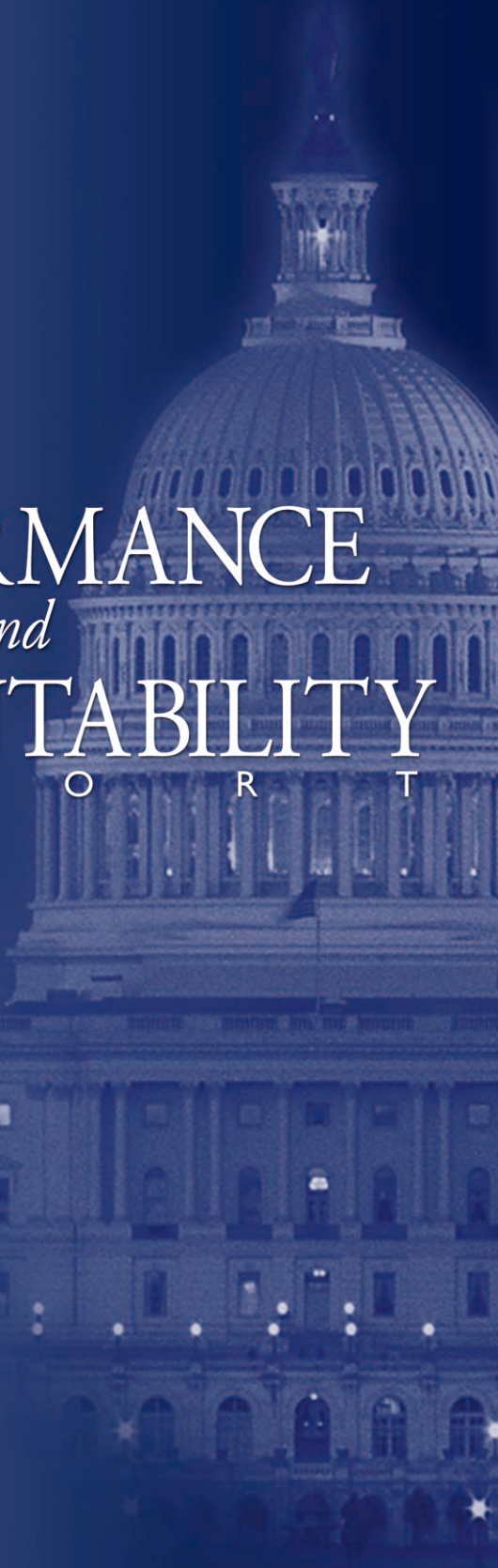


SERVING THE CONGRESS AND THE NATION



# PERFORMANCE *and* ACCOUNTABILITY R E P O R T

ACCOUNTABILITY REPORT 2000

PERFORMANCE REPORT 2000

PERFORMANCE PLAN 2002





# *GAO's* M I S S I O N

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

# *Core* V A L U E S

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

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

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

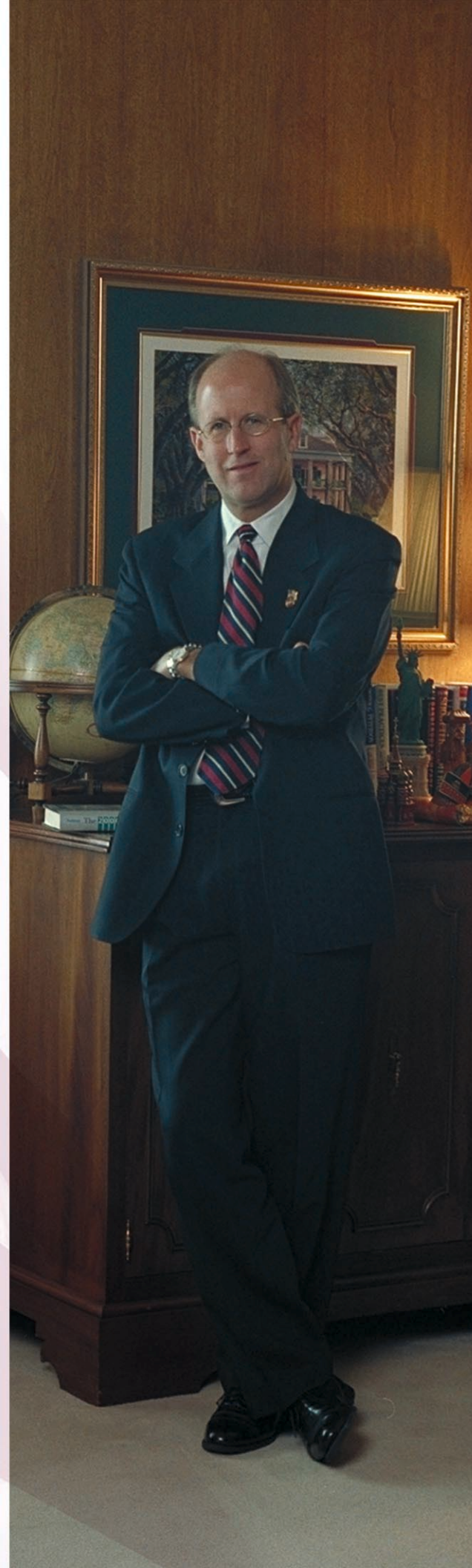
## FROM THE COMPTROLLER GENERAL

March 30, 2001

*I am pleased to present GAO's performance and accountability report, which combines our assessment of what we were able to accomplish in fiscal year 2000 with our plans for continued progress through fiscal year 2002. This combined report is a first of its kind for us and represents one more step in our efforts to lead by example in connection with the Government Performance and Results Act (GPRA). Following the spirit of the act, this report describes GAO's performance in a way that gives a more complete and meaningful picture of how we are carrying out our mission to serve the Congress and the American people.*

