡ Update and revise our human capital strategic plan to provide a foundation for our human capital programs and initiatives
- ➡ Reexamine our recruitment and hiring strategy and process and implement improvements as identified
- ➡ Develop and communicate coherent, unified, role-based curriculums that support development of the competencies identified in our performance management system
- ➡ Further refine performance management systems in support of market-based pay
- ➡ Modernize and integrate human capital systems to improve the delivery of services and information by maximizing the use of additional modules to our human resource information systems
- ➡ Leverage our resources by promoting exchanges with the public and private sectors, including academia, through such authorities as the Executive Exchange Program and the Intergovernmental Personnel Act

Potential Outcomes

- ➡ Productive employees who are fairly compensated for their work
- ➡ Enhanced development of staff competencies
- ➡ Enhanced capability to attract talented and diverse staff
- ➡ Improved timeliness and availability of services and information

Performance Goal 4.2.3

Ensure Exemplary Practices and Systems in Our Fiscal Operations

Integrity in how we manage our fiscal operations is critical. We should be a model for other agencies in both operational and fiscal management by implementing and using systems that comply substantially with federal financial management

guidelines; reviewing, updating, and improving those systems as necessary; and identifying efficiencies to be gained through cooperative efforts with the legislative branch.

Key Efforts

- ➡ Ensure exemplary financial management practices through implementing and coordinating the Federal Managers' Financial Integrity Act and the Office of Management and Budget's Circular No. A-123, *Management's Responsibility for Internal Control*
- ➡ Implement a modern financial management system, including purchasing and contract management, that ensures auditable financial statements and provides a foundation for our future financial management needs
- ➡ Identify and reengineer financial management business practices, facilitated by the new financial management system
- ➡ Reexamine acquisition processes for efficiency and effectiveness and identify and implement improvements
- ➡ Assist the Legislative Branch Financial Managers' Council in identifying crosscutting technology related to improved fiscal operations for the legislative branch

Potential Outcomes

- ➡ Clean opinion on the financial audit
- ➡ Better management of GAO through sound financial management principles and best practices
- ➡ Efficiencies in fiscal operations through crosscutting technology

Performance Goal 4.2.4

Further Enhance IT Governance to Achieve Strategic Results by Applying Emerging Best Practices in IT Processes and Management

IT is no longer simply a tool that enables users to carry out their work or organizations to conduct their businesses. IT must contribute to the organization's strategic and business goals and provide value. It must become transparent to the users and organization and must be sufficiently

agile to meet evolving needs and emergent issues. And, it must do so securely, seamlessly, and within a managed cost framework. To achieve these objectives and to lead by example, we must have strong IT governance practices in place.

Key Efforts

- ➡ Update the IT plan to provide a foundation for technology initiatives and ensure support of our strategic and business goals
- ➡ Complete and maintain a GAO enterprise architecture that provides an integrated view of our lines of business and business processes
- ➡ Strengthen partnerships between business and IT to identify requirements and determine technology solutions and services that best meet business needs
- ➡ Adopt the IT Infrastructure Library framework for IT service and process management to manage change and ensure that IT aligns with our business
- ➡ Implement an IT work management system that enables work flow and incorporates the IT life cycle and key IT processes and methodologies into project management

Potential Outcomes

- ➡ Improved IT planning and decision making and flexibility to respond to continual improvements in business processes
- ➡ Improved business and IT working relationships resulting in identification of requirements and solutions to meet business needs
- ➡ A robust, reliable, flexible, and secure technology architecture

Strategic Objective 4.3

Leverage Our Institutional Knowledge and Experience

We are a knowledge-based professional services organization. As a large number of our more senior employees reach eligibility for retirement, we need to implement strategies we have identified to retain this knowledge and expertise and increase organizational knowledge sharing. In addition, to further facilitate organizational knowledge sharing, we need to increase the volume of organizational information available, enhance our communications strategies to increase accessibility of the information, and employ improved electronic and Web-based technologies in support of this objective. We also will build on our past and current participation in programs, events, and efforts focused on enhancing knowledge sharing with other national

and international accountability and professional organizations.

To support the objective to leverage institutional knowledge and experience, we will use the following performance goals:

- 4.3.1 maximize the collection, use, and retention of essential organizational knowledge;
- 4.3.2 increase our knowledge-sharing capability; and
- 4.3.3 enhance knowledge sharing with other national and international accountability and professional organizations.



Source: GAO.

Performance Goal 4.3.1

Maximize the Collection, Use, and Retention of Essential Organizational Knowledge

Managing information and knowledge so that it serves not only our staff and managers but also our congressional clients requires an integrated approach for identifying, managing, and sharing our information and intellectual assets. These assets include databases, plans, analyses,

documents, reports, policies, procedures, management information, and staff expertise. Effective information and knowledge management is crucial to accessing and preserving these valuable assets.

