

Serving the Congress and the Nation  
U.S. Government Accountability Office



Performance and  
Accountability Report  
Fiscal Year 2012

# S E R V I N G   T H E   C O N G R E S S

## **Mission**

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

## **Accountability**

We help the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's analysts, auditors, lawyers, economists, information technology specialists, investigators, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people.

## **★ Integrity**

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

## **Reliability**

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

## **Scope of work**

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



Source: GAO.

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# Abbreviations

AAC	Audit Advisory Council
AIT	advanced-imaging technology
ALGA	Association of Local Government Auditors
APQA	Audit Policy and Quality Assurance
APSS	Administrative Professional and Support Staff
ARTF	Afghanistan Reconstruction Trust Fund
BRAC	DOD's Base Realignment and Closure
CAO	Chief Administrative Officer
CFPB	Consumer Financial Protection Bureau
CGAB	Comptroller General's Advisory Board
CHIP	State Children's Health Insurance Program
CIGIE	Council of Inspectors General for Integrity and Efficiency
CMS	Centers for Medicare & Medicaid Services
COR	Contracting Officer Representative
CPP	Capital Purchase and Improvement Program
CRA	Congressional Review Act
CS	U.S. Commercial Service
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
DWG	Domestic Working Group
DWSS	Defense Weather Satellite System
EA	enterprise architecture
EAP	Educator's Advisory Panel
ECI	Employment Cost Index
ED	Department of Education
EESA	2008 Emergency Economic Stabilization Act
EMS	Engagement Management System
EPA	Environmental Protection Agency
EPP	Electronic Prescribing Program
ERS	Engagement Reporting System
ESC	Enterprise Services Center
FAIS	Forensic Audits and Investigative Service
FCC	Federal Communications Commission
FDA	Food and Drug Administration
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefit Program
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996

<b>FICA</b>	Federal Insurance Contributions Act
<b>FINRA</b>	Financial Industry Regulatory Authority
<b>FISMA</b>	Federal Information Security Management Act
<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982
<b>FTE</b>	full-time equivalent
<b>GPO</b>	Government Printing Office
<b>GPRA</b>	Government Performance and Results Act as amended
<b>GSA</b>	General Services Administration
<b>HHS</b>	Department of Health and Human Services
<b>HUD</b>	Department of Housing and Urban Development
<b>IAF</b>	Intergovernmental Audit Forums
<b>IC</b>	U.S. Intelligence Community
<b>ICD</b>	Intelligence Community Directive
<b>IFPTE</b>	International Federation of Professional and Technical Engineers
<b>IG</b>	inspector general
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>IRS</b>	Internal Revenue Service
<b>ISSAI</b>	International Standards of Supreme Audit Institutions
<b>IT</b>	information technology
<b>MA</b>	Medicare Advantage
<b>NASA</b>	National Aeronautics and Space Administration
<b>NASACT</b>	National Association of State Auditors, Controllers, and Treasurers
<b>NFC</b>	National Finance Center
<b>NFIP</b>	National Flood Insurance Program
<b>NIAF</b>	National Intergovernmental Audit Forum
<b>NPOESS</b>	National Polar-orbiting Operational Environmental Satellite System
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>PAB</b>	Personnel Appeals Board
<b>PAR</b>	performance and accountability report
<b>PBGC</b>	Pension Benefit Guarantee Corporation
<b>PMR</b>	Product Metadata Repository
<b>PPACA</b>	Patient Protection and Affordable Care Act
<b>SAI</b>	supreme audit institution
<b>SDVOSB</b>	service-disabled veteran-owned small business
<b>SEC</b>	Securities and Exchange Commission
<b>SRO</b>	self-regulatory organization
<b>SSA</b>	Social Security Administration
<b>STEM</b>	Science, Technology, Engineering, and Math
<b>TARP</b>	Troubled Asset Relief Program
<b>TIPS</b>	Treasury Inflation-Protected Securities
<b>TSA</b>	Transportation Security Administration
<b>USACE</b>	U.S. Army Corps of Engineers
<b>USAID</b>	U.S. Agency for International Development
<b>USDA</b>	Department of Agriculture
<b>VA</b>	Department of Veterans Affairs
<b>VOIP</b>	voice over Internet Protocol
<b>WMATA</b>	Washington Metropolitan Area Transit Authority

# How to Use This Report

This report describes the U.S. Government Accountability Office's performance measures, results, and accountability processes for fiscal year 2012. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our website at <http://www.gao.gov/sp.html>.

This report has an introduction, four parts, and a supplementary appendix as follows:

## Introduction

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

## Management's Discussion and Analysis

This section discusses our agencywide performance results and use of resources in fiscal year 2012. It also includes information on our internal controls and the management challenges and external factors that affect our performance.

## Performance Information

This section includes details on our performance results by strategic goal in fiscal year 2012 and the targets we are aiming for in fiscal year 2013. It also includes a summary of our program evaluation for the fiscal year.

## Financial Information

This section includes details on our finances in fiscal year 2012, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and Audit Advisory Committee. This section also includes an explanation of the information each of our financial statements conveys.

## Inspector General's View of GAO's Management Challenges

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

## Appendix on Data Quality

This section describes how we ensure the completeness and reliability of the data for each of our performance measures.

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*Serving the Congress and the Nation*



# Introduction





Source: GAO.

November 15, 2012

I am pleased to present GAO's performance and accountability report for fiscal year 2012. During the year, we reported on a broad range of issues including retirement security and nutrition assistance, foreclosure mitigation, Medicare and Medicaid, transportation safety, missile defense acquisitions, emergency management grants, counterterrorism, cybersecurity, and the debt limit. We issued our second annual report identifying [duplication](#), overlap, cost-saving opportunities, and revenue enhancements in a total of 51 areas such as unmanned aircraft systems, surface freight transportation, information technology investment management, and housing assistance. We issued 11 products in response to the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) on financial institutions and securities markets and several reports on insurance markets and publicly financed health insurance programs related to the [Patient Protection and Affordable Care Act](#). We also continued to regularly report the results of our work on the [Troubled Asset Relief Program](#) and the [American Recovery and Reinvestment Act](#). We again received from independent auditors an unqualified or "clean" opinion on our [financial statements](#) for fiscal year 2012. The detailed performance and financial information in this report is complete and reliable, and meets our high standards for accuracy and transparency.

It was another strong year for our performance. We documented \$55.8 billion in financial benefits for the federal government—a return of \$105 for every dollar invested in us. Additionally, we recorded 1,440 other program and operational benefits across the government. For example, we documented 504 benefits in public safety and security programs including homeland security, critical infrastructure, food safety, transportation safety, public health, and consumer protection. We referred over 70 cases of potential fraud or other impropriety to executive branch agencies, leading to such actions as recoupment of improperly received funds and conviction for theft of government property. In addition to benefits to the government, our work also benefitted the consumer. For example, our work resulted in savings to consumers from new energy standards for appliances, better information on fees to participants in defined contribution retirement plans, and about \$140 million in refunds to consumers of debt protection products.

The 112th Congress relied on us to inform its work on national and international issues. Our senior officials testified at 159 hearings on key topics, such as Department of Defense weapon systems, protecting federal information systems, improving disability programs, and Medicare. We know that getting our message out is crucial. To better serve our clients and the public we expanded our presence in digital and social media, released GAO's iPhone application, and launched streaming video web chats with the public. We also continued our popular podcast audio series, recently releasing our 100th podcast.

We depend upon our professional, diverse, and multidisciplinary staff to meet our clients' needs. Our people enable us to fulfill our mission 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. Through the dedication and commitment of our staff, we achieved 95 percent on-time product delivery. Our people and internal operations measures indicate that our employees feel they have the developmental opportunities, work experiences and environment, and operational support they need to produce high-quality work. We met or exceeded six of the targets for our seven people measures—retention rate (with and without retirements), staff development, staff utilization, effective leadership by supervisors, and organizational climate. We did not meet our target for new hires as we curtailed hiring, filling only critical needs because of budget constraints.

We continued to focus on our two internal management challenges, human capital and engagement efficiency. In the area of human capital, we recruited for critical hires and implemented an enhanced telework pilot program in selected field offices, in conjunction with a workspace sharing initiative. Under our engagement efficiency initiative, we completed an end-to-end analysis of our engagement process that identified several areas of opportunity for improved efficiency. We have established an Office of Continuous Process Improvement that has begun several efficiency improvement projects based on our analysis results. These two management challenges will continue to be priorities in fiscal year 2013.

We maintained our productive working relationship with the employees' union, GAO Employee's Organization, International Federation of Professional and Technical Engineers (IFPTE), Local 1921, and reached agreement on several initiatives, including approval of our new performance appraisal system. We welcomed the establishment of a new bargaining unit with IFPTE, Local 1921, for our administrative professional and support staff. We are also working with the Employee Advisory Council and the Diversity Advisory Council on several issues, and we developed additional diversity and inclusion courses and improved our reasonable accommodations process.

Fiscal year 2012 provided many opportunities for GAO to address complex issues facing the Congress and the nation. We met these challenges, accomplishing our objectives under constrained budget circumstances. Although fiscal year 2013 may present many similar challenges, we plan to deliver our third annual report on overlap, duplication, and fragmentation across government, the biennial update of our high-risk list, and continued work on financial regulatory and health insurance issues, among other pressing matters. We will continue our work to improve our efficiency and will begin the process of updating our strategic plan for serving the Congress, which we expect to issue early in 2014. We look forward to continuing to serve the Congress and the public in the coming year through our work on issues and programs affecting the lives of all Americans.



Gene L. Dodaro  
Comptroller General  
of the United States

# Financial Reporting Assurance Statements

November 15, 2012

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

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We conducted an assessment of the effectiveness of our internal control over financial reporting consistent with the criteria in 31 U.S.C. 3512 (c), (d) (commonly referred to as the Federal Managers' Financial Integrity Act (FMFIA) and in Appendix A of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this assessment, we have reasonable assurance that internal control over financial reporting as of September 30, 2012, was operating effectively and that no material weaknesses exist in the design or operation of the internal control over financial reporting.

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

- Our financial reporting is reliable and complete. Transactions are (1) properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.
- Our performance reporting is reliable and complete. Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information consistent with the criteria set forth in the Government Performance and Results Act, as amended, (GPRA) and related OMB guidance.

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



Gene L. Dodaro  
Comptroller General  
of the United States



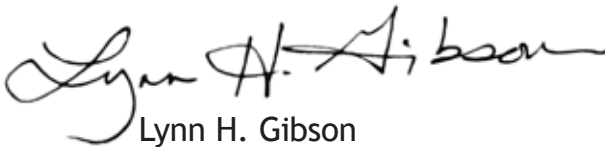
David M. Fisher  
Chief Administrative Officer/Chief  
Financial Officer



Patricia A. Dalton  
Chief Operating Officer



William L. Anderson  
Controller



Lynn H. Gibson  
General Counsel



Source: See Image Sources.

GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government. Commonly known as the audit and investigative arm of the Congress or the “congressional watchdog,” we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including FMFIA, GPRA, and the Federal Financial Management Improvement Act of 1996 (FFMIA) and the Federal Information Security Management Act (FISMA).<sup>1</sup> Accordingly, this performance and accountability report for fiscal year 2012 provides what we consider to be information comparable to that reported by executive branch agencies in their annual performance and accountability reports. This report also fulfills our requirement to report annually on the work of the Comptroller General under 31 U.S.C. 719.

## Mission

Our mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. The strategies and means that we use to accomplish this mission are described in the following pages. In short, we provide objective and reliable information and analysis to the Congress, to federal agencies, and to the public, and we recommend improvements, when appropriate, on a wide variety of issues. Three core values—accountability, integrity, and reliability—form the basis for all of our work, regardless of its origin. These are described on the inside front cover of this report.

### GAO's History

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

<sup>1</sup>FMFIA requires ongoing evaluations and annual reports on the adequacy of internal accounting and administrative control systems of each agency. GPRA seeks to improve public confidence in federal agency performance by requiring that federally funded agencies develop and implement accountability systems based on performance measurement that include goals and objectives and measure progress toward them. The GPRA Modernization Act of 2010 incorporates additional requirements for reporting and transparency. FFMIA emphasizes the need to improve federal financial management by requiring federal agencies to implement and maintain systems that comply with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level. FISMA requires federal agencies to implement policies and procedures to cost-effectively reduce information technology risks.

## Strategic Planning and Management Process

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

- Strategic Goal 1: Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-being and Financial Security of the American People
- Strategic Goal 2: Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence
- Strategic Goal 3: Help Transform the Federal Government to Address National Challenges
- Strategic Goal 4: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency

**Figure 1: GAO's Strategic Planning Hierarchy**



Source: GAO.

Each strategic goal is composed of strategic objectives, for which there are specific strategies taking the form of performance goals, each of which has a set of key efforts.

[Figure 1](#) illustrates this hierarchy and the text box on the right provides an example of structure of one of our strategic goals. Our audit, evaluation, and investigative work is primarily aligned under the first three strategic goals, which span domestic and international issues affecting the lives of all Americans and influencing the extent to which the federal government serves the nation's current and future interests.

[Figure 2](#) provides examples of the results of this work described in [Part II](#) of this report.

The fourth goal is focused internally on improving efficiency and effectiveness in performing our work, maintaining and enhancing a diverse workforce, expanding collaboration to promote professional standards, and being a responsible steward of our resources.

### An Example of Our Strategic Planning Elements

**Strategic Goal 1:** Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-being and Financial Security of the American People

**Strategic Objective:** Viable National Infrastructure

**Performance Goal:** Assess federal regulation of transportation safety and efforts to fund improvements in safety

**Key Efforts:**

- Assess federal oversight of aviation safety.
- Assess federal oversight of safety in highway, rail, pipeline, and other surface modes.
- Review the use of federal grants and other strategies to improve safety outcomes.

**Figure 2: How GAO Assisted the Nation • Fiscal Year 2012*****Goal 1: Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People***

- Identified \$12 billion of additional savings by reducing unneeded payments to Medicare Advantage Plans
- Improved oversight of the Food and Drug Administration's investigators of medical devices
- Encouraged the Social Security Administration to develop goals, measures, and risk assessments for its plan to eliminate the backlog of disability hearings
- Led the Treasury to change requirements for its mortgage modification program to allow modifications for properties that are not owner-occupied, thereby reducing vacant and unmaintained properties
- Provided support for the Congress to eliminate the duplicative \$5.7 billion ethanol tax credit
- Developed findings for the Congress to establish national goals and require development of performance measures and targets for highway safety, condition, and performance

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

- Led the Federal Emergency Management Agency to better target National Flood Insurance Program bonuses for companies to focus on under-served areas and small businesses
- Identified challenges in processing increased volumes of terrorist watchlist information and impacts on agency resources and the traveling public
- Recommended that the Coast Guard improve its maintenance cost estimating process and adjust operational targets for its aging fleet
- Encouraged improved information security controls over multiple agencies' information systems and networks to protect confidentiality, integrity, and availability of agency information
- Found cost and technical risks in the Navy's \$80 billion plan to purchase 40 destroyers
- Helped ensure the Department of Defense's (DOD) \$19 billion space launch vehicle acquisition is based on sound data
- Led DOD to establish guidelines for enhanced end-use monitoring of arms sales to the Persian Gulf
- Identified a lack of trend data on illegal exports and a need for effectiveness measures for the U.S. export control system

***Goal 3: Help Transform the Federal Government to Address National Challenges***

- Led the Treasury to increase the liquidity of Treasury Inflation Protected Securities, reducing borrowing costs by about \$2.2 billion over 5 years
- Encouraged the Internal Revenue Service and Department of Education to improve information for tax filers about higher education tax benefits
- Contributed to reducing improper payments by about \$1.4 billion for 22 federal programs
- Referred over 70 individual cases of potential fraud or other impropriety to federal agencies for action
- Identified counterfeit parts that could enter the DOD supply chain for military grade electronic parts
- Ensured the soundness of National Aeronautics and Space Administration's (NASA) plans to sustain the international space station through replicating NASA's system assessments
- Published a guide to provide a consistent methodology for developing, managing, and evaluating schedules for capital investments

***Goal 4: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency***

- Provided extensive training on revised Government Auditing Standards
- Analyzed our engagement process and identified 31 areas of opportunity for improved efficiency
- Reduced our physical infrastructure footprint and expanded telework for \$1.1 million in potential savings
- Established a three-tier certification program and certified 73 contracting officer representatives
- Launched an agencywide financial literacy initiative including a speakers' series and training classes

Source: GAO.

Note: Additional information on accomplishments by goal is highlighted in [Part II](#) of this report.



In July 2010, we issued and began the transition to our strategic plan for fiscal years 2010 through 2015. The plan describes our goals and strategies for supporting the Congress and the nation and identifies eight trends that provide context for the plan. These are highlighted in our strategic planning framework for serving the Congress (see [fig. 3](#)). We identified these trends based on a review of external literature, discussions with outside advisors and selected experts, and input from our mission teams based on their discussions with congressional clients and their institutional knowledge.

The four strategic goals and the strategic objectives that support them reflect these broad trends. Several multiyear performance goals define a specific level of achievement for each strategic objective. At the base of our strategic planning hierarchy, key efforts describe a body of work that operationalizes each performance goal. To ensure that we are well positioned to meet the Congress's current and future needs, we have updated our 6-year strategic plan every 3 years, consulting extensively during the update with our clients on Capitol Hill and with other experts. In keeping with the GPRM Modernization Act of 2010, we plan to shift to a 4-year planning cycle. We issued an interim update to our plan in February 2012 and plan to issue the next full update in 2014. A description of the steps in our strategic planning process is included in our strategic plan (see our complete strategic plan on <http://www.gao.gov/products/GAO-10-559SP>). This site also provides access to our prior annual performance plans and performance and accountability reports.

Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and we allocate the resources we receive from the Congress accordingly. Given the increasing pace with which crucial issues emerge and evolve, we incorporate a certain amount of flexibility into our plan and staffing structure so that we can respond readily to the Congress's changing priorities. When we revise our plan or our allocation of resources, we disclose those changes in annual performance plans, which are publicly available—like our strategic plan—on our website (<http://www.gao.gov/sp.html>).

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

We have included some information about future plans in this report to provide as cohesive a view as possible of what we have done, what we are doing, and what we expect to do to support the Congress and to serve the nation.

Last year, the Association of Government Accountants awarded us for the eleventh consecutive year its Certificate of Excellence in Accountability Reporting for outstanding accountability reporting for our fiscal year 2011 performance and accountability report. We also received a "Best-in-Class" award for the most comprehensive and candid presentation of forward looking information for fiscal year 2011 (see [fig. 4](#)).

Figure 3: GAO's Strategic Plan Framework



# 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.

### TRENDS

National Security Threats    Fiscal Sustainability Challenges    Economic Recovery and Growth    Global Interdependence    Science and Technology    Networks and Virtualization    Shifting Roles of Government    Demographic and Societal Change

Goals	Objectives
<p><b>Provide Timely, Quality Service to the Congress and the Federal Government to...</b></p> <p><b>...Address Current and Emerging Challenges to the Well-being and Financial Security of the American People</b> related to...</p>	<ul style="list-style-type: none"> <li>• Health care needs</li> <li>• Lifelong learning</li> <li>• Benefits and protections for workers, families, and children</li> <li>• Financial security</li> <li>• Effective system of justice</li> <li>• Viable communities</li> <li>• Stable financial system and consumer protection</li> <li>• Stewardship of natural resources and the environment</li> <li>• Infrastructure</li> </ul>
<p><b>...Respond to Changing Security Threats and the Challenges of Global Interdependence</b> involving...</p>	<ul style="list-style-type: none"> <li>• Homeland security</li> <li>• Military capabilities and readiness</li> <li>• U.S. foreign policy interests</li> <li>• Global market forces</li> </ul>
<p><b>Help Transform the Federal Government to Address National Challenges</b> by assessing...</p>	<ul style="list-style-type: none"> <li>• Government's fiscal position and options for closing gap</li> <li>• Fraud, waste, and abuse</li> <li>• Major management challenges and program risks</li> </ul>
<p><b>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency</b> in the areas of...</p>	<ul style="list-style-type: none"> <li>• Efficiency, effectiveness, and quality</li> <li>• Diverse and inclusive work environment</li> <li>• Professional networks and collaboration</li> <li>• Institutional stewardship and resource management</li> </ul>

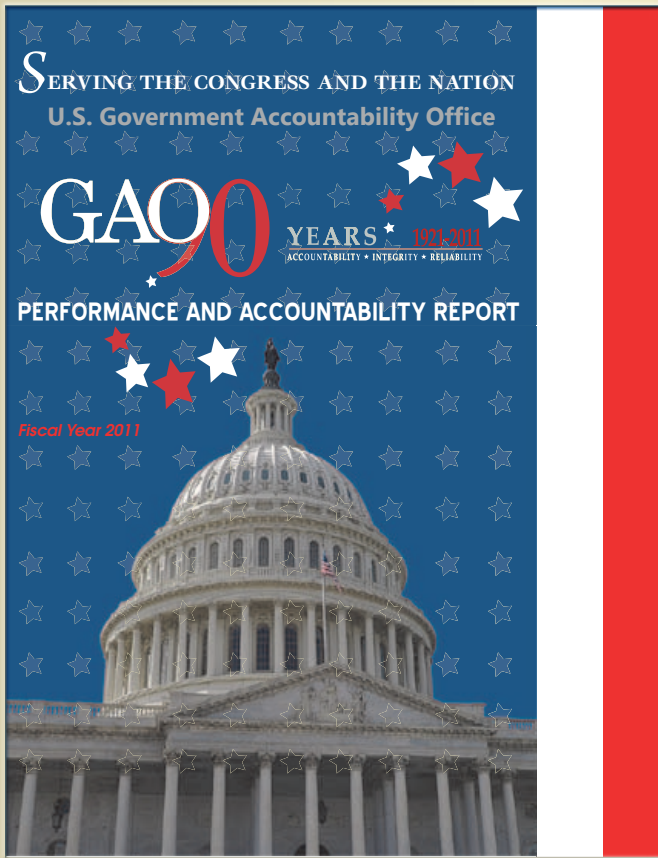
### CORE VALUES

Accountability	Integrity	Reliability
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Source: GAO.

Figure 4: GAO's Performance and Accountability Report Awards

# 2011 P&A Awards



Source: GAO.

## Organizational Structure

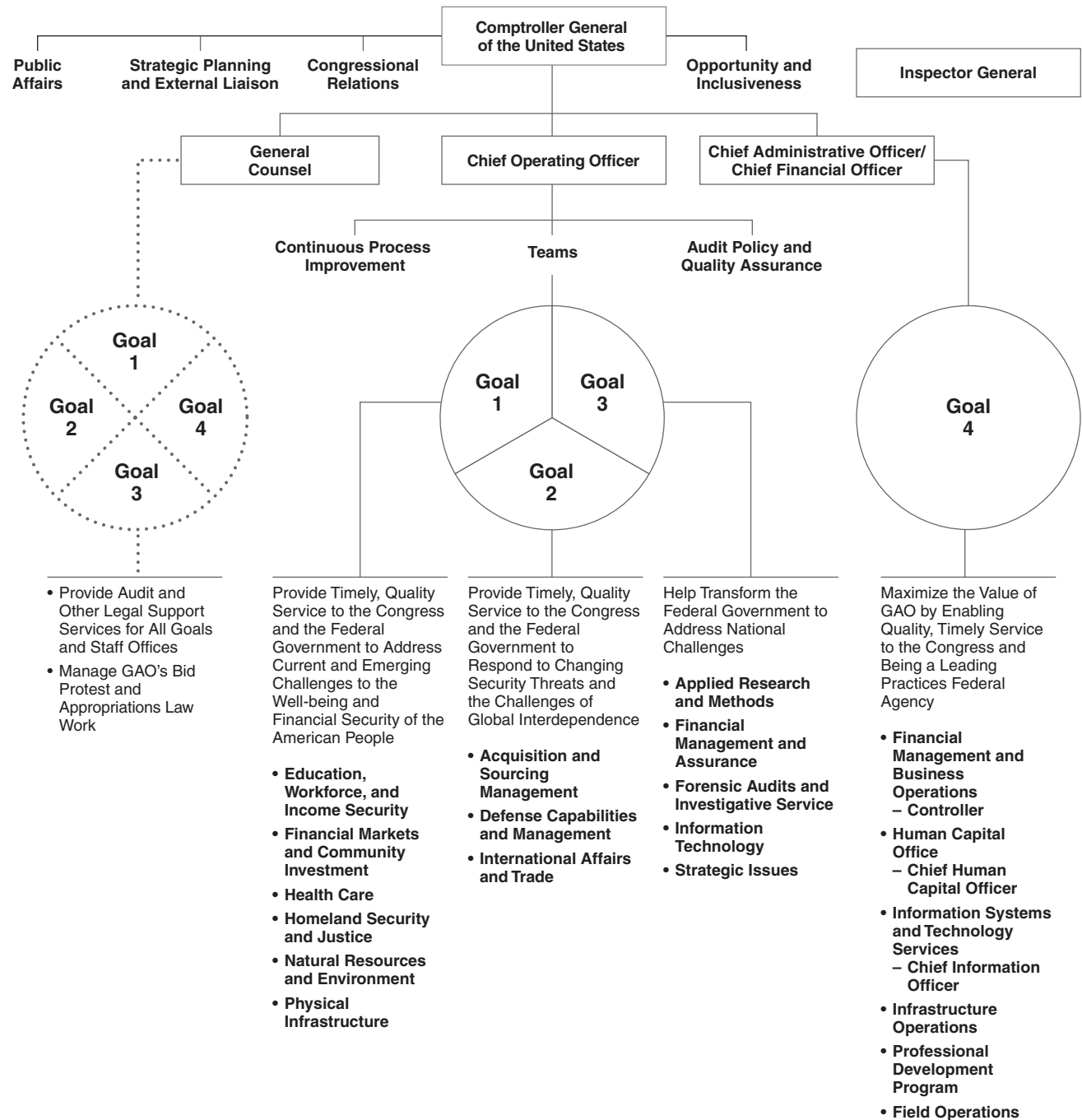
As the Comptroller General of the United States, Gene L. Dodaro is the head of GAO. On December 22, 2010, he was confirmed as Comptroller General after serving as the Acting Comptroller General since March 2008. Prior to that, Mr. Dodaro served as GAO's Chief Operating Officer for 9 years. Three other executives join Comptroller General Dodaro to form our Executive Committee: Chief Operating Officer Patricia A. Dalton, Chief Administrative Officer/Chief Financial Officer David M. Fisher, and General Counsel Lynn Gibson.

To achieve our strategic goals, our staff is organized as shown in [figure 5](#). For the most part, our 14 evaluation, audit, research, and investigative 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. In addition to this work, Forensic Audits and Investigative Service (FAIS) follows up on engagements and referrals from our other teams when its special services are required for specific fraud allegations or for assistance in evaluating security matters. FAIS also manages Fraudnet, which is our online system created for the public to report to GAO allegations of fraud, waste, abuse, or mismanagement of federal funds. FAIS is an integrated unit composed of investigators, analysts, and auditors who have experience with forensic auditing and data mining assisted by staff in our Office of General Counsel.

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

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

**Figure 5: Organizational Structure**



Source: GAO.

Note: The structure of the Office of the General Counsel 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.

The Office of the General Counsel is structured to facilitate the delivery of legal services to the teams and staff offices that support our four strategic goals. This structure allows General Counsel to (1) provide legal support to our staff offices and audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the goal 1, goal 2, and goal 3 groups 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. The Legal Services group provides in-house support to our management on a wide array of human capital matters and initiatives and on information management and acquisition matters and defends the agency in administrative and judicial forums. Finally, attorneys in the Procurement Law and the Budget and Appropriations Law groups prepare administrative decisions and opinions adjudicating protests to the award of government contracts or opining on the availability and use of appropriated funds.

For strategic goal 4—our only internal strategic goal—staff in our Chief Administrative Office take the lead. In fiscal year 2012, we created a new Office of Continuous Process Improvement to establish change in mission and mission support operations to improve efficiency and effectiveness in how we conduct our work. Other teams and goal 4 offices including the Applied Research and Methods team and the Office of Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, and Public Affairs assist in achieving specific key efforts. In addition, attorneys in the General Counsel's office, primarily in the Legal Services group, provide legal support for goal 4.

We maintain a workforce with training in many disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About 72 percent of our 2,960 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country (see [fig. 6](#)). Staff in these field offices are aligned with our research, audit, investigative, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

In September 2008, the Government Accountability Office Act of 2008 was enacted establishing the Office of the Inspector General (IG) of GAO as a statutory office within the agency. The IG is appointed by and reports to the Comptroller General. The IG is responsible for conducting audits and investigations relating to the administration of our programs and operations and for making recommendations to promote its economy, efficiency, and effectiveness. The IG also keeps the Comptroller General and the Congress fully informed through semiannual reports that describe the IG's findings. In addition, the IG investigates allegations from our employees and other interested parties concerning activities within GAO that may constitute the violation of any law, rule, or regulation; mismanagement; or a gross waste of funds or other wrongdoing.

**Figure 6: GAO's Office Locations**

Source: See Image Sources.

## Strategies for Achieving Our Goals

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

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

- evaluations of federal policies, programs, and the performance of agencies;
- oversight of government operations through financial and other management audits to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws;
- investigations to assess whether illegal or improper activities are occurring;
- analyses of the financing for government activities;
- constructive engagements in which we work proactively with agencies, when appropriate, to provide advice that may assist their efforts toward positive results;
- legal opinions that determine whether agencies are in compliance with applicable laws and regulations;

- policy analyses to assess needed actions and the implications of proposed actions; and
- additional assistance to the Congress in support of its oversight and decision-making responsibilities.

We conduct specific engagements as a result of requests from congressional committees and mandates written into legislation, resolutions, and committee reports. In fiscal year 2012, we devoted 95 percent of our engagement resources to work requested or mandated by the Congress. We devoted the remaining 5 percent of the engagement resources to work initiated under the Comptroller General's authority. Much of this work addressed various challenges that are of broad-based interest to the Congress, such as the war in Afghanistan, follow-up on our 2011 duplication, overlap and fragmentation report, and the federal, state and local government fiscal outlook.<sup>2</sup> Also covered by this work were reviews of government programs and operations that we have identified as at high risk for fraud, waste, abuse, and mismanagement as well as reviews of agencies' budget requests to help support congressional decision making. By making recommendations to improve the accountability, operations, and services of government agencies, we contribute to increasing the effectiveness of federal spending and enhancing the taxpayers' trust and confidence in their government.

Our staff are responsible for following high standards for gathering, documenting, and supporting the information we collect and analyze. This information is usually presented in a product that is made available to the public. In some cases, we develop products that contain classified or sensitive information that cannot be made available publicly. In recent years, we have issued around 900 products each year, primarily in an electronic format. In addition, we publish about 300 to 400 legal decisions and opinions each year. Our products include the following:

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

We also produce special publications on specific issues of general interest to many Americans, such as our reports on the fiscal future of the United States and our decisions on federal bid protests.<sup>3</sup> Our publication, *Principles of Federal Appropriations Law*, is viewed both within and outside of the government as the primary resource on federal case law related to the availability, use, and control of federal funds. In addition, we maintain the government's repository of reports on Antideficiency Act violations and make available on our website information extracted from those reports. Collectively, our products contain information and often conclusions and recommendations that allow us to achieve our external strategic goals.

<sup>2</sup>In fiscal year 2011 the work performed under the Comptroller General's authority represented 6 percent of our engagement resources.

<sup>3</sup>GAO, *The Federal Government's Long-Term Fiscal Outlook: Spring 2012 Update*, [GAO-12-521SP](#) (Washington, D.C.: Apr. 2, 2012); GAO, *Bid Protest Annual Report to the Congress for Fiscal Year 2011*, [GAO-12-199SP](#) (Washington, D.C.: Nov. 15, 2011); and GAO, *Principles of Federal Appropriations Law: Annual Update of the Third Edition*, [GAO-12-413SP](#) (Washington, D.C.: Mar. 8, 2012).



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

Similarly, our biennial high-risk report, to be updated in February 2013, provides a status report on major government operations that we consider high risk because they are vulnerable to fraud, waste, abuse, and mismanagement or are in need of broad-based transformation (see [p. 38](#)). Such special publications are valuable planning tools because they help us to identify areas of focus on important policy and management issues facing the nation.

To attain our fourth strategic goal—an internal goal—and its four related objectives, we implement projects to address the key efforts in our strategic plan. We conduct surveys of our congressional clients and internal customers to obtain feedback on our products, processes, and services and identify ways to improve them. We also perform internal management studies and evaluations.

Because achieving our strategic goals and objectives also requires strategies for coordinating with other organizations with similar or complementary missions, we

- use advisory panels and other bodies to inform our strategic and annual work planning and
- maintain strategic working relationships with other national and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other national audit offices.

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

## How We Measure Our Performance

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

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

Financial benefits and nonfinancial benefits provide quantitative and qualitative information, respectively, on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred or are expected to occur over a period of several years. The remaining measures are intermediate outcomes in that they often lead to achieving outcomes that are ultimately captured in our financial and nonfinancial benefits. For financial benefits and nonfinancial benefits, we first set targets for the agency as a whole, and then we set targets for each of the external goals (1, 2, and 3) to reach the agencywide targets. For past recommendations implemented and percentage of products with recommendations, we set targets and report performance for the agency as a whole because we want to encourage consistent performance across goals. Internally, we track our performance by strategic goal in order to understand why we meet or do not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas for improvement.