Our work resulted in a number of significant improvements that will benefit all Americans. Among other things, by acting on our recommendations, the government improved public health and safety, strengthened national security, better protected consumers, and improved its financial management and information systems. We also contributed critical information to public debates on Social Security and Medicare reform and called attention to looming problems such as the security of government computer systems and the knowledge and skills needed in the federal workforce in coming years. Taxpayers benefited from the near-record \$23 billion in savings identified through our work—a \$61 return on every dollar invested in GAO.

I am particularly pleased that we were able to achieve these results in the midst of significant change within GAO. After completing our first strategic plan last year, we realigned our organization to better meet our goals and objectives, and we





FROM THE COMPTROLLER GENERAL

began to institute new ways of doing business. We also gained new legislative authorities to help us address our human capital requirements and help ensure that GAO remains prepared to meet the Congress's needs in the future.

These needs are formidable. The nation's leaders are faced with complex, controversial, and multidimensional issues that require a more strategic, long-range, and integrated perspective than in the past. While record budget surpluses are projected for the next 10 years, the long-term obligations associated with our aging population will result in serious and increasing pressure on future federal budgets. Moreover, changes in technology, in the nature of threats to national security, and in the interrelationships of national economies, among other developments, suggest the need to reassess what government does and how it does it in the 21st century.

Looking toward fiscal year 2002, we believe the work we plan to undertake and our efforts to become a model agency will help the Congress address these challenges. As we move ahead, we look forward to the continued support of the Congress and to working even more closely with Members and their staffs. Their support—and the dedication and commitment of our GAO team—are the driving forces behind our continued success in serving the Congress and the American people.



DAVID M. WALKER  
COMPTROLLER GENERAL  
OF THE UNITED STATES



# TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS	5
<i>Agencywide Performance and Plans</i>	7
Fiscal Year 2000	9
Fiscal Year 2001	20
Fiscal Year 2002	22
<i>Strategic Goal 1: Performance and Plans</i>	23
<i>Well-Being and Financial Security of the American People</i>	
Fiscal Year 2000	25
Fiscal Years 2001 and 2002	27
<i>Strategic Goal 2: Performance and Plans</i>	28
<i>Changing Security Threats and Challenges of Global Interdependence</i>	
Fiscal Year 2000	30
Fiscal Years 2001 and 2002	32
<i>Strategic Goal 3: Performance and Plans</i>	33
<i>Results-Oriented and Accountable Federal Government</i>	
Fiscal Year 2000	35
Fiscal Years 2001 and 2002	37
<i>Strategic Goal 4: Performance and Plans</i>	38
<i>GAO as a Model Organization for the Federal Government</i>	
Fiscal Year 2000	38
Fiscal Years 2001 and 2002	41
<i>Strategies and Challenges—Achieving Our Goals</i>	42
Coordination to Address Crosscutting Issues	44
Major Management Challenges—Internal Factors That Could Affect Our Performance in Fiscal Year 2002	
External Factors That Could Affect Performance	55
Procedures to Verify and Validate GAO’s Performance Data	57
Program Evaluation	67



## TABLE OF CONTENTS

<i>Highlights of Resources Needed to Achieve Our Fiscal Year 2002 Performance Goals</i>	69
<i>Organization and Structure</i>	71
<i>Overview of Financial Statements</i>	73
<i>Financial Systems and Internal Controls</i>	74
FINANCIAL STATEMENTS AND NOTES	77
REPORT OF THE AUDIT ADVISORY COMMITTEE	95
INDEPENDENT AUDITOR'S REPORT	96
APPENDIXES	
<i>Appendix I: Goal 1 Accomplishments and Performance Goals</i>	100
<i>Appendix II: Goal 2 Accomplishments and Performance Goals</i>	124
<i>Appendix III: Goal 3 Accomplishments and Performance Goals</i>	139
<i>Appendix IV: Goal 4 Accomplishments and Performance Goals</i>	150



## MANAGEMENT DISCUSSION AND ANALYSIS

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



## MANAGEMENT DISCUSSION AND ANALYSIS

Consistent with the spirit of the Government Performance and Results Act of 1993 (GPRA), GAO operates under a broad strategic plan—currently covering fiscal years 2000 through 2005. To drive our work toward the goals envisioned in the strategic plan, we also developed detailed strategic objective plans and report our results yearly to the Congress and the public. In addition, last year we published our first performance plan for fiscal year 2001. This year, in response to the Congress's desire to have financial and performance management information presented in a more cohesive way, we have merged three documents:

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

This document presents (1) the results GAO achieved in fiscal year 2000, the first year under our new strategic plan, (2) a status report on what we expect to accomplish in fiscal year 2001, (3) our performance plan for fiscal year 2002, and (4) our financial statements and the independent auditor's report for fiscal year 2000. We will deal first with the agency as a whole, then discuss our performance and plans by strategic goal, and finally present assessments of our financial systems and internal controls.