Key Efforts

- ➡ Identify and increase accessibility of organizational reference record collections by incorporating them into the Electronic Records Management System
- ➡ Enhance search capability for GAO reports
- ➡ Identify and develop a GAO corporate taxonomy to enhance sharing and retrieval of information through GAO portals and improve overall search and retrieval of our organizational knowledge
- ➡ Perform a cost-benefit analysis of continued digitization of our legislative history collection
- ➡ Enhance essential organizational knowledge through individual Web-based team resource pages

Potential Outcomes

- ➡ Ability to capitalize on our intellectual assets
- ➡ Enhanced processes for capturing, maintaining, and sharing institutional knowledge
- ➡ Improved processes and methods for sharing relevant information among our staff
- ➡ Improved capture of and access to the agency's essential information
- ➡ Improved quality of engagements, which will better meet the needs of the clients

Performance Goal 4.3.2

Increase Our Knowledge-Sharing Capability

As we improve our internal communication strategies and implement new Web-based technologies, the availability and usefulness of our products, information, and services are

increased. Accessibility to, user-friendliness of, and client and customer awareness of these products, data, and services enhance our value to our clients and the public.

Key Efforts

- ➔ Increase the accessibility of our products to the press, the public, and other stakeholders
- ➔ Institutionalize a formal process for periodic reviews of our Internet and intranet to identify improvements and evolving technology solutions that facilitate access to information and enhance usability and customer satisfaction
- ➔ Implement an engagement management portal, providing a seamless single point of access to enterprise knowledge, information resources, and IT tools and applications to facilitate the conduct of our engagements
- ➔ Enhance internal communications strategies and approaches for identifying and sharing our information with clients, external organizations, and the press
- ➔ Identify and implement an enhanced agencywide internal communication strategy to provide timely, readily accessible, and accurate information to our staff
- ➔ Enhance access and user-friendliness of Web-based data on our administrative services and operations

Potential Outcomes

- ➔ Better access to information that will contribute to meeting client needs
- ➔ Enhanced knowledge and information sharing across GAO and with our clients, the press, the public, and other stakeholders
- ➔ An increase our value to the public

Performance Goal 4.3.3

Enhance Knowledge Sharing with Other National and International Accountability and Professional Organizations

We work strategically with other accountability and professional organizations to broaden and leverage our institutional knowledge and experience and, in turn, improve our overall service to the Congress and the American people. Our collaborative efforts with the

intergovernmental audit community help us and other accountability organizations in identifying better ways to develop and share methods, tools, benchmarking results, and best practices for doing our work.

Key Efforts

- ➡ Apply technology tools to facilitate collaboration and knowledge sharing among the accountability and professional organizations
- ➡ Continue piloting a contact management database in order to expand our networks with public and private sector individuals and organizations, communicate more quickly and efficiently, and leverage our resources by accessing knowledge, skills, and expertise
- ➡ Transform INTOSAI's *International Journal of Government Auditing* to include a robust Web presence that leverages technology to enhance knowledge sharing and capacity building among INTOSAI members and the wider accountability community

Potential Outcomes

- ➡ Increased leveraging and sharing of knowledge throughout the government accountability profession
- ➡ Improved quality of engagements that better meet the needs of the clients

Strategic Objective 4.4

Enhance Our Business and Management Processes



Source: GAO.

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

To support the objective to enhance our business and management processes, we will use the following performance goals:

- 4.4.1 streamline the engagement process and improve engagement services;
- 4.4.2 enhance the quality, content, and appearance of our products; and
- 4.4.3 improve our administrative and management processes and use enabling technology to improve crosscutting processes.

Performance Goal 4.4.1

Streamline the Engagement Process and Improve Engagement Services

By continuously assessing and enhancing the processes and services that support our engagements, we can maximize our value to the Congress and the public. We intend to streamline and reengineer internal business and administrative processes where it is possible

and desirable. This will enable our engagement support services to respond to the mission requirements of our internal customers who must deliver to our clients high-quality products and services that consistently meet our reporting standards.