- **Client.** To measure how well we are serving our client, we capture the number of congressional hearings where we are asked to present expert testimony and our timeliness in delivering products to the Congress. We use an electronic client feedback form to collect data on the services we are providing to our congressional clients.

We set a target at the agencywide level for the number of hearings and then assign a portion of these hearings as a target for each of the external goals (1, 2, and 3) based on that goal's expected contribution to the agencywide total. We base this target on our assessment of the congressional calendar and hearing trend data. As in measuring the results of our work, we track our progress on this measure at the goal level in order to understand where we met or did not meet the agencywide target. We set an agencywide target for timeliness because we want our performance on this measure to be consistent across goals.

- **People.** As our most important asset, our people define our character and capacity to perform. A variety of data sources, including an internal survey, provide information to help us measure how well we are attracting and retaining high-quality staff and how well we are developing, supporting, using, and leading staff. We set targets for these measures at the agencywide level.
- **Internal operations.** Our mission and people are supported by our internal administrative services, including information management, infrastructure operations, human capital, and financial management services. Through an internal customer satisfaction survey, we gather information on how well our internal operations help employees get their jobs done and impact employees' quality of work life. Examples of surveyed services include Internet access, voice and video communication systems, pay and benefits, and building security and maintenance. We set targets for these measures at the agencywide level.

## Setting Performance Targets

To establish targets for all of our measures, we consider our past performance, including recent patterns and 4-year rolling averages, as well as known upcoming events for most of our results measures (see [p. 24](#)) and the external factors that influence our work (see [p. 60](#)). Based on this information, the teams and offices that are directly engaged

in the work discuss with our top executives their views of what we have planned to accomplish in the strategic plan and what they believe they can accomplish in the upcoming fiscal year. Members of our Executive Committee then establish targets for the performance measures.

Once approved by the Comptroller General, the targets become final and are presented in our annual performance plan and budget.<sup>4</sup> We may adjust these targets after they are initially published when our expected future work or level of funding warrants doing so. If we make changes, we include the changed targets in later documents, such as this performance and accountability report, and indicate that we have changed them. In [Part V](#), we include detailed information on data sources that we use to assess each of these measures, as well as the steps we take to verify and validate the data.

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On the pages that follow, we assess our performance for fiscal year 2012 against our previously established performance targets. We also present our financial statements, the independent auditor's report, and a statement from GAO's Inspector General.

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<sup>4</sup>Our most recent performance plan is available on our website at <http://www.gao.gov/products/GAO-11-343SP>.

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*Serving the Congress and the Nation*



**Part I**  
*Management's  
Discussion and Analysis*



# Assisting the Congress and Benefiting the Nation during Challenging Times

In fiscal year 2012, demand for our work was high with 924 congressional requests and new mandates. Our work in key areas helped inform the Congress and the administration on issues relevant to all Americans. These included issues related to duplication, overlap and opportunities for cost-saving in government programs, for which we identified 51 areas where programs may be able to achieve greater efficiencies or become more effective in providing government services, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Patient Protection and Affordable Care Act, nationwide funding provided through the American Recovery and Reinvestment Act and the Troubled Asset Relief Program, and our continued oversight of high-risk and other critical areas.

This work also allowed us to achieve many of our performance goals, and we monitored how well we performed and supported our staff using 15 annual performance measures. The results of our efforts are reflected in our solid performance in fiscal year 2012—we met or exceeded all but two of the performance targets we set for our client and people measures—those for which data are available (see [table 1](#)). We exceeded our targets for our two priority measures—financial and nonfinancial benefits. We achieved \$55.8 billion in financial benefits, exceeding our target of \$40 billion by \$15.8 billion.<sup>5</sup> This represents a \$105 return on every dollar the Congress invested in us. We recorded 1,440 nonfinancial benefits, exceeding our target of 1,200 by 240 benefits. We met our target of 80 percent for past recommendations implemented, and we exceeded our target for new products with recommendations by 7 percentage points. We did not meet our target of 180 hearings at which we were asked to testify, due to fewer-than-anticipated hearings in a range of subject areas. We exceeded our target for delivering our products and testimonies to our clients in a timely manner. We also met or exceeded our annual targets for six of seven of our people measures.

Concerning our two internal operations measures, we assess our performance related to how well our internal administrative services (e.g., computer support, telework, and building maintenance) help employees get their jobs done or impact employees' quality of work life based on responses to an annual internal survey. These measures are directly related to our efforts under goal 4 of our strategic plan to enable quality, timely service to the Congress and being a leading practices federal agency. The survey asks staff to indicate their satisfaction with each service, or to indicate if they did not use it. There always is a lag in reporting on this measure because our customer feedback survey is conducted after we issue the performance and accountability report. Our scores from the 2011 survey were 3.98 for services that “help get the job done” and 3.99 for services that impact the “quality of work life.” On a 5-point scale, with 5 being the highest, these scores indicate that our employees were satisfied with the internal administrative services we provide.

Our fiscal year 2013 targets for 13 of 15 of our performance measures are the same as those targets we reported in our fiscal year 2013 performance plan in February 2012. We believe that these targets are challenging yet realistic for our staff given constrained resources to monitor agency actions to implement our recommendations.

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<sup>5</sup>A financial benefit is an estimate of the federal cost reduction of agency or congressional actions.

**Table 1: Agencywide Summary of Annual Measures and Targets**

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual	Met/ not met	2013 target
<b>Results</b>									
Financial benefits (dollars in billions)	\$45.9	\$58.1	\$43.0	\$49.9	\$45.7	\$40.0	\$55.8	Met	\$44.0
Nonfinancial benefits	1,354	1,398	1,315	1,361	1,318	1,200	1,440	Met	1,200
Past recommendations implemented	82%	83%	80%	82%	80%	80%	80%	Met	80%
New products with recommendations	66%	66%	68%	61%	68%	60%	67%	Met	60%
<b>Client</b>									
Testimonies	276	298	203	192	174	180	159	Not met	170
Timeliness <sup>a</sup>	95%	95%	95%	95%	95%	90%	95%	Met	90%
<b>People</b>									
New hire rate	96%	96%	99%	95%	84%	95%	76%	Not met	95%
<b>Retention rate</b>									
With retirements	90%	90%	94%	94%	92%	90%	93%	Met	90%
Without retirements	94%	93%	96%	96%	96%	94%	96%	Met	94%
Staff development <sup>b</sup>	76%	77%	79%	79%	79%	76%	80%	Met	76%
Staff utilization <sup>b,c</sup>	73%	75%	78%	77%	78%	75%	76%	Met	75%
Effective leadership by supervisors <sup>b,d</sup>	79%	81%	83%	83%	83%	80%	82%	Met	80%
Organizational climate <sup>b</sup>	74%	77%	79%	79%	80%	75%	78%	Met	75%
<b>Internal operations<sup>e</sup></b>									
Help get job done	4.05	4.0	4.03	3.94	3.98	4.0	N/A	N/A	4.0
Quality of work life	3.98	4.01	4.01	3.94	3.99	4.0	N/A	N/A	4.0

Source: GAO.

Note: Information explaining all of the measures included in this table appears in the [Appendix on Data Quality](#) of this report.

<sup>a</sup>The timeliness measure is based on one question on a form sent out to selected clients. The response rate for the form in fiscal year 2012 was 22 percent, and 99 percent of the clients who responded answered this question. The percentage shown in the table represents the percentage of respondents who answered favorably to this question on the form.

<sup>b</sup>This measure is derived from our annual agencywide employee feedback survey. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including these responses in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

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

<sup>d</sup>In fiscal year 2009, we changed the name of this measure from “Leadership” to its current nomenclature to clarify that the measure reflects employees’ satisfaction with their immediate supervisors’ leadership. In fiscal year 2010, we changed one of the questions for this measure.

<sup>e</sup>For our internal operations measures, we ask staff to rate 30 internal services available to them, indicating on a five-point scale, with 5 being the highest, their satisfaction with each service from “very dissatisfied” to “very satisfied” or to indicate if they did not use the service. These measures are described in more detail on [page 37](#) of this report. We will report actual data for fiscal year 2012 once the survey results have been analyzed. N/A indicates that the data are not yet available.

To help us examine trends over time, we look at 4-year rolling averages for the following performance measures: financial benefits, nonfinancial benefits, new products with recommendations, and testimonies. We calculate 4-year rolling averages because historically our performance on these measures has fluctuated from year to year, and this calculation minimizes the effect of an atypical result in any given year. We consider this calculation, along with other factors, when we set our performance targets. [Table 2](#) shows that our averages for financial benefits increased each year from 2007 to 2009 and then remained fairly stable from 2010 to 2012. The average number of nonfinancial benefits we recorded increased from 2007 to 2008 and has remained fairly stable for the period from 2010 to 2012. New products with recommendations has been very stable from 2007 through 2012.

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

Performance measure	2007	2008	2009	2010	2011	2012
<b>Results</b>						
Financial benefits (billions)	\$45.1	\$48.7	\$49.5	\$49.2	\$49.2	\$48.6
Nonfinancial benefits	1,325	1,376	1,352	1,357	1,348	1,359
New products with recommendations	64%	65%	66%	65%	66%	66%
<b>Client</b>						
Testimonies	228	248	254	242	217	182

Source: GAO.

When setting our target for the number of hearings at which our senior executives testify, we base our testimonies target in part on the cyclical nature of the congressional calendar, in addition to our 4-year rolling averages and our past performance. Our experience has shown that during the fiscal year in which an election occurs, the Congress generally holds fewer hearings. In the months after an election, the members usually only meet for a short session, and then they reorganize in the following months, providing fewer opportunities for us to testify. For the past three years, our testimonies have been lower than anticipated because of a congressional focus on a few key policy areas that did not encompass as many hearings on our broad scope of work as in recent years. We therefore have set a lower target for congressional testimonies in 2013.

Focusing on outcomes and the efficiency of the processes needed to achieve them is fundamental to accomplishing our mission. The following four annual measures—financial benefits, nonfinancial benefits, past recommendations implemented, and new products containing recommendations—indicate that we have fulfilled our mission and delivered results that benefit the nation.

## Financial Benefits and Nonfinancial Benefits

We describe many of the results produced by our work as either financial or nonfinancial benefits. In many cases, the benefits we claimed in fiscal year 2012 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.



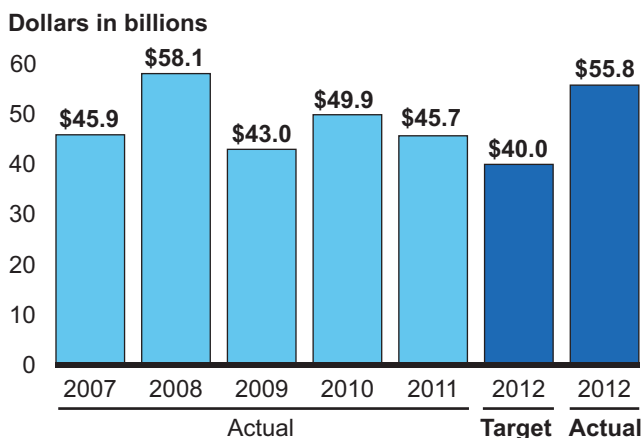
To claim either type of benefit, our staff must document the connection between the benefits reported and the work that we performed. We can claim benefits within 2 years of when the Congress or an agency takes action on our recommendations. Our methodology for determining financial benefits can be found in [table 19](#) in the [Appendix on Data Quality](#) of this report.

### Financial Benefits

Our findings and recommendations produce measurable financial benefits for the federal government after the Congress acts on or agencies implement them and the funds are made available to reduce government expenditures or are reallocated to other areas. The financial benefit can be the result of changes in business operations and activities; the restructuring of federal programs; or modifications to entitlements, taxes, or user fees.

In fiscal year 2012, our work generated about \$56 billion in financial benefits (see [fig. 7](#)). We exceeded our target by almost 40 percent because of several unexpectedly large accomplishments. [Part II](#) of this report provides more information on these accomplishments by goal. (See [fig. 8](#).) In light of ongoing resource constraints that may affect our ability to follow up on actions taken, we have set our fiscal year 2013 target for financial benefits at \$44 billion. This is above the fiscal year 2012 target but below our actual performance.

**Figure 7: Financial Benefits GAO Recorded**



Source: GAO.

Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the estimated costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action. We limit the period over which benefits from an accomplishment can accrue to no more than 5 years.

Estimates used to calculate our financial benefits come from non-GAO sources. These sources are typically the agency that acted on our work, a congressional committee, or the Congressional Budget Office. Additional examples of financial benefits can be found in [Part II](#) of this report.

**Figure 8: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2012**

Source: See Image Sources.

Description	Amount (Dollars in billions)
<p><b>Reductions in Payments to Medicare Advantage (MA) Plans.</b> As the MA program—a private plan option under Medicare—grew, some policymakers raised concerns about its design and cost. Specifically, they were concerned that payments to MA plans exceeded what Medicare would have paid had MA beneficiaries received services through Medicare fee-for-service, thereby increasing overall Medicare spending. Our work showed that for 2007, despite the higher MA plan payments, some beneficiaries enrolled in the MA program were likely to have higher out-of-pocket costs than if they were enrolled in Medicare fee-for-service. In addition, our work showed that in 2005 MA plans spent less on medical expenses than projected, thus gaining profits of about \$1.14 billion more than estimated. Our work influenced 2008 legislation that reduced payments to the MA program. For fiscal years 2013-2014, the present value of the reduced payments will exceed \$12 billion. (<a href="#">GAO-08-359</a>, <a href="#">GAO-08-522T</a>, <a href="#">GAO-08-827R</a>)</p>	\$12.4
<p><b>NASA Cancellation of Constellation/Ares I Project.</b> From 2006 to 2009, we issued a number of products on various aspects of NASA's Constellation program, including the Orion and Ares I projects, the two main development efforts under that program. We questioned the affordability and overall acquisition strategy for each project and stressed that NASA needed to develop a sound business case to support the Constellation program before making long-term commitments. Development and funding issues with the project led to an extended gap in human space flight capability, and as a result, NASA's fiscal year 2011 budget request canceled the Constellation program, effectively halting the program's planned entry into the implementation phase of development. The estimated financial benefit of canceling the program is about \$8.0 billion. (<a href="#">GAO-09-844</a>, <a href="#">GAO-08-51</a>)</p>	\$8.0
<p><b>Elimination of Ethanol Excise Tax Credit for Corn.</b> We found that a federal ethanol tax credit was duplicative with a federal renewable fuel standard that requires U.S. transportation fuels to contain certain volumes of biofuels, such as ethanol. In 2011, along with the fuel standard, the Congress supported domestic ethanol production through a \$5.7 billion tax credit program, which provided a 45-cent-per-gallon federal tax credit to fuel blenders that purchase and blend ethanol with gasoline. We advised the Congress to consider allowing the tax credit to expire. The Congress took no action to extend the tax credit, which had been active in various forms since 1979, and it expired at the end of 2011. Over the nine months of fiscal year 2012 when the tax credit did not apply, tax expenditure savings totaled \$4.5 billion. (<a href="#">GAO-11-318SP</a>, <a href="#">GAO-09-446</a>)</p>	\$4.5

<p><b>Tour Normalization for Forces in South Korea.</b> In May 2011, we recommended that DOD assess benefits, costs, and alternatives before implementing an initiative to increase the lengths of U.S. servicemembers’ tours in South Korea. In response to our report, the Congress directed that DOD conduct such an analysis, which in turn led the department to decide that the initiative was unaffordable. DOD avoided \$3.1 billion in costs for additional personnel and infrastructure that would have been needed to support the initiative. (<a href="#">GAO-11-316</a>)</p>	\$3.1
<p><b>Termination of Defense Weather Satellite System (DWSS) Program.</b> DWSS was a follow-on program to the National Polar-orbiting Operational Environmental Satellite System (NPOESS) disbanded due to cost increases, schedule delays, and ineffective management structure. We reviewed NPOESS as well as its restructure and transition to DWSS. We reviewed the follow-on program and found delays in completing key acquisition activities while the program was accelerating planned development activities, thus increasing program concurrency and risk. In response to our work, the Congress did not fund DWSS for fiscal year 2012 other than for termination of the program. DOD had planned on spending about \$3 billion in fiscal years 2012 through 2016 on NPOESS and DWSS activities. DOD currently has two weather satellites to be launched as needed and is working on the weather satellite follow-on effort. (<a href="#">GAO-11-233SP</a>, <a href="#">GAO-10-388SP</a>, <a href="#">GAO-10-558</a>, <a href="#">GAO-09-564</a>)</p>	\$3.0

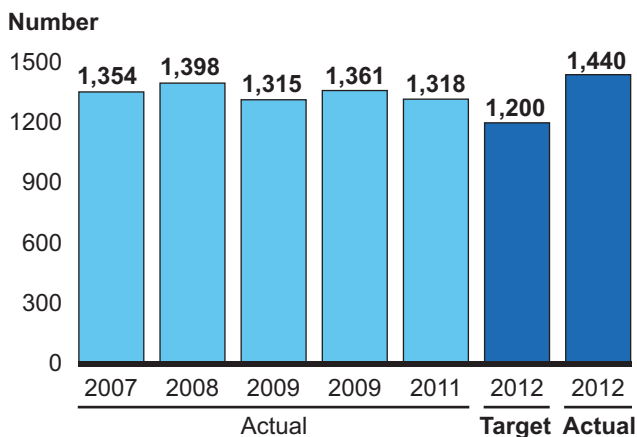
Source: GAO.

Note: Additional examples of fiscal year 2012 financial benefits can be found in [Part II](#) of this report.

### Nonfinancial Benefits

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2012, we recorded a total of 1,440 nonfinancial benefits (see [fig. 9](#)). We exceeded our target by 20 percent largely because of a number of accomplishments we documented for information technology, physical infrastructure, and environmental issues. We have set our 2013 target for nonfinancial benefits at 1,200 again given ongoing resource constraints.

**Figure 9: Nonfinancial Benefits**

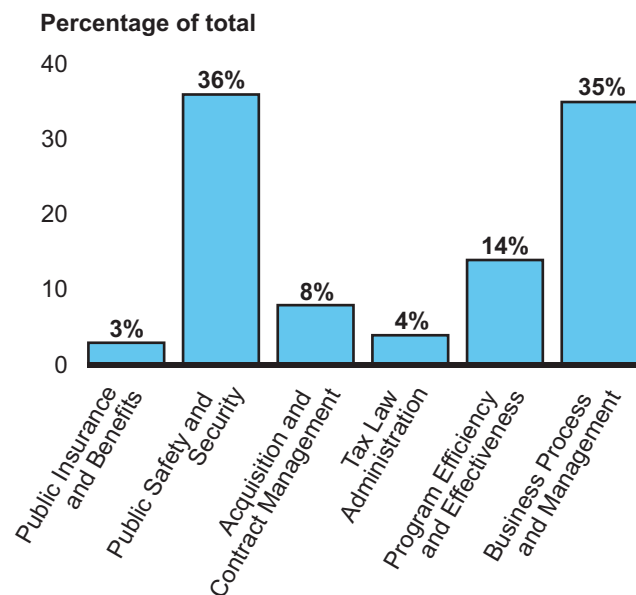


Source: GAO.

In fiscal year 2012 we documented actions taken across federal programs—about 36 percent of the total nonfinancial benefits were in the area of public safety and security, including programs such as homeland security and justice programs and critical technologies. About 35 percent resulted from improvements in business process and management, such as federal information systems, business systems modernization, and financial management.

(See figure 10.) In figure 11, we provide examples of nonfinancial benefits we claimed as accomplishments in fiscal year 2012. Additional examples of nonfinancial benefits can be found in Part II of this report.

**Figure 10: Types of Fiscal Year 2012 Nonfinancial Benefits**



Source: GAO.

Note: These categories closely align with those in our high-risk list (see table 7).

Examples of programs included in categories:

- **Public Insurance and Benefits:** Medicare, Medicaid, Department of Veterans Affairs and DOD health care, disability programs, national flood insurance, federal deposit insurance, and other insurance programs.
- **Public Safety and Security:** Homeland security and justice programs, critical infrastructure, including information security, critical technologies, food safety, transportation safety, telecommunications safety, international food assistance, public health, consumer protection, environmental issues, national defense, foreign policy, and international trade.
- **Acquisition and Contract Management:** DOD weapon system acquisition, National Aeronautics and Space Administration acquisition management, and all federal agency and interagency contract management.
- **Tax Law Administration:** Internal Revenue Service (IRS) business systems modernization, tax policy, and enforcement of tax laws.
- **Program Efficiency and Effectiveness:** Fraud, waste, and abuse; U.S. financial regulatory system; federal oil and gas resources; U.S. Postal Service; transportation funding; and telecommunications funding.
- **Business Process and Management:** Federal agency financial audits, federal information systems, federal real property, human capital management, DOD business transformation, business systems modernization, financial management, support infrastructure management, and supply chain management.

**Figure 11: GAO's Selected Nonfinancial Benefits Reported in Fiscal Year 2012**



Source: See Image Sources.

Program	Description
<p><b>Public Insurance and Benefits</b></p>	<p>We found in 2009 that the Social Security Administration (SSA) neither provided performance goals and measures nor identified implementation risks for many initiatives in its plan to eliminate its backlog of disability hearings, where people can appeal SSA's decisions about their claims. We recommended that SSA develop goals and measures, and identify risks and steps to address them so that SSA could improve its disability claims process. SSA subsequently established goals for each initiative and implemented a system that includes measures and risk assessments for each initiative, as well as proposed risk mitigation strategies. For example, SSA eliminated the oldest cases in their backlog and reduced average processing time. (<a href="#">GAO-09-398</a>)</p>
<p><b>Public Safety and Security</b></p>	<p>The December 2009 attempted airline bombing exposed weaknesses in how agencies create and use the terrorist watchlist. In May 2012, we reported that agencies faced challenges in processing increased volumes of watchlist-related information and that changes to screening processes based on the incident had impacted agency resources and the traveling public. We recommended that the Assistant to the President for Homeland Security and Counterterrorism routinely assess the results from using the watchlist to determine if outcomes and impacts are acceptable and manageable. This work has assisted the Congress in overseeing terrorist watchlist processes. (<a href="#">GAO-12-144T</a>, <a href="#">GAO-12-476</a>)</p>
<p><b>Acquisition and Contract Management</b></p>	<p>In September 2011 we reported that DOD faced challenges in ensuring orderly contractor demobilization for the Iraq drawdown—specifically, in obtaining accurate and sufficient information from contractors, such as detailed demobilization plans and contractor employee headcount data. We recommended that DOD take steps, such as enforcing guidance to contractors to ensure proper planning associated with demobilization and engaging contractors to ensure that total personnel headcounts accurately reflect all personnel, including those working under subcontracts. In response, DOD took aggressive action to work with contractors to ensure robust contractor planning for demobilization and personnel accountability. (<a href="#">GAO-11-774</a>)</p>

<b>Tax Law Administration</b>	<p>We reported that Internal Revenue Service's (IRS) approach to the collection of unpaid taxes did not provide for the full effective use of the tools available. Specifically, IRS's overall approach focused primarily on gaining voluntary compliance, a practice that has little likelihood of success for egregious payroll tax offenders. To strengthen IRS's use of existing collection tools, we recommended that IRS review current case prioritization and assignment practices. In response, in October 2011, IRS changed its case routing processes, and in November 2011, IRS implemented a process to systematically accelerate entities with 30 or more delinquent tax-reporting periods as a priority for tax collection. These changes should increase the likelihood of successful IRS collection action against identified payroll tax debtors. (<a href="#">GAO-08-617</a>)</p>
<b>Program Efficiency and Effectiveness</b>	<p>In September 2010, we reported on results of undercover testing that found Head Start employees lied about applicants' employment status or misrepresented their earnings in order to qualify applicants for enrollment under eligibility criteria designed for families with incomes below 130 percent of the poverty line. In response to our report, Head Start grantees across the nation took steps to improve fraud prevention controls related to eligibility for enrollment in Head Start centers. These actions will help reduce the risk that over-income children are enrolled while legitimate under-income children are put on waitlists. (<a href="#">GAO-10-1049</a>)</p>
<b>Business Process and Management</b>	<p>We identified more than \$794 million remaining in expired grant accounts in the largest civilian payment system for grants at the end of fiscal year 2011. Closing out grants allows agencies to identify and redirect unused funds to other projects or to return unspent balances to the Treasury. In response to our recommendations, OMB issued the first ever "Controller Alert," instructing agencies to close out grants in a timely manner and suggesting strategies such as establishing annual or semi-annual performance targets for timely grant closeout, monitoring closeout activity, and tracking progress in reducing closeout backlog. (<a href="#">GAO-12-360</a>, <a href="#">GAO-12-704T</a>)</p>

Source: GAO.

Note: Additional examples of fiscal year 2012 nonfinancial benefits can be found in [Part II](#) of this report.

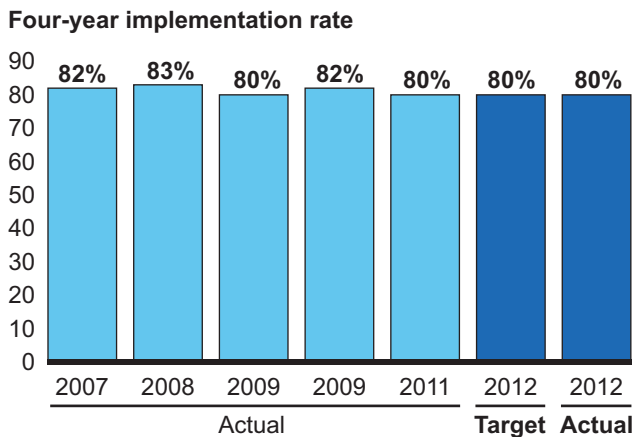
In addition to benefits to the government, our work also results in benefits to the consumer. For example, we reviewed the Department of Energy's (DOE) record of standard setting for minimum energy efficiency for consumer and industrial appliances and found that dozens of standards were backlogged ([GAO-07-42](#)). DOE took action to address our recommendations to streamline the standard setting process and allocate additional resources to expedite setting new standards and has largely caught up with its backlog of unset standards. As a result, according to DOE's data American consumers are currently saving \$15 billion per year because the appliances they purchase are using less energy. In another review, we found that consumers only received 21 cents on the dollar in financial benefits for every dollar they spent for debt protection products from 9 large credit card issuers ([GAO-11-311](#)). We recommended that the Bureau of Consumer Financial Protection (Bureau) consider the financial benefits and costs to consumers of these products. In July 2012, the Bureau announced an enforcement action—triggered by our work, according to the Bureau's director—that required one credit card issuer to provide about \$140 million in refunds to consumers of debt protection products, and subsequently at least three issuers announced that they were phasing out these products altogether. In a third example, we reported that participants in defined contribution plans, such as 401(k) and 403(b) plans, had limited information to compare investment options and invest wisely ([GAO-07-21](#)). We recommended that the Department of Labor (DOL) ensure that information, such as fees

and expenses, be made available, and DOL issued a rule requiring plan administrators and their service providers to disclose certain information regarding investments to plan sponsors. DOL estimated that this change could save workers \$12.3 billion in fees and administrative costs over a ten-year period. There are 72 million participants in 401(k)-type plans who now have the information they need to manage their retirement savings.

### Past Recommendations Implemented

One way we measure our effect on improving the government’s accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2012, 80 percent of the recommendations we made in fiscal year 2008 had been implemented (see [fig. 12](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

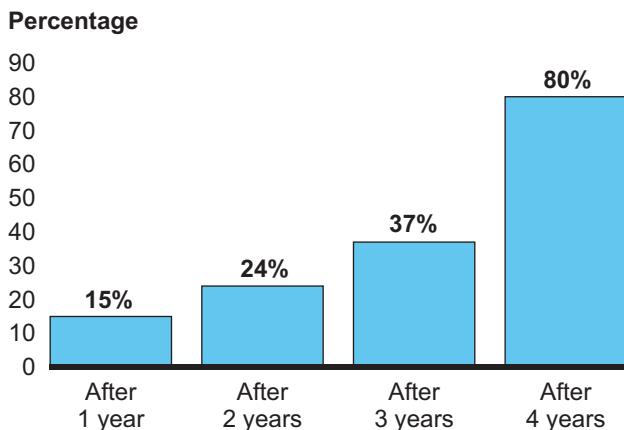
**Figure 12: Percentage of Past Recommendations Implemented**



Source: GAO.

The 80 percent implementation rate for fiscal year 2012 met our target for the year. As [figure 13](#) indicates, agencies need time to act on recommendations. We assess recommendations implemented after 4 years based on our experience that recommendations remaining open after that period of time are generally not implemented in subsequent years.

**Figure 13: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2008**

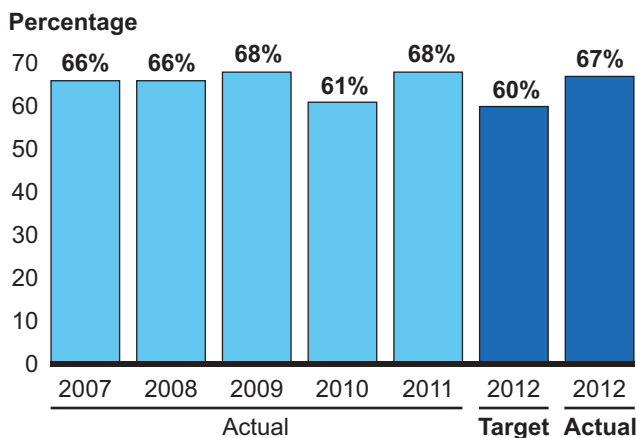


Source: GAO.

## New Products Containing Recommendations

In fiscal year 2012, about 67 percent of the 651 written products we issued contained recommendations (see [fig. 14](#)). We track the percentage of new products with recommendations because we want to focus on developing recommendations that when implemented by the Congress and agencies, produce financial and nonfinancial benefits for the nation. We exceeded our target of 60 percent by 7 percentage points. However, we have set our target again in fiscal year 2013 at 60 percent because we recognize that our products do not always include recommendations, and the Congress and agencies often find informational reports as useful as those that contain recommendations. Our informational reports have the same analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about substantial financial and key nonfinancial benefits. Hence, this measure allows us some flexibility in responding to requests that result in reports without recommendations.

**Figure 14: Percentage of New Products with Recommendations**



Source: GAO.

## Focusing on Our Client

To fulfill the Congress's information needs, we plan to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we assisted the Congress well, by striving to respond to all congressional requests for testimony and delivering almost all of our products on time based on the feedback from our clients. We issued 964 products and completed work for 172 clients.

## Testimonies

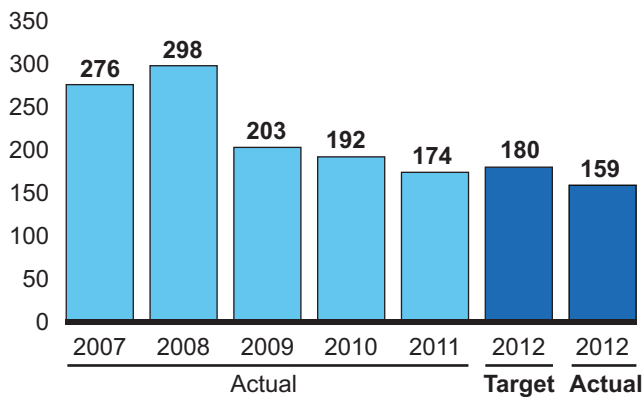
Our clients often invite us to testify on our current and past work as it relates to issues that committees are examining through the congressional hearing process. During fiscal year 2012, experts from our staff testified at 159 congressional hearings covering a wide range of complex issues. We did not meet our target of 180 hearings at which we testify (see [fig. 15](#)) by 21 hearings. This measure is client driven based on invitations to testify, and we cannot always anticipate clients' specific subject area interests. The 159 hearings at which the Congress asked our executives to testify in fiscal year 2012 covered the scope of our mission areas. (See [fig. 17](#) for selected topics we testified on by strategic goal in



fiscal year 2012.) Fifty-five of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on [page 39](#) of this report.

### Figure 15: Testimonies

Hearings at which GAO testified



Source: GAO.

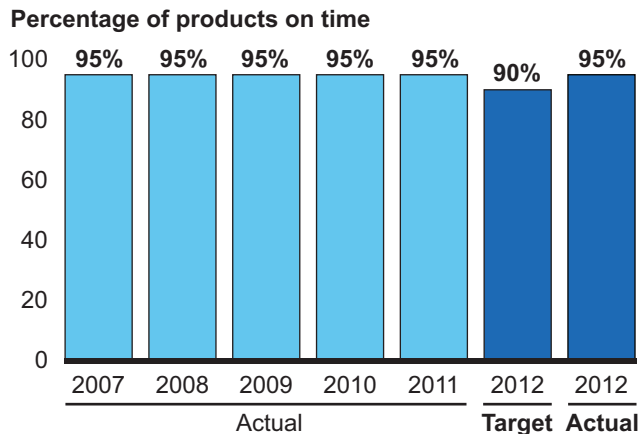
We have reduced our fiscal year 2013 target of testimonies to 170 hearings and believe this should be a reasonable estimate given recent trends and the Congress’s continuing interest in such matters as national and homeland security, health care, information security, public safety, and natural resources.