# Agencywide Performance and Plans



Annual Quantitative Performance Measures and Targets, Fiscal Years 1997-2002								
Type	Measure	1997 Actual	1998 Actual	1999 Actual	2000 Target <sup>a</sup>	Actual	2001 Target	2002 Target
<b>Outcome</b>	<b>Financial benefits (billions)</b>							
	Annual	\$20.9	\$19.7	\$20.1	\$22.0	\$23.2	\$23.0	\$24.0
	4-year average	\$18.4	\$18.4	\$19.5	\$20.7	\$21.0	\$21.5	\$22.6
	<b>Other benefits</b>							
	Annual	391	537	607	620	788	700 <sup>b</sup>	720
	4-year average	266	354	451	539	581	658	704
	<b>Recommendations implemented<sup>c</sup></b>							
4-year implementation rate	74%	69%	70%	73%	78%	75%	75%	
<b>Intermediate outcome</b>	<b>Testimonies</b>							
	Annual	182	256	229	230	263	150 <sup>b</sup>	233
	4-year average	208	216	212	224	233	225	219
	<b>Recommendations made</b>							
	Annual	836	987	940	950	1,224	975	1,000
4-year average	946	848	898	928	997	1,032	1,035	
Annual Management Measures and Targets, Fiscal Years 1997-2002								
<b>Management</b>	<b>Timeliness</b>							
	Annual	91%	93%	96%	100%	96%	100%	100%
	4-year average	<sup>d</sup>	<sup>d</sup>	88%	<sup>d</sup>	94%	<sup>d</sup>	<sup>d</sup>
3-Year Qualitative Performance Goals, Fiscal Years 2000-2002								
<b>Qualitative</b>	<b>Performance goals: 94</b>							
Expect to meet or exceed	100%							
Do not expect to meet	0%							
Not started	0%							

Note: Agencywide totals may differ from the sum of the amounts on the tables for Strategic Goals 1, 2, and 3 because when multiple units participate in an engagement, credit may be reflected under more than one of the Goals.

<sup>a</sup>Because GAO did not have a performance plan for fiscal year 2000, the figures in this column were referred to in past documents as "estimates." They served the same function as the targets we now set in our performance plans.

<sup>b</sup>This is a revised target. For the original target, please see GAO's revised final performance plan for fiscal year 2001, available at [www.gao.gov](http://www.gao.gov).

<sup>c</sup>This measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

<sup>d</sup>Data were not collected for this measure in fiscal years 1994 and 1995; a 4-year average could not be calculated for actual performance. We do not set 4-year average targets for timeliness.

# SERVING THE CONGRESS

## GAO'S STRATEGIC PLAN FRAMEWORK



### MISSION

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

### GOALS

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT	SUPPORT THE TRANSITION	MAXIMIZE THE VALUE OF GAO
		
<p>TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE</p>	<p>TO RESPOND TO CHANGING THREATS TO NATIONAL SECURITY AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE</p>	<p>TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT</p>
		<p>BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT</p>

### THEMES

Demographics	Security	Globalization	Quality of Life	Security	Technology
Government Performance and Accountability					

### OBJECTIVES

<ul style="list-style-type: none"> <li>Health care needs and financing</li> <li>Retirement income security</li> <li>Social safety net</li> <li>Education/workforce issues</li> <li>Effective system of justice</li> <li>Community investment</li> <li>Natural resources use and environmental protection</li> <li>Physical infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Diffuse security threats</li> <li>Military capabilities and readiness</li> <li>Advancement of U.S. interests</li> <li>Global market forces</li> </ul>	<ul style="list-style-type: none"> <li>Fiscal position of the government</li> <li>Government financing and accountability</li> <li>Governmentwide management reforms</li> <li>Economy, efficiency, and effectiveness improvements in federal agencies</li> </ul>	<ul style="list-style-type: none"> <li>Client relations</li> <li>Strategic and annual planning</li> <li>Human capital</li> <li>Core business and supporting processes</li> <li>Information technology services</li> </ul>
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### CORE VALUES

Accountability	Integrity	Reliability
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In fiscal year 2000, GAO achieved more than \$23 billion in financial benefits for the American taxpayer and recorded more than 700 other actions taken in response to our recommendations to improve how the federal government operates. We also completed a number of major initiatives to improve the way GAO itself operates. For example, we issued our first strategic plan for the 21st century—based on input from the Congress and supplemented by our own expertise and other outreach efforts—that established four strategic goals for our agency, as the diagram to the left shows. Additionally, we established protocols that govern our interaction with the Congress to ensure greater satisfaction with our work and equitable treatment of all requesters. We realigned the agency to better support the Congress and to prepare ourselves to meet the future challenges outlined in our strategic plan within current and expected resource levels. We also began implementing a range of new and enhanced human capital and information technology strategies to better position GAO for future success.