Key Efforts

- ➡ Develop and enhance written guidance on applied research tools and methods to help teams better plan and implement job assignments
- ➡ Introduce graphics and prepublications quality assurance capabilities earlier in the publishing process to strengthen existing quality controls
- ➡ Identify a contracting vehicle for printing that is cost-effective and supports both planned and on-demand distribution
- ➡ Develop and implement publishing process improvements designed to both simplify and standardize operations among Product Assistance Groups and teams, and maximize use of available resources
- ➡ Identify research request trends and make changes to research services to enhance research timeliness and capabilities
- ➡ Reengineer the management information systems that support our engagements to provide real-time information and seamless links to the engagement management system
- ➡ Prepare for an external peer review of our quality assurance policies and procedures related to government auditing standards and our compliance with these standards in conducting our work
- ➡ Develop a process to track and validate the accuracy of data for decisions on request letters on quarterly evaluations
- ➡ Sequence and consider the implementation of recommendations from the engagement process streamlining efforts and, where appropriate, apply integrated solutions that better enable GAO to meet the needs of the client, increase staff productivity, and deliver results
- ➡ Identify opportunities for increasing efficiencies in our annual internal inspection program for completed engagement products
- ➡ Refine our policy manual to reflect periodic changes to our engagement processes

Potential Outcomes

- ➡ An engagement management and review process with fewer intervals that more clearly describes the process that complies with our quality assurance framework
- ➡ Improved engagement reporting
- ➡ An engagement management and documentation process that is more risk-based and efficient, while meeting all applicable standards and policies
- ➡ Improvements and efficiencies in the way GAO performs and reports on its work with continued focus on compliance with generally accepted government auditing standards
- ➡ Increased efficiency and improved capacity for compiling and analyzing data used to prepare the annual inspection report
- ➡ Improved business and administrative processes
- ➡ More efficient and cost-effective delivery of internal services
- ➡ Improved customer and client satisfaction with services and products
- ➡ Engagement support services that enable staff to perform work that meets the needs of the Congress and facilitates improvements in government

Performance Goal 4.4.2

Enhance the Quality, Content, and Appearance of Our Products

The importance of the message in our products is enhanced when we are able to increase the impact of the message through applying new

technologies and increase the quality of the product by improving the consistency, timeliness, and editorial excellence.

Key Efforts

- ➡ Create a prototype report-writing template that incorporates instant access to reporting standards, rationales, writing tips, and sample texts
- ➡ Enhance our products to improve the impact of the message, including captioning audio for the hearing impaired and descriptive text for the visually impaired
- ➡ Enhance our video services by improving the format quality
- ➡ Enhance the consistency, timeliness, and quality of the editing process through new initiatives and emerging technologies

Potential Outcomes

- ➡ Consistency in approach, appearance, and format of our products
- ➡ Increased availability of our products for the visually or hearing impaired
- ➡ Increased impact of our written products through use of emerging technologies

Performance Goal 4.4.3

Improve Our Administrative and Management Processes and Use Enabling Technology to Improve Crosscutting Processes

To lead by example, we must use enabling technology and maximize the benefits IT can provide in facilitating our work. Identifying and implementing new and emerging technologies is essential to our continued efforts to provide

efficient, timely, and effective services to our internal customers and to our clients, as we carry out our oversight, insight, and foresight work in support of the Congress.

Key Efforts

- ➡ Upgrade and enhance technology tools and systems supporting myriad business processes to ensure availability, reliability, and ease of use and to promote process efficiencies
- ➡ Evaluate and pilot emerging technologies to support business and management processes
- ➡ Use enhanced Web tools to collect, analyze, and report information to the Congress
- ➡ Improve the efficiency and effectiveness of mission support operations through the introduction of enhanced Web tools
- ➡ Identify trends and potential cost efficiencies for mail operations
- ➡ Implement changes to our employee suggestion program that refine the criteria, enhance understanding of the process, and more directly relate the level of recognition to suggestion impact

Potential Outcomes

- ➡ A more productive workforce
- ➡ Cost savings in mail operations
- ➡ Increase in type and amount of information collected, analyzed, and reported to the Congress

Strategic Objective 4.5

Become a Professional Services Employer of Choice

To be a model organization, we must become an employer of choice—one that attracts, retains, motivates, and rewards excellent employees and is considered one of the best places to work. We will continue to build upon our efforts to create and maintain a work environment that is fair, unbiased, and inclusive and that offers the opportunity for all employees to realize their full potential. We are committed to providing our employees with the tools, technologies, and systems that promote collaboration and productivity. We will also undertake new security strategies to meet the challenges posed by terrorism and pandemics and provide a safe and secure workplace for our employees. We will seek to enhance employee views about GAO by assessing employee satisfaction with selected work life programs and improving

the development programs and experiences of new staff.

To become a professional services employer of choice, we will use the following performance goals:

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



Source: GAO.

Performance Goal 4.5.1

Promote an Environment That Is Fair and Unbiased and That Values Opportunity and Inclusiveness

Our goal is to attract, retain, motivate, and reward a highly skilled, diverse, and capable workforce. We believe that fostering personal and professional development for our staff in an

environment that is fair and unbiased and values opportunity and inclusiveness for all staff will help us achieve our goal.