### Timeliness

To be useful to the Congress, our products must be available when our clients need them. In fiscal year 2012, we met our timeliness target of 95 percent. (See [fig. 16](#).) We outreach directly to our clients through several means, including an electronic feedback form. We use the results of our client feedback form as a primary source and barometer for whether we are getting our products to our congressional clients when they need the information. To calculate this result, we tally responses from the form we send to key congressional staff working for the requesters of our testimony statements and more significant written products (e.g., engagements assigned an interest level of “high” by our senior management<sup>6</sup> and those expected to reach 500 staff days or more), which represented about 47 percent of the congressionally requested written products we issued in fiscal year 2012. Because our products usually have multiple requesters, we often send forms to more than one congressional staff person per testimony or product. One of the questions on each form asks the client whether the product was provided or delivered on time. In fiscal year 2012, of the forms returned to us, 99 percent of the congressional staff responding answered the question on timeliness. Overall, the response rate to our entire form was 22 percent, though we received feedback on 48 percent of the products for which we sent forms.

We have consistently set a high target for timeliness because it is important for us to meet congressional needs when they occur. We have set our fiscal year 2013 target at 90 percent because of resource constraints that may affect our on-time delivery.

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

**Figure 16: Timeliness**

Source: GAO.

## Focusing on Our People

Our highly professional, multidisciplinary, and diverse staff were critical to the level of performance we demonstrated in fiscal year 2012. Our ability to hire, develop, retain, and lead staff is a key factor to fulfilling our mission of serving the Congress and the American people.

Over the last 5 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2012, we met or exceeded six of seven of our people measures. These measures are directly linked to our goal 4 strategic objective of being a leading practices federal agency. For more information about our people measures, see [Table 19](#) on [page 124](#) of this report.

### New Hire Rate

Our new hire rate is the ratio of the number of people hired to the number we planned to hire. Our annual workforce planning process helps to identify the human capital resource requirements needed to accomplish our mission. It is the key tool to translate strategic goals into human capital actions to respond to a changing work environment. The workforce plan takes into account strategic goals, projected workload requirements, and other changes, such as retirements, attrition, promotions, and skill gaps. It specifies the number of planned hires for the upcoming year. Adjustments to the plan are made throughout the year, if necessary, to respond to the most pressing issues for congressional oversight and decision making. In fiscal year 2012, our plan was to hire about 55 critical new staff, but we were only able to bring on board 42 staff by year-end. Because of budget concerns, we delayed moving forward with critical hire approvals until early summer. Consequently, the remaining 13 positions will be carried over to fiscal year 2013 since recruitment activities were not completed prior to the end of fiscal year 2012. [Table 3](#) shows that we did not meet our target rate of 95 percent, achieving a 76 percent new hire rate.

**Figure 17: Selected Testimony Topics • Fiscal Year 2012**

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

- DOD and VA Health Care Integration
- Medicare Durable Medical Equipment
- FDA’s Ability to Respond to Drug Shortages
- Oversight of Medicaid Payments
- Urgent Local Workforce Needs
- Small Employers Challenges to Pension Plan Sponsorship
- Modernizing SSA’s Disability Programs
- Unemployed Older Workers
- School Bullying
- Improving Homelessness Programs
- Mortgage Finance Risk Management
- Fragmented Economic Development Programs
- Federal Housing Administration’s Mutual Mortgage Insurance Fund
- Federal Reserve System’s Emergency Assistance
- Climate Change Adaptation
- Unconventional Oil and Gas Production
- Unmanned Aircraft Systems
- Commercial Space Transportation
- Transportation Issues and Management Challenges
- Los Angeles Federal Courthouse Construction
- Federal Real Property Management

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

- National Nuclear Security Administration Management
- Deepwater Horizon
- Securing the Modernized Electricity Grid
- Visa Waiver Program
- TSA’s Process for Vetting Foreign Flight Students
- DHS’s Container Security Programs
- FEMA’s Management of Preparedness Grants
- DHS’s Progress Improving and Integrating Management
- DOD Civilian Workforce
- Personnel Security Clearances
- Military Base Realignments and Closures
- Joint Strike Fighter Restructuring
- DOD Satellite Acquisitions
- DOD’s Acquisition Workforce Capacity
- Countering the Use of Improvised Explosive Devices
- Support and Security Capabilities in Iraq

**Goal 3: Help Transform the Federal Government to Address National Challenges**

- Arlington National Cemetery Contract Management
- Coast Guard’s Deepwater Program
- Suspension and Debarment Oversight
- Medicare Part D Fraud and Prescription Drug Abuse
- Fraud Prevention in Service-Disabled Veteran-Owned Small Business Program
- Oversight of Psychotropic Prescription Drugs for Foster Children
- Internet Availability of Counterfeit Military-Grade Electronic Parts
- Reducing Improper Payments
- Army Financial Audit Readiness
- Fiscal Year 2011 U.S. Government Financial Statements
- Information Technology Reform
- Social Security Administration Technology Modernization
- Centers for Medicare & Medicaid Fraud Detection Systems
- Environmental Satellite Program Risks
- Federal Workforce Challenges
- Effective Long-term Disaster Recovery
- Evaluating Expiring Tax Provisions
- Strategies to Reduce Taxpayer Noncompliance
- IRS’s Opportunities to Improve the Taxpayer Experience
- Improving 2020 Census Cost Effectiveness

Source: GAO.

Note: Additional information on selected testimonies can be found in [Part II](#) of this report.

**Table 3: Actual Performance and Targets Related to Our New Hire Rate Measure**

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual
<b>People</b>							
New hire rate	96%	96%	99%	95%	84%	95%	76%

Source: GAO.

## Retention Rate

We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like them to stay with us. This measure is one indicator of whether we are attaining this objective. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements. Our exit surveys have shown that staff who retire do so for family, life, or health considerations; whereas nonretirees leave for new opportunities to work elsewhere, for family reasons, or to make better use of their skills. [Table 4](#) shows that in fiscal year 2012, we exceeded our target rate of 90 percent for overall retention by 3 percentage points at 93 percent. We also exceeded our retention rate of 94 percent without retirements by 2 percentage points at 96 percent. We attribute exceeding the target retention rates for the past few years to a slow economy, which has caused some staff to delay retirement and reduced other attrition, such as resignations or transfers to other agencies.

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

Performance measures	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual
<b>People</b>							
Retention rate							
With retirements	90%	90%	94%	94%	92%	90%	93%
Without retirements	94%	93%	96%	96%	96%	94%	96%

Source: GAO.

## Staff Development and Utilization, Effective Leadership by Supervisors, and Organizational Climate

One way that we measure how well we are supporting our staff and providing an environment for professional growth is through our annual employee feedback survey. This web-based survey is administered to all of our employees once a year. To ensure the confidentiality of every respondent, we use an outside contractor to administer the survey and to analyze the responses. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate their immediate supervisors on key aspects of their leadership styles.

The survey consists of over 100 questions. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including these responses in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions. (See [Part V of this report on pp. 124-132](#) for additional information about these measures.) This fiscal year, about 70 percent of our employees completed the survey, and we exceeded all four targets (see [table 5](#)). Our fiscal year 2012 performance on all of these measures has been fairly consistent for the past few years. Our performance on the staff development was 1 percentage point higher than last year, staff utilization and organizational climate were 2 percentage points lower, and leadership was 1 percentage point lower than last year. Given our performance on these measures over the last 5 years, we have decided to retain our fiscal year 2012 targets for fiscal year 2013 (see [table 1](#)).

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

Performance measures <sup>a</sup>	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual
<b>People</b>							
Staff development	76%	77%	79%	79%	79%	76%	80%
Staff utilization	73%	75%	78%	77%	78%	75%	76%
Effective leadership by supervisors <sup>b</sup>	79%	81%	83%	83%	83%	80%	82%
Organizational climate	74%	77%	79%	79%	80%	75%	78%

Source: GAO.

<sup>a</sup>Certain portions of our web-based survey are used to develop these four measures.

<sup>b</sup>In fiscal year 2009, we changed the name of this measure from “Leadership” to its current nomenclature to clarify that the measure reflects employees’ satisfaction with their immediate supervisors’ leadership. In fiscal year 2010, we changed one of the questions for this measure.

## Focusing on Our Internal Operations

Our mission and people are supported by our internal administrative services, including information management, infrastructure operations, human capital, financial management, and other services. To assess our performance related to how well our internal administrative services help employees get their jobs done or improve employees’ quality of work life, and to set targets, we use information from our annual customer satisfaction survey, the results of which are shown in [table 6](#). We asked staff to rate 30 internal services available to them, indicating on a 5-point scale, with 5 being the highest, their satisfaction with each service from “very dissatisfied” to “very satisfied,” or to indicate that they did not use the service. Our internal operations measures are directly related to our efforts under goal 4 of our strategic plan to enable quality, timely service to the

Congress and be a leading practices federal agency. The first measure encompasses 16 services that help employees get their jobs done, such as Internet access, desktop computer equipment, voice and video communication systems, shared service centers for copying and courier assistance, travel services, and report production. The second measure encompasses another 14 services that affect quality of work life, such as assistance related to pay and benefits, building security and maintenance, and workplace safety and health. Using survey responses, we calculate a composite score for each service category. Our scores of 3.98 for the services under “help get the job done” and 3.99 for the services under “quality of work life” from the November 2011 survey show that staff were largely satisfied with the services they receive.

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

Performance measures	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual
<b>Internal operations</b>							
Help get job done	4.05	4.00	4.03	3.94	3.98	4.0	N/A
Quality of work life	3.98	4.01	4.01	3.94	3.99	4.0	N/A

Source: GAO.

Note: Staff rate their satisfaction with services on a 5-point scale with 5 being the highest.

We will report actual data for fiscal year 2012 once the survey results have been analyzed. N/A indicates that the data are not available yet.

## GAO’s High-Risk Program

In 1990, we began our high-risk program to highlight long-standing challenges facing the federal government. Historically, we designated high-risk areas based on their increased susceptibility to fraud, waste, abuse, and mismanagement. As the program has evolved, we have also used the high-risk designation to draw attention to the need for broad-based transformation to achieve greater efficiency, effectiveness, accountability, and sustainability of key government programs and operations.

Issued to coincide with the start of each new Congress, our high-risk updates have helped sustain attention from members of the Congress who are responsible for oversight and from executive branch officials who are accountable for performance. 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 1990, we have designated over 50 areas as high risk and subsequently removed over one-third of the areas based on progress made. As of the end of fiscal year 2012, our high-risk list highlighted 30 troubled areas across government. [Table 7](#) lists each current high-risk area and the year it was added to the list.

**Our 2012 high-risk area work:**

- 188 reports
- 55 testimonies
- \$28.4 billion in financial benefits
- 515 nonfinancial benefits

**Table 7: GAO's High-Risk List as of September 30, 2012**

High-risk area	Year designated
<b>Strengthening the Foundation for Efficiency and Effectiveness</b>	
■ Management of Federal Oil and Gas Resources	2011
■ Modernizing the Outdated U.S. Financial Regulatory System	2009
■ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	2009
■ Funding the Nation's Surface Transportation System	2007
■ Managing Federal Real Property	2003
■ Strategic Human Capital Management	2001
<b>Transforming DOD Program Management</b>	
■ DOD Approach to Business Transformation	2005
■ DOD Support Infrastructure Management	1997
■ DOD Business Systems Modernization	1995
■ DOD Financial Management	1995
■ DOD Supply Chain Management	1990
■ DOD Weapon Systems Acquisition	1990
<b>Ensuring Public Safety and Security</b>	
■ Protecting Public Health through Enhanced Oversight of Medical Products	2009
■ Transforming EPA's Process for Assessing and Controlling Toxic Chemicals	2009
■ Revamping Federal Oversight of Food Safety	2007
■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	2007
■ Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland	2005
■ Implementing and Transforming the Department of Homeland Security	2003
■ Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures	1997
<b>Managing Federal Contracting More Effectively</b>	
■ Management of Interagency Contracting	2005
■ DOD Contract Management	1992
■ NASA Acquisition Management	1990
■ DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management	1990
<b>Assessing the Efficiency and Effectiveness of Tax Law Administration</b>	
■ IRS Business Systems Modernization	1995
■ Enforcement of Tax Laws	1990
<b>Modernizing and Safeguarding Insurance and Benefit Programs</b>	
■ National Flood Insurance Programs	2006
■ Pension Benefit Guaranty Corporation Insurance Programs	2003
■ Improving and Modernizing Federal Disability Programs	2003
■ Medicaid Program	2003
■ Medicare Program	1990

Source: GAO.

In our February 2011 high-risk update, we reported that sufficient progress had been made to remove the high-risk designation from two areas: the DOD Personnel Security Clearance Program and the 2010 Census ([GAO-11-278](#)). High-level attention by DOD, OMB, and the Office of the Director of National Intelligence, along with consistent congressional oversight, led to significant improvements in processing security clearances. For example, DOD processed 90 percent of all initial clearances in an average of 49 days in fiscal year 2010 and thus met the 60-day statutory timeliness objective. The Census Bureau, with active congressional oversight, took steps to address problems we pointed out since designating the 2010 Census a high-risk area in March 2008. Those steps included efforts to control costs, better manage operations, strengthen its risk management activities, and enhance the testing of automated systems.

Also in our last 2011 high-risk update, we designated one new high-risk area—the Department of the Interior’s Management of Federal Oil and Gas Resources. At that time we found that Interior did not have reasonable assurance that it was collecting its share of billions of dollars of revenue from oil and gas produced on federal lands and it continued to experience problems in hiring, training, and retaining sufficient staff to provide oversight and management of oil and gas operations on federal lands and waters. Further, Interior had recently begun restructuring its oil and gas program, which is inherently challenging, and there were many open questions about whether Interior had the capacity to undertake this reorganization while carrying out its range of responsibilities, especially in a constrained resource environment. Since then we have reported that Interior’s reorganization has been meeting expected milestones and that much progress has been made in strengthening environmental and worker safety oversight in its Gulf of Mexico jurisdiction ([GAO-12-423](#)). We will continue to monitor Interior’s efforts to better manage federal oil and gas resources including its efforts to resolve its human capital challenges and weaknesses in its revenue collection processes.

Our next biennial high-risk update is planned for January 2013. The update will report on progress made and what remains to be done to address each of the high-risk areas. Our experience over the past 22 years has shown that the key elements needed to make progress in high-risk areas are congressional action, high-level administration initiatives, and agency efforts targeted to address the risk. We have met with top OMB and agency leaders in a series of regular meetings to discuss progress and actions needed for the high risk areas. Our commitment to helping agencies address high-risk areas is also reflected in the reports, testimonies, and other work we completed in 2012.

In fiscal year 2012, we issued 188 reports, delivered 55 testimonies to the Congress, and prepared several other products, such as briefings and presentations, related to our high-risk work. These reviews span a wide range of issues such as the financial regulatory system, human capital management, federal oversight of food safety, tax laws, and Medicare and Medicaid programs. In addition, we documented over \$28 billion in financial benefits and 515 nonfinancial benefits related to high-risk areas. The high-risk areas with the largest amount of financial benefits were the Medicare Program, NASA Acquisition Management, and DOD Weapon Systems Acquisition. The areas with the most nonfinancial benefits were Protecting the Federal Government’s Information Systems and the Nation’s Cyber Critical Infrastructures, IRS Business Systems Modernization, and DOD Weapon Systems Acquisition. More information on the high-risk series is available on our website at <http://www.gao.gov/highrisk>.



## Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue

In February 2012, we issued our second annual report ([GAO-12-342SP](#)) to the Congress in response to the Duplication Mandate, a statutory requirement that called for us to identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities and report annually to the Congress on our findings, as well as actions to reduce such duplication.<sup>7</sup> In addition, a companion publication ([GAO-12-453SP](#)) described the extent to which progress was made to address the actions we identified in 2011. This body of work can help to inform government policymakers as they address the fiscal pressures facing our national government. We also launched a new content area on our website titled “Improving Efficiency and Effectiveness” (<http://www.gao.gov/duplication>) to make this work more easily accessible to the public.

Our 2012 report identified 51 areas where programs may be able to achieve greater efficiencies or become more effective in providing government services. Like our March 2011 publication, this year’s report identified 32 duplication, overlap, and fragmentation issues as well as 19 other areas that provide opportunities for cost savings and revenue enhancement. Its findings involve a wide range of government missions and touch virtually all major federal departments and agencies. In some instances of duplication, overlap, or fragmentation, it may be appropriate for multiple agencies or entities to be involved in the same programmatic or policy area due to the nature or magnitude of the federal effort. However, the areas discussed in this report identify instances where multiple government programs or activities have led to inefficiencies. Further, we expanded the scope of our work this year to look for areas where a mix of federal approaches is used, such as tax expenditures, direct spending, and federal grant or loan programs.

Among the 32 areas where our report found evidence of duplication, overlap, or fragmentation, we identified ineffective acquisition practices and collaboration efforts in the Department of Defense’s \$37.5 billion<sup>8</sup> Unmanned Aircraft Systems acquisitions portfolio, which create overlap and the potential for duplication; we found 20 different entities that administer 160 programs, tax expenditures, and other tools to support homeownership and rental housing, and we reported that four grant programs administered by the Federal Emergency Management Agency need better project information and coordination to identify and mitigate potential unnecessary duplication among the billions of dollars distributed. Among the 19 additional opportunities we identified where agencies or the Congress could take action to either reduce the cost of government operations or enhance revenue collection for the Treasury, we found that the Centers for Medicare & Medicaid Services can better detect and recover billions of dollars of improper payments of claims; the Air Force can reduce its overall food service costs by millions of dollars annually by reviewing food service contracts and adjusting them, when appropriate; and marketing the Department of Energy’s excess uranium could provide billions in revenue for the government.

Collectively, our work shows that if actions are taken to address the issues raised in both our 2012 and 2011 reports, the government could potentially save tens of billions of dollars annually, depending on the extent of actions taken. However, as the “Actions Needed” presented in our 2012 report show, addressing our varied findings will require careful

<sup>7</sup>Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

<sup>8</sup>For fiscal years 2012 through 2016, according to a Defense department estimate.

deliberation and tailored, well-crafted solutions. The GPRA Modernization Act of 2010 establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Aspects of several crosscutting government goals identified in the President's fiscal year 2013 budget—including Science, Technology, Engineering, and Math (STEM) Education; Entrepreneurship and Small Businesses; Job Training; Cybersecurity; Information Technology Management; Procurement and Acquisition Management, and Real Property Management—are discussed in our 2012 report or in our March 2011 report. Effective implementation of the Act could play an important role in clarifying desired outcomes, addressing program performance spanning multiple organizations, and facilitating future actions to reduce unnecessary duplication, overlap, and fragmentation.

Our second annual report in response to the Duplication Mandate was based upon work conducted for our completed products and certain ongoing audits during 2012 in which we addressed issues of duplication, overlap, and fragmentation. We also testified before the Congress on topics related to areas identified in the report. For example, we testified on opportunities to achieve more efficient and effective government ([GAO-12-449T](#)), and we discussed issues related to reexamining the structure of the federal government and its operations ([GAO-12-454T](#)).

Consistent with the commitment expressed in our March 2011 Duplication Mandate report, we monitored developments in the 81 areas we identified in 2011, and we described the extent to which progress was made ([GAO-12-453SP](#)). In summary, our specific assessment of progress as of February 10, 2012 showed that the majority of 176 actions needed within the 81 areas identified by us have been partially addressed. Specifically, 23 (or 13 percent) were addressed; 99 (or 56 percent) were partially addressed; 54 (or 31 percent) were not addressed. In addition, the Office of Management and Budget instructed agencies to consider areas of duplication or overlap identified by us and others in their fiscal year 2013 budget submissions and management plans. We continue to monitor executive, legislative, and agency developments in the areas identified in our 2011 and 2012 reports and will provide periodic updates on those developments to the Congress.

## **Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010**

The Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010, to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. The act requires significant rule making by regulatory agencies and requires us to conduct over 40 studies on a broad array of issues. In fiscal year 2011, we reported our findings on a third of these studies. We continued to conduct required studies in fiscal year 2012 and issued 11 products on a range of issues, such as those relating to financial institutions and securities markets, making 11 recommendations to various financial regulators.

With regard to financial institutions, we studied the potential effects of the exclusion of the use of hybrid instruments, such as trust preferred securities, as Tier 1 capital on banking institutions and the economy. Further, we studied the options for smaller banking institutions, which often had larger proportions of hybrid instruments as Tier 1 capital, to access regulatory capital ([GAO-12-237](#)). We also studied the potential effects of changes

in U.S. capital requirements on foreign-owned intermediate holding companies and on U.S. banks operating abroad. ([GAO-12-235](#)).

We studied several issues related to securities markets, including regulatory oversight of analyst conflicts of interest and the Financial Industry Regulatory Authority (FINRA). We recommended that the Securities and Exchange Commission (SEC) assess and document whether any of the Global Settlement's remaining terms should be codified ([GAO-12-209](#)). We also recommended that SEC encourage FINRA to conduct retrospective reviews of its rules and establish a process for examining FINRA's reviews ([GAO-12-625](#)). In our work on alternative compensations for nationally recognized statistical rating organizations, we recommended that SEC consult with the authors of the proposed models to obtain all available information as it considers the various alternative compensation models and document in its report to the Congress any recommendations for statutory changes SEC determines should be made to implement its findings of its Dodd-Frank Section 939F study ([GAO-12-240](#)). In addition, we discussed options for improving municipal securities disclosure ([GAO-12-698](#)) and provided an overview of the market structure, pricing, and regulation of municipal securities, whereby we recommended that SEC collect and analyze information on self-regulatory organizations' (SRO) fixed-income regulatory programs on an ongoing basis to better inform its risk-based inspection approach ([GAO-12-265](#)).

We explored other issues as well, including the actions taken by the Appraisal Subcommittee to implement the original Title XI and additional Dodd-Frank Act responsibilities. We recommended that the Appraisal Subcommittee improve its monitoring procedures ([GAO-12-147](#)). In our audit of governance at the Federal Reserve Banks, we made four recommendations to broaden director recruitment efforts and increase transparency ([GAO-12-18](#)). Further, we reviewed the status of the conflict minerals disclosure rule and recommended that SEC identify the remaining steps it needs to take and the associated time frames to finalize and issue such a conflict minerals disclosure rule ([GAO-12-763](#)). With regard to implementation of the Dodd-Frank Act, we studied financial regulators' analyses of the potential impact of the act's regulations and interagency coordination in promulgating the regulations. We made recommendations to strengthen the regulators' analyses and coordination, including improvements to agency guidance and data collection ([GAO-12-151](#)). Finally, we conducted an audit of SEC financial controls ([GAO-12-219](#)) and an audit of the Bureau of Consumer Financial Protection ([GAO-12-186](#)).

## The Patient Protection and Affordable Care Act

The Congress passed the Patient Protection and Affordable Care Act (PPACA) in 2010<sup>9</sup> to increase the accessibility and affordability of health coverage for Americans. PPACA includes a wide range of provisions that affect individual and employer-sponsored health insurance markets as well as public health insurance programs. We studied several aspects of PPACA relating to the individual and employer sponsored insurance markets and publicly-financed health insurance programs, such as Medicaid, and issued several reports in fiscal year 2012.

Relating to insurance markets, we examined the implementation of provisions currently in effect and the future implications of others. Among currently implemented provisions, we examined the Small Employer Health Insurance Tax Credit, a program to encourage small

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<sup>9</sup>Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010).

businesses to offer insurance to employees, in order to determine its frequency of use, IRS oversight of claims, and to understand data needed to evaluate the credit's effects. We recommended that IRS improve its instructions to examiners and identify and address errors by credit claimants (GAO-12-549). We investigated the initial implementation of the federal Pre-Existing Condition Insurance Plan, a temporary program to provide coverage to high risk individuals who might otherwise go uninsured, and compared its initial roll out to that of another federal health insurance program (GAO-12-62R). In support of new rules for insurers, we analyzed insurer data on their medical loss ratios—the ratio of expenditures on health claims to total premium income—and determined how the ratios varied based on insurer characteristics and program requirements (GAO-12-90R). Relating to the future implications of other provisions, we examined existing research on the extent to which workers stay in jobs out of fear of losing health coverage and the effect of this phenomenon on labor markets, and we compiled expert views on the ability of PPACA to mitigate this effect (GAO-12-166R). We examined estimates of the effect of PPACA on the likelihood employers will continue to offer or begin offering health insurance, the factors that may contribute to variation across estimates, and identified other changes employers may make to the health benefits they offer (GAO-12-768). To assess the effect of 2014 requirements that issuers offer coverage to all who apply regardless of health status, we examined estimates of the prevalence of individuals with pre-existing health conditions and summarized demographic information about the individuals and their most prevalent conditions (GAO-12-90R, GAO-12-439).

Regarding issues related to certain publicly financed health insurance programs, we studied new coverage options and program expansions available under PPACA and state challenges related to their implementation. For example, we examined:

- the potential eligibility of uninsured children for Medicaid, the State Children's Health Insurance Program (CHIP), and the new premium tax credit available under PPACA, and recommended that the Secretary of the Treasury consider the costs of insuring eligible family members when defining access to affordable health insurance in future rule making (GAO-12-648);
- states' efforts to implement PPACA's requirement to expand Medicaid eligibility to non-elderly individuals with incomes at or below 133 percent of the federal poverty level (GAO-12-821) and to implement options available under PPACA to expand home- and community-based services for Medicaid beneficiaries (GAO-12-649); and
- states' use of Medicaid managed care, including the type of managed care arrangements they have in place and their enrollment of populations with complex health care needs (GAO-12-872R).

We identified states' challenges in implementing certain PPACA provisions, which generally related to their need for additional guidance or technical assistance from the Centers for Medicare & Medicaid Services, state budget constraints, and operational challenges. We are continuing to examine changes under PPACA related to state Medicaid and CHIP programs and exchanges and are examining states' experiences related to processing Medicaid applications and ensuring beneficiaries' access to services. We are also responding to PPACA mandates, including a mandate that we examine coordination between the Indian Health Service and publicly financed health insurance programs.

## The Troubled Asset Relief Program

The 2008 Emergency Economic Stabilization Act (EESA) that created the Troubled Asset Relief Program (TARP) originally authorized the Department of the Treasury (Treasury) to purchase or guarantee up to \$700 billion in troubled assets and to mitigate foreclosures. The \$700 billion ceiling was never reached, and in July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act reduced the amount to \$475 billion. EESA provided us with an oversight role with broad monitoring and reporting responsibilities, including a requirement to submit a report on our work at least every 60 days. While TARP programs that provide assistance to homeowners seeking to avoid foreclosure remain active, other TARP programs have either closed or continue to wind down as the Treasury manages and sells assets purchased to address the financial crisis.

In fiscal year 2012, we issued 7 products with 5 recommendations related to TARP. We reviewed the continuing implementation of Making Home Affordable foreclosure mitigation programs ([GAO-12-296](#) and [GAO-12-783](#)), examined the financial condition of banks receiving investments from the Capital Purchase Program (CPP), which Treasury used to provide capital to banks during the financial crisis ([GAO-12-301](#)), monitored the status of Treasury's investment in American International Group, Inc. ([GAO-12-574](#)), and analyzed the Office of Financial Stability's management of conflicts of interest that may arise when private sector entities seek or perform work under TARP ([GAO-12-984R](#)). In addition, we completed our annual financial statement audit for Treasury's Office of Financial Stability—the entity established to implement TARP ([GAO-12-169](#) and [GAO-12-415R](#)). Our recommendations generally followed two themes: helping to (1) enhance Treasury's analysis and reporting of information and (2) improve internal control over financial reporting for TARP. Specifically, we recommended that Treasury assess the risks associated with the recent changes to the Making Home Affordable program, develop activity-level performance measures for each program, and consolidate the states' Hardest Hit Fund performance and financial data, including administrative expenses, into a single public report. We also recommended that Treasury consider analyzing and reporting on remaining and former CPP participants separately. In addition, our financial audit recommended improvements to internal controls over financial and accounting reporting processes.

As of September 2012, our oversight of TARP has resulted in over 70 performance audit recommendations and matters for congressional consideration to improve TARP's accountability and transparency. Most of the recommendations were to Treasury, which has overall responsibility for TARP. Treasury has taken a number of steps to address many of our recommendations. We are in the process of following up on outstanding recommendations and plan to report on the status in 2013.

## The American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) mandated several studies for GAO, including conducting bimonthly reviews on the uses of Recovery Act funds in selected states and localities and commenting on the estimates of jobs created or retained as reported by recipients of Recovery Act funds. In fiscal year 2012, we continued to focus our bimonthly reviews on the uses of funds across a wide range of programs by the states and the District of Columbia, with each review highlighting a single Recovery Act program.

To respond to the mandate to comment on jobs created or retained, we have continued to comment each quarter on the required Recovery Act reports of nonfederal recipients of Recovery Act funds, including grants, contracts, and loans. Each of these recipient reports are to include a list of projects or activities for which Recovery Act funds were expended or obligated and information concerning the amount and use of funds and jobs created or retained by these projects and activities. In fiscal year 2012, our comments focused on recipient reporting related to the specific programs reviewed, and included reviewing steps that federal agencies took after recipients reported to ensure that their recipients' data were of high quality and that those required to report did so.

In fiscal year 2012, we reviewed several programs and issued reports fulfilling these two ongoing mandates—on Recovery Act funding for the Weatherization Assistance Program (GAO-12-195), the Public Housing Capital Fund and Section 1602 and Tax Credit Assistance Programs (GAO-12-634), and efforts to increase deployment and adoption of broadband service (GAO-12-937). Agencies have implemented most of the recommendations we have made in our bimonthly review reports since the first report was issued in April 2009. As designed, the expenditures devoted to Recovery Act programs continue to decrease, and we will work with the Congress to seek revisions in our reporting requirements under the act.

We continue to maintain a separate page on our external website devoted to our Recovery Act work. In one place (<http://www.gao.gov/recovery>), the public can find information on the Recovery Act, see updates on Recovery Act outlays, access our bimonthly reviews on the use of funds, view related podcasts, use an interactive map to access reports on each of the states initially selected for our detailed review and the District of Columbia, learn about other mandates and related work, and find out how to report allegations of abuse of Recovery Act funds.

## General Counsel Decisions and Other Legal Work

In addition to benefiting from our audit and evaluation work, which reflects considerable legal input, the Congress and the public also benefited from the legal products and activities undertaken by our Office of General Counsel in fiscal year 2012. The following exemplify some of our key contributions.

The Procurement Law Division within the Office of General Counsel handled approximately 2,400 bid protests during the course of fiscal year 2012.<sup>10</sup> A protest challenges a federal agency's handling of an individual federal procurement. Many of these protests were resolved without a written decision because the federal agency involved voluntarily took corrective action to address the protest. The remaining protests were either dismissed for procedural deficiencies, resolved using Alternative Dispute Resolution procedures, or decided on the merits. In fiscal year 2012, we issued more than 500 decisions on the merits, which are accessible on our Legal Decisions & Bid Protest web pages at <http://www.gao.gov/legal/index.html>. These decisions addressed a wide range of issues involving compliance with and the interpretation of procurement statutes and regulations. Certain of these protests involved significant government programs and received extensive media coverage. For example, we

<sup>10</sup>In comparison, there were more than 2,350 bid protests filed in fiscal year 2011 and nearly 2,300 in fiscal year 2010.

- denied a protest filed by TriWest Healthcare Alliance Corporation challenging the award of a contract by DOD's TRICARE Management Activity for managed health care support services for the Western Region of the United States. The award was valued by DOD at \$20.4 billion.
- sustained a challenge to the award by the Department of State of a \$450 million contract for the construction of a new embassy in London, England. The decision concluded that the source selection authority's decision was not adequately explained and appeared to be inconsistent with the contemporaneous evaluation record.
- denied a protest challenging the award of a contract valued at \$230 million by the National Aeronautics and Space Administration (NASA) to provide engineering, research and technology development, operations, and project management support for NASA's Glenn Research Center in Ohio.
- sustained challenges from seven public housing agencies to the Department of Housing and Urban Development's use of cooperative agreements to obtain services for the administration of Project-Based Section 8 Housing Assistance Payment contracts. Because the agency was principally obtaining contract administration services for the direct benefit and use of the agency, the decision concluded that the services should be acquired under a procurement contract.

Within the Procurement Law Division, six attorneys appointed by the General Counsel also serve on our Contract Appeals Board, established by the Congress in 2007 to hear appeals from contracting officer decisions with respect to any contract entered into by a legislative branch agency. In addition to using alternative dispute resolution procedures to resolve contract disputes, the Board conducted 2 hearings (one of which took 3 weeks), and published one formal decision in fiscal year 2012, which appears on our website at <http://www.gao.gov/legal/contract/decisions.html>. As of the end of the fiscal year, the Board had significantly reduced the number of pending appeals on its docket, from 21 appeals pending at the end of fiscal year 2011 compared to 11 appeals pending at the end of fiscal year 2012.