The sections that follow describe GAO's results for fiscal year 2000, the status of what we expect to accomplish in fiscal year 2001, and our plans for fiscal year 2002.

## *Fiscal Year 2000*

GAO assesses its performance in two ways: quantitatively and qualitatively. The quantitative measures tabulate such things as the dollar savings to the American taxpayer from GAO's work, the number of instances in which our work led to improvements in government operations or services, and the rate at which our recommendations are implemented. The quantitative results are compared with annual targets to determine whether we are performing as well as planned. The qualitative measures are whether we meet, exceed, or fail to meet performance goals for which results are assessed every 3 years. For example, in fiscal year 2000, we began work on a qualitative performance goal to address the long-term fiscal health

## MANAGEMENT DISCUSSION AND ANALYSIS

of the federal government. We will assess our efforts to meet that goal at the end of fiscal year 2002. The 94 qualitative performance goals are listed in appendixes I through IV.

### *Quantitative Results*

For fiscal year 2000, our performance exceeded all five of our five quantitative targets. Under a separate management measure of timeliness, we achieved a 96-percent success rate for delivering our products on time, falling short of our idealistic 100-percent target. The chart on page 7 shows the trends in quantitative results since 1997 and also provides 4-year rolling averages that serve to show those trends without the effects of one-time or unusual circumstances and shifts in congressional priorities and workloads.

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

#### *Financial* B E N E F I T S

25 Dollars in billions



## *Helping to Prevent*

FRAUD AND ABUSE IN  
MEDICARE

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

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

## *Cutting Costs of the*

F-22 AIRCRAFT PROGRAM

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

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

## *Recapturing Excess*

HUD FUNDING

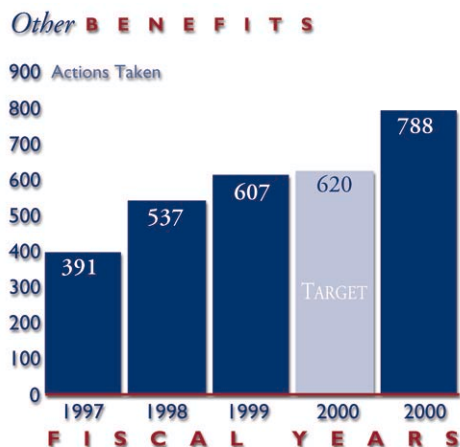
GAO identified funding from several sources in the Department of Housing and Urban Development's budget, including unexpended balances no longer needed, that could be recaptured in fiscal years 1998 and 1999. The Congress rescinded \$1.65 billion from the Section 8 housing program's fiscal year 1998 budget authority and rejected \$1.3 billion

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

**788 Actions Were Taken to Improve Government Operations or Services.** Our results exceeded our target of 620 actions taken and were up from the previous year's 607 actions taken.



These benefits represent improved government operations and services. We measure these benefits by tabulating the number of cases in which our recommendations have prompted federal agencies or the Congress to take action.

The 788 actions reported for fiscal year 2000 include measures to improve public safety and consumer protection, to establish more effective and efficient government operations, and to safeguard the nation's physical and information infrastructure.

## *Improving* NURSING HOME QUALITY OF CARE

---

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

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

## *Improving* HUMAN CAPITAL PRACTICES

---

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

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

## *Strengthening* INFORMATION SECURITY

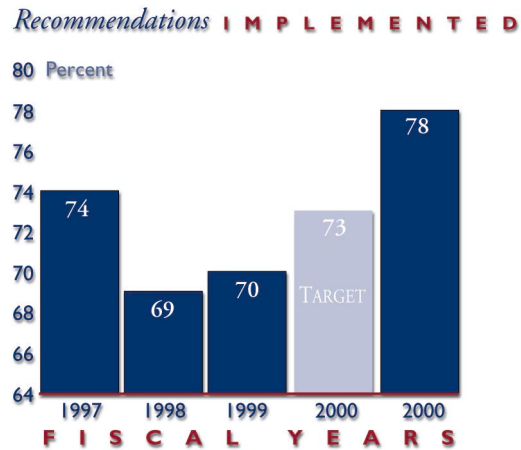
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GAO has evaluated the information security programs and controls over critical systems at numerous federal agencies and recommended numerous improvements, most recently at three Treasury agencies, the Department of Energy, the Department of Veterans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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

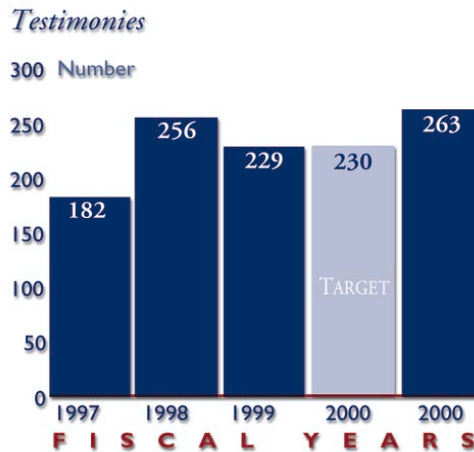
**78 Percent of the Recommendations We Made 4 Years Ago Were Implemented.** Our results exceeded our target of 73 percent and were up from the previous year's rate of 70 percent.