Key Efforts

- ➡ Develop, implement, and monitor a mentoring program that fosters personal and professional development opportunities for all staff
- ➡ Monitor and recommend changes, as appropriate, to the compensation and performance management systems to ensure they are fair and unbiased and promote workplace excellence
- ➡ Monitor and assess implementation of recommendations for enhanced performance management
- ➡ Pilot approaches to ensure that all interns are provided with a core group of experiences that will help them make good decisions about working at GAO

Potential Outcomes

- ➡ An improved work environment that recognizes and appreciates diversity and is free of bias
- ➡ Increased percentage of employees who concur that our work environment is fair and unbiased
- ➡ A more productive workforce, fulfilling personal and professional goals
- ➡ Enhanced ability to attract, retain, motivate, and reward a highly skilled, diverse, and capable workforce

Performance Goal 4.5.2

Provide Our Staff with Tools, Technology, and a World-class Working Environment

We recognize the importance of providing the best work environment, technology, and tools so that staff can effectively and efficiently perform their work. These efforts are directed at providing

the tools and a comfortable work environment to help employees more effectively and efficiently accomplish their work.

Key Efforts

- ➡ Award a new consolidated facilities management contract to ensure effective and efficient operation of the GAO building
- ➡ Procure, design, and construct leased space that provides an attractive and productive environment in select field offices
- ➡ Provide modern and secure technology, tools, and systems that promote collaboration and virtual teams and support a mobile workforce

Potential Outcomes

- ➡ More efficient operations
- ➡ Improved technology that supports a mobile workforce
- ➡ A more productive workforce

Performance Goal 4.5.3

Provide a Safe and Secure Workplace

The safety and security of our staff, information, and assets against threats—natural and man-made—must be a top priority. We continue to place the highest importance on assessing

our current security measures and identifying and adopting practices that will enhance our overall security program and ensure emergency preparedness and continuity of operations.

Key Efforts

- ➡ Provide a unified focus on emergency preparedness planning in our headquarters and field offices through coordination among other legislative branch agencies, local law enforcement entities, and our Office of Emergency Preparedness
- ➡ Develop and communicate a pandemic strategy for the agency
- ➡ Reexamine security processes and functions to identify areas for enhanced efficiency, economy, and effectiveness
- ➡ Implement government standard identity card (Smartcard) technology to meet Homeland Security Presidential Directive 12 requirements
- ➡ Upgrade access control and intrusion detection systems for headquarters and the field offices that fully meet the requirements of the Integrated Electronic Security System
- ➡ Enhance and modify the security education and awareness program based on the information and training needs of agency staff
- ➡ Maintain and enhance our IT security and emergency preparedness program consistent with evolving security practices to ensure the protection and recovery of IT assets and services

Potential Outcomes

- ➡ Our people, buildings, and other key assets are protected and continuity of operations ensured
- ➡ Our IT assets are protected
- ➡ Our leaders and staff are prepared to respond effectively to emergencies
- ➡ A safe, secure, and adaptable work environment for all staff
- ➡ Improved coordination on security matters with our client and local law enforcement

Performance Goal 4.5.4

Enhance Employee Views about GAO

Enhancing our family-friendly and work life programs are ways in which we can improve the quality of life for our employees. We believe that continuous improvement in this area, based on

periodic feedback from employees, will enable us to attract, retain, motivate, and reward our employees.

Key Efforts

- ➡ Assess our employees' satisfaction with selected work life programs and implement improvements as needed
- ➡ Finalize expansion of headquarters day care center and explore other options to increase enrollment and GAO staff satisfaction

Potential Outcomes

- ➡ Improved family-friendly policies that help staff balance work and family lives
- ➡ A more productive workforce
- ➡ Ability to attract, retain, motivate, and reward a highly skilled, diverse, and capable workforce

Performance Goal 4.5.5

Improve the Development and Experiences of Newly Hired Staff

Our goal is to provide timely developmental opportunities for newly hired staff. By effectively matching staff with assignments and rotations,

both the agency's needs and the employees' developmental needs can be better met.

Key Efforts

- More fully identify applicants' proficiencies in the performance competencies and integrate that knowledge with assignments and rotations in the Professional Development Program
- Strengthen the community of practice and strategic partnerships between staffing managers and Professional Development Program advisors to provide more targeted developmental opportunities for Professional Development Program staff
- Develop proactive steps to better and more quickly assimilate upper-level hires into GAO
- Develop and implement an entry-level developmental program for newly hired staff other than analysts

Potential Outcomes

- Ability to attract, retain, motivate, and reward a highly skilled, diverse, and capable workforce
- Enhanced training and development experiences for newly hired staff

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2007-2012



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