In addition to our bid protest decisions, we issued a management letter to the Secretary of Health and Human Services advising that the Centers for Medicare & Medicaid Services (CMS) had not established that the agency's Medicare Advantage (MA) Quality Bonus Payment Demonstration was within its legal authority under section 402 of the Social Security Amendments of 1967, as amended.<sup>11</sup> In addition, we testified before the House Committee on Oversight and Government Reform regarding our review of the bonus payment demonstration and the legal concerns raised in our letter ([GAO-12-964T](#)).

In fiscal year 2012, we published 34 appropriations decisions, opinions, and letters on such issues as the Antideficiency Act, the recording statute, and the purpose statute. We issued an opinion concluding that the Office of Science and Technology Policy (OSTP) violated the Antideficiency Act when it engaged in meetings prohibited by a restriction in OSTP's appropriation.<sup>12</sup> We testified on our opinion before the Subcommittee on Oversight and Investigations for the House Committee on Foreign Affairs and explained how the Antideficiency Act enforces the Congress' constitutional control of the public purse ([GAO-12-200T](#)). We issued a decision and a letter explaining how the Securities and Exchange Commission (SEC) violated the recording statute when it failed to recognize the

<sup>11</sup>B-323170, July 11, 2012.

<sup>12</sup>B-321982, October 11, 2011.

full amount of its legal liability under a lease.<sup>13</sup> We advised the SEC to adjust its accounting records and noted that where the SEC did not have sufficient budget authority, it should report an Antideficiency Act violation. The SEC subsequently reported that it had violated the Antideficiency Act.

Attorneys from General Counsel also provided ongoing appropriations law assistance to congressional committees on a number of matters, including interpretation of the Budget Control Act. We appeared at a member briefing for the House Armed Services Committee and testified at a hearing before the House Budget Committee on the application of the Antideficiency Act, the Impoundment Control Act, and the Budget Control Act ([GAO-12-675T](#)). We issued an opinion to the Senate and House Committees on Veterans' Affairs that resolved an apparent conflict between statutory provisions of the Budget Control Act addressing sequestration and programs administered by the Department of Veterans Affairs (VA).<sup>14</sup> We solicited the legal views of the Office of Management Budget (OMB) and after receiving OMB's written response, concluded that all programs administered by the VA, including veterans' medical care, are exempt from sequestration.

The third edition of *Principles of Federal Appropriations Law*, commonly known as the *Red Book*, continued to be the primary resource for appropriations law guidance in the federal community. In fiscal year 2012, the *Red Book* averaged thousands of downloads per week as attorneys, budget analysts, financial managers, project managers, contracting officers, and accountable officers from all three branches of government accessed it to research questions about budget and appropriations law. We also issued our annual update of the third edition of the *Red Book* ([GAO-12-413SP](#)).

Attorneys from General Counsel continued to teach a 2-1/2 day course on appropriations law. Presenting a framework for understanding and properly applying provisions of appropriations laws, the course helps ensure that agencies use public money as the Congress directed. We held 18 classes across 10 agencies, as well as the House Committee on Appropriations. In addition, appropriations lawyers taught 1-day seminars on specialized appropriations law topics for two agencies and the Office of the Vice President, and spoke on our appropriations law work at conferences and training hosted by four agencies and professional organizations. To enhance communication within the appropriations law community across all agencies and within the three branches of government, we hosted our eighth annual Appropriations Law Forum in March 2012. Attorneys from 110 agency counsel offices and offices of inspectors general participated.

For fiscal year 2012, we received 20 Antideficiency Act reports and made selected information from these reports available on our website. Since the Congress amended the Antideficiency Act in December 2004 requiring agencies to send us a copy of any report of an Antideficiency Act violation, we have received 161 reports and maintain an official repository of Antideficiency Act reports.

We continued to report under the Congressional Review Act (CRA) on major rules proposed by federal agencies to the standing committees of jurisdiction of both Houses of the Congress. For fiscal year 2012, we issued 77 reports. To improve compliance with the CRA, we tracked executive branch rules that were published in the Federal Register during 2011 and cross checked to ensure that they were submitted to us. We also outreached to

<sup>13</sup>B-322160, October 3, 2011.

<sup>14</sup>B-323157, May 21, 2012.



OMB and the relevant agencies to assist them in meeting the CRA requirement that rules be submitted to us. After this outreach, the number of rules not received by us declined significantly over the last 2 fiscal years.

Finally, the General Counsel's Legal Services group worked closely with management, union representatives and the Personnel Appeals Board in connection with an election in which the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE) was chosen to be the exclusive bargaining representative for particular Administrative Professional and Support Staff (APSS) employees. The Legal Services group was also involved in the analysis of a range of labor relations and federal employment issues, as well as privacy and document disclosure matters, during the course of the year. Legal Services collaborated with our Learning Center to begin providing courses for managers on equal employment and other human capital responsibilities. Finally, Legal Services was instrumental in our agency's adoption of particular rules regarding the debarment, suspension, and ineligibility of government contractors in order to improve our acquisition practices and procedures.

## Managing Our Resources

### Resources Used to Achieve Our Fiscal Year 2012 Performance Goals

Our financial statements for the fiscal year ending September 30, 2012, were audited by an independent auditor, CliftonLarsonAllen, LLP, and received an unqualified opinion. The auditor found our internal controls to be effective—which means that no material weaknesses or significant deficiencies were identified—and reported that we substantially complied with the applicable requirements for financial systems in FFMA. In addition, the auditor found no instances of noncompliance with the laws or regulations in the areas tested. In the opinion of the independent auditor, our financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles. The auditor's report, along with the statements and their accompanying notes, begin on [page 97](#) in this report.<sup>15</sup> [Table 8](#) summarizes key data.

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<sup>15</sup>Note 14 to the [financial statements](#) describes our Davis-Bacon Act trust function. For more detailed Davis-Bacon Act financial information, contact our General Counsel's Office.

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

	Fiscal year 2012	Fiscal year 2011
Total budgetary resources	\$574.8	\$591.5
Total outlays	\$538.7	\$569.7
Net cost of operations		
Goal 1: Well-being/financial security of the American people	\$215.6	\$237.2
Goal 2: Changing security threats/challenges of global interdependence	132.6	141.3
Goal 3: Transform the federal government to address national challenges	140.2	156.9
Goal 4: Maximizing the value of GAO	18.6	19.9
Other costs in support of the Congress	24.4	21.4
Less reimbursable services not attributable to goals	(7.3)	(7.2)
<b>Total net cost of operations</b>	<b>\$524.1</b>	<b>\$569.5</b>
Actual full-time equivalents (FTE)	2,997	3,212

Source: GAO.

Compared with the statements of large and complex departments in the executive branch, our statements present a relatively simple picture of a small yet very important agency in the legislative branch. We focus most of our financial activity on the execution of our congressionally approved budget with most of our resources devoted to the people needed for our mission.

In fiscal year 2012, our budgetary resources included new direct appropriations of \$511.3 million—a reduction of \$35 million from the fiscal year 2011 level—and \$22.3 million in current reimbursable authority from the lease of space in our headquarters building and certain audits of agency financial statements.

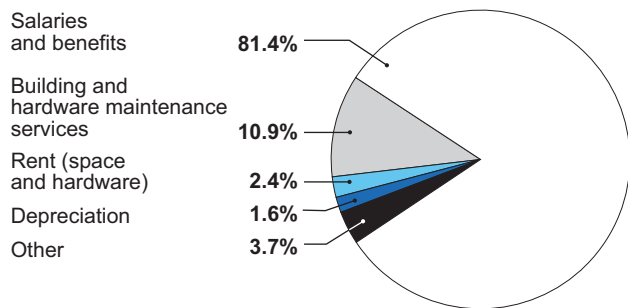
Our total assets were \$122.4 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. The net property and equipment balance decreased \$5.3 million in fiscal year 2012 to \$31.4 million. As a result of reduced appropriations, spending for capital assets has been minimized. Total liabilities of \$97.2 million were composed largely of employees' accrued annual leave, employees' salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable.

Overall, our net cost of operations in fiscal year 2012 is approximately \$45.4 million below the fiscal year 2011 level largely as a result of a reduced current year appropriation. Budget constraints severely limited our ability to replace all of our staff departures from retirements and attrition. Goal 1 (Well-being/financial security of the American people) had the largest reduction in net costs from the prior year of \$21.6 million mostly from the Education Workforce and Income Security (EWIS), Natural Resources and Environment (NRE) and Health Care (HC) teams.

Figure 18 shows how our fiscal year 2012 costs break down by category.

**Figure 18: Use of Fiscal Year 2012 Funds by Category**

Percentage of total net costs

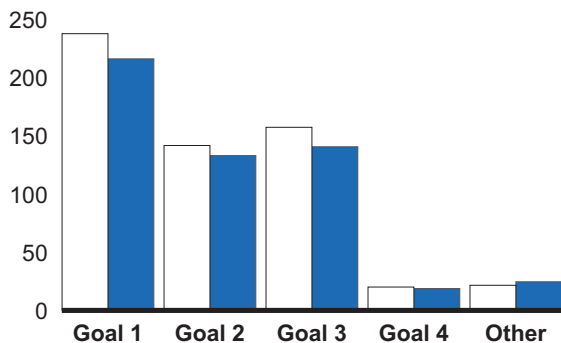


Source: GAO.

Figure 19 shows our net costs by goal for fiscal years 2011 and 2012.

**Figure 19: Net Cost by Goal**

Dollars in millions



	2011	2012
Goal 1	237.2	215.6
Goal 2	141.3	132.6
Goal 3	156.9	140.2
Goal 4	19.9	18.6
Other	21.4	24.4

Source: GAO.

Note: Totals are not adjusted for inflation

## Summary of Financial Systems Strategies and Financial Management System Framework

Our financial management system is an off-the-shelf system that meets OMB’s Office of Federal Financial Management’s Federal Financial Management System Requirements and is hosted by an OMB-designated shared service provider, the Department of Transportation, Enterprise Services Center (ESC). The major financial system in use at ESC is Delphi/Oracle Federal Financials (Delphi), supplemented by a number of supporting systems including: Compusearch’s PRISM, a contract and procurement system; U.S. Bank’s purchase card system for small purchases; Northrop Grumman’s GovTrip system for travel; and Kofax’s Markview, a document work flow system to process vendor invoices.

These off-the-shelf systems are continuously updated by the respective system developers and by periodically upgrading to new versions; therefore, our systems remain current. Additionally, these systems ensure that we can produce timely, useful, and reliable financial information and maintain strong internal controls. In fiscal year 2013 ESC will

begin testing for a technical upgrade to Oracle Release 12. Production implementation for this upgrade will occur in fiscal year 2014.

In fiscal year 2011, Phase I implementation of a new workforce planning system, Pentaho database, which is the repository for workforce planning data, was completed. Phase I included “Staffing Summary” reporting. In fiscal year 2012 Phase II of the implementation was completed. Phase II provides for a robust analytical business tool that links multiple datasets to one authoritative database. This consolidation of information will enable accurate and timely reporting for FTE management as well as salary and benefits analysis.

## Financial Systems and Internal Controls

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

Although not required by law to do so, we complied with OMB Circular No. A-123, *Management’s Responsibility for Internal Control*, which provides guidance for agencies’ assessments of internal control over financial reporting. We performed a risk-based assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2012, was operating effectively and that no material control weaknesses exist in the design or operation of the internal controls over financial reporting. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our assessment, the auditor found no material internal control weaknesses.

We are also committed to fulfilling the internal control objectives of FMFIA. Consistent with the act our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition. Further, our controls are designed to ensure that transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

In addition, we are committed to fulfilling the objectives of FFMIA. We believe that we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level as of September 30, 2012. We made this assessment based on criteria established under FFMIA and guidance issued by OMB.

The Improper Payments Elimination and Recovery Act of 2010 requires that agencies (1) periodically review activities susceptible to significant improper payments; (2) estimate the amount of improper payments; (3) implement a plan to reduce improper payments; and (4) report the estimated amount of improper payments and the progress to reduce them. We have implemented and maintained internal control procedures that help monitor disbursement of federal funds for valid obligations. These controls are tested annually. Based on the results of our tests, we found no improper payments in fiscal year 2012.

Our Inspector General (IG) conducts audits and investigations that are internally focused on our functions and programs. During fiscal year 2012, the IG evaluated the effectiveness of our internal controls and oversight mechanisms for ensuring that recruitment, relocation, and retention incentives were consistent with our policies and aligned with our strategic human capital strategic plan ([OIG-12-5](#)). The IG also evaluated the effectiveness of our information security program and practices for fiscal year 2011 as prescribed by the Federal Information Security Management Act of 2002 (FISMA) ([OIG-12-2](#)) and assessed the extent to which we had developed the policies and programs necessary to ensure that staff appointed as Contracting Officer Representatives are trained and certified ([OIG-12-3](#)).

In addition, the IG operated an internal hotline for use by our employees and contractors to report potentially serious problems in our operations. IG investigations typically originate from hotline complaints and are intended to strengthen our programs and operations by identifying and investigating allegations of fraud, waste, and abuse and misconduct of our government property, assets, and resources, including the possible violation of any law or regulation that may lead to criminal, civil, and administrative penalties and recoveries.

The results of the IG's work and actions taken by us to address IG recommendations are highlighted in the IG's semiannual reports to the Congress (see for example [OIG-12-4](#)). In November 2011, our IG was also designated the IG of the United States Commission on Civil Rights by the Consolidated and Further Continuing Appropriations Act, 2012.

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

- Judith H. O'Dell (Chair), CPA CVA, President of O'Dell Valuation Consulting, LLC, Chair of the Financial Accounting Standards Board's Private Company Financial Reporting Committee; former trustee of the Financial Accounting Foundation, which is responsible for overseeing, funding, and appointing members of the Financial Accounting Standards Board and the Governmental Accounting Standards Board; and former member of the board of directors of the American Institute of Certified Public Accountants.
- Lawrence B. Gibbs, a practicing attorney and member of Miller & Chevalier, Chartered, and a former Commissioner of IRS.
- Michael A. Nemeroff, a partner in Sidley Austin LLP, and head of its Government Contracting Practice, and a former member of the GAO Legal Advisory Committee.

The committee's report appears in [Part III](#) of this report on [page 96](#).

## Limitation on Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements in this report rests with our managers. The statements were prepared to report our financial position and results of operations, consistent with the requirements of the Chief Financial Officers Act, as amended (31 U.S.C. 3515). The statements were prepared from our financial records in accordance with the formats prescribed in OMB

Circular No. A-136, *Financial Reporting Requirements*. These financial statements differ from the financial reports used to monitor and control our budgetary resources. However, both were prepared from the same financial records.

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

## Planned Resources to Achieve Our Fiscal Year 2013 Performance Goals

As with the rest of the federal government, we are operating under a continuing resolution appropriation slightly above fiscal year 2012 funding levels, pending enactment of the final fiscal year 2013 appropriation bills. Final congressional action on our fiscal year 2013 request of \$526.2 million—an increase of 2.9 percent over our fiscal year 2012 appropriation amount—is still pending, although indications are that we will receive less than our requested amount. On June 8, 2012, the House of Representatives approved direct appropriations of \$519.8 million, an increase of 1.7 percent over our fiscal year 2012 appropriation level of \$511.3 million. On August 2, 2012, the Senate Committee on Appropriations approved \$513.8 million, an increase of 0.5 percent over our fiscal year 2012 appropriation level. The full Senate has not yet approved this funding level. Both the House and Senate Committees on Appropriations approved authority for us to spend \$24.3 million in collections derived from reimbursements for conducting financial audits and rental of office space in our headquarters building. In addition, both the House and Senate Committees on Appropriations continue to emphasize that the legislative branch will lead by example by tightening its belt wherever possible, employing best practices, finding efficiencies, and continuing to improve business practices.

We have initiated actions to begin rebuilding our staffing capacity to help enable us to optimize the benefits we yield for the Congress and the nation. However, given the possibility of a governmentwide sequester that would further reduce our funding level, we are carefully monitoring the budget environment. We have been actively working to reduce costs for more than 2 years, and we are continuing to explore opportunities to enhance workforce and budget flexibilities, increase our effectiveness and efficiency, and further reduce our operating costs. For example, our ongoing enhanced office sharing and hoteling pilot is projected to reduce infrastructure costs in fiscal year 2013. These actions will help ensure that we have the capacity to provide accurate, objective, nonpartisan, and constructive information to the Congress to help it conduct effective oversight, produce results for the American people, and help enable us to meet the performance goals outlined in our strategic plan through fiscal year 2015.

## Strategic Planning and Partnerships

As noted in our current strategic plan, we are operating in a dynamic, fiscally constrained environment where the challenges we face span national borders; the public, private, and non-profit sectors; and multiple levels of government. Achieving our strategic goals and objectives requires us to coordinate and collaborate with international and intergovernmental organizations with similar or complementary missions. In particular, we

- use advisory panels and other bodies to inform our strategic and annual work planning and
- maintain strategic working relationships with other domestic and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other countries' national audit offices.

Advisory boards and panels helped us to identify key trends, opportunities and challenges, and lessons learned that we should factor into our work and operations. During fiscal year 2012, we continued a comprehensive reexamination of the membership and charters of the Comptroller General's Advisory Board (CGAB), the Domestic Working Group (DWG), the Educator's Advisory Panel (EAP), and the Audit Advisory Council (AAC). We deferred the meeting of the CGAB and EAP until 2013 but organized meetings of the DWG and the AAC. The November 2011 meeting of the DWG, comprising 19 inspectors general, state auditors, and local auditors, provided us a better understanding of their continued fiscal challenges, concerns relating to intergovernmental data issues, and interest in intergovernmental collaboration and partnerships. The AAC met twice—once via teleconference in November 2011 and again in February 2012. The AAC members provided us insights relating to conducting the Consolidated Financial Statement audits, auditing the Department of Defense, intergovernmental balances and transactions, and agencies needing focused oversight. To improve planning and performance, in April 2012 we participated in an information and knowledge exchange at an annual meeting with senior representatives from our sister legislative branch agencies—the Congressional Research Service and the Congressional Budget Office. The meeting agenda included discussions on opportunities to increase efficiency and reduce costs, policies and procedures relating to external communications, and the use of social media.

## Networks, Collaborations, and Partnerships

Unlike the national audit offices of some countries, we have no direct audit authority over states and localities. However, we do have authority to “follow the federal dollar,” but we face unique challenges in assuring accountability for grants and other federal funds flowing to subfederal recipients. We also play an important role in coordinating professional audit standards, setting audit standards for federally funded programs, and representing U.S. views and interests in the international community. The State Department and the U.S. Agency for International Development look to us to represent the broader interests of the U.S. government in promoting good governance internationally and often seek our support of educational visits by current and future leaders from foreign countries. Domestic audit and accountability offices look to us for guidance, expertise, and technical assistance in implementing professional standards.

We have leveraged our resources by collaborating with our domestic and global networks. Through these networks, such as the federal inspectors general and state and local auditors—notably the National Association of State Auditors, Controllers, and Treasurers (NASACT) and Association of Local Government Auditors (ALGA)—we have continued to build capacity within our agency and among our partners to do quality work auditing programs involving U.S. funds.

## *Federal, State, and Local Collaboration*

On the domestic front, we organized the National Intergovernmental Audit Forum (NIAF) meeting of federal, state, and local auditors in November 2011 and the NIAF-sponsored Biennial Forum of Government Auditors meeting in June 2012. The biennial meeting program—a first ever collaboration among GAO, the Council of Inspectors General for Integrity and Efficiency (CIGIE), NASACT, and ALG—was very well received by participants. We leveraged the resources invested in the program by videotaping most of the sessions and making them available to our staff, and to the broader public sector audit and accountability community.

Our discussions with CIGIE to explore potential partnership opportunities in delivering training to auditors and analysts benefitted us during this past fiscal year. We were able to substantially reduce external training costs for our Senior Executive Service candidates by following up on a CIGIE recommendation to explore using the American University Executive Development Training Program. We also participated in the May annual meeting of CIGIE where we shared with them our strategic plan's trends and discussed opportunities for further collaborations and partnerships.

We organized 11 meetings of the various regional Intergovernmental Audit Forums (IAF) to discuss such topics as the 2011 update of the *Yellow Book*, which sets standards for auditing federally funded programs, as well as to promote dialogue regarding common issues, opportunities, and challenges.

## *INTOSAI*

For over 3 decades, we have been a member of the International Organization of Supreme Audit Institutions (INTOSAI), an association of 190 national audit offices—our counterparts around the world. This network has positioned us well to address a more interdependent world where domestic challenges (e.g., regulation of financial markets, prescription drugs, and consumer products; homeland security; and rebuilding our infrastructure) often have global dimensions. Through our active participation in INTOSAI's Professional Standards Committee and subcommittees, we stayed abreast of changes in international accounting, auditing, and reporting standards and shared the U.S. perspective in shaping the standards. This is especially important given the increased focus recently on the development and adoption of international accounting and auditing standards.

By participating in INTOSAI knowledge sharing working groups and task forces (e.g., Public Debt, Information Technology, Environmental Auditing, Program Evaluation, Fight Against International Money Laundering and Corruption, Value of Supreme Audit Institutions (SAI), and Key National Indicators), we acquire knowledge and network with experts in other countries. For example, our participation in the Working Group on Public Debt and our leadership of the Task Force on the Global Financial Crisis: Challenges to SAIs involves some 25 countries and has provided us with insight into the causes and the continuing international response to the global financial crisis. We also organized a joint meeting of the INTOSAI Global Financial Crisis Task Force and the Working Group on Public Debt in April 2012 to enhance knowledge sharing across national boundaries in light of the evolving links between sovereign debt and the financial crisis. We continued to help strengthen INTOSAI's strategic planning capacity by participating in a task force focused on continuous improvement, strategic foresight, emerging issues, and resource allocation.



## Capacity Building

In support of the federal government's interest in promoting good governance and ensuring that federal funds for programs abroad are spent effectively and efficiently, we continued to advance capacity-building efforts and the INTOSAI-Donor Cooperation initiative.

We participated in a fourth meeting of the INTOSAI-Donor Steering Committee that was held in February 2012, at which eight new global and regional initiatives were launched, including a global program to implement International Standards of Supreme Audit Institutions (ISSAI) which received significant funding and pledges of support. In addition, donors<sup>16</sup> expressed strong interest in response to a global call for proposals for SAIs in need of support. Donors agreed on the operating arrangements for a global pooled fund for SAI capacity development, which is expected to help draw major funding from donors to support SAI capacity building around the world. A database on SAI capacity development, which will serve to enhance coordination of support to SAIs, was launched and has begun to be populated.

In fiscal year 2012, 21 participants from 17 countries completed our 4-month International Auditor Fellowship Program for mid- to senior-level staff from other countries. They brought the total number of participants during the program's 33-year history to more than 500. Through this program, our instructors, mentors, and sponsors become part of a growing international community of good government professionals and experts. The goodwill engendered supports our country's image abroad and facilitates our staff's access to foreign officials, which is often essential to our international audit work.

## Internal Management Challenges

The Comptroller General, the Executive Committee, and other senior executives identify management challenges through the agency's strategic planning, management, internal controls and budgetary processes. Under strategic goal 4, several performance goals and underlying key efforts focus attention on each of our management challenges. We monitor our progress in addressing these challenges through our annual performance and accountability process. Each year we also ask our IG to examine management's assessment of the challenges and the agency's progress in addressing them.

For fiscal year 2013, we will continue focusing high-level management attention on human capital issues and on the new challenge identified last year related to improving the efficiency of our engagements and delivery of timely and quality information to the Congress.

### Human Capital Challenge

Having a talented, diverse, high-performing, knowledge-based workforce is essential to carrying out our mission. Like other federal agencies, we are challenged to address several critical human capital management issues, while doing more with less. These issues included preparing for the retirement of executives and other senior managers, creating and maintaining a performance-based culture that helps to motivate and retain talented

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<sup>16</sup>Donors are international government agencies and multilateral institutions that provide funds with the objective of promoting economic development and improving the welfare of developing countries.

people, and implementing workplace practices that meet the needs of an ever-changing workforce in a fair and equitable manner. As a result in fiscal year 2012, we focused our efforts on a few top priorities to sustain an agile, well-trained, balanced, and diverse workforce. Specifically, we

- recruited and hired staff to fill several senior executive positions and a few critical hires to address succession planning needs;
- identified candidates for our executive development program, and provided them a more cost-effective, enhanced leadership training program;
- launched an enhanced telework pilot program in conjunction with a workspace sharing initiative; and
- developed a new performance appraisal system.

Although we have made progress, the overarching human capital issue that we expect to continue to face for the foreseeable future is ensuring that we support the mission of the agency with the right resources, where and when they are needed, in the face of declining budgets while providing meaningful rewards and recognition needed to retain our highly skilled workforce. For the first time in a long time, we have had minimal hiring over 2 consecutive years, and as a result, the proportion of entry-level staff is not where it needs to be to ensure a pipeline for the future. We will continue to address the same human capital issues in fiscal year 2013 as we did last year.

- **Succession planning.** Succession planning remains critical. While the percentage of our senior executives eligible to retire has decreased from about 40 percent to 34 percent, almost 25 percent of all our senior non-executive staff are also eligible to retire. Thus, we will continue to emphasize the need for senior executives to work closely with less senior staff to ensure that critical knowledge and expertise are not lost. We will also continue to develop current employees to take on more responsibility and ensure that employees who are eligible to advance to key positions have the requisite skills and experience to succeed.
- **Hiring.** While we have shifted our focus this year to address critical skills gaps, we plan to develop recruitment plans that are inclusive of all of our workforce needs. To ensure a pipeline for the future, a high priority will be to attract and hire entry-level staff to the extent that our budget will support it. We will also continue to maintain relationships and partnerships with colleges, universities, and professional associations so we do not lose access to well-qualified, diverse, entry-level candidates.
- **Training and staff development.** We will continue to realign training for our employees based on our learning needs analysis, work demands from the Congress, and the emerging areas of emphasis identified in our strategic plan and by experts. We will also continue to enhance our learning delivery methods by using all available technologies, including distance learning and online courses.
- **Performance management and rewards.** We will to implement a new performance appraisal system and finalize a revised system to reward and recognize our high-performing staff. Also, we plan to continue to support other programs and workplace practices that will help us motivate and retain our employees. Such steps are needed particularly in light of budget limitations.

In addition, a recent audit by the IG of our use of recruitment and retention incentive payments identified opportunities to strengthen controls to help ensure that incentive payments support agency recruitment and retention goals, and improve effective monitoring and oversight. We will address these issues in the coming year by ensuring consistency and adherence to our recruitment, relocation, and retention policies; aligning the use of these incentives with strategic human capital and workforce planning goals and objectives; monitoring and evaluating the effectiveness of internal controls to include maintaining appropriate supporting documentation; providing additional guidance to human capital staff to ensure proper, timely, and accurate execution and recording of administrative actions; and providing effective monitoring and oversight of these programs.

We will continue to work with our union partners to implement human capital programs in a manner that helps us meet the needs of an ever-changing workforce in a fair, equitable, and inclusive manner. We will also continue to explore ways to leverage technology to help us improve the accuracy and efficiency of our human capital processes and management, and work closely with outside organizations to help us stay informed of prevailing and leading human capital practices.

## Engagement Efficiency Management Challenge

In our *Fiscal Year 2011 Performance and Accountability Report*, we identified a new management challenge stemming from a continuing high workload in a time of declining budgets and staff size. The agency made improving the efficiency with which it conducts its mission work a priority and identified three areas of focus—managing and conducting engagements, utilizing resources, and communicating its message. We made significant progress in initiating work in these areas in fiscal year 2012. Specifically, in 2012, we

- completed a contractor-assisted end-to-end analysis of our engagement process that identified 31 areas of opportunity for improved efficiency,
- established a new Office of Continuous Process Improvement that reports to the Chief Operating Officer to focus exclusively on continuous process improvement and implement projects to improve efficiency, and
- created an executive-level governance structure for prioritizing and directing process improvement initiatives.

These three steps represent the underlying core organizational commitment to improving engagement processes and efficiency. In addition, we completed six projects to help address process inefficiencies and enhance organizational focus on ensuring efficient outcomes along with quality outcomes. Specifically, we

- streamlined a final report review process by reducing documentation requirements and moving to electronic routing,
- revised report production standards and processes to clarify roles and expectations and improve publication production efficiency,
- streamlined the agenda for regular senior-level engagement review meetings by eliminating discussion of non-material topics,

- expanded access to a key engagement system to support improved decision making and management of engagements,
- consolidated results of key management meetings in one place on the agency's internal website to facilitate easy access, and
- incorporated efficiency-oriented behaviors into our new performance appraisal system.

We also have a number of projects under way that will continue into fiscal year 2013—some that will deliver results in the near-term while others are longer-term efforts. Specifically, we are

- identifying changes to key steps and decision points in our engagement process to ensure resource investments on individual engagements are in line with client needs and needed scope of work;
- conducting market research to identify possible alternatives for more efficiently creating content, meeting our review and fact checking procedures, and distributing and publishing our reports and content in multiple formats;
- developing guidance and tools to ensure staff and managers are more keenly focused on managing resources committed and expended on engagements;
- identifying project management principles and best practices that will be adopted for all engagements;
- pursuing major enhancements to key engagement support and management systems to reduce rework and improve systems support and management information;
- assessing client needs and the media marketplace to identify new ways of communicating our message;
- assessing ways to more efficiently manage staff on and across engagements; and
- clarifying roles and responsibilities for engagement team members and stakeholders including their responsibilities for reviewing draft products to reduce redundancies and unneeded work.

Also in fiscal year 2013, we will continue to identify other areas of opportunity for improved efficiency and will continually prioritize how to utilize resources to ensure the most significant efficiency gains. In addition, we will develop performance metrics for the process improvement program to show the effect improvement initiatives are having on our operations.

## Mitigating External Factors

In addition to the resource constraints and uncertainty of the budget for fiscal year 2013, which directly affect our internal management challenges, other external factors that could affect our performance and progress toward our goals include shifts in congressional interests, the ability of other agencies to make improvements needed to implement our recommendations in a constrained budget environment, and access to agency information. We mitigate these factors in several ways.

Demand for our work is very high, with 924 congressional requests and new mandates in fiscal year 2012. To be prepared to address timely and relevant issues, we use the eight broad trends identified in our strategic plan to guide our work plans. We also communicate frequently with our congressional clients to stay abreast of their interests as unanticipated shifts in congressional priorities can change the mix of work we are asked to perform. In addition, each year we conduct about 80 evaluations annually under the Comptroller General's authority to address priority issues we identify. We strive to maintain flexibility in deploying our resources in response to shifting priorities and have successfully redirected our resources when appropriate and maintained broad-based staff expertise. For example, to address crosscutting mandates we have used multidisciplinary teams composed of staff from across the agency. We devoted 32 percent of our audit resources to mandates in fiscal year 2012. We completed a second year of multiyear mandates to report on duplication in government programs, and health insurance and financial regulatory reform issues. We are also working with the Congress to revise or eliminate mandates that have outlived their usefulness. Moreover, all Senate committees are required to review programs within their jurisdiction to identify potential fraud, waste, and abuse in program spending—giving particular scrutiny to issues raised in our reports—and to develop recommendations for improved government performance. Similarly, House rules require each standing committee or subcommittee to hold at least one hearing on issues raised by us indicating that federal programs or operations authorized by the committee are at high risk for fraud, waste, abuse, or mismanagement (see [p. 38](#) for more information about our high-risk list areas and programs).

Another external factor that affects our ability to serve the Congress is the extent to which we can obtain access to agency information. This access to information plays an essential role in our ability to report on issues of importance to the Congress and the American people. Executive departments and agencies are generally very cooperative in providing us access to the information we need. It is fairly rare for an agency to deny us access to information, and rarer still for an agency to refuse to work toward an accommodation that will allow us to do our work.

While we generally receive very good cooperation, over time we have experienced access issues at certain departments and agencies. We actively pursue access issues as they arise, and we are engaged in discussions and efforts across the executive branch to enhance our access to information. In 2012, there were several developments on the access front relating to these discussions and efforts. As we reported in the *Fiscal Year 2011 Performance and Accountability Report*, the Department of Justice (DOJ) had initiated a trial program designed to improve their timeliness to our requests for information, and the trial program had resulted in key improvements in DOJ's responsiveness and communication with us. The program included target time frames for DOJ production of documents and for the scheduling of interviews with agency officials, as well as the designation by DOJ of senior component officials for our reviews. In March 2012, these procedures were made a permanent part of DOJ's protocols for interacting with us. As these procedures continue to be implemented, we hope to see continued improvements in certain components' and offices' timeliness in responding to our requests for information.