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



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



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

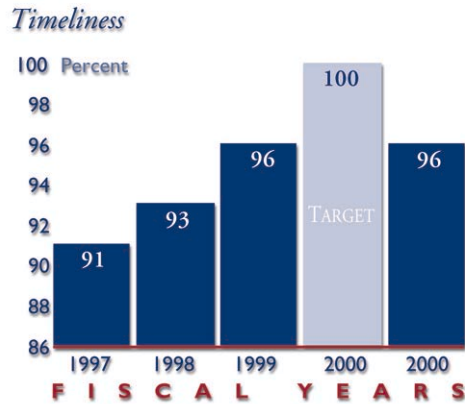
## MANAGEMENT DISCUSSION AND ANALYSIS

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



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

**96 Percent of Our Products Were Delivered on Time.** Our results fell short of our idealistic target of 100-percent on-time delivery.



In addition to the five measures already discussed, we use a management measure of timeliness. For our work to be useful, our congressional clients must have it on a timely basis. Therefore, we compare actual product delivery dates with the dates we agreed to with our clients. We set an idealistic target of 100 percent to emphasize the importance we place on being responsive to our clients. Although we did not meet this target—and we believe it will remain a challenge because of our increasing workload and external factors beyond our control—we will continue to emphasize timeliness. Fully implementing our new matrix and risk management strategies should help improve our on-time delivery.

### *Qualitative Results*

As of the end of fiscal year 2000, we expected to meet or exceed all 94 of our 3-year qualitative performance goals, although progress toward some had been slowed because we did not receive all the resources we requested.

These 94 qualitative performance goals lay out the key efforts and potential outcomes we hope to achieve for each of our strategic objectives. We will evaluate whether we met, exceeded, or failed to meet them at the end of fiscal year 2002. Our performance on these

## MANAGEMENT DISCUSSION AND ANALYSIS

goals will meet expectations when we provide information or make recommendations on the key efforts when viewed collectively. Our performance will exceed expectations when we provide information or make recommendations that congressional decisionmakers and others use toward achieving the potential outcomes listed in the relevant strategic objective plans (available at [www.gao.gov](http://www.gao.gov)). The performance goals are listed in the appendixes to this report.

### *Management Highlights*

GAO continued to enhance its effectiveness and efficiency through a variety of means during fiscal year 2000, including developing a strategic plan, establishing congressional protocols, realigning the agency, restructuring the field offices, implementing key human capital initiatives, and increasing the use of information technology.

To improve the way we serve the Congress, we developed our first strategic plan for the 21st century and established congressional protocols to govern our interaction with our congressional clients. The strategic plan describes our role and mission in the federal government; the trends, conditions, and external factors underlying our plan; and our goals, objectives, and strategies for serving the Congress. Over 90 percent of our work is mandated or requested by congressional Committee and Subcommittee Chairs, Ranking Members, or individual Members. The congressional protocols, which underwent a 9-month pilot test, provide clear, transparent, consistently applied policies and practices for GAO's relations with the Congress to reduce miscommunication and ensure that all requesters are treated equitably.

To align GAO's structure with the goals in our strategic plan, we reorganized both our field and headquarters operations. The changes were primarily designed to

- better align resources with our strategic plan,
- eliminate a layer of managerial hierarchy,

- reduce the number of organizational units,
- increase internal and external coordination,
- clarify the roles and responsibilities of management,
- increase the number of personnel who perform rather than manage or review work, and
- increase the critical mass and enhance the flexibility of field resources.

Working closely with the Congress throughout the year led to the enactment of the GAO Personnel Flexibility Act (P.L. 106-103), a major human capital milestone. The act, signed into law in October 2000, grants the Comptroller General the authority to establish new senior-level scientific and technical positions; to offer targeted voluntary early-outs and buy-outs; and to carry out reductions in force to downsize, realign, or correct skills imbalances within our agency. To gain a fuller understanding of our human capital resources and needs, we completed our first human capital self-assessment. We also administered a knowledge and skills inventory and an employee preference survey. To help attract skilled employees to carry out GAO's mission in the future, we also significantly increased our recruiting and college relations efforts on the nation's campuses. To engage our employees more fully in improving the agency's performance, we established the Comptroller General's Employee Advisory Council and implemented an employee suggestion program that received more than 800 submissions in its first year of operation.

Throughout the year, we continued to improve our use of information technology, as a tool for productivity and knowledge management. To provide our teams of analysts with a mechanism for simplifying and standardizing their work, we launched the EAGLE, a prototype of a comprehensive Web-based guide to conducting GAO engagements. Finally, we continued to enhance the capabilities of our computer network and successfully made our systems Y2K compliant. We also began a number of projects on enabling technologies, including software upgrades, the deployment of notebook computers, and improved remote access to allow our teams to work more efficiently in the field.