Another development relating to our access to information was in the context of intelligence. As we reported last year, the Director of National Intelligence, in consultation with the Comptroller General, issued a written directive in 2011 governing our access to information in the possession of an element of the intelligence community, Intelligence

Community Directive (ICD) 114. The directive was designed to address the historic challenges that we have experienced in gaining access to information in the Intelligence Community, and it contains a number of provisions promoting constructive interaction between us and elements of the IC, such as establishing a presumption of cooperation with us. However, we have had concerns with how several terms in the directive could be interpreted, since they are framed as areas where information would generally not be available to us for certain audits or reviews. It is crucial that these terms and the overall directive be carefully implemented and monitored to ensure that we are able to obtain the information we need to assist the Congress in our oversight responsibilities, including responding to requests from the committees on armed services, justice, homeland security, foreign affairs, and appropriations, as well as the congressional intelligence committees. In fiscal year 2012, we worked through a number of issues with the various elements of the intelligence community related to challenges in obtaining information we requested, and we will continue to monitor the implementation of ICD 114 moving forward.

We have experienced other access issues at certain agencies because of long-standing and erroneous interpretations of our access authority, even where the agencies involved are otherwise generally cooperative. In some cases, agencies have interpreted language in program statutes limiting their disclosure or use of data as restricting our access, notwithstanding our statutory access rights. Examples include an interpretation by the Food and Drug Administration with respect to a provision of the Federal Food, Drug, and Cosmetic Act, as well as an interpretation by the Federal Trade Commission and DOJ of a provision in the Hart-Scott-Rodino Act, as amended. Legislation that passed in the House this session (H.R. 2146) and that is pending in the Senate (S. 237) would confirm our access rights, refuting agency interpretations that restrict our access in these and other circumstances.

We devote a high level of attention to monitoring and aggressively pursuing access issues as they arise. We appreciate the interest of the Congress in helping to ensure that we obtain access to information and the efforts by agencies to cooperate with our requests.

*Serving the Congress and the Nation*



**Part II**  
*Performance  
Information*



## Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2012 performance results. For goals 1, 2, and 3—our external goals—we present performance results for the three annual measures that we assess at the goal level as well as accomplishments under the strategic objectives for these goals. Most teams and units also contributed toward meeting the targets for the agencywide measures that were discussed in [part I](#) of this report. For goal 4—our internal goal—we present selected work and accomplishments for that goal’s strategic objectives. There was no change in our strategic goals or measures during fiscal year 2012.





Source: See Image Sources.

Our first strategic goal upholds our mission to support the Congress in carrying out its constitutional responsibilities by focusing on work that helps address the current and emerging challenges affecting the well-being and financial security of the American people and American communities. Our multiyear (fiscal years 2010-2015) strategic objectives under this goal are to provide information that will help address

- financing and programs to serve the health needs of an aging and diverse population;
- lifelong learning to enhance U.S. competitiveness;
- benefits and protections for workers, families, and children;
- financial security for an aging population;
- a responsive, fair, and effective system of justice;
- viable communities;
- a stable financial system and consumer protection;
- responsible stewardship of natural resources and the environment; and
- a viable, efficient, safe, and accessible national physical infrastructure.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives was performed primarily by headquarters and field office staff in the following teams: Education, Workforce, and Income Security; Financial Markets and Community Investment; Health Care; Homeland Security and Justice; Natural Resources and Environment; and Physical Infrastructure. In line with our performance goals and key efforts, goal 1 staff reviewed a variety of programs affecting the nation's health providers and patients, students and educators, employees and workplaces, and social service providers and recipients. In addition, goal 1 staff performed work for our congressional clients related to improving the nation's law enforcement systems and federal agencies' ability to prevent and respond to terrorism and other major crimes.

### Example of Work under Goal 1

Our reports over many years identified the need for greater accountability for results from recipients of federal highway funds. As we reported, highway funding has historically not been linked to performance or outcomes. In July 2012, legislation was enacted establishing national goals and directing the Secretary of Transportation and the states to develop performance measures and targets for highway safety, condition, and performance. Our work helped establish the foundation for these congressional reforms. ([GAO-12-581T](#), [GAO-12-474](#), [GAO-11-918](#), [GAO-11-77](#), [GAO-08-400](#))

To accomplish our work under these strategic objectives in fiscal year 2012, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies, such as the Departments of Health and Human Services, Education, Energy, Homeland Security, Justice, Transportation, Housing and Urban Development, and the Interior, and developed reports and testimonies on the efficacy and soundness of programs they administer.

As shown in [table 9](#), we met the target set for financial and nonfinancial benefits for goal 1, but we did not meet the target for testimonies.

**Table 9: Strategic Goal 1's Annual Performance Results and Targets**

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual	Met/not met	2013 target <sup>a</sup>
Financial benefits (dollars in billions)	\$12.9	\$19.3	\$12.1	\$17.8	\$12.6	\$11.0	\$25.7	Met	\$11.5
Nonfinancial benefits	238	226	224	233	243	225	275	Met	231
Testimonies	125	123	85	86	84	85	61	Not met	70

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target as we have left a portion of the financial benefits target unassigned in 2013. Experience leads us to believe that we can meet the agencywide target but we cannot predict under which goals because of governmentwide resource constraints.

<sup>a</sup>Our fiscal year 2013 targets for all three performance measures differ from those we reported in our fiscal year 2013 performance plan in February 2012. Specifically, we have increased the financial benefits target from \$11.0 to \$11.5 billion and the nonfinancial benefits from 225 to 231, and decreased the testimony target from 85 to 70.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year. These averages are shown in [table 10](#). This table indicates that the 4-year average for goal 1 financial benefits gradually declined from fiscal year 2007 through fiscal year 2010. This decline was mostly because of some large financial benefits from earlier years that are reflected in the averages. Financial benefits were stable from fiscal year 2010 to 2011 and increased in fiscal year 2012. Goal 1's nonfinancial benefits peaked in fiscal year 2007 and declined until 2010 and then increased slightly in 2011 and again in 2012. The average number of hearings at which we testified increased from 2007 to 2008 and remained fairly stable from 2008 through 2010, declining in 2011 and again in 2012.

**Table 10: Four-Year Rolling Averages for Strategic Goal 1**

Performance measure	2007	2008	2009	2010	2011	2012
Financial benefits (dollars in billions)	\$19.3	\$17.5	\$16.6	\$15.5	\$15.5	\$17.1
Nonfinancial benefits	259	252	239	230	232	244
Testimonies	99	108	108	105	95	79

Source: GAO.

The following sections describe our performance under goal 1 for each of these three quantitative performance measures and describe the targets for fiscal year 2013.

## Financial Benefits

The financial benefits reported for this goal in fiscal year 2012 totaled \$25.7 billion, exceeding the target we set by nearly \$15 billion. Among these accomplishments are large financial savings from our work on the level of funding for the Medicare Advantage program and for eliminating the ethanol tax credit for corn.

Because we expect to have constrained resources, we have set the target for fiscal year 2013 at \$11.5 billion based on discussions with the goal 1 teams about the level of benefits they believe they can achieve.

## Nonfinancial Benefits

Nonfinancial benefits reported for goal 1 in fiscal year 2012 totaled 275, exceeding our target of 225 by 50 benefits, or 22 percent. The majority of goal 1's nonfinancial benefits were in the areas of public safety and security, including programs in the areas of public health, food safety, transportation safety, consumer protection, environmental safety, and telecommunications safety, and in the area of program efficiency and effectiveness, including the U.S. financial regulatory system, federal oil and gas resources, the U.S. Postal Service, and transportation and telecommunications funding. For fiscal year 2013, we have set our target at 231 for nonfinancial benefits. We believe that we are more likely to achieve a greater number of nonfinancial benefits under goals 2 and 3 over the next few years based on our experience.

### Example of Goal 1's Financial Benefits

In our review of United States Department of Agriculture's (USDA) fiscal year 2012 budget request, we identified more than \$3 billion that USDA had not used in an account for loans to farmers to assist farm ownership and operations. USDA had been carrying ever-increasing unobligated balances forward year after year to help ensure it had sufficient funds to meet farmers' needs. However, under Credit Reform, USDA can obtain funds directly from the Treasury to cover any shortfalls and does not need to carry over funds from year to year in this type of account. As a result of our work, USDA returned \$3.2 billion to the Treasury and agreed to be vigilant in returning future balances to the Treasury in a timely manner.

### Example of Goal 1's Nonfinancial Benefits

As part of our 2011 review of recent nationwide shortages of prescription drugs, we reported that the Food and Drug Administration (FDA) was constrained in its ability to protect the public's health because of its lack of authority to require manufacturers to report drug shortages to the agency. We suggested that the Congress consider requiring manufacturers to notify FDA when they experience circumstances that could lead to a supply disruption. Our work was cited in congressional debate on this topic, and less than a year later, the Congress included this requirement in the Food and Drug Administration Safety and Innovation Act. ([GAO-12-116](#))

## Testimonies

Our witnesses testified at 61 congressional hearings related to this strategic goal, which fell short of the fiscal year 2012 target of 85 by 24 testimonies, or 28 percent. Among the topics on which we testified were DOD and VA health care integration, the Federal Housing Administration’s mutual mortgage insurance fund, unconventional oil and gas production, school bullying, and the Los Angeles federal courthouse construction. (See [fig. 17](#) for selected testimony topics by goal.) We set our fiscal year 2013 target at 70 testimonies on goal 1 issues based on our experience over the past few years.

### Example of Goal 1’s Testimonies

In recent years, improvements in technology have allowed oil and gas operators to extract oil and natural gas from unconventional resources—resources that cannot be produced, transported, or refined using traditional techniques—including oil shale. We testified on the opportunities and challenges of oil shale development as identified in our October 2010 report ([GAO-11-35](#)). We noted that oil shale development presents opportunities for increasing domestic oil production and certain socioeconomic benefits. We noted challenges of impacts on water, air, and wildlife and socioeconomic impacts. Our testimony also discussed key actions that federal agencies can take to proactively prepare for the potential development of a future oil shale industry. ([GAO-12-740T](#))

[Table 11](#) provides examples of goal 1 accomplishments and contributions.

**Table 11: Goal 1 Accomplishments and Contributions**

Health Care Needs and Financing	
Improving Department of Veterans Affairs (VA) Long-term Care Strategic Planning and Budgeting	In our 2009 review of VA’s processes for long-term care strategic planning and budgeting, we recommended that VA strengthen the credibility of workload estimates for noninstitutional long-term care services in future budget justifications by reporting which workload measures are used for each noninstitutional service and how these measures reflect the volume of services veterans receive. VA implemented our recommendation, making workload projections for different noninstitutional long-term care services more transparent and comparable. This increased the clarity and usefulness of VA’s projections for oversight and budgeting. ( <a href="#">GAO-09-145</a> )
Improving Oversight of Clinical Investigators	In a 2009 review of Food and Drug Administration (FDA) oversight of clinical investigators—individuals who conduct research involving new drugs and medical devices—we identified steps that FDA could take to help ensure that investigator misconduct does not compromise the safety of clinical trial participants or the integrity of clinical trial data. These steps included ensuring that clinical investigators who have engaged in misconduct for one type of product not serve as investigators for others. FDA took these steps, thus helping it protect participants in clinical trials, as well as the quality and integrity of clinical trial data. ( <a href="#">GAO-09-807</a> )
Improving the Safety of Medical Devices	In 2011, we reported on shortcomings in the FDA’s oversight of medical device recalls. We recommended that FDA improve its oversight by analyzing recall trends; clarifying procedures for conducting recalls; and developing criteria for determining whether recalls are implemented effectively, completed in a timely manner, and appropriately documented. Our recommendations were included in the Food and Drug Administration Safety and Innovation Act. Senators specifically attributed these new requirements for FDA to the recommendations contained in our report. ( <a href="#">GAO-11-468</a> )

**Encouraging Provider Use of Electronic Prescribing and Health Records** In our 2011 review of the Centers for Medicare & Medicaid Services’ (CMS) Electronic Prescribing Program (EPP) and Electronic Health Records Program, both of which provide incentive payments to eligible Medicare providers who adopt and use health information technology, we recommended that CMS encourage physicians and other providers to adopt certified electronic-prescribing technology, and that CMS expedite efforts to remove overlap in reporting requirements for the two programs. Our work prompted CMS to modify the EPP’s technological requirements so that they include certified technology and remove overlapping reporting requirements. ([GAO-11-159](#))

**Lifelong Learning**

**Expediting School Improvement Grant Awards** We reported in 2011 that the school improvement grant process did not allow some districts and schools enough time to plan and implement reforms for the school year, such as replacing a principal. We recommended that the Department of Education (ED) consider ways to grant awards earlier in the school year. The Congress cited our findings and urged ED to make more timely awards. ED subsequently allowed states to submit shorter applications in some cases to expedite awards so that schools could have more time to make improvements. ([GAO-11-741](#))

**Benefits and Protection for Workers, Families, and Children**

**Better Reporting of Child Fatality Data** Child fatalities because of maltreatment are underreported, we found, partly because many states do not collect all relevant data from state agencies. We recommended in 2011 that the Department of Health and Human Services identify ways to help states improve data collection. The Chairman, House Committee on Ways and Means, cited our recommendations and proposed legislation to implement them. In September 2011, the Child and Family Services Improvement and Innovation Act was enacted, requiring states to improve their data collection on child fatalities from maltreatment. Collecting complete information should help target efforts for preventing maltreatment deaths. ([GAO-11-599](#))

**Addressing the Needs of Black Lung Workers** Consistent with our 2009 recommendations, the Department of Labor (DOL) improved its Black Lung Benefits Program, which provides assistance to miners suffering from coal dust exposure. DOL improved its timeliness measures and identified ways to reduce delays. The agency now also makes hearings available more frequently for claimants living in remote locations by videoconferencing. DOL redesigned its diagnosis reporting forms to provide better evidence required to award benefits and also expanded its ability to analyze complaints about medical evaluations. These steps should improve the claims process for miners. ([GAO-10-7](#))

**Ensuring Voting Access and Integrity in Long-Term Care Facilities** Our 2009 work found that states and localities varied in how they addressed challenges helping long-term care facility residents vote, and also in the extent to which they ensured residents’ ballots are not fraudulently completed by someone else and that these voters are not subjected to undue influence. As we recommended, the U.S. Election Assistance Commission, in developing guidance on voting in such facilities, collected and disseminated information on cost-effective practices to provide voting access. As a result, citizens in long-term care facilities may have improved ability to cast ballots. ([GAO-10-6](#))

## Financial Security for an Aging Population

**Strengthening Pension Benefit Guaranty Corporation's (PBGC) Management and Governance** We have recommended, in 2011 and earlier, that the PBGC improve its governance structure and contract management. The Moving Ahead for Progress in the 21st Century Act, enacted in 2012, addresses some of our recommendations. The act has several requirements, including those to strengthen PBGC's board of directors and study alternative governance structures. Also, PBGC implemented practices to strengthen accountability of its contract management. These actions should allow PBGC to improve its management and protect retirement incomes of workers in private-sector defined benefit pension plans. ([GAO-11-588](#), [GAO-11-271](#), [GAO-11-182T](#), [GAO-08-871](#), [GAO-09-702T](#))

## Responsive, Fair, and Effective System of Justice

**Increasing Awareness of Funding for Indigent Defense** In May 2012, we assessed federal support to states, localities, and tribes for indigent defense services—counsel for those accused of a crime but unable to afford representation. Our work provided comprehensive information on federal grants available to support such services. We recommended that the Department of Justice better inform grantees and public defender offices about these grants, which will better enable them to access funding. We also provided previously unavailable information about how grantees were using funds to support indigent defense and challenges to evaluating the effectiveness of their efforts. ([GAO-12-569](#))

## Viable Communities

**Reducing Reserves in the Housing Choice Voucher Program** Our review of the Department of Housing and Urban Development's (HUD) 2012 budget request showed that in HUD's Tenant-Based Rental Assistance (voucher) account, as of September 2010, almost 2,000 housing agencies held \$1.3 billion in subsidy reserves that potentially could be used to provide housing assistance to eligible households or could be used by HUD to reduce future budget requests. We found that up to approximately \$663 million of these reserves could be considered excess funds and, therefore, rescinded. Subsequently, the Congress rescinded \$650 million from housing agencies' reserve accounts.

**Reducing Improper Payments Resulting from Underreported Tenant Income** In reports issued in the last decade, we recommended that HUD reduce the level of rental assistance payments it made improperly to tenants and regularly monitor compliance with policies for rental assistance payments. In response to our work, HUD deployed a new income verification system to identify tenants who underreport income that helped reduce improper payments by \$186 million in fiscal year 2010, the last year for which data are available. ([GAO-05-224](#), [GAO-02-749](#), [GAO-01-248](#))

**Improving Federal Response to Foreclosure Impacts** To reduce the frequency of banks and other institutions not finishing property foreclosures—resulting in abandoned properties—banking regulators issued guidance directing institutions to obtain updated property valuations before starting foreclosure, and directed institutions to notify borrowers and communities of foreclosure halts to better ensure properties will be maintained. Responding to our 2011 report on vacant properties, the Treasury changed requirements for its mortgage modification program to allow modifications for properties that are not owner-occupied, which could also help prevent vacant and unmaintained properties. ([GAO-11-93](#), [GAO-12-34](#))

## Stewardship of Natural Resources and the Environment

### Recovering Unspent Funds at the Environmental Protection Agency (EPA)

Over several years, we identified opportunities for EPA to recover unspent funds from expired grants, contracts, and interagency agreements, and use those funds to offset the need for new appropriations. We also encouraged EPA to better track these recoveries in its accounting systems. In response to our work, EPA developed a database that enables the agency to track recovered funds and has enhanced its efforts to recover unspent funds. In 2010 and 2011, EPA recovered a total of over \$380 million in unspent funds. EPA's enhanced efforts to recover these funds reflect stronger fiscal management and improved compliance with the agency's policies and procedures.

### Identifying Native American Human Remains and Objects for Repatriation

We found that almost 20 years after the Native American Graves Protection and Repatriation Act was enacted, eight key federal agencies had not fully complied with the requirements of the act. We recommended that the agencies develop and provide to the Congress a needs assessment and timetable for complying with the act for their historical collections of Native American human remains and objects. In response, most of the agencies have provided their needs assessments and timetables. Furthermore, most of the agencies have begun reporting their repatriation data to the National Park Service, as we recommended, so repatriations can now be tracked governmentwide. ([GAO-10-768](#), [GAO-11-755T](#))

### Protecting Animal and Public Health through Improved Planning

Our work over several years identified challenges the federal government faces in planning for animal disease outbreaks that can cause serious harm to the economy and human health. We found that USDA and the Department of Homeland Security (DHS) had not clarified agency roles and responsibilities for such an event, that state plans lacked critical components, and that there was a growing national shortage of veterinarians. In response, in 2011, USDA and DHS took steps to better define their response roles. In 2010, USDA provided states with key information to develop more complete response plans, and the federal government took steps to improve agencies' veterinary workforce planning. ([GAO-07-652](#), [GAO-09-178](#))

## Viable National Infrastructure

### Reducing the Risk of Disruptions in Aviation Funding

In 2009, we reported that actual revenues into the Airport and Airway Trust Fund (Trust Fund) have been less than the forecast revenues, which serve as the basis for appropriations from the Trust Fund, and have resulted in a \$6 billion decline in the fund's balance over 7 years. Given this decline and the inherent uncertainty of forecasts, we suggested that the Congress consider not making the full amount of forecast revenues available for appropriation from the Trust Fund. In 2012, the Congress enacted such a provision, limiting the amount made available from the fund, thereby reducing the risk of disruptions in funding for aviation programs. ([GAO-09-393](#), [GAO-12-222](#))

<b>Addressing Excess and Underutilized Real Property</b>	For years, we have identified problems with excess and underused federal real property. The properties can be burdensome for agencies to maintain and can be difficult to demolish, better use, or sell. We found problems in June 2012 with the accuracy of real property data that the General Services Administration (GSA), the Office of Management and Budget (OMB), and other agencies use. Despite reform efforts, we also reported that the government lacks a comprehensive national strategy to address the underlying reasons the problems persist, including stakeholder resistance and the cost of disposal. Our work has refocused efforts on improving federal real property data and strategically managing federal property. ( <a href="#">GAO-12-645</a> )
<b>Determining Responsibility for the Cost of Postal Service Pension Benefits</b>	Facing insolvency, the Postal Service asked the Congress to refund \$75 billion in what it referred to as “overpayments” that it made to the Civil Service Retirement System (CSRS). We were asked by House and Senate oversight committees to review current law, actuarial analyses used in pending legislation, and potential impacts of a refund on USPS’s financial outlook. We determined that the methodology for determining the USPS’s responsibility for the cost of CSRS benefits was consistent with current law, that the transfer of assets would increase the federal government’s current and future liability for federal retirement payments by an estimated \$56 billion to \$85 billion, and that the question of a refund was a congressional policy decision. Based on our work, the relevant committees of the Congress decided not to pursue legislation to grant a refund. ( <a href="#">GAO-12-146</a> , <a href="#">GAO-10-455</a> )
<b>Improving Transit Governance</b>	Washington Metropolitan Area Transit Authority’s (WMATA) rail system has experienced challenges that include costs, service reliability, and safety. We reported in 2011 that WMATA’s board has, at times, focused on management’s responsibilities, rather than its responsibilities to provide oversight and strategic planning. This lack of strategic focus raised concerns about WMATA’s ability to confront its challenges. In response to our recommendations, the board issued bylaws to clearly delineate its responsibilities and is engaged in developing a strategic plan for WMATA to better equip the agency to provide safe and reliable transit service. ( <a href="#">GAO-11-660</a> )

Source: GAO.





Source: See Image Sources.

The federal government is working to promote foreign policy goals, sound trade policies, and other strategies to advance the interests of the United States and its allies. The federal government is also working to balance national security demands overseas and at home with demands related to an evolving national security environment. Given the importance of these efforts, our second strategic goal focuses on helping the Congress and the federal government in their responses to changing security threats and the challenges of global interdependence. Our multiyear (fiscal years 2010-2015) strategic objectives under this goal are to support congressional and agency efforts to

- protect and secure the homeland from threats and disasters,
- ensure military capabilities and readiness,
- advance and protect U.S. foreign policy interests, and
- respond to the impact of global market forces on U.S. economic and security interests.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff in the following teams: Acquisition and Sourcing Management, Defense Capabilities and Management, Homeland Security and Justice, and International Affairs and Trade. In addition, the work supporting some performance goals and key efforts is performed by headquarters and field staff from the Financial Markets and Community Investment, Information Technology, and Natural Resources and Environment teams.

### Example of Work under Goal 2

Since the release of our report in 2008 on the encryption of information on federal information systems, the Office of Management and Budget and selected agencies have acted in response to our recommendations. These actions include issuing governmentwide policy and monitoring federal agencies' encryption efforts. In addition, agencies developed training programs on encryption concepts, implemented mechanisms to monitor the successful installation and functioning of encryption products, and ensured that encryption technologies are installed in accordance with the validated federal cryptographic modules program. These actions helped to reduce the risk of unauthorized disclosure, modification, or loss of sensitive federal information. (GAO-08-525)

To accomplish our work in fiscal year 2012 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to international and domestic programs that took us across multiple continents. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 12](#), we exceeded our fiscal year 2012 performance targets for financial and nonfinancial benefits and testimonies.

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

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual	Met/not met	2013 target <sup>a</sup>
Financial benefits (dollars in billions)	\$10.3	\$15.4	\$12.4	\$20.5	\$25.9	\$11.4	\$13.4	Met	\$12.7
Nonfinancial benefits	468	468	457	444	447	450	513	Met	338
Testimonies	73	93	67	58	48	50	54	Met	45

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target as we have left a portion of the financial benefits target unassigned. Experience leads us to believe that we can meet the agencywide target, but we cannot predict under which goals because of governmentwide resource constraints.

<sup>a</sup>Our fiscal year 2013 targets for all three performance measures differ from those we reported in our fiscal year 2013 performance budget in February 2012. Specifically, we increased financial benefits from \$11.4 billion to 12.7 billion, decreased nonfinancial benefits from 450 to 338, and decreased testimonies from 50 to 45.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year and are shown in [table 13](#). This table indicates that over the past 6 years goal 2 financial benefits reached the highest level in 2011 and remained fairly stable in 2012. Average nonfinancial benefits increased from 2007 to 2009, declined in 2010 and 2011, and increased again in 2012. Testimonies also increased from 2007 to 2009 and have declined steadily from 2010 through 2012.

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

Performance measure	2007	2008	2009	2010	2011	2012
Financial benefits (dollars in billions)	\$11.2	\$12.7	\$12.5	\$14.7	\$18.6	\$18.1
Nonfinancial benefits	413	438	461	459	454	465
Testimonies	63	67	75	73	67	57

Source: GAO.

The following sections describe our performance under goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2013.

## Financial Benefits

The financial benefits reported for this goal in fiscal year 2012 totaled \$13.4 billion, which exceeded our target by \$2 billion, or 18 percent. Among these accomplishments are large financial benefits, including \$8 billion for NASA's cancellation of the Constellation/Ares I project and \$3.1 billion for modifications concerning tour normalization for forces in South Korea.

We expect our work on defense and acquisition issues to continue to produce economies and efficiencies close to the fiscal year 2012 level. Therefore, we set our fiscal year 2013 target at \$12.7 billion.

## Nonfinancial Benefits

The nonfinancial benefits reported for goal 2 in fiscal year 2012 totaling 513 nonfinancial benefits, exceeded our target by 63 benefits, or 14 percent. The majority of goal 2's nonfinancial accomplishments were in the areas of public safety and security for programs including homeland security and justice, international trade, national defense and foreign policy, and in acquisition and contract management, including DOD weapon system acquisition, and NASA and DHS acquisition management. We set our fiscal year 2013 target at 338. This target is lower than our recent experience as we do not expect the level of nonfinancial benefits to continue at such a high volume.

## Testimonies

Our witnesses testified at 54 congressional hearings related to this strategic goal in fiscal year 2012, exceeding our target of 50 by 4 hearings, or 8 percent. Goal 2 testimony topics included the Deepwater Horizon oil spill, DHS container security programs, DOD personnel security clearances, and improvised explosive devices. (See [fig. 17](#) for selected testimony topics by goal.) We have set our target at 45 for presenting testimony based on our recent experience.

### Example of Goal 2's Financial Benefits

In 2011, we reported that the Federal Emergency Management Agency (FEMA) needed to improve its oversight of preparedness grants and assess capabilities to identify gaps and prioritize investments. We suggested the Congress could limit funding until FEMA completed an assessment of capability gaps. In April 2011, the Congress reduced funding for FEMA preparedness grants by \$875 million from the President's fiscal year 2011 budget request. In addition, citing our concerns regarding FEMA's lack of assessment capabilities, the Congress concurred with our suggestion and recommended substantially reduced future funding for preparedness grants until metrics can be used to assess results. ([GAO-12-526T](#), [GAO-12-453SP](#), [GAO-11-318SP](#))

### Example of Goal 2's Nonfinancial Benefits

We have identified significant weaknesses in the U.S. export control system, which is designed to protect against the transfer of U.S. defense and other items to foreign parties that might use them against U.S. interests. In 2012, we identified challenges facing the many agencies responsible for enforcing export controls, including the lack of trend data on illegal exports and measures of effectiveness to gauge mission success. To improve enforcement, agencies are addressing the challenges by developing a more robust system to measure performance, and facilitating the exchange of data on illegal export activity. ([GAO-12-246](#))

### Example of Goal 2's Testimonies

DOD has faced long-term challenges in managing and halting degradation of its facilities and reducing unneeded infrastructure to free up funds to better maintain the facilities it still uses to meet other needs. DOD plans to reduce force structure and DOD will request that the Congress authorize the base realignment and closure (BRAC) process for 2013 and 2015. To inform the process, we discussed key factors and challenges that contributed to BRAC 2005 implementation and results, and the most recent estimated costs and savings attributable to BRAC 2005. ([GAO-12-513T](#))

Table 14 provides examples of goal 2 accomplishments and contributions.

**Table 14: Goal 2 Accomplishments and Contributions**

<b>Protect and Secure the Homeland</b>	
<b>Targeting National Flood Insurance Bonus Formula to Match Agency Marketing Goals</b>	In 2009, we recommended that the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program (NFIP) establish more targeted marketing goals for the private companies that sell flood insurance. We also stated that the bonuses that FEMA provided to those companies would be more effective if FEMA established more targeted goals in line with its NFIP goals. In response to our report, FEMA changed the bonus formula for 2013 to include incentives for increasing sales in under-served areas, for small business, and in areas of moderate or low flood risk, which are all among NFIP goals. These changes should increase program participation in these targeted areas. ( <a href="#">GAO-09-455</a> )
<b>Identifying Deficiencies in the Transportation Security Administration's (TSA) Advanced Imaging Technology Program</b>	TSA deployed advanced imaging technology (AIT) across the country, a high-priority technology to identify threat items concealed under passengers' clothing. In January 2012, we issued a report on TSA's adherence to DHS acquisition policy and TSA's efforts to test the effectiveness of AIT. TSA changed key performance parameters during the acquisition process without formally informing DHS acquisition officials—a violation of DHS policy. We recommended that TSA develop a road map describing when vendors will meet milestones for further developing AIT. Our work informed the Congress about the state of the technology and a reduction in planned buys. ( <a href="#">GAO-12-541T</a> , <a href="#">GAO-12-644T</a> )
<b>Strengthening DHS's Oversight of the Student and Exchange Visitor Program</b>	Our June 2012 report noted weaknesses in DHS's management of the Student and Exchange Visitor Program, assisting the Congress in overseeing the program and identifying vulnerabilities. We identified significant challenges in DHS's processes for certifying and monitoring the more than 10,000 U.S. schools eligible to accept foreign students. We reported that DHS had not analyzed program risks or implemented existing controls to verify schools' legitimacy and program eligibility, such as their accreditation status. We recommended that DHS assess program risks and strengthen its oversight of schools. ( <a href="#">GAO-12-572</a> , <a href="#">GAO-12-895T</a> )
<b>Improving Cost Estimates and Targets for Coast Guard's Aging Fleet</b>	Given delays in acquiring new vessels, we were asked to examine the condition and performance of the Coast Guard's fleet of older vessels. In July 2012, we reported that the condition of the vessels was poor, the Coast Guard's process for estimating maintenance costs did not fully reflect best practices, and the vessels' capacity to perform missions would continue to decline until new vessels are deployed. We recommended that the Coast Guard improve its maintenance cost-estimating process and adjust operational targets to be more realistic given the aging vessels' declining capacity. ( <a href="#">GAO-12-741</a> )
<b>Improving Information Security at Multiple Federal Agencies</b>	Over the past 2 years, multiple agencies including the Internal Revenue Service, National Aeronautical and Space Administration, Federal Deposit Insurance Corporation, Los Alamos National Laboratory, and Federal Housing Finance Agency have acted, in response to our recommendations, to improve the security controls over their computerized information systems and networks. These actions include conducting risk assessments, improving password controls, configuring devices more securely, and securing sensitive assets. These actions helped to better protect the confidentiality, integrity, and availability of agency information and reduce the risk that information would be inappropriately used or modified. ( <a href="#">GAO-09-136</a> , <a href="#">GAO-11-708</a> , <a href="#">GAO-10-28</a> , <a href="#">GAO-10-528</a> )

**Military Capabilities and Readiness**

**Contributing to Cost Savings in Military Compensation** We reported in 2010 that using the Employment Cost Index (ECI) to determine the amount of the annual basic pay raise for servicemembers is generally reasonable. In recent years, the Congress added one-half percentage point to the ECI for military pay raises to reduce a perceived gap between military and private-sector pay. However, we reported that comparing changes in the ECI with changes in the rates of basic pay did not necessarily show pay gaps between the two, or that such comparisons were relevant. Therefore, the Congress decided not to increase military pay beyond the ECI for fiscal years 2012-2015, resulting in about \$2 billion in savings. ([GAO-10-561R](#), [GAO-10-666T](#), [GAO-10-803R](#))

**Contributing to the Department of Defense’s (DOD) Avoidance of \$797 Million in the Costs of Excess Inventory** We reported over the last five years that DOD held significantly more spare parts inventory than it needed. As directed by the Congress, and as we recommended, DOD developed an inventory management improvement plan to reduce its excess inventory. As a result, DOD avoided approximately \$797 million of costs for spare parts in fiscal year 2012. ([GAO-07-232](#), [GAO-09-103](#), [GAO-09-199](#), [GAO-10-469](#), [GAO-12-493](#))

**Ensuring DOD’s \$19 Billion Space Launch Vehicle Acquisition Is Based on Sound Data** DOD developed a space launch vehicle acquisition strategy for the government to buy several launch vehicles from a single contractor and associated subcontractors over many years. In 2011-2012, we identified gaps in the data upon which DOD based its strategy and recommended DOD reassess various parts prices and reconsider the length of the purchasing commitment. The Congress responded to our work by legislating that DOD explain how it would address the deficiencies we found. DOD is taking actions to ensure it can negotiate fair prices. DOD’s launch acquisitions should thus provide greater assurance that the government and taxpayers will benefit. ([GAO-11-641](#), [GAO-12-822](#))

**Identifying Risks in the Navy’s Future Destroyer Program** In 2012, we identified significant risks in the Navy’s plan to buy over 40 upgraded Arleigh Burke destroyers at a cost of up to \$80 billion over the next several decades. We found that the Navy lacked a sufficient analytical basis to ensure that it selected the most cost-effective solution that is also capable of meeting future threats. We also highlighted significant cost and technical risks and identified the need for additional oversight of this program. DOD took action on our recommendation, resulting in the Under Secretary of Defense’s approval prior to the Navy’s making major acquisition decisions. ([GAO-12-113](#))

**Assisting Congressional Oversight of the 2005 Base Realignment and Closure (BRAC) Process** DOD’s BRAC 2005 was meant to transform the military, foster jointness among the services, and reduce excess infrastructure. Our work has shown that DOD faced several challenges in aligning those goals. We testified in 2012 that DOD’s fiscal year 2011 budget submission to the Congress included a one-time implementation cost growth of 67 percent (from \$21 billion estimated in 2005 to about \$35.1 billion in fiscal year 2011), largely because of increased construction costs for new and renovated facilities needed to enhance military capabilities. We plan to report in fiscal year 2013 on lessons learned that could be applied to any future BRAC round. ([GAO-12-709R](#), [GAO-12-513T](#))

**Contributing to Successful Reform of DOD's Personnel Security Clearance Program** Our body of work—including a 2009 report—on problems with DOD's Personnel Security Clearance Program, and placing the program on our list of high-risk activities and programs, contributed to its successful reform. The Deputy Director of OMB, Director of the Office of Personnel Management, and other reform leaders issued (1) a strategic framework which included strategic goals, communications plan, information technology initiatives, and funding, and (2) a letter to the Congress outlining outcome performance measures. As a result, DOD significantly improved the timeliness for processing initial clearances for 90 percent of industry personnel from 129 days in 2008 to 63 days in 2010. We subsequently removed this issue from our high-risk list. ([GAO-09-488](#))

**Improving DOD's Reporting on Headquarters Activities** In our 2012 review of DOD's headquarters organizations and their functions, we recommended that DOD improve its tracking and reporting of headquarters personnel data. As a result, DOD took steps to increase its visibility over headquarters personnel by requiring more accurate identification and reporting of headquarters data. With this improved visibility, DOD may be able to identify opportunities to save additional costs by consolidating organizations and centralizing administrative and support functions. ([GAO-12-342SP](#), [GAO-12-345](#))

## U.S. Foreign Policy Interests

**Monitoring Use of U.S. Arms Sent to Persian Gulf Countries** The United States has authorized billions of dollars in arms sales and exports to Persian Gulf countries. However, concerns have been raised about gaps in programs intended to assure that the arms are not acquired by groups posing a threat to the United States. In 2011, we recommended that DOD require its officials to document efforts to verify host country security and accountability procedures for sensitive equipment. In response, DOD established guidelines for enhanced end-use monitoring, such as requiring that physical security and accountability checklists be attached to inventory records. ([GAO-12-89](#))

**Improving Accountability of U.S. Direct Assistance to Afghanistan** In fiscal year 2010, the U.S. Agency for International Development (USAID) awarded direct assistance to the Afghan government of over \$1.4 billion and to the multilateral Afghanistan Reconstruction Trust Fund (ARTF) of \$1.3 billion. The vulnerability of this assistance to waste, fraud, and abuse makes it essential that U.S. agencies assess risks and safeguard the funds. In response to recommendations we made in 2011, USAID has taken steps to ensure risk assessments are completed in advance of direct assistance awards to the Afghan government and to ensure adherence with policies for assessing risks associated with multilateral trust funds in awarding funds to the ARTF. ([GAO-11-710](#))

**Making Administrative Services Overseas More Cost Effective** U.S. agencies overseas spent over \$2 billion on administrative services in 2011 through an interagency system called International Cooperative Administrative Support Services. The State Department primarily provides these services. In 2012, we found that in some cases, agencies such as USAID may provide services more cost effectively. In response, State and USAID released guidance stating that USAID may provide administrative services in place of State where it will achieve savings and superior levels of customer satisfaction. As a result, agencies may be able to obtain administrative services at a lower cost in future years. ([GAO-12-317](#))

## Global Market Forces

### Supporting Export Promotion by Improving Management of the U.S. Commercial Service

Policymakers have emphasized the role of exports in strengthening the U.S. economy. However, in a 2010 report, we identified several weaknesses in the management controls of the U.S. Commercial Service (CS), a key export promotion agency. Responding to our recommendations, CS made several improvements that will shift its resources to higher-priority countries. These include establishing a new human capital plan, using updated resource allocation models and a strategic analysis tool to decide where to place staff, and reorganizing the personnel office. It also abolished over 103 vacant positions that incurred needless administrative charges. ([GAO-10-874](#))

Source: GAO.



Source: See Image Sources.

Our third strategic goal focuses on the collaborative and integrated elements needed for the federal government to achieve results. The work under this goal highlights the intergovernmental relationships that are necessary to achieve national goals. Our multiyear (fiscal years 2010-2015) strategic objectives under this goal are to

- analyze the government’s fiscal position and opportunities to strengthen approaches to address the current and projected fiscal gap;
- identify fraud, waste, and abuse; and
- support congressional oversight of major management challenges and program risks.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed primarily by headquarters and field staff from the Applied Research and Methods, Financial Management and Assurance, Forensic Audits and Investigative Service, Information Technology, and Strategic Issues teams. In addition, the work supporting some performance goals and key efforts is performed by headquarters and field staff from the Acquisition and Sourcing Management and Natural Resources and Environment teams. This goal also includes our bid protest and appropriations law work, which is performed by staff in the Office of the General Counsel.

### Example of Work under Goal 3

We analyzed the actions taken by the Treasury to manage federal debt to avoid exceeding the debt limit when delays in raising the limit occurred in 2011 and found that such delays led to an increase in the Treasury’s borrowing costs of about \$1.3 billion in fiscal year 2011. We also found that the increased focus on debt limit-related operations as the delays occurred diverted the Treasury staff from other important cash and debt management responsibilities. These findings were widely reported and, along with related findings in our previous reports, will help inform the debate for the next debt limit increase. ([GAO-12-701](#))

To accomplish our work under these objectives, we performed our foresight work, for example, examining the nation’s long-term fiscal and management challenges, and our insight work focusing on federal programs at high risk for fraud, waste, abuse, and mismanagement.

As shown in [table 15](#), we exceeded our fiscal year 2012 performance targets for this goal’s financial and nonfinancial benefits and testimonies.



**Table 15: Strategic Goal 3's Annual Performance Results and Targets**

Performance measure	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 target	2012 actual	Met/ not met	2013 target <sup>a</sup>
Financial benefits (dollars in billions)	\$22.8	\$23.4	\$18.5	\$11.6	\$7.2	\$7.3	\$16.7	Met	\$5.75
Nonfinancial benefits	648	704	634	684	628	525	652	Met	520
Testimonies	74	76	49	45	39	40	41	Met	29

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target as we have left a portion of the financial benefits target unassigned. Experience leads us to believe that we can meet the agencywide target, but we cannot predict under which goals because of governmentwide resource constraints.

<sup>a</sup>Our fiscal year 2013 targets for all three performance measures differ from those we reported in our fiscal year 2013 performance budget in February 2012. Specifically, we decreased financial benefits from \$7.3 to \$5.75 billion, nonfinancial benefits from 525 to 520, and testimonies from 40 to 29.

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 16](#)—which minimize the effect of an unusual level of performance in any single year. [Table 16](#) indicates that over the 6-year period from 2007 through 2012, financial benefits increased from 2007 through 2009 and have decreased each year from 2009 through 2012. Nonfinancial benefits rose from 2007 to 2008 and fluctuated from 2009 through 2012. The trend in the average number of hearings during which our senior executives testified on goal 3 issues also rose from 2007 to 2008, remained stable in 2009, and declined in 2010 and again in 2012.

**Table 16: Four-Year Rolling Averages for Strategic Goal 3**

Performance measure	2007	2008	2009	2010	2011	2012
Financial benefits (dollars in billions)	\$14.6	\$18.6	\$20.4	\$19.1	\$15.2	\$13.5
Nonfinancial benefits	654	686	653	668	663	650
Testimonies	64	68	68	52	52	44

Source: GAO.

The following sections describe our performance under goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2013.

## Financial Benefits

The financial benefits reported for this goal in fiscal 2012 totaled \$16.7 billion, exceeding our target of \$7.3 billion by \$9.4 billion. Among these accomplishments are benefits from cancellation of the national polar-orbiting environmental satellite follow-on program, and increasing the liquidity of the Treasury Inflation Protected Securities (TIPS).

We have set our 2013 target at \$5.75 billion because we do not expect the high level of fiscal year 2012 benefits to continue. We have also left a portion of our agencywide target unallocated rather than increasing the target for each goal. Our experience leads us to believe that we can meet the target, but we are uncertain under which goals.

## Nonfinancial Benefits

Nonfinancial benefits reported for goal 3 in fiscal year 2012 totaled 652, exceeding our target by 127 benefits, or about 24 percent. The majority of goal 3's benefits were in the area of business process and improvement, including federal agency financial audits, federal information systems, business systems modernization, and human capital. We have set our 2013 target at 520 benefits. While we recognize that this target is lower than our fiscal year 2012 actual performance and 4-year average for this measure, we believe it is a realistic estimate based on our projected goal 3 work.

## Testimonies

Our witnesses testified at 41 congressional hearings related to this strategic goal in fiscal year 2012, exceeding the target of 40 by 2.5 percent. Among the goal 3 testimony topics covered were Arlington National Cemetery contract management, fraud prevention in the service-disabled veteran-owned small business program, reducing improper payments, cybersecurity vulnerabilities in the electricity grid, and effective long-term disaster recovery. (See [fig. 17](#) for selected testimony topics by goal.) For fiscal year 2013, we have set a target of testifying at 29 hearings as we do not expect goal 3 hearings to continue at the same level.

### Example of Goal 3's Financial Benefits

In our 2009 review of the Treasury's debt management challenges following the financial market crisis, we found that improving Treasury Inflation Protected Securities (TIPS) liquidity could lower the Treasury's cost of borrowing. Liquid securities can be auctioned at lower rates and cost the Treasury less money. Based on our work, the Treasury increased TIPS issuance and the frequency of TIPS auctions, issued TIPS with longer-dated maturities, and made public statements to reassure investors about its commitment to the TIPS program. These actions reduced the Treasury's cost of borrowing by about \$2.2 billion over 5 fiscal years by improving the liquidity of TIPS. ([GAO-09-932](#))

### Example of Goal 3's Nonfinancial Benefits

Based on concerns that counterfeit, military-grade electronic parts may have entered the DOD supply chain, we created a fictitious company and purchased a total of 16 military-grade electronic parts. We then contracted with a qualified, independent testing lab for full component authentication analysis, which revealed that parts had been re-marked to display manufacturer logos and numbers of authentic parts. Other part features were deficient from military standards. Finally, after submitting requests for bogus parts, we purchased 4 parts from four vendors, showing their willingness to supply parts that do not technically exist. ([GAO-12-213T](#), [GAO-12-375](#))

### Example of Goal 3's Testimonies

Fiscal year 2011 marked the eighth year of implementation of the Improper Payments Act of 2002 and agencies reported an estimated \$115.3 billion in improper payments—a decrease of \$5.3 billion from the prior year. Ten programs accounted for about \$107 billion or 93 percent of the total estimated improper payments reported. We testified on federal agencies' reported progress in estimating and reducing improper payments; challenges in meeting current requirements to estimate and evaluate improper payments; and possible strategies for moving forward in reducing improper payments. ([GAO-12-405T](#), [GAO-12-573T](#))

Table 17 provides examples of goal 3 accomplishments and contributions.

**Table 17: Goal 3 Accomplishments and Contributions**

<b>Analyze Government’s Fiscal Position</b>	
<b>Internal Revenue Service (IRS) Saves At Least \$487 Million in First-Time Homebuyer Credit Claims</b>	At a hearing in 2009, we and others discussed the need to broaden IRS’s statutory math error authority to ensure compliance with First-Time Homebuyer Credit requirements. With math error authority, IRS can automatically correct calculation errors and obvious noncompliance without costly audits. After the hearing, the Congress granted IRS the broader authority. As a result, IRS prevented at least \$487 million in fiscal years 2010 and 2011 in erroneous First-Time Homebuyer Credit claims that would not otherwise have been caught. ( <a href="#">GAO-09-1026</a> )
<b>Improving Consumer Protection Bureau’s Financial Reporting</b>	We worked collaboratively with the Bureau of Consumer Financial Protection (CFPB) to successfully audit its first set of financial statements for fiscal year 2011. Because CFPB did not officially begin operations until July 2011, it was developing its policies as we were conducting our audit. While working within the short time available, we provided suggestions which CFPB incorporated to improve its financial reporting, including more clearly delineating its employee retirement funding commitments and preparing a management discussion and analysis of CFPB’s operations for year. ( <a href="#">GAO-12-186</a> )
<b>Improving Federal Financial Reporting</b>	Our financial audit of the U.S. Government’s Consolidated Financial Statements helped promote more complete and accurate financial reporting at the governmentwide level in such key areas as social insurance and federal employee and veterans benefits. In addition, our agency-level financial audit work furthered significant financial reporting control improvements at IRS, the Federal Deposit Insurance Corporation, and the Securities and Exchange Commission. ( <a href="#">GAO-12-444T</a> )
<b>Improving the Effectiveness of Higher Education Assistance</b>	In 2012, we found that tax filers do not always optimize available higher education tax benefits. For example, about 1.5 million 2009 filers failed to claim a benefit for which they appeared to be eligible, foregoing a total of \$726 million. Accordingly, we recommended that IRS work with the Department of Education to develop a strategy to improve information provided to tax filers who appear eligible to claim a tax benefit. In August 2012, IRS stated that it is coordinating with Education to improve outreach efforts and revising Form 8863, Education Credits, to simplify the decision-making process for taxpayers. ( <a href="#">GAO-12-560</a> )
<b>Prevent Fraud, Waste, and Abuse</b>	
<b>Reducing Federal Improper Payments</b>	Since fiscal year 2000, we have issued reports and testimonies to increase attention to federal improper payments—i.e. payments that should not have been made, were made in the wrong amount, or did not have sufficient supporting documentation—and encourage corrective actions. For fiscal year 2011, 79 programs reported \$115 billion in estimated improper payments, a decrease of \$5 billion from the prior year. Thirty-five of the 79 programs reported reductions in estimated improper payments from fiscal year 2010. Our work contributed to reducing improper payments by about \$1.4 billion for 22 federal programs during fiscal year 2011. ( <a href="#">GAO-12-405T</a> , <a href="#">GAO-12-573T</a> , <a href="#">GAO-12-312</a> )

**Improving Fraud Prevention Controls in the Service-Disabled Veteran-Owned Small Business (SDVOSB) Verification Program**

In response to our ongoing work assessing fraud prevention controls within the SDVOSB verification program, the Department of Veterans Affairs' (VA) has taken several actions to reduce the program's vulnerability to fraud, waste, and abuse. These actions include verifying that firms meet program eligibility requirements and providing guidance to VA staff on identifying firms that misrepresent their status in the application process. These actions will help VA provide reasonable assurance that the contracting opportunities meant for our nation's service-disabled veteran entrepreneurs make it to the intended beneficiaries. ([GAO-12-152R](#))

**Preventing Doctor Shopping in Medicare Part D**

In September 2011, we reported on indications of doctor shopping in the Medicare Part D program for 14 categories of frequently abused prescription drugs. In response to our report, Centers for Medicare & Medicaid Services (CMS) directed Part D prescription drug plan sponsors to withhold payment on suspicious claims, such as when enrollees use doctor shopping to obtain painkillers and narcotics. This guidance will help prescription drug plan sponsors to address doctor shopping in Medicare Part D and to curb overutilization of prescription drugs funded by taxpayers. ([GAO-11-699](#))

## Major Management Challenges and Program Risks

**Leveraging Enterprise Architectures to Achieve Measurable Benefits**

In 2006, we made recommendations aimed at improving federal agencies' enterprise architecture (EA) programs and achieving related benefits. In response, EA programs at the Departments of Health and Human Services (HHS) and Agriculture have supported important agency modernizations that have begun to yield results. Specifically, HHS will achieve financial benefits of over \$150 million between fiscal year 2011 to 2015 by leveraging its EA to improve its telecommunications infrastructure. In addition, Agriculture will realize benefits of almost \$24 million over the same period by leveraging its EA to move its e-mail to the cloud. ([GAO-06-831](#), [GAO-11-318SP](#))

**Enhancing Understanding of the Department of Defense's (DOD) Financial Challenges**

We assisted the Congress in overseeing DOD's financial accountability in the context of federal budget constraints, focusing on DOD's efforts toward audit readiness of its Statement of Budgetary Resources by 2014. We identified internal control and other process deficiencies that threaten DOD's efforts to achieve this goal, including processes in a key step toward auditability that used unreliable and unsupported data and significant problems in a component's reported \$46 billion payroll. Our recommendations from these and related audits are directed at helping DOD achieve its financial management and auditability goals. ([GAO-12-134](#), [GAO-12-662R](#), [GAO-12-565R](#), [GAO-12-642T](#), [GAO-12-501T](#))

**Identifying Needed Improvements in Acquisition Planning for Iraq and Afghanistan**

The State Department (State) has relied heavily on DOD for the acquisition of critical goods and services to support the missions in Iraq and Afghanistan. In 2012, we identified planning and management weaknesses in contracts valued at almost \$1 billion that DOD awarded and managed for State. We recommended that State and DOD comprehensively review existing and proposed interagency acquisitions supporting State's missions in Iraq and Afghanistan and implement corrective measures. The departments agreed to do so, and this should improve the effectiveness and accountability of DOD acquisitions on State's behalf. ([GAO-12-750](#))

<b>Improving Contract Management at Arlington National Cemetery</b>	The Army's management of Arlington National Cemetery came under scrutiny after burial errors and serious management deficiencies were discovered. In 2011, we reported on multiple contracting issues, including a lack of complete data on contracts supporting cemetery operations, and unclear roles for organizations providing contracting support. Without this information, cemetery officials will be unable to ensure the effective oversight of contracts used to support the cemetery's need to serve the nation's veterans and their families. Our work, highlighted in multiple hearings, has aided Congressional oversight of the cemetery's management. ( <a href="#">GAO-12-99</a> , <a href="#">GAO-12-374T</a> , <a href="#">GAO-12-436T</a> )
<b>Ensuring the Soundness of the National Aeronautics and Space Administration's (NASA) Plans to Sustain the International Space Station</b>	In 2010, the Congress authorized the extension of the International Space Station program through 2020. NASA must use sophisticated analytical techniques and judgments to assess the reliability of key components, the health of systems that affect safety, and the ability to deliver spare parts. In 2011, we replicated aspects of NASA's assessments, comparing them to those used for other complex structures. We found that the process NASA used is commonly accepted within the risk assessment community and provides reasonable assurance that NASA is taking the steps necessary to ensure space station use through 2020. ( <a href="#">GAO-11-519R</a> , <a href="#">GAO-12-162</a> )
<b>Improving the Department of Housing and Urban Development's (HUD) IT Management</b>	In March and May 2012, we noted that HUD had made progress in implementing our prior recommendations on modernizing its IT environment (e.g., developing new systems, replacing paper processes) and that its plan for spending funds on modernization efforts satisfied statutory conditions. A report from a congressional committee responsible for HUD's appropriations highlighted our continual audits as having contributed to improvements in HUD's IT management. Specifically, HUD had taken steps to establish key management controls, such as enterprise architecture, investment management, and strategic planning. ( <a href="#">GAO-12-654</a> , <a href="#">GAO-12-580T</a> )
<b>Adopting a Crosscutting Approach to Improve Federal Government Performance</b>	Many federal efforts, such as ensuring food safety and providing homeland and economic security, require effective collaboration by more than one agency, level of government, or sector. Our past work has highlighted challenges agencies face when attempting to work collaboratively, and how effective implementation of the Government Performance and Results Act of 1993 could improve collaboration to achieve meaningful results. The Congress used our work in crafting the GPRA Modernization Act of 2010, which established a new crosscutting framework aimed at taking a more integrated approach to improving government performance. ( <a href="#">GAO-04-38</a> , <a href="#">GAO-05-927</a> , <a href="#">GAO-06-15</a> , <a href="#">GAO-08-1026T</a> , <a href="#">GAO-09-1011T</a> )
<b>Analyzing the Varying Results of Key Federal/Non-Federal Pay Comparisons</b>	Congressional policy has long held that pay for federal workers under the General Schedule aligns with pay for comparable nonfederal workers. Recent studies comparing compensation of federal workers to those in other sectors came to different conclusions about which group of employees is paid more, as well as the size of the disparities. We reported in 2012 that the conclusions varied because the studies used different approaches, methods, and data, so the conclusions should not be used in isolation to answer how federal pay and compensation compares with other sectors. Our work has helped inform the Congress and others interested in federal pay reform. ( <a href="#">GAO-12-564</a> )

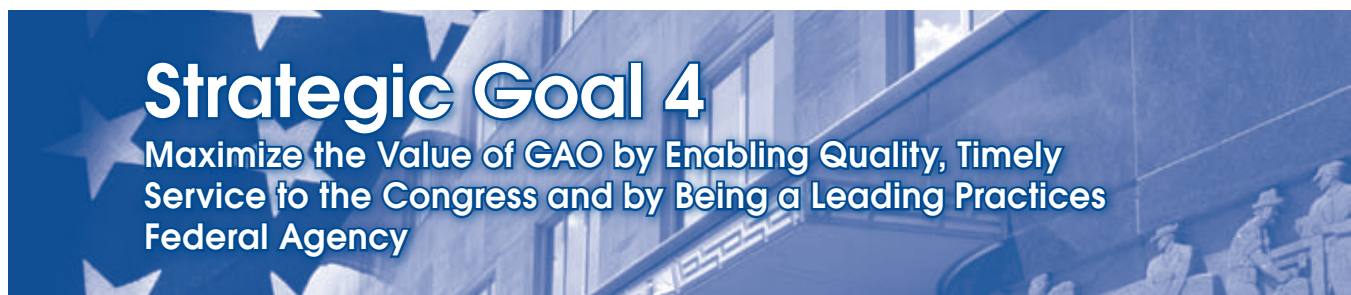
**Assessing Integrated Master Schedules**

We published an exposure draft of the Schedule Assessment Guide in 2012 to provide federal and other government program officers with a consistent methodology for developing, managing, and evaluating schedules for capital programs. A well-planned schedule is a fundamental management tool that can help government programs use public funds effectively by specifying when work will be performed in the future and measuring program performance against an approved plan. The guide presents scheduling best practices that should be able to better heighten the accountability of capital programs. ([GAO-12-120G](#))

**Designing Useful Program Evaluations**

We updated our methodology guide, “Designing Evaluations,” in 2012 to help us and other agencies’ evaluators identify and use appropriate methods to study the performance of government programs. The guide identifies different types of evaluation approaches, key steps in designing studies, and issues evaluators should consider to help ensure study quality. Our evaluators have used the guidance to assess how other agencies have evaluated their own programs’ effectiveness. Several agencies and organizations, such as the Office of Personnel Management, have cited our guide as useful advice for planning high quality program evaluations. ([GAO-12-208G](#))

Source: GAO.



Source: See Image Sources.

Our fourth strategic goal embraces the spirit of continuous and focused improvement in order to sustain high-quality, timely service to the Congress, while also implementing leading practices in our internal operations. Activities carried out under this goal also address our two internal management challenges. The multiyear (fiscal years 2010-2015) strategic objectives under this goal are to

- improve efficiency and effectiveness in performing our mission and delivering quality products and services to the Congress and the American people;
- maintain and enhance a diverse workforce and inclusive work environment through strengthened recruiting, retention, development, and reward programs;
- expand networks, collaborations, and partnerships that promote professional standards and enhance our knowledge, agility, and response time; and
- be a responsible steward of our human, information, fiscal, technological, and physical resources.

#### Examples of Work under Goal 4

We implemented cost-savings measures by reducing our physical infrastructure footprint. Specifically, we piloted expanded telework and added office sharing and hoteling in two field offices that reduced our physical footprint and furthered our efforts to provide work-life balance opportunities for employees. Our recent agreements to add two additional field offices to the pilot and schedule the additional field offices for implementation will result in significant economic benefits associated with space-related costs and improved flexibility for our staff. We also identified a new tenant and successfully negotiated a 10-year memorandum of agreement to occupy space in our headquarters building; and we moved the Personnel Appeals Board (PAB) back into our building, eliminating rent and security costs associated with the off-site location.

We developed a robust analytical business tool that links multiple datasets to one authoritative database to enable timely and accurate tracking, reporting, and projecting of staff resources and costs by coordinating information related to salary and benefits with full-time equivalents and payroll cost projections.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed under the direction of the Chief Administrative Officer through the following offices: the Controller and Financial Management and Business Operations, Human Capital, Information Systems and Technology Services, Infrastructure Operations, the Professional Development Program, and Field Operations. Assistance on specific key efforts is provided by the Applied Research and Methods team, and other offices, including Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, Public Affairs, and General Counsel. To accomplish our work under these four objectives, we performed internal studies and completed projects that further the strategic goal. As shown in [table 6](#) on [page 38](#), our internal operations for services and functions that help employees get their jobs done and improve the quality of their work life were rated by

our staff with scores of 3.98 and 3.99 respectively on a five-point scale. [Table 18](#) provides examples of goal 4 accomplishments and contributions and additional examples are included throughout this report.

**Table 18: Goal 4 Accomplishments and Contributions**

Improve Efficiency and Effectiveness	
<b>Enhancing Support for Conducting, Managing, and Reporting on Our Work</b>	<p><b>Consistent, repeatable processes.</b> To consolidate and streamline essential engagement management functions that rely on three outdated, stand-alone systems, we deployed phase 1 of a new Engagement Management System (EMS), which is expected to save staff time when locating key engagement-related information and eliminate the need to store information multiple times in other databases. Over the next year, EMS will begin to subsume the remaining two legacy systems. This transformational effort will help us establish standardization and consistency across the organization to gain significant efficiency advantages while improving our management reporting and operational execution. We also launched the Product Metadata Repository (PMR), whose capabilities include publishing to multiple output formats and enhanced searching across all product types and content, positioning us to realize efficiencies via consistent, repeatable processes for creating and formatting electronic reports and other publication formats.</p> <p><b>Workflow.</b> To reduce the administrative and environmental burden associated with paper-based reviews prior to issuance, our Office of Congressional Relations transitioned to a new electronic report review process for our unclassified products. We also consolidated information that was spread across many locations on our internal website and in our document repository into a single web page on our intranet to further facilitate analysts' ability to quickly find critical engagement-related information.</p> <p><b>Communication and outreach.</b> To continue expansion of our digital and social media presence, we released the GAO iPhone application, providing quick access to a range of our reports and legal decisions; launched streaming-video web chats with the public; posted our 100th audio podcast, cumulatively exceeding 250,000 podcast downloads in fiscal year 2012; implemented web analytics to better understand how visitors to <a href="http://GAO.gov">GAO.gov</a> use the site; and conducted web usability testing to further enhance that understanding with feedback from actual users. Our Office of Public Affairs is sharing our successful social media outreach efforts and is briefing other federal agencies on using social media to inform key audiences and the public.</p>



**Monitoring Factors Affecting the Federal Government and Demands for Our Work**

**Workload.** To address the challenge of significant resource constraints, the Comptroller General met with 42 Chairs and Ranking Members of standing committees to glean their opinion of our work, which is extremely positive across the board, and to emphasize the need to prioritize committee requests for us to respond to the highest priority needs. As a result, while we continue to be highly engaged on significant issues facing the Congress and the nation, our outreach efforts yielded a reduction in our total requests and mandates for fiscal year 2012 by more than 8 percent from fiscal year 2010 levels. In addition, the Senate recently passed a bill to revise or repeal eight GAO mandates. We are working with the House to do the same. Five other mandates were also modified in this Congress in bills that have already passed, and an additional eight revisions or repeals are in other bills that are currently under consideration.

**Internal efficiencies.** We instituted biweekly review meetings, led by our Chief Operating Officer and attended by audit team representatives and other stakeholders, to discuss a consolidated list of all potential mandates requiring congressional consultation. We created a database for our Office of Congressional Relations that allows us to track and compare information on outcomes from one Congress to the next, and to provide teams expanded information on the status of the legislation and examples where the potential mandate is repeated in other legislative vehicles.

**Enhance Recruitment, Development, Retention, and Rewards**

**Strengthening Recruiting Initiatives to Attract a Diverse Workforce**

**Recruitment.** Limited by constrained resources, we took steps to fill, as needed, critical positions. We also worked to identify highly qualified candidates to address our succession plan needs, and attracted and hired a highly diverse group of candidates. We maintained relationships within our higher-education network from which we seek assistance and advice on acquiring the best students. We established the Human Capital Strategic Leadership Board to update our process for maintaining recruiting relationships. We also implemented a formal Student Volunteer Program that encourages interest in public service careers, introduces students to GAO, and provides valuable work experiences that support students' learning goals. The program is integrated with our workforce planning process and includes consistent and transparent processes for requesting, approving, and monitoring student volunteers. Twenty-three students from 11 colleges and universities participated in the program both in headquarters and four field office locations in fiscal year 2012.

**Development and retention.** To ensure succession planning at our highest ranks and bolster our senior executive pool, we selected 12 candidates to participate in this year's Executive Candidate Assessment and Development Program. To enhance their readiness, we revised their training options and augmented their on-the-job special assignments. We recently announced the beginning of another candidate selection program to further enhance our executive corps. To retain highly qualified staff agencywide, we provided an annual promotion cycle and promoted staff at all levels.

**Improving Our Performance Management Systems**

To continue our commitment to ensuring fairness and equity in our performance management process, we developed new performance competencies, standards, and related management processes based on employee feedback, working group analyses, and survey data. These new streamlined competencies and validated standards will be the basis for our performance framework for fiscal year 2013. This multi-year effort has resulted in a system designed by our people for our people, and is expected to address many of the concerns raised about our performance appraisal system over the years.

<b>Enhancing Efforts to Develop the Workforce</b>	<p><b>Financial literacy.</b> To raise awareness, empower staff, and improve access to information on personal financial matters, we launched an agencywide financial literacy initiative that included a speakers' series featuring five experts who presented to more than 550 staff on topics such as retirement planning and saving for college; an internal website with links to information on personal finance and external education resources; and three pilot training courses with about 200 staff, which addressed federal benefits and financial planning for employees in different stages of their careers. We also have met with other federal agencies to learn about their programs and to identify best practices and opportunities for collaboration.</p> <p><b>Professional development.</b> To continue to develop and support staff outside of their primary assignments, we launched a new mentoring framework that offers 6- and 9-month options and uses a streamlined, web-based application and matching process. We completed a range of virtual-learning activities to headquarters, field offices, and telework locations in support of our mobile workforce.</p> <p><b>Work-life balance.</b> We delivered 17 seminars on topics such as stress management and parenting, and facilitated five employee support groups reaching more than 300 employees.</p>
<b>Supporting an Unbiased Environment That Values Opportunity and Inclusiveness</b>	<p><b>Governance.</b> To continue our commitment to ensuring an inclusive and inviting workplace, we created a Human Capital Governance Board responsible for establishing agencywide human capital objectives; monitoring strategies to ensure our business needs are met; and leading initiatives related to diversity and inclusion, learning, recruitment and hiring, pay, and other human capital-related endeavors.</p> <p><b>Learning.</b> We completed agencywide delivery of Part II of our diversity training, which required units to implement self-established plans for improving inclusion, communication, and collaboration, and added three new elective workshops on this topic to our curriculum. To broaden supervisors' understanding of their legal responsibilities, we offered two new courses—The Americans with Disabilities Act and The Prevention of Sexual Harassment Workshop for GAO Managers.</p> <p><b>Accessibility.</b> Under the direction of the newly appointed full-time Disability Program Manager, we improved our processing, tracking, and reporting on reasonable accommodations in support of our employees. We began issuing quarterly reports that enabled us to benchmark our progress in providing reasonable accommodations and meeting the needs of disabled employees. We responded to over 200 cases with a much improved processing time. In addition, we ensured that our intranet content meets 508 compliance standards through a formalized process for creating and posting accessible PDF files and added a dedicated web page on accessibility compliance to our website.</p>

## Expand Networks, Collaborations, and Partnerships

**Enhancing Professional Accounting and Auditing Standards**

**Training.** After we revised the Government Auditing Standards in 2011, we provided extensive training through numerous professional audit conferences to enhance understanding and implementation of the extent and nature of the revisions. We also collaborated with other standards-setting organizations (e.g., the American Institute of CPAs and the Institute of Internal Auditors) to help assure the consistent convergence of emerging standards on quality audits and audit reporting.

**Outreach.** We participated as a member of the international peer review team reviewing the performance audit function of the Supreme Audit Institution of India. We presented sessions on professional accounting and auditing standards as part of the 2012 Biennial Forum of Government Auditors meeting. The domestic public sector audit community will be able to view videos of these sessions via the Intergovernmental Audit Forum website.

**Enhancing Information Sharing and Collaboration with Others to Expand Audit Knowledge**

**Information sharing.** We organized and hosted a joint meeting of the INTOSAI Working Group on Public Debt and Global Financial Crisis Task Force that resulted in identifying areas of collaboration. We hosted major study visits for counterparts from Jordan, Russia, the United Kingdom, China, and South Africa on such topics as performance auditing and procurement reform.