 *Fiscal Year 2001*

The nation's leaders continue to be faced with a number of complex, controversial, and multidimensional issues that require a more strategic, longer-range, and more integrated approach. The close margins in both the presidential and congressional elections reinforce the need for a professional and objective organization such as GAO to gather facts and lay out options to help policymakers reach timely and informed decisions. As part of our role in assisting with the presidential transition and the new Congress, we developed an external Web site with links to GAO contacts and reports on the major executive branch agencies, which was completed at the beginning of fiscal year 2001. A top priority in fiscal year 2001 will be working with leaders on the Hill to help strengthen the Congress's approach to oversight, with an emphasis on looking hard at what government does, how it does it, and the long-term consequences of today's policy choices. Our *2001 Performance and Accountability Series and High-Risk Update* will serve as a solid foundation for congressional oversight.

We are also preparing to carry out two new responsibilities assigned by the 106th Congress. We will chair a panel to review the process established under the Office of Management and Budget's Circular A-76 to allow the government to use competitive sourcing to obtain services from the private sector that would otherwise be performed by federal employees. If the needed funding is provided, we will also review the costs and benefits of major regulations under the Truth in Regulating Act (P.L. 106-312, Oct. 17, 2000).

With our agency's realignment nearing completion and a year's experience with using our strategic plan to drive our work, we reset some of our quantitative performance targets for fiscal year 2001 and posted them on the Web in a revised performance plan. At the agency level, the targets remained the same, with two exceptions: On the basis of a reassessment of what we expect to result from our work, we raised our target for other benefits from 640 actions taken on our recommendations to 700. We reduced our target for the number of times we expect to testify before the Congress from 250 to 150. We made this change for

several reasons: First, the number of hearings typically conducted in years when both a new Congress and a new administration take office is lower than in other years. Second, the delay in the presidential transition resulted in fewer congressional hearings being held. Finally, the 50/50 split in the Senate and the change in leadership of many House committees also reduced the number of hearings being held.

Our other targets for fiscal year 2001 call for GAO to achieve

- \$23 billion in financial benefits,
- a 75-percent implementation rate for recommendations we made 4 years ago, and
- 975 new recommendations for improved government operations and services.

For our management measure of timeliness, we will continue to work toward our idealistic target of delivering 100 percent of our products on time. In addition, we have adjusted some of our qualitative performance goals now that we have a clearer understanding of how to put our strategic plan into action. Later in this report, we cover the targets for each of our four strategic goals and revisions to the qualitative performance goals.

A number of other plans are under way as this report goes to press. Building on the success of GAO's congressional protocols, we will now implement an expanded client feedback system and issue protocols governing our dealings with federal agencies. We are forming several new high-level advisory bodies to gain the expertise of business leaders, former Cabinet officials, and experts on accounting, recruiting, and other key issues. In turn, we plan to be more active in lending our own expertise to the federal, state, local, and international accountability communities by convening working groups and participating in global forums. Internally, we will complete our realignment of our mission support organization. We will begin promulgating regulations to implement the human capital legislation passed in fiscal year 2000 and seek authority to help us attract and retain additional skilled and knowledgeable staff. A new competency-based performance appraisal system for analysts will be completed along with the staff training needed to ensure the implementation is effective.

## *Fiscal Year 2002*

For fiscal year 2002, we have set targets that call for GAO to meet or exceed this year's performance targets. Our targets for fiscal year 2002 are as follows:

- \$24 billion in financial benefits,
- 720 actions taken on our recommendations,
- a 75-percent implementation rate for recommendations we made 4 years ago,
- 233 testimonies given before the Congress, and
- 1,000 new recommendations made to improve government operations and services.

We will also continue to pursue our management measure of 100-percent on-time delivery.

We have requested a budget for fiscal year 2002 of about \$430.3 million to maintain current operations and serve the Congress as outlined in our strategic plan. This funding level will allow us to fully staff at our total authorized level of 3,275 full-time equivalent (FTE) personnel. The additional staff will be used to increase program emphasis in areas of congressional and public interest and concern, such as government computer security, Social Security solvency, education, economic development, Medicare reform, and international affairs.

With this budget, we also would continue our human capital and information technology initiatives. The increased funding will be used, among other things, to improve our training, performance-based rewards and compensation, and network operating and application systems that have not kept pace with the agency's needs and current government and industry standards. Our request also includes \$5.2 million to carry out responsibilities created by the Truth in Regulating Act to analyze certain economically significant regulations.

In the next sections of this report, our results for fiscal year 2000 and performance plan for fiscal year 2002 will be examined for each of our four strategic goals. Subsequent sections



will describe our strategies for meeting those goals, our coordination with other organizations on crosscutting issues, the major management challenges GAO faces, the external factors that could affect our performance, the procedures we use to verify and validate our performance data, and how we evaluate our performance.



## *Strategic Goal 1: Performance and Plans*

*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*

<b>Annual Quantitative Performance Measures and Targets, Fiscal Years 1997-2002</b>								
Type	Measure	1997 Actual	1998 Actual	1999 Actual	2000 Target <sup>a</sup>	2000 Actual	2001 Target	2002 Target
<b>Outcome</b>	<b>Financial benefits (billions)</b>							
	Annual	\$8.4	\$10.8	\$13.8	\$13.0	\$14.1	\$12.65 <sup>b</sup>	\$13.00
	4-year average	\$6.8	\$7.5	\$9.8	\$11.5	\$11.8	\$12.84	\$13.39
	<b>Other benefits</b>							
	Annual	116	177	140	140	182	196 <sup>b</sup>	198
	4-year average	88	114	129	143	154	174	179
	<b>Recommendations implemented<sup>c</sup></b>							
4-year implementation rate	70%	69%	72%	73%	72%	75%	75%	
<b>Intermediate outcome</b>	<b>Testimonies</b>							
	Annual	99	130	123	115	131	71 <sup>b</sup>	104
	4-year average	105	110	110	117	121	114	107
	<b>Recommendations made</b>							
	Annual	273	285	350	325	435	349 <sup>b</sup>	357
4-year average	297	245	278	308	336	355	373	
<b>3-Year Qualitative Performance Goals, Fiscal Years 2000-2002</b>								
<b>Qualitative</b>	<b>Performance goals: 42</b>							
Expect to meet or exceed	100%							
Do not expect to meet	0%							
Not started	0%							

<sup>a</sup>Because GAO did not have a performance plan for fiscal year 2000, the figures in this column were referred to in past documents as "estimates." They served the same function as the targets we now set in our performance plans.

<sup>b</sup>This is a revised target. For the original target, please see GAO's revised final performance plan for fiscal year 2001, available at [www.gao.gov](http://www.gao.gov).

<sup>c</sup>This measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

## MANAGEMENT DISCUSSION AND ANALYSIS

In keeping with our mission to support the Congress in carrying out its constitutional responsibilities, our first strategic goal focuses on several of the aspirations of the American people that were defined by the Founders: to “establish justice, insure domestic tranquility, ... promote the general welfare, and secure the blessings of liberty to ourselves and our posterity ....” Our aging and increasingly diverse population, rapid technological change, and Americans’ desire to improve the quality of life all have major policy and budgetary implications for the federal government. In particular, growing commitments to the elderly will challenge the capacity of a smaller generation of workers to finance the competing needs and wants brought to the federal doorstep. Our first goal, therefore, is to help the Congress and the federal government address the challenges that affect the well-being and financial security of the American people, recognizing the constraints of available resources and economic capacity.

To ensure that we provide timely, quality service to support the decision-making of the Congress as a whole and of its Committees dealing with the well-being and financial security of the American people, we have established eight strategic objectives:

- the health care needs of an aging and diverse population,
- a secure retirement for older Americans,
- the social safety net for Americans in need,
- an educated citizenry and a productive workforce,
- an effective system of justice,
- investment in communities and economic development,
- responsible stewardship of natural resources and the environment, and
- a safe and efficient national physical infrastructure.

## *Fiscal Year 2000*

In working toward this Strategic Goal in fiscal year 2000, we exceeded four of our five annual performance targets:

- We achieved measurable financial benefits of about \$14.1 billion—more than \$1 billion above our target for the year, which was \$13 billion.
- We recorded 182 actions taken on our recommendations by executive branch agencies or the Congress to improve government operations or services, again exceeding the target, which was 140 actions.
- The implementation rate for the recommendations we made to executive branch agencies 4 years ago was 72 percent, just short of our target of 73 percent. Because the performance target was set at an approximate level and the deviation from that level was slight, we believe our overall performance was not affected.
- We testified 131 times before the Congress on matters concerning the well-being and financial security of the American people, exceeding our target of 115 testimonies.
- We made 435 new recommendations to executive branch agencies to further improve their operations and services, a third more than our target of 325 recommendations.

In addition, we expect to meet or exceed all 42 qualitative performance goals by the end of fiscal year 2002. These performance goals are listed in appendix I, along with details of our fiscal year 2000 accomplishments in helping the Congress and the federal government address current and emerging challenges to the well-being and financial security of the American people.

## *Analyzing* SOCIAL SECURITY REFORM

GAO produced a major body of work analyzing the challenges facing the long-term financial solvency, stability, and sustainability of the Social Security program, including developing and applying criteria for evaluating reform

proposals. Our criteria provide a clear, consistent, and objective analytical framework that the Congress, program officials, and the public can use in evaluating legislative reforms.

## *Improving* AIRLINE COMPETITION

Our congressionally requested work on airline competition paid off, with the Congress's passing legislation that addressed critical barriers to increased competition. Our work showed that limitations on the numbers of arrivals and departures (called slot controls) inhibit the ability of some airlines to serve new markets. The new law encourages more vigorous competition by phasing out slot controls at three major

airports, increases slots for new-entrant airlines, increases slots for airlines with limited access, and requires that the Department of Transportation grant additional slots to airlines that increase regional jet service to small-hub airports. Several of those small cities now receive improved service from airlines operating regional jets.

## *Maximizing* THE URANIUM ENRICHMENT PROGRAM

Acting on a GAO recommendation, the Congress required the Department of Energy to recover from commercial customers an appropriate share of the expected costs for work involving the

decontamination and decommissioning of the Department's uranium enrichment plants. More than \$731 million in additional collections resulted.

Among the current and emerging challenges to the well-being and financial security of the American people that we testified on:

Air traffic control  
Airline competition  
Amtrak's financial condition  
Gun control  
Health care  
Homelessness  
Housing programs  
Intercity passenger rail  
Long-term care insurance  
Medicare  
Nuclear waste cleanup  
Nursing homes  
Prescription drug benefits  
Social Security  
Truck safety  
Welfare reform  
Wildfire dangers  
Worker protection

## ➤ *Fiscal Year 2001 and 2002*

Guided by our final decisions on realigning the agency's structure to the goals in our strategic plan, we allocated 914 full-time equivalent staff to Goal 1. We revised some of our quantitative targets to reflect these decisions as indicated on the table on page 23 and expect to meet our other quantitative targets for fiscal year 2001. In addition, we revised 18 of our 42 qualitative performance goals to more accurately reflect the scope of work being done under Goal 1. The tables in appendix I show these changes to our performance goals.

Looking ahead to fiscal year 2002, we have requested 965 full-time equivalent staff for Goal 1. The additional staff will be used to increase emphasis on Social Security solvency, economic development, and Medicare reform.

Given these resources, we set the following targets:

- \$13 billion in financial benefits,
- 198 actions taken on our recommendations to improve government operations or services, and
- a 75-percent implementation rate for the recommendations we made 4 years ago.

These performance targets will continue to focus our attention on work that provides financial benefits and other improvements in government operations. We also set targets of delivering 104 testimonies and making 357 recommendations to executive agencies, two measures of the value of our work for congressional decision-making and for identifying opportunities for improving federal operations that yield benefits to taxpayers.

As open markets and rapidly developing technology create an increasingly interconnected



## Strategic Goal 2: Performance and Plans

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

Annual Quantitative Performance Measures and Targets, Fiscal Years 1997-2002								
Type	Measure	1997 Actual	1998 Actual	1999 Actual	2000 Target <sup>a</sup>	2000 Actual	2001 Target	2002 Target
<b>Outcome</b>	<b>Financial benefits (billions)</b>							
	Annual	\$9.5	\$5.8	\$3.0	\$4.0	\$5.5	\$5.1 <sup>b</sup>	\$5.3
	4-year average	\$7.6	\$7.4	\$6.3	\$5.6	\$6.0	\$4.9	\$4.7
	<b>Other benefits</b>							
	Annual	78	73	80	95	129	162 <sup>b</sup>	163
	4-year average	38	50	65	81	90	111	134
	<b>Recommendations implemented<sup>c</sup></b>							
4-year implementation rate	84%	76%	65%	73%	84%	75%	75%	
<b>Intermediate outcome</b>	<b>Testimonies</b>							
	Annual	45	45	37	40	56	36 <sup>b</sup>	62
	4-year average	37	38	40	42	46	44	48
	<b>Recommendations made</b>							
	Annual	241	242	255	250	376	283 <sup>b</sup>	291
	4-year average	329	272	266	247	279	289	301
<b>3-Year Qualitative Performance Goals, Fiscal Years 2000-2002</b>								
<b>Qualitative</b>	<b>Performance goals: 20</b>							
Expect to meet or exceed	100%							
Do not expect to meet	0%							
Not started	0%							

<sup>a</sup>Because GAO did not have a performance plan for fiscal year 2000, the figures in this column were referred to in past documents as "estimates." They served the same function as the targets we now set in our performance plans.

<sup>b</sup>This is a revised target. For the original target, please see GAO's revised final performance plan for fiscal year 2001, available at [www.gao.gov](http://www.gao.gov).

<sup>c</sup>This measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

world, the United States faces new threats and opportunities. Threats to national security come from regional instabilities, the spread of terrorism, and the proliferation of nuclear and other weapons of mass destruction. They come also from the interdependence of global economic and financial systems and the vulnerabilities of the information technology used to conduct many vital functions—from international commerce to warfare.

At the same time, the end of the Cold War and the globalization of markets have created new opportunities for our nation as a whole and for American producers and consumers. Consequently, while trying to anticipate and address the new threats to national security, the federal government also tries to promote foreign policy goals, trade policies, and other strategies to help the nations in every corner of the world that are our military allies and trading partners.

In light of this complex array of global issues, the second goal of our strategic plan is to help the Congress and the federal government respond to changing security threats and the challenges of global interdependence. To ensure that we provide timely, quality service to support the decision-making of the Congress as a whole and of its Committees dealing with security and global interdependence issues, we have established four strategic objectives:

- responding to diffuse threats to national and global security,
- ensuring military capabilities and readiness,
- advancing and protecting U.S. international interests, and
- responding to the impact of global market forces on U.S. economic and security interests.

## *Fiscal Year 2000*

In working toward this Strategic Goal in fiscal year 2000, we exceeded all of our annual performance targets:

- We achieved measurable financial benefits of about \$5.5 billion—more than 37 percent above our target, which was \$4 billion.
- We recorded 129 actions taken on our recommendations by executive branch agencies or the Congress to improve government operations or services, again exceeding the target, which was 95 cases.
- The implementation rate for the recommendations we made to executive branch agencies 4 years ago was 84 percent, well above our target of 73 percent.
- We testified 56 times before the Congress on national security and global interdependence issues, exceeding our target of 40 testimonies.