**Collaboration.** Our Chief Operating Officer and the Oregon State Auditor are co-chairing the task force responsible for updating the National Intergovernmental Audit Forum’s strategic plan.

## Human, Information, Fiscal, Technological, and Physical Resources

**Proactively Protecting Physical and Information Security**

To replace an antiquated, stand-alone security system, we finalized the design for a system that will facilitate the monitoring and assessment of field office security from a centralized, headquarters-based location. At the request of the Internal Revenue Service (IRS), we established Secure Data Transfer, a capability that enables secure and reliable electronic transmission of IRS documents and data requested by our analysts.

**Leveraging Technology to Achieve Business Process Improvement and Efficiency Gains**

**Workplace tools.** We implemented HR Connect as the authoritative source of personnel records to electronically capture nearly all human capital functions and processes in the employee life cycle from hiring to separation from the agency, eliminating the manually intensive, paper-based system. We upgraded to and trained employees in new versions of word-processing and e-mail software. We provided enhanced tools such as desktop video-conferencing equipment, voice over Internet Protocol (VOIP), and a web-based work space reservation system to support employees participating in expanded telework. We replaced our outdated and costly-to-maintain mechanical mail metering systems with an online software system, reducing costs and providing real-time tracking of postage-related expenditures. We used an electronic software program in headquarters to identify vacant workspace, report headcount by team or floor, and facilitate move management, replacing a time-consuming manual process.

**Internet access.** To facilitate employees’ use of online accessibility software and to allow visitors to more readily connect to the Internet when leading meetings, we created wireless hotspots in both headquarters and field offices. To expedite employees’ ability to perform full-text searches of our products, we added this capability to our intranet’s search engine, allowing one-stop searching for all publicly available reports, legal decisions, testimonies, and special publications.

**Improving Management of Key Administrative Processes**

**Time-work reporting.** To optimize resource management and better enhance the linkage between the cost of our work and employees' reporting of time, we streamlined our job code structure and supporting electronic systems, and published revised agencywide job code guidance.

**Automated efficiencies.** To reduce the human capital burden associated with several manual processes, we instituted automated systems to purge electronic records according to our records management retention schedule and improved the use of our automated hiring solutions system to eliminate redundant data entry, increase data accuracy, and streamline workflow processes. We upgraded our budget tracking software to provide greater reporting capabilities, enhanced site administrator security privileges, and completed integration with the Federal Procurement Registration System to report all awards over \$3,000.

**Training.** To enhance our contracting program and ensure consistent and accurate contract oversight agencywide, we established a three-tier certification program that better reflects the important role of the Contracting Officer Representative (COR) and recognizes that CORs manage contracts that involve varying degrees of risk. The requirements include competency-based core training and assignment-specific training to achieve Level I certification, and additional training and experience requirements for Level II and III certification. To date, we have certified a total of 73 staff as COR-eligible and ensured that all active contracts are managed by a certified COR.

**Enhancing Information-sharing and Collaboration with Internal Employee Organizations**

We successfully reached agreement with IFPTE, Local 1921, on many important initiatives. We reached agreement on an enhanced telework policy in conjunction with a work space sharing initiative in two field offices to decrease infrastructure costs and enhance flexibility for employees. As a result, office space in both locations has officially been turned back to the General Services Administration (GSA), decreasing our lease costs. We successfully negotiated the next two field office pilots and the schedule and plan for rolling out the pilot throughout our field offices. We collaborated with both IFPTE and the Employee Advisory and Diversity Advisory Committees to create a new internal website, accessible to all employees, dedicated to further promoting diversity and inclusion. Further, we reached a successful agreement to proceed with our newly designed performance appraisal system. We also welcomed the establishment of a new bargaining unit with the GAO Employee's Organization, IFPTE, Local 1921, for our administrative professional and support staff.

Source: GAO.

## Data Quality

### Verifying and Validating Performance Data

Each year, we measure our performance with indicators of the results of our work, client service, people management, and internal operations. To assess our performance, we use actual, rather than projected, data for almost all of our performance measures. We believe the data are complete and reliable based on our verification and validation procedures to ensure quality. The specific sources of the data for our annual performance measures, procedures for independently verifying and validating these data, and the limitations of these data are described in [table 19](#) of the [Appendix on Data Quality](#).

*Serving the Congress and the Nation*



**Part III**  
*Financial  
Information*





Source: GAO.

November 15, 2012

The Performance and Accountability Report (PAR) is the main mechanism for us to report on our financial operations and provide transparency and accountability to the American people. The financial statements included in the PAR demonstrate our sound stewardship for the taxpayers' dollars entrusted to us.

I am pleased to report that we received an unqualified "clean" opinion on our fiscal year 2012 consolidated financial statements for the 26th consecutive year. More importantly, our independent auditors noted no significant deficiencies in internal control and no compliance issues. The financial statements that follow were prepared, audited, and made publicly available as an integral part of this PAR 45 days after the end of the fiscal year. Our fiscal year 2011 PAR received a certificate of excellence in accountability reporting from the Association of Government Accountants, an honor we have received each year since we first applied in fiscal year 2001, and a Best in Class Award for providing the "Most Comprehensive and Candid Presentation of Forward Looking Information" in our PAR.

Like most federal agencies, our operations were strained by the fiscal challenges facing the nation, with significant reductions enacted in our funding levels during fiscal years 2010 and 2011. Operating within these challenges we continued actions to reduce administrative expenses, streamline our operations, and leverage technology to improve the efficiency and effectiveness of our operations. For example, during fiscal year 2012 we began optimizing our physical footprint, both in headquarters and the field. In the field we implemented an extended telework pilot and began using hoteling arrangements similar to the private sector. In headquarters, we strategically optimized office space that enabled us to attract a new tenant and that will begin to generate revenue to help offset our costs in fiscal year 2013. In addition, we began expanding the use of technology, such as desktop videoconferencing, to help reduce travel costs and enhance communication across distances, both internally and with other agencies. These initiatives are expected to generate significant long-term financial benefits for us.

To improve the efficiency of our mission work, we took several significant steps to more effectively use staff time and leverage technology. For example, we established Secure Data Transfer, an IRS-requested capability that enables secure and reliable electronic transmission of IRS documents and data requested by our analysts. We eliminated unnecessary system constraints in a key management system by launching a new Engagement Management System (EMS) that provides all staff access to key engagement-related information such as scanned copies of request and acceptance letters used to develop the agendas for our meetings

where we review and accept incoming engagement requests and mandates. Open access to this information is expected to save staff time when locating key information at the start of an engagement, and eliminate the need to store these documents multiple times in other databases. Over the next 12 months, EMS will begin to subsume the functions currently performed by two other legacy systems and will result in substantial time-saving benefits to analysts and managers.

Our financial management system continues to be centered on Oracle Federal Financials, hosted and supported by the Enterprise Services Center (ESC) at the Department of Transportation. ESC maintains the accounting system and performs the bulk of our daily transaction processing. Our Financial Management Office will begin working with ESC in fiscal year 2013 to upgrade Oracle Federal Financials to the version 12 platform. During fiscal year 2013 in collaboration with ESC, we will begin to implement the latest eGov Travel System recently awarded by the General Services Administration. These upgrades are expected to provide us with improved reporting capabilities and tracking of travel expenditures.

In the area of internal controls, although not required by law to do so, we continue to perform testing consistent with the Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*. This year we tested all key business cycles such as financial reporting and payroll. To ensure the integrity of financial transactions data and that appropriate levels of authorizations occurred, we tested the life-cycle of transactions from initial request and procurement, through receipt of the goods and services to payment. We also reviewed the independent auditors' reports of the "Design and Operating Effectiveness of Controls" for our service providers to ensure that we were able to proactively address any issues with appropriate compensating controls.

In addition, we revamped our Contracting Officer's Representative (COR) program, establishing a risk-based certification program consistent with Office of Federal Procurement Policy guidance. The program better reflects the important role of the COR in the procurement process and recognizes that CORs manage contracts that involve varying degrees of risk. The certification program is designed to promote continued development of essential business and technical competencies for CORs. The requirements include competency-based core training and assignment-specific training to achieve Level I certification, and additional training and experience requirements for Level II and III certifications. As of September 30, 2012, all of our active contracts had a certified COR assigned to manage the contract.

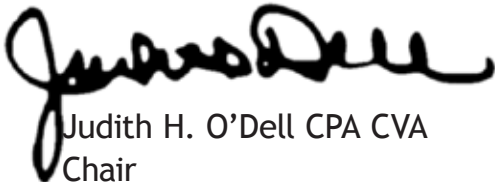
All of these efforts contributed to our independent auditors providing a favorable opinion on the effectiveness of our internal controls again this year. Going forward, we will continue to implement important initiatives throughout the agency to improve the performance of our operations and the accountability of our employees. By focusing on measured results we can further our ability to meet the highest priority needs of the Congress and maintain the quality, timeliness and usefulness of our reports, testimonies, briefings and other products and services.



David M. Fisher  
Chief Financial Officer

# Audit Advisory Committee's Report

The Audit Advisory Committee (the Committee) assists the Comptroller General in overseeing the U.S. Government Accountability Office's (GAO) financial operations. As part of that responsibility, the Committee meets with agency management, its Inspector General, and its external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. GAO's external auditors are responsible for expressing an opinion on the conformity of GAO's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the Inspector General and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft Performance and Accountability Report, including its financial statements, and provides comments to management who have primary responsibility for the Performance and Accountability Report. The Committee met twice with respect to its responsibilities as described above. During these sessions, the Committee met with the Inspector General and external auditors without GAO management being present and discussed with the external auditors the matters that are required to be discussed by generally accepted auditing standards. Based on procedures performed as outlined above, we recommend that GAO's audited statements and footnotes be included in the 2012 Performance and Accountability Report.



Judith H. O'Dell CPA CVA  
Chair

Audit Advisory Committee



# Independent Auditor's Report



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## Independent Auditor's Report

Comptroller General of the United States

We have audited the accompanying balance sheets of the Government Accountability Office (GAO) as of September 30, 2012 and 2011, and the related statements of net cost and changes in net position, and the statements of budgetary resources ("financial statements") for the years then ended. The objective of our audit was to express an opinion on the fairness of these financial statements. We have also examined GAO's internal control over financial reporting, and GAO's compliance with applicable requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). In connection with our audit, we also considered GAO's compliance with selected provisions of laws and regulations. In our audit, we found:

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

The following sections discuss in more detail (1) these conclusions, (2) Management's Discussion and Analysis (MD&A) and other accompanying information, (3) management's responsibility for the financial statements, and (4) our responsibility for the audit.

### Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GAO as of September 30, 2012 and 2011, and its net costs; changes in net position; and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the U.S.

### Opinion on Internal Control

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected and corrected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d), the Federal Managers' Financial Integrity Act (FMFIA).

We noted certain nonreportable matters that we communicated to GAO management in a separate letter dated November 9, 2012.

### **Opinion on FFMA Compliance**

In our opinion, GAO's financial management systems, as of September 30, 2012, substantially complied with the following requirements of FFMA: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the *United States Government Standard General Ledger* (SGL) at the transaction level. Our opinion is based on criteria established under FFMA for federal financial management systems, accounting principles generally accepted in the U.S., and the SGL.

### **Compliance with Laws and Regulations**

In connection with our audit, we performed tests of GAO's compliance with selected provisions of laws and regulations. The results of our tests for fiscal year 2012 disclosed no instances of noncompliance that are required to be reported in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. However, the objective of our audit was not to provide an opinion on compliance with laws and regulations except for FFMA referred to above. Accordingly, we do not express such an opinion.

This conclusion on laws and regulations is intended solely for the information and use of GAO's management, Audit Advisory Committee and Office of Inspector General, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

### **Other Information**

Accounting principles generally accepted in the U.S. require that GAO's MD&A included as Part I of the Performance and Accountability Report (PAR) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information included in the PAR, other than the basic financial statements, MD&A, and the auditor's report, is presented for additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Management's Responsibility for the Financial Statements**

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the U.S., (2) assets are safeguarded against loss from unauthorized

acquisition, use, or disposition, and (3) transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

Management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the U.S., (2) preparing and presenting other information in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements, (3) designing, implementing, and maintaining effective internal control over financial reporting, and evaluating its effectiveness, (4) ensuring that GAO's financial management systems substantially comply with FFMIA requirements, and (5) complying with applicable laws and regulations. GAO management evaluated the effectiveness of GAO's internal control over financial reporting as of September 30, 2012, based on criteria established under FMFIA. GAO management's assertion is included in the Introduction section of the PAR.

#### **Auditor's Responsibility**

We are responsible for conducting our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We are responsible for planning and performing the audit to obtain reasonable assurance and provide our opinion about whether (1) the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S., (2) GAO management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, and (3) GAO's financial management systems substantially comply with the three FFMIA requirements. We are also responsible for (1) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, as amended (OMB Bulletin 07-04), requires testing, and (2) performing limited procedures with respect to other information appearing in the published PAR.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of GAO and its operations, including its internal control over financial reporting; (5) assessed the risk that a material misstatement exists in the financial statements and that a material weakness exists in internal control over financial reporting; (6) evaluated the design and operating effectiveness of internal control over financial reporting based on the assessed risk; (7) tested the operating effectiveness of relevant internal control over financial reporting; (8) considered GAO's process for evaluating and reporting on internal control over financial reporting under FMFIA and financial management systems under FFMIA; (9) tested whether GAO's financial management systems substantially complied with the three FFMIA requirements referred to above; (10) tested compliance with selected provisions of the laws and regulations; (11) read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements; and (12) performed such other procedures as we considered necessary in the circumstances. The procedures selected depend on the auditors' judgment, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient

operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to GAO. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 07-04 that we deemed applicable to GAO's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes. Also, our work on FFMA would not necessarily disclose all instances of noncompliance with FFMA requirements.

We performed our audit in accordance with government auditing standards generally accepted in the U.S. We believe that our audit provides a reasonable basis for our opinions and conclusions.

*CliftonLarsonAllen LLP*

Calverton, Maryland  
November 9, 2012

## Purpose of Each Financial Statement

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

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

**Financial Statements**  
**U.S. Government Accountability Office**  
**Balance Sheets**

As of September 30, 2012 and 2011

(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Intragovernmental		
Funds with the U.S. Treasury (Note 3)	\$85,341	\$84,253
Accounts receivable	5,138	3,820
<b>Total Intragovernmental</b>	<u>90,479</u>	<u>\$88,073</u>
Property and equipment, net (Note 4)	31,388	36,745
Other	578	504
<b>Total Assets</b>	<u>\$122,445</u>	<u>\$125,322</u>
<b>Liabilities</b>		
Intragovernmental		
Accounts payable and other	\$5,619	\$7,700
Advances from others (Note 8)	2,233	588
Employee benefits (Note 6)	4,380	4,632
Workers' compensation (Note 7)	2,637	2,554
<b>Total Intragovernmental</b>	14,869	15,474
Accounts payable and other	10,834	17,249
Salaries and benefits (Note 6)	22,288	24,375
Accrued annual leave (Note 5)	31,067	32,241
Workers' compensation (Note 7)	15,959	16,181
Capital leases (Note 9)	2	23
Note payable (Note 5)	2,198	2,931
<b>Total Liabilities</b>	<u>97,217</u>	<u>108,474</u>
<b>Net Position</b>		
Unexpended appropriations	31,496	29,701
Cumulative results of operations	<u>(6,268)</u>	<u>(12,853)</u>
<b>Total Net Position (Note 13)</b>	<u>25,228</u>	<u>16,848</u>
<b>Total Liabilities and Net Position</b>	<u>\$122,445</u>	<u>\$125,322</u>

The accompanying notes are an integral part of these statements.

**Financial Statements**  
**U.S. Government Accountability Office**  
**Statements of Net Cost**  
**For Fiscal Years Ended September 30, 2012 and 2011**  
(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
<b>Net Costs by Goal (Note 2)</b>		
<b>Goal 1: Well-being/Financial Security of American People</b>	\$216,771	\$239,330
Less: reimbursable services	<u>(1,169)</u>	<u>(2,089)</u>
<b>Net goal costs</b>	215,602	237,241
<b>Goal 2: Changing Security Threats/Challenges of Global Interdependence</b>	132,581	141,270
Less: reimbursable services	<u>-</u>	<u>-</u>
<b>Net goal costs</b>	132,581	141,270
<b>Goal 3: Transforming the Federal Government's Role</b>	161,839	168,884
Less: reimbursable services	<u>(21,659)</u>	<u>(12,006)</u>
<b>Net goal costs</b>	140,180	156,878
<b>Goal 4: Maximize the Value of GAO</b>	18,555	19,865
Less: reimbursable services	<u>-</u>	<u>-</u>
<b>Net goal costs</b>	18,555	19,865
<b>Other Costs in Support of the Congress</b>	25,672	22,600
Less: reimbursable services	<u>(1,205)</u>	<u>(1,205)</u>
<b>Net goal costs</b>	24,467	21,395
<b>Less: reimbursable services not attributable to above cost categories</b>	<u>(7,253)</u>	<u>(7,152)</u>
<b>Net Cost of Operations (Note 10)</b>	<u>\$524,132</u>	<u>\$569,497</u>

The accompanying notes are an integral part of these statements.

**Financial Statements**  
**U.S. Government Accountability Office**  
**Statements of Changes in Net Position**  
**For Fiscal Years Ended September 30, 2012 and 2011**  
(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
<b>Cumulative Results of Operations, Beginning of fiscal year</b>	(\$12,853)	(\$17,544)
<b>Budgetary Financing Sources - Appropriations used</b>	505,633	543,327
<b>Other Financing Sources</b>		
Federal employee retirement benefit costs paid by OPM and imputed to GAO ( <a href="#">Note 6</a> )	<u>25,084</u>	<u>30,861</u>
<b>Total Financing Sources</b>	530,717	574,188
<b>Net Cost of Operations</b>	<u>(524,132)</u>	<u>(569,497)</u>
<b>Net Change</b>	6,585	4,691
<b>Cumulative Results of Operations, End of fiscal year</b>	<u>(6,268)</u>	<u>(12,853)</u>
<b>Unexpended Appropriations, Beginning of fiscal year</b>	29,701	28,531
<b>Budgetary Financing Sources and Uses</b>		
Current year appropriations received	511,296	547,349
Appropriations transferred in ( <a href="#">Note 11</a> )	250	-
Appropriations permanently not available	(4,118)	(2,852)
Appropriations used	<u>(505,633)</u>	<u>(543,327)</u>
<b>Total Unexpended Appropriations, End of fiscal year</b>	<u>31,496</u>	<u>29,701</u>
<b>Net Position</b>	<u>\$25,228</u>	<u>\$16,848</u>

The accompanying notes are an integral part of these statements.



**Financial Statements**  
**U.S. Government Accountability Office**  
**Statements of Budgetary Resources**  
**For Fiscal Years Ended September 30, 2012 and 2011**  
(Dollars in thousands)

	<u>2012</u>	<u>2011</u>
<b>Budgetary Resources (Note 11)</b>		
Unobligated balance, brought forward October 1	\$18,894	\$10,838
Recoveries of prior year unpaid obligations	10,509	7,361
Other changes in unobligated balance	<u>(4,118)</u>	<u>(1,757)</u>
Unobligated balance from prior year budget authority, net	25,285	16,442
Appropriations	511,296	546,254
Transfers in	250	-
Spending authority from offsetting collections	<u>37,967</u>	<u>28,821</u>
<b>Total Budgetary Resources</b>	<u>\$574,798</u>	<u>\$591,517</u>
 <b>Status of Budgetary Resources</b>		
Obligations incurred	\$542,804	\$572,623
Unobligated balance, end of year:		
Apportioned	9,737	8,479
Unapportioned	<u>22,257</u>	<u>10,415</u>
Unobligated balance, end of year	<u>31,994</u>	<u>18,894</u>
<b>Total Status of Budgetary Resources</b>	<u>\$574,798</u>	<u>\$591,517</u>
 <b>Change in Obligated Balances</b>		
Obligated balance, net:		
Unpaid obligated balance, brought forward October 1	\$73,783	\$78,264
Uncollected customer payments from federal sources, brought forward October 1	<u>(8,413)</u>	<u>(846)</u>
Total, unpaid obligation, net, brought forward October 1	65,370	77,418
Obligations incurred	542,804	572,623
Gross outlays	(538,665)	(569,743)
Change in uncollected customer payments from federal sources	(5,650)	(7,567)
Recoveries of prior-year unpaid obligations, actual	<u>(10,509)</u>	<u>(7,361)</u>
Obligated balance, net, end of year		
Unpaid obligations, end of year	67,413	73,783
Uncollected customer payments from federal sources	<u>(14,063)</u>	<u>(8,413)</u>
Obligated balance, net, end of year	<u>\$53,350</u>	<u>\$65,370</u>
<b>Budget Authority and Outlays, Net</b>		
Budget authority, gross	\$549,513	\$576,170
Actual offsetting collections	(32,317)	(21,254)
Change in uncollected customer payments from federal sources	<u>(5,650)</u>	<u>(7,567)</u>
Budget authority, net	<u>\$511,546</u>	<u>\$547,349</u>
Outlays, gross	\$538,665	\$569,743
Actual offsetting collections	<u>(32,317)</u>	<u>(21,254)</u>
Outlays, net	<u>\$506,348</u>	<u>\$548,489</u>

The accompanying notes are an integral part of these statements.

# Notes to Financial Statements

## Note 1. Summary of Significant Accounting Policies

### *Reporting Entity*

The accompanying financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of the United States Government Accountability Office (GAO). GAO, an agency in the legislative branch of the federal government, supports the Congress in carrying out its constitutional responsibilities. GAO carries out its mission primarily by conducting audits, evaluations, analyses, research, and investigations and providing the information from that work to the Congress and the public in a variety of forms. The financial activity presented relates primarily to the execution of GAO's congressionally approved budget. GAO's budget consists of an annual appropriation covering salaries and expenses as well as revenue from reimbursable audit services and rental income. The revenue from audit services and rental income is presented on the statements of net cost as "reimbursable services" and included as part of "spending authority from offsetting collections earned and collected" on the statements of budgetary resources. The financial statements, except for federal employee benefit costs paid by the Office of Personnel Management (OPM) and imputed to GAO, do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as interest on the federal debt, which may in part be attributable to GAO. The Davis-Bacon Act trust's assets, related liabilities, revenues, and costs related to beneficiary payments are not those of GAO and therefore are not included in the accompanying financial statements. See [Note 14](#), Davis-Bacon Act Trust Function.

### *Basis of Accounting*

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

### *Assets*

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

### *Funds with the U.S. Treasury*

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

### **Accounts Receivable**

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

### **Property and Equipment**

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

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

### **Liabilities**

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

### **Accounts Payable**

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

### **Federal Employee Benefits**

GAO recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render services to GAO. The pension expense recognized in the financial statements equals the current service cost for GAO's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of the plan, supplies GAO with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by GAO and employees represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This amount is considered imputed financing to GAO (see [Note 6](#)).

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths

are attributable to job-related injury or occupational disease. Claims incurred for benefits for GAO employees under FECA are administered by the Department of Labor (DOL) and are paid, ultimately, by GAO (see [Note 7](#)).

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

Federal employee benefit costs paid by OPM and imputed to GAO are reported as a financing source on the statements of changes in net position and are also included as a component of net cost by goal on the statements of net cost.

### ***Annual, Sick, and Other Leave***

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

### ***Contingencies***

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

### ***Estimates***

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

### ***Reclassifications***

Certain prior year amounts in the Statements of Net Cost have been reclassified to conform to the current year presentation. See [Note 10](#) for further discussion.

## Note 2. Intragovernmental and Public Costs and Exchange Revenue

Intragovernmental costs arise from exchange transactions made between two reporting entities within the federal government in contrast with public costs, which arise from exchange transactions made with a nonfederal entity. Intragovernmental and public costs and exchange revenue for the periods ended September 30, 2012, and September 30, 2011, are as follows:

Dollars in thousands

	2012	2011
<b>Goal 1: Well-being/Financial Security of American People</b>		
Intragovernmental costs	\$52,140	\$56,252
Public costs	<u>164,631</u>	<u>183,078</u>
Total goal 1 costs	<u>216,771</u>	<u>239,330</u>
Goal 1 intragovernmental earned revenue	<u>(1,169)</u>	<u>(2,089)</u>
Net goal 1 costs	<u>215,602</u>	<u>237,241</u>
<b>Goal 2: Changing Security Threats/Challenges of Global Interdependence</b>		
Intragovernmental costs	31,896	33,733
Public costs	<u>100,685</u>	<u>107,537</u>
Total goal 2 costs	<u>132,581</u>	<u>141,270</u>
<b>Goal 3: Transform the Federal Government to Address National Challenges</b>		
Intragovernmental costs	43,266	36,100
Public costs	<u>118,573</u>	<u>132,784</u>
Total goal 3 costs	<u>161,839</u>	<u>168,884</u>
Goal 3 intragovernmental earned revenue	<u>(21,659)</u>	<u>(12,006)</u>
Net goal 3 costs	<u>140,180</u>	<u>156,878</u>
<b>Goal 4: Maximize the Value of GAO</b>		
Intragovernmental costs	3,516	5,368
Public costs	<u>15,039</u>	<u>14,497</u>
Total goal 4 costs	<u>18,555</u>	<u>19,865</u>
<b>Other costs in support of the Congress</b>		
Intragovernmental costs	24,779	22,402
Public costs	<u>893</u>	<u>198</u>
Total other costs	<u>25,672</u>	<u>22,600</u>
Related intragovernmental earned revenue	<u>(1,205)</u>	<u>(1,205)</u>
Net other costs	<u>24,467</u>	<u>21,395</u>
<b>Earned revenue not attributable to above cost categories</b>		
Intragovernmental	(7,023)	(6,983)
Public	<u>(230)</u>	<u>(169)</u>
Total earned revenue not attributable to above cost categories	<u>\$(7,253)</u>	<u>\$(7,152)</u>

Goals 2 and 4 have no associated intragovernmental revenues and all public earned revenue collected is not attributable to goals or other costs.

### Note 3. Funds with the U.S. Treasury

GAO's funds with the U.S. Treasury consist of only appropriated funds. The status of these funds as of September 30, 2012, and September 30, 2011, is as follows:

#### Dollars in thousands

	2012	2011
Unobligated balance		
Available	\$9,737	\$8,479
Unavailable	22,254	10,404
Obligated balances not yet disbursed	53,350	65,370
Total funds with U.S. Treasury	<u>\$85,341</u>	<u>\$84,253</u>

### Note 4. Property and Equipment, Net

The composition of property and equipment as of September 30, 2012, is as follows:

#### Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$15,038	\$626
Land	1,191	–	1,191
Building improvements	125,336	104,716	20,620
Computer and other equipment and software	62,686	53,799	8,887
Leasehold improvements	<u>4,345</u>	<u>4,281</u>	<u>64</u>
Total property and equipment	<u>\$209,222</u>	<u>\$177,834</u>	<u>\$31,388</u>

Depreciation expense for property and equipment for fiscal year 2012 amounted to \$8,419,000.

The composition of property and equipment as of September 30, 2011, is as follows:

#### Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$14,411	\$1,253
Land	1,191	–	1,191
Building improvements	122,900	100,825	22,075
Computer and other equipment and software	62,922	50,814	12,108
Leasehold improvements	<u>4,340</u>	<u>4,222</u>	<u>118</u>
Total property and equipment	<u>\$207,017</u>	<u>\$170,272</u>	<u>\$36,745</u>

Depreciation expense for property and equipment for fiscal year 2011 amounted to \$10,125,000.

## Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's balance sheets as of September 30, 2012, and September 30, 2011, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2012, and September 30, 2011, is as follows:

### Dollars in thousands

	2012	2011
Intragovernmental liabilities—Workers' compensation	\$2,637	\$2,554
Salaries and benefits—Comptrollers' General retirement plan*	1,386	1,431
Accrued annual leave	31,067	32,241
Workers' compensation**	15,959	16,181
Note payable	<u>2,198</u>	<u>2,931</u>
Total liabilities not covered by budgetary resources	<u>\$53,247</u>	<u>\$55,338</u>

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

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

In fiscal year 2011 GAO entered into an agreement to finance the replacement of the building's hot water boilers under the Federal Energy Management Program following Section 201(a)(3) of the Federal Property Act. Financing guidance under this program allows participating agencies to obligate only the annual payments. The balance of the note payable is scheduled to be paid in fiscal years 2013 through 2015 with annual payments, including interest, of approximately \$733,000.

## Note 6. Federal Employee Benefits

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

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

Amounts owed to OPM and Treasury as of September 30, 2012, and September 30, 2011, are \$4,380,000 and \$4,632,000, respectively, for FEHBP, FEGLI, FICA, FERS, and CSRS contributions and are shown on the balance sheets as an employee benefits liability.

Details of the major components of GAO's federal employee benefit costs for the periods ended September 30, 2012, and September 30, 2011, are as follows:

**Dollars in thousands**

<b>Federal employee benefits costs</b>	<b>2012</b>	<b>2011</b>
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$9,519	\$13,444
Estimated future postretirement health and life insurance (FEHBP/FEGLI)	15,565	17,417
Total	<u>\$25,084</u>	<u>\$30,861</u>
Pension expenses (CSRS/FERS)	\$36,538	\$37,971
Health and life insurance expenses (FEHBP/FEGLI)	\$20,434	\$20,640
FICA and Medicare payments made by GAO	\$19,788	\$20,762
Thrift Savings Plan – matching contribution by GAO	\$12,937	\$13,188

Comptrollers general and their surviving beneficiaries who qualify and so elect to participate are paid retirement benefits by GAO under a separate retirement plan. These benefits are paid from current year appropriations. Because GAO is responsible for future payments under this plan, the estimated present value of accumulated plan benefits of \$1,386,000 as of September 30, 2012, and \$1,431,000 as of September 30, 2011, is included as a component of salary and benefit liabilities on GAO's balance sheets. The following summarizes the changes in the actuarial liability for current plan year:

**Dollars in thousands**

Actuarial liability as of September 30, 2011	\$1,431
Expense:	
Interest on the liability balance	57
Actuarial loss:	
From experience	34
From assumption changes	34
Total gain	125
Less benefits paid	(170)
Actuarial liability as of September 30, 2012	<u>\$1,386</u>



## Note 7. Workers' Compensation

GAO utilizes the services of an independent actuarial firm to calculate its FECA liability. GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2012, and September 30, 2011, which is expected to be paid in future periods. This estimated liability of \$15,959,000 and \$16,181,000 as of September 30, 2012, and September 30, 2011, respectively, is reported on GAO's balance sheets. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2012, and September 30, 2011, of \$2,637,000 and \$2,554,000, respectively, but not yet reimbursed to DOL by GAO. The amount owed to DOL is reported on GAO's balance sheets as an intragovernmental liability.

## Note 8. Building Lease Revenue

In fiscal year 2011 GAO entered into a 10-year lease agreement with U.S. Army Corps of Engineers (USACE) to continue to lease the entire third floor, and part of the sixth floor, of the GAO building. The period of this new agreement began with fiscal year 2011 with an option to renew each year through fiscal year 2020. Total rental revenue to GAO includes a fixed base rent plus operating expense reimbursements, with escalation clauses each year, if the option years are exercised.

In fiscal year 2012 GAO entered into a new 10-year lease with the Department of Justice (DOJ) to lease part of the first and sixth floors of the GAO headquarters building. The period of this new lease begins in fiscal year 2012 with an option to renew each year through fiscal 2022. The space will be ready for occupancy in fiscal year 2013. In fiscal year 2012, GAO received \$2,175,000 from DOJ as advance payment for construction which as of September 30, 2012, had not been completed. The balance sheet reflects this payment as the majority of the intragovernmental liability line "Advances from others" in fiscal year 2012.

Rent received from USACE by GAO for fiscal years 2012 and 2011 was \$6,852,000 and \$6,845,000, respectively. These amounts are included in reimbursable services shown on the statements of net cost as "reimbursable services not attributable to above cost categories." Total rental revenue for the future periods from both USACE and DOJ is as follows:

**Dollars in thousands**

Fiscal year ending September 30	Total projected receipts*
2013	\$8,559
2014	9,178
2015	9,283
2016	9,395
2017	9,507
2018 - 2022	<u>33,644</u>
Total	<u><u>\$79,566</u></u>

\*If option years are exercised.

## Note 9. Leases

### Capital Leases

GAO has entered into capital leases for office equipment and computer equipment under which the ownership of the equipment covered under the leases transfers to GAO when the leases expire. When GAO enters into these leases, the present value of the future lease payments is capitalized, net of imputed interest, and recorded as a liability. The acquisition value and accumulated depreciation of GAO's capital leases are shown in [Note 4](#), Property and Equipment, Net. As of September 30, 2012, and September 30, 2011, the capital lease liability was \$2,000 and \$23,000, respectively. In fiscal year 2012, GAO paid off balances of the majority of these capital leases.

These lease agreements are written as contracts with a base year and option years. The option years are subject to the availability of funds. Early termination of the leases for reasons other than default is subject to negotiation between the parties. These leases are lease-to-ownership agreements. GAO's leases are short term in nature and no liability exists beyond fiscal year 2013. GAO has estimated future minimum lease payments under the terms of the leases in fiscal year 2013 of \$2,000.

### Operating Leases

GAO leases office space, predominately for field offices, from the General Services Administration and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal year 2012 and fiscal year 2011 amounted to approximately \$12,670,000 and \$12,619,000, respectively. Leases for equipment under operating leases are generally for less than 1 year; therefore there are no associated future minimum lease payments. Estimated future minimum lease payments for field office space under the current terms of the leases are presented in the table below. We anticipate that renegotiations underway will result in reductions of future lease payments.

#### Dollars in thousands

Fiscal year ending September 30	Total
2013	\$8,081
2014	6,059
2015	4,419
2016	2,936
2017	2,982
2018 and thereafter	2,565
Total estimated future lease payments	\$27,042

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

## Note 10. Net Cost of Operations

Expenses for salaries and related benefits for fiscal year 2012 and fiscal year 2011 amounted to \$426,429,000 and \$467,064,000, respectively, about 81 and 82 percent of GAO's net cost of operations for fiscal years 2012 and 2011, respectively. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$25,084,000 in fiscal year 2012 and \$30,861,000 in fiscal year 2011.

Revenues from reimbursable services are shown as an offset against the full cost to arrive at net cost. Earned revenues that are insignificant or cannot be associated with a major goal or other cost category are shown in total, the largest component of which is rental revenue from the lease of space in the GAO building. Revenues from reimbursable services for fiscal year 2012 and fiscal year 2011 amounted to \$31,286,000 and \$22,452,000, respectively. Further details of the intragovernmental components are provided in [Note 2](#).

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

In fiscal year 2012, "Other costs in support of the Congress" were separately disclosed on the Statement of Net Costs. This new cost category presentation represents costs of work which directly supports Congress and which represents GAO's fulfillment of its statutory responsibilities but which is not engagement specific. Examples of this work include support of the Federal Accounting Standards Advisory Board, General Counsel statutory procurement activities, recommendation follow up work and other direct support to Congress. Prior year amounts were reclassified to conform to the current year presentation. Previously, this work was not separately disclosed but rather was allocated to the other cost categories.

## Note 11. Budgetary Resources

Budgetary resources available to GAO during fiscal year 2012 include current year appropriations, prior years' unobligated balances, reimbursements earned by GAO from providing goods and services to other federal entities for a price (reimbursable services), and cost-sharing arrangements with other federal entities.

Earned reimbursements consist primarily of rent collected from USACE for lease of space and related services in the GAO headquarters building and program and financial audits of federal entities, including components of the Department of the Treasury, Securities and Exchange Commission, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, and Federal Housing Finance Agency. Earned revenue from rent is available indefinitely, subject to annual obligation ceilings, and must be used to offset the cost of operating and maintaining the GAO headquarters building. Reimbursements from program and financial audits are available without limitations on their use and may be subject to annual obligation ceilings. GAO's pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law.

Fiscal years 2012 budgetary resources include \$250,000 of budget authority transfer to GAO's Inspector General Office to carry out the duties of the Inspector General of the Commission on Civil Rights. During fiscal year 2011 there were no transfers of budget authority.

Comparison of GAO's fiscal year 2011 statement of budgetary resources with the corresponding information presented in the 2013 President's Budget is as follows:

**Dollars in thousands**

	Budgetary resources	Obligations incurred
Fiscal year 2011 statement of budgetary resources	\$591,517	\$572,623
Unobligated balances, beginning of year – (funds activity, expired accounts)	(4,037)	-
Recovery of prior year unpaid obligations	(7,361)	-
Obligations incurred – expired years	-	(4,819)
Permanently not available –(funds activity, expired accounts)	1,757	-
Spending authority from offsetting collections (funds activity, expired accounts)	(2,154)	-
Other – rounding in President's Budget	<u>278</u>	<u>196</u>
2013 President's Budget – fiscal year 2011, actual	<u>\$580,000</u>	<u>\$568,000</u>

As the fiscal year 2014 President's Budget will not be published until February 2013, a comparison between the fiscal year 2012 data reflected on the statement of budgetary resources and fiscal year 2012 data in the President's Budget cannot be performed, though we expect similar differences will exist. The fiscal year 2014 President's Budget will be available on the OMB's website and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2012 and the end of fiscal year 2011 totaled \$25,682,000 and \$21,269,000, respectively. GAO's apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2012 and 2011 are as follows:

**Dollars in thousands**

Fiscal year ending September 30	2012	2011
Direct – Category A	\$521,026	\$550,308
Reimbursable – Category A	<u>21,778</u>	<u>22,315</u>
Total obligations incurred	<u>\$542,804</u>	<u>\$572,623</u>

## Note 12. Reconciliation of Net Costs of Operations to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ending September 30, 2012 and 2011, are as follows:

Dollars in thousands

Fiscal year ending September 30	2012	2011
<b>Resources used to finance activities</b>		
Budgetary resources obligated		
Obligations incurred	\$542,804	\$572,623
Less: spending authority from offsetting collections and recoveries	(48,476)	(36,182)
Obligations net of offsetting collections and recoveries	<u>494,328</u>	<u>536,441</u>
Other resources		
Federal employee retirement benefit costs paid by OPM imputed to GAO	25,084	30,861
Net other resources used to finance activities	<u>25,084</u>	<u>30,861</u>
Total resources used to finance activities	<u>519,412</u>	<u>567,302</u>
<b>Resources used to finance items not part of the net cost of operations</b>		
Change in undelivered orders and unfilled customer orders	1,560	8,432
Net (decrease)/increase in lease liability and other	(754)	317
Assets capitalized	(3,268)	(14,057)
Net decrease/(increase) in receivables not generating resources until collected and other adjustments	<u>119</u>	<u>(154)</u>
Total resources used to fund items not part of the net cost of operations	<u>(2,343)</u>	<u>(5,462)</u>
Total resources used to finance net cost of operations	<u>517,069</u>	<u>561,840</u>
<b>Components of net costs that will not require or generate resources in the current period</b>		
(Decrease)/increase in workers' compensation	(139)	898
Decrease in accrued annual leave	(1,173)	(2,937)
Decrease in other liabilities	<u>(45)</u>	<u>(447)</u>
Total components of net costs that will not (generate) or require resources in the current period	<u>(1,357)</u>	<u>(2,486)</u>
<b>Costs that do not require resources</b>		
Depreciation and other	<u>8,420</u>	<u>10,143</u>
<b>Net cost of operations</b>	<u>\$ 524,132</u>	<u>\$569,497</u>

## Note 13. Net Position

Net position on the balance sheets comprises unexpended appropriations and cumulative results of operations. Unexpended appropriations are the sum of the total unobligated appropriations and undelivered goods and services. Cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of GAO's cumulative results of operations for the fiscal years ended September 30, 2012, and 2011, are as follows:

### Dollars in thousands

	2012	2011
Investment in property and equipment, net	\$31,388	\$36,745
Net reimbursable funds activity	15,093	5,355
Other – supplies inventory and accounts receivable from public	498	385
Liabilities not covered by budgetary resources	<u>(53,247)</u>	<u>(55,338)</u>
Cumulative results of operations	<u><u>(\$6,268)</u></u>	<u><u>(\$12,853)</u></u>

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

## Note 14. Davis-Bacon Act Trust Function

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act revenue and costs related to beneficiary payments and prepares separate, audited financial schedules for this fund. GAO maintains this fund to pay claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Under these acts, DOL investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If DOL concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the claimant. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets and liabilities under GAO's administration as of September 30, 2012 and 2011, totaled approximately \$4,726,000 and \$5,037,000, respectively. These assets are not the assets of GAO or the federal government and are held for distribution to appropriate claimants. Revenues and costs related to beneficiary payments in the trust amounted to \$806,000 in fiscal year 2012 and \$1,264,000 in fiscal year 2011.

## Other Accompanying Information

Consistent with OMB Circular No. A-136 requirements, we are including a new unaudited [Schedule of Spending](#) (Schedule) in Other Accompanying Information for the year ended September 30, 2012 following our audited financial statements and notes. The [Schedule](#) presents an overview of how we are spending money on a budgetary basis, and is not meant to agree to the cost information on the [Statement of Net Cost](#), which presents accrual based proprietary information. The data used to populate the [Schedule](#) is the same underlying data used to populate the [Statement of Budgetary Resources](#). The amounts in the [Schedule](#) agree with the budgetary resources, obligations incurred, and gross outlays reported in the [Statement of Budgetary Resources](#).

**U.S. Government Accountability Office****Schedule of Spending for the Fiscal Year Ended September 30, 2012**

(Dollars in thousands)

<b>UNAUDITED</b>		<b>2012</b>
<b>What Money is Available to Spend?</b>		
Direct appropriations		\$511,296
Offsetting collections		37,967
Recoveries and other changes in prior year unobligated balances		25,285
Transfers in from other agencies		<u>250</u>
<b>Total Resources</b>		<b>574,798</b>
Less: amount available but not agreed to be spent		(9,737)
Less: amount not available to be spent		<u>(22,257)</u>
<b>Total Amounts Agreed to be Spent</b>		<b><u>\$542,804</u></b>
<b>How was the Money Spent?</b>		
<b>Direct Funds</b>		
Personnel		
Salaries and benefits		\$416,127
Training		3,478
Operations		
IT services and equipment		52,054
Buildings and equipment		18,875
Travel		7,071
Contractual services (non-IT)		<u>20,620</u>
<b>Total Direct Funds Spending</b>		<b><u>\$518,225</u></b>
<b>Reimbursable Funds</b>		
Personnel		
Salaries and benefits		\$12,278
Training		-
Operations		
IT services and equipment		-
Buildings and equipment		7,578
Travel		517
Contractual services (non-IT)		<u>67</u>
<b>Total Reimbursable Funds Spending</b>		<b><u>\$20,440</u></b>
Total Spending		\$538,665
Amounts remaining to be spent		<u>4,139</u>
<b>Total Amounts Agreed to Be Spent</b>		<b><u>\$542,804</u></b>



*Serving the Congress and the Nation*



# Part IV

*Inspector General's View of  
GAO's Management Challenges*



# Inspector General's View of GAO's Management Challenges



Office of the Inspector General

United States Government Accountability Office

## Memorandum

**Date:** October 11, 2012

**To:** Comptroller General Gene L. Dodaro

**From:** Inspector General Frances Garcia *Frances Garcia*

**Subject:** GAO Management Challenges

Based on our work and institutional knowledge, we agree that GAO faces challenges in (1) ensuring that it has the high-performing and agile workforce (human capital) needed to carry out its mission and (2) improving its capacity to effectively and efficiently produce quality work in support of the Congress (engagement efficiency).

Our recent audit<sup>1</sup> of the Human Capital Office's controls over recruitment, relocation, and retention incentives identified needed improvements in its maintenance of appropriate supporting documentation; provision of additional guidance to human capital staff to ensure proper, timely, and accurate execution and recording of administrative actions; and provision of effective monitoring and oversight. In addition, we identified an opportunity for GAO to help ensure that incentive payments support agency recruitment and retention goals by establishing a clear agency-wide strategy and results-oriented performance measures for these payments. We made seven recommendations to help ensure consistency and adherence to GAO policy related to recruitment, relocation, and retention and to better align the use of these incentives with strategic human capital and workforce planning goals and objectives; and one recommendation to help GAO monitor and evaluate the effectiveness of controls.

While we have not assessed GAO's engagement efficiency efforts, our recent discussions with GAO management have confirmed the significance of this challenge and the importance of successful efforts in improving GAO's engagement efficiency. The April 2012 establishment of the Continuous Process Improvement Office, which organizationally reports to the Chief Operating Officer, is an important step toward providing the executive leadership and support needed to help this initiative succeed.

<sup>1</sup>OIG, Human Capital: Opportunities Exist to Strengthen Controls over Recruitment, Relocation, and Retention Incentives, OIG-12-5 (Washington, D.C.: Aug. 28, 2012).

*Serving the Congress and the Nation*



**Part V**  
*Appendix on Data  
Quality*



# Data Quality

**Table 19: How We Ensure Data Quality for Our Annual Performance Measures**

Results measures	
<b>Financial benefits</b>	
<b>Definition and background</b>	<p>Our work—including our findings and recommendations—may produce benefits to the federal government that can be estimated in dollar terms. These benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. A financial benefit is an estimate of the federal cost reduction of agency or congressional actions. These financial benefits generally result from work that we completed over the past several years. The estimated benefit is based on actions taken in response to our work, such as reducing government expenditures, increasing revenues, or reallocating funds to other areas. Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. In some cases, we can claim financial benefits over multiple years based on a single agency or congressional action.</p> <p>Financial benefits are linked to specific recommendations or other work. To claim that financial benefits have been achieved, our staff must file an accomplishment report documenting that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within 2 fiscal years prior to the filing of the accomplishment report, (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed, and (4) estimates of financial benefits were based on information obtained from non-GAO sources. To help ensure conservative estimates of net financial benefits, reductions in operating cost are typically limited to 2 years of accrued reductions, but up to 5 fiscal years of financial benefits can be claimed if the reductions are sustained over a period longer than 2 years. Multiyear reductions in long-term projects, changes in tax laws, program terminations, or sales of government assets are limited to 5 years. Financial benefits can be claimed for past or future years. For financial benefits involving events that occur on a regular but infrequent basis—such as the decennial census—we may extend the measurement period until the event occurs in order to compute the associated financial benefits using our present value calculator.</p> <p>Managing directors decide when their staff can claim financial benefits. A managing director may choose to claim a financial benefit all in 1 year or over several years, if the benefit spans future years and the managing director wants greater precision as to the amount of the benefit.</p>
<b>Data sources</b>	<p>Our Accomplishment Reporting System provides the data for this measure. Teams use this Web-based data system to prepare, review, and approve accomplishments and forward them to our Office of Audit Policy and Quality Assurance (APQA) for review. Once accomplishment reports are approved, they are entered into our Engagement Reporting System (ERS), which is the official reporting database.</p>

<b>Verification and validation</b>	<p>Our policies and procedures require us to use the Accomplishment Reporting System to record the financial benefits that result from our work. They also provide guidance on estimating those financial benefits. The team identifies when a financial benefit has occurred as a result of our work. The team develops estimates based on non-GAO sources, such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office, and files accomplishment reports based on those estimates. When non-GAO estimates are not readily available, teams may use GAO estimates—developed in consultation with our experts, such as the Chief Economist, Chief Actuary, or Chief Statistician, and corroborated with a knowledgeable program official from the executive agency involved. The estimates are reduced by significant identifiable offsetting costs. The team develops documentation to support accomplishments with evidence that meets our evidence standard, supervisors review the documentation, and an independent person within GAO reviews the accomplishment report. For all financial accomplishment reports, the managing director prepares a memorandum addressed to the Chief Quality Officer attesting that the accomplishment report meets our standards for accomplishment reporting. The memorandum specifically (1) addresses how linkage to GAO is established and (2) attests that the financial benefits are claimed in accordance with our procedures. Beginning in fiscal year 2010, teams are also required to consult with our Center for Economics on the calculation for financial benefits of \$500 million or more. For each of the financial accomplishment reports, an economist reviewed and approved the methodology for calculating the proposed financial benefit. The assessment results were documented in the accomplishment’s supporting documentation and provided to the second reviewers.</p> <p>The team’s managing director is authorized to approve financial accomplishment reports with benefits of less than \$100 million. The team forwards the report to APQA, which reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. In fiscal year 2012, APQA approved accomplishment reports covering 96 percent of the dollar value of financial benefits we reported.</p> <p>In fiscal year 2012, accomplishments of \$500 million or more were also reviewed by independent second and third reviewers (reemployed GAO annuitants), who have substantial experience and knowledge of our accomplishment reporting policies and procedures. Our total fiscal year 2012 reported financial benefits reflect the views of the independent reviewers.</p>
<b>Data limitations</b>	<p>Not every financial benefit from our work can be readily estimated or documented as attributable to our work. As a result, the amount of financial benefits is a conservative estimate. Estimates are based on information from non-GAO sources and are based on both objective and subjective data, and as a result, professional judgment is required in reviewing accomplishment reports. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.</p>
<b>Nonfinancial benefits</b>	
<b>Definition and background</b>	<p>Our work—including our findings and recommendations—may produce benefits to the government that cannot be estimated in dollar terms. These nonfinancial benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. Nonfinancial benefits generally result from past work that we completed.</p> <p>Nonfinancial benefits are linked to specific recommendations or other work that we completed over several years. To claim that nonfinancial benefits have been achieved, staff must file an accomplishment report that documents that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within the past 2 fiscal years of filing the accomplishment report, and (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed.</p>
<b>Data sources</b>	<p>Our Accomplishment Reporting System provides the data for this measure. Teams use this automated system to prepare, review, and approve accomplishments and forward them to APQA for its review. Once accomplishment reports are approved, they are entered into ERS, which is the official reporting system.</p>

<b>Verification and validation</b>	<p>We use the Accomplishment Reporting System to record the nonfinancial benefits that result from our findings and recommendations. Staff in the team file accomplishment reports to claim benefits resulting from our work. The team develops documentation to support accomplishments with evidence that meets our standards. Supervisors review the documentation; an independent staff person checks the facts of the accomplishment report; and the team's managing director, director, or both approve the accomplishment report to ensure its appropriateness, including attribution to our work.</p> <p>The team forwards the report to APQA, where it is reviewed for appropriateness. APQA provides summary data on nonfinancial benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments from their staff have been accurately recorded.</p>
<b>Data limitations</b>	<p>The data may be underreported because we cannot always document a direct cause-and-effect relationship between our work and the resulting benefits. Therefore, the data represent a conservative measure of our overall contribution toward improving government.</p>
<b>Percentage of products with recommendations</b>	
<b>Definition and background</b>	<p>We measure the percentage of our written reports and numbered correspondence issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive to ensure that recommendations are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and are specific, feasible, and cost-effective. Some of our products are informational and do not contain recommendations.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations.</p>
<b>Data sources</b>	<p>Our Publications Database incorporates recommendations from products as they are issued. The database is updated daily.</p>
<b>Verification and validation</b>	<p>Our Information Management team enters data on recommendations into a "staging" system where they are reviewed for accuracy and completeness. Once reviewed, the data are posted to the Publications Database. We provide our managers with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated.</p>
<b>Data limitations</b>	<p>This measure is a conservative estimate of the extent to which we assist the Congress and federal agencies because not all products and services we provide lead to recommendations. For example, the Congress may request information on federal programs that is purely descriptive or analytical and does not lend itself to recommendations.</p>
<b>Past recommendations implemented</b>	
<b>Definition and background</b>	<p>We make recommendations designed to improve the operations of the federal government. For our work to produce financial or nonfinancial benefits, the Congress or federal agencies must implement these recommendations. As part of our audit responsibilities under generally accepted government auditing standards, we follow up on recommendations we have made and report to the Congress on their status. Experience has shown that it takes time for some recommendations to be implemented. For this reason, this measure is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year (e.g., the fiscal year 2012 implementation rate is the percentage of recommendations made in fiscal year 2008 products that were implemented by the end of fiscal year 2012). Our experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.</p>
<b>Data sources</b>	<p>Our Publications Database incorporates recommendations as products are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.</p>

<p><b>Verification and validation</b></p>	<p>Our policies and procedures specify that our staff must verify and document that an agency’s reported actions are adequately being implemented. Staff update the status of the recommendations on a periodic basis. To accomplish this, our staff may interview agency officials, obtain agency documents, access agency databases, or obtain information from an agency’s IG. Recommendations that are reported as implemented are reviewed by a senior executive in the team and by APQA.</p> <p>Summary data are provided to the teams that issued the recommendations. The teams check the data regularly to make sure that the recommendations they have reported as implemented have been accurately recorded. We also provide to the Congress a database with the status of recommendations that have not been implemented, and we maintain a publicly available database of open recommendations that is updated daily.</p>
<p><b>Data limitations</b></p>	<p>The data may be underreported because, in some cases, a recommendation may require more than 4 years to implement. We also may not count cases in which a recommendation is partially implemented. Therefore, the data represent a conservative measure of our overall contribution toward improving government.</p>
<p><b>Client measures</b></p>	
<p><b>Testimonies</b></p>	
<p><b>Definition and background</b></p>	<p>The Congress asks us to testify at hearings on various issues, and these hearings are the basis for this measure. Participation in hearings is one of our most important forms of communication with the Congress, and the hearings at which we testify reflect the importance and value of our institutional knowledge in assisting congressional decision making. When we have multiple witnesses with separate testimonies at a single hearing, we count this as a single testimony. We do not count statements submitted for the record when our witness does not appear.</p>
<p><b>Data sources</b></p>	<p>The data on hearings at which we testified are compiled in our Congressional Hearing System managed by staff in our Office of Congressional Relations (Congressional Relations).</p>
<p><b>Verification and validation</b></p>	<p>The teams responding to requests for testimony are responsible for entering data into the Congressional Hearing System. After we have testified at a hearing, Congressional Relations verifies that the data in the system are correct and records the hearing as one at which we testified. Congressional Relations provides weekly status reports to unit managers, who check to make sure that the data are complete and accurate.</p>
<p><b>Data limitations</b></p>	<p>This measure does not include statements for the record that we prepare for congressional hearings. Also, this measure may be influenced by factors other than the quality of our performance in any specific year. The number of hearings held each year depends on the Congress’s agenda, and the number of times we are asked to testify may reflect congressional interest in work in progress as well as work completed that year or the previous year. To mitigate this limitation, we try to adjust our target to reflect cyclical changes in the congressional schedule. We also outreach to our clients on a continuing basis to increase their awareness of our readiness to participate in hearings.</p>
<p><b>Timeliness</b></p>	
<p><b>Definition and background</b></p>	<p>The likelihood that our products will be used is enhanced if they are delivered when needed to support congressional and agency decision making. To determine whether our products are timely, we solicit feedback from the client using an electronic form. We compute the proportion of favorable responses to a question related to timeliness. Because our products often have multiple congressional clients, we often outreach to more than one congressional staff person per product. We send a form to key staff working for requesters of our testimony statements and to clients of our more significant written products—specifically, engagements assigned an interest level of “high” by our senior management and those requiring an expected investment of 500 staff days or more. One question asks the respondent whether the product was delivered on time. When a product that meets our criteria is released to the public, we electronically send relevant congressional staff an e-mail message containing a link to the form. When this link is accessed, the form recipient is asked to respond to the timeliness question using a five-point scale—“strongly agree,” “generally agree,” “neither agree nor disagree,” “generally disagree,” or “strongly disagree”—or to choose “not applicable/no answer.” For this measure, favorable responses are “strongly agree” and “generally agree.”</p>

<b>Data sources</b>	To identify the products that meet our criteria (testimonies and other products that are high interest or expected to reach 500 staff days or more), we run a query against our Publications Database, which is maintained by a contractor. To identify appropriate recipients of the form for products meeting our criteria, we ask the engagement teams to provide in our Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into another database that is managed by APQA. This database then combines product, form recipient, and data from our Congressional Relations staff and creates an e-mail message with a web link to the form. (Congressional Relations staff serve as the contacts for form recipients.) The e-mail message also contains an embedded client password and unique client identifier to ensure that a recipient is linked with the appropriate form. Our Client Feedback Database creates a record with the product title and number and captures the responses to every form sent back to us electronically.
<b>Verification and validation</b>	APQA staff review released GAO products to check the accuracy of the addressee information in the APQA database. APQA staff also check the congressional staff directory to ensure that form recipients listed in the APQA database appear there. In addition, our Congressional Relations staff review the list of form recipients entered by the engagement teams and identify the most appropriate congressional staff person to receive a form for each client. E-mail messages that are inadvertently sent with incorrect e-mail addresses automatically reappear in the form approval system. When this happens, APQA staff correct the errors and resend the e-mail message.
<b>Data limitations</b>	Testimonies and written products that met our criteria for this measure represented about 56 percent of the congressionally requested written products we issued during fiscal year 2011. We exclude from our timeliness measure low and medium-interest reports expected to take fewer than 500 staff days when completed, reports addressed to agency heads or commissions, some reports mandated by the Congress, classified reports, and reports completed under the Comptroller General’s authority. Also, if a requester indicates that he or she does not want to complete a form, we will not send one to this person again, even though a product subsequently requested meets our criteria. The response rate for the form is 22 percent, and 99 percent of those who responded answered the timeliness question. We received responses from one or more people for about 48 percent of the products for which we sent a form in fiscal year 2012.

**People measures**

**New hire rate**

<b>Definition and background</b>	This performance measure is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account our strategic goals; projected workload changes; and other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires. The Chief Operating Officer, Chief Administrative Officer, Deputy Chief Administrative Officer, Chief Human Capital Officer, and Controller meet monthly to monitor progress toward achieving the workforce plan. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.
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<b>Data sources</b>	The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by the Chief Administrative Officer. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from the Department of Agriculture’s National Finance Center (NFC) database, which handles payroll and personnel data for us and other agencies.
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<b>Verification and validation</b>	The Chief Administrative Officer (CAO) maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our CAO staff enter workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, CAO staff provide monthly reports to the Chief Operating Officer and the CAO that allow them to monitor progress by unit in achieving workforce plan hiring targets. The CAO continually monitors and reviews accessions maintained in the NFC database against its database to ensure consistency and to resolve discrepancies.
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<b>Data limitations</b>	There is a lag of one to two pay periods (up to 4 weeks) before the NFC database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results.
<b>Retention rate</b>	
<b>Definition and background</b>	We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the complement of attrition. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements.
<b>Data sources</b>	Data on retention—that is, people who are on board at the beginning of the fiscal year and people on board at the end of the fiscal year—are taken from a CAO database that contains some data from the NFC database, which handles payroll and personnel data for us and other agencies.
<b>Verification and validation</b>	CAO staff continually monitor and review accessions and attritions against their database that contains NFC data and follow up on any discrepancies. In fiscal year 2009, we developed standard operating procedures, which are still in effect, to document how we calculate and ensure quality control over data relevant to this measure.
<b>Data limitations</b>	See <a href="#">New hire rate</a> , <a href="#">Data limitations</a> .
<b>Staff development</b>	
<b>Definition and background</b>	<p>One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO’s overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions. To further ensure confidentiality, in fiscal year 2012 the contractor also analyzed the data.</p> <p>This measure is based on staff’s favorable responses to three of the six questions related to staff development on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to three questions on a five-point scale or choose “no basis to judge/not applicable” or “no answer.”</p>
<b>Data sources</b>	The survey questions we used for this measure ask staff how much positive or negative impact (1) external training and conferences and (2) on-the-job training had on their ability to do their jobs during the last 12 months. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either “very positive impact” or “generally positive impact.” In addition, the survey question asked how useful and relevant to your work did you find internal (Learning Center) training courses. From staff who expressed an opinion, we calculated the percentage of staff selecting the three categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were “very greatly useful and relevant,” “greatly useful and relevant,” and “moderately useful and relevant.” Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including “no basis to judge/not applicable” or “no answer” in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

<b>Verification and validation</b>	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. In fiscal year 2012, our response rate to this survey was about 71 percent, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey.
<b>Data limitations</b>	<p>The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a web-based survey for which respondents entered their answers directly into an electronic questionnaire rather than entering the data into a database, thus eliminating a potential source of error.</p>
<b>Staff utilization</b>	
<b>Definition and background</b>	This measure is based on staff's favorable responses to three of the six questions related to staff utilization on our annual employee survey. We correlated each question with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to these three questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." (For background information about our entire employee feedback survey, see <a href="#">Staff development</a> .)
<b>Data sources</b>	These data come from our staff's responses to an annual web-based survey. The survey questions we used for this measure ask staff how often the following occurred in the last 12 months: (1) my job made good use of my skills; (2) GAO provided me with opportunities to do challenging work; and (3) in general, I was utilized effectively. See also <a href="#">Staff development</a> , <a href="#">Data sources</a> .
<b>Verification and validation</b>	See <a href="#">Staff development</a> , <a href="#">Verification and validation</a> .
<b>Data limitations</b>	See <a href="#">Staff development</a> , <a href="#">Data limitations</a> .
<b>Effective leadership by supervisors</b>	
<b>Definition and background</b>	This measure is based on staff's favorable responses to 10 of 20 questions related to six areas of supervisory leadership on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Specifically, our calculation included responses to 1 of 4 questions related to empowerment, 2 of 4 questions related to trust, all 3 questions related to recognition, 1 of 3 questions related to decisiveness, 2 of 3 questions related to leading by example, and 1 of 3 questions related to work life. Staff were asked to respond to these 10 questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." In fiscal year 2009, we changed the name of this measure from "Leadership" to its current nomenclature to clarify that the measure reflects employee satisfaction with the immediate supervisor's leadership.

**Data sources** These data come from our staff’s responses to an annual web-based survey. The survey questions we used for this measure ask staff about empowerment, trust, recognition, decisiveness, leading by example, and work life as they pertain to the respondent’s immediate supervisor. Specifically, the survey asked staff the following questions about their immediate supervisor during the last 12 months: (1) gave me the opportunity to do what I do best; (2) treated me fairly; (3) acted with honesty and integrity toward me; (4) ensured that there was a clear link between my performance and recognition of it; (5) gave me the sense that my work is valued; (6) provided me meaningful incentives for high performance; (7) made decisions in a timely manner; (8) demonstrated GAO’s core values of accountability, integrity, and reliability; (9) implemented change effectively; and (10) dealt effectively with equal employment opportunity and discrimination issues. See also [Staff development, Data sources](#).

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

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

**Organizational climate**

**Definition and background** This measure is based on staff’s favorable responses to 5 of the 13 questions related to organizational climate on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to these 5 questions on a five-point scale or choose “no basis to judge” or “no answer.”

**Data sources** These data come from our staff’s responses to an annual web-based survey. The survey questions we used for this measure ask staff to think back over the last 12 months and indicate how strongly they agree or disagree with each of the following statements: (1) a spirit of cooperation and teamwork exists in my work unit; (2) I am treated fairly and with respect in my work unit; (3) my morale is good; (4) sufficient effort is made in my work unit to get the opinions and thinking of people who work here; and (5) overall, I am satisfied with my job. See also [Staff development, Data sources](#).

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

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

**Internal operations measures**

**Help get job done and quality of work life**

**Definition and background** To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct a web-based survey annually. The customer satisfaction survey on administrative services, historically conducted by an outside contractor, was administered in-house for the first time in 2011. All employees were administered this survey and were encouraged to indicate how satisfied they are with 16 services that help them get their jobs done and another 14 services that affect their quality of work life.

We asked staff to rate the 30 internal services available to them, indicating on a 5-point scale from “very dissatisfied” to “very satisfied”—or to indicate if they did not use a service—and to provide a written reason for their rating and recommendations for improvement, if desired. Based on employees’ responses to these questions, we calculate a composite score.

<b>Data sources</b>	<p>These data come from our staff's responses to an annual web-based survey. To determine how satisfied our employees are with internal administrative services, we calculate composite scores for two measures. One measure reflects the satisfaction with the 16 services that help employees get their jobs done. These services include Internet and intranet services, information technology customer support, mail services, and voice communication services. The second measure reflects satisfaction with another 14 services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and workplace safety and health. Unlike the surveys in prior years, in which both the importance of, and satisfaction with, administrative services were rated, employees were asked to rate only their satisfaction with services, or to indicate if they did not use a service.</p>
<b>Verification and validation</b>	<p>The survey this year was brought in-house for the first time and administered by GAO's Web Survey Services Group, in the Applied Research and Methods (ARM) team. While the two managers of this unit could access individual responses, they complied with the privacy statement that was posted on the website to only provide aggregated data to GAO management that could not be used to identify responses of any individual. Our survey response rate was 63 percent in 2011. We analyzed responses by demographic representation (unit, tenure, location). Each unit responsible for administrative services conducts follow-on work, including analyzing written comments to gain a better understanding of the information from the survey.</p>
<b>Data limitations</b>	<p>The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result, for example, from respondents misinterpreting a question or entering their data incorrectly. Such errors can introduce unwanted variability into the survey results. We limit the chances of introducing nonsampling errors by using a web-based survey for which respondents enter their answers directly into an electronic questionnaire. This eliminates the need to have the data entered into a database by someone other than the respondent, thus minimizing a potential source of error.</p>

Source: GAO.

## Image Sources

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Inside front cover: GAO (GAO building)

Page i: GAO (Capitol)

Pages 1, 21, 63, 93, 121, and 123: GAO (Capitol and GAO seal)

Page 2: GAO (GAO building and flag)

Page 6: GAO (GAO seal), Photodisc (Capitol)

Page 15: Map Resources (map)

Page 26: PhotoDisc (bills), GAO (flag)

Page 29: GAO (flag), Photodisc (Statue of Liberty)

Page 65: Digital Vision (School children), GAO (flag and train)

Page 73: DOD (soldier and truck), GAO (flag)

Page 80: PhotoDisc (computer and people), GAO (flag)

Page 87: GAO (GAO building and flag)

Page 94: GAO (GAO building)

Inside back cover: GAO (GAO building)

## Providing Comments on This Report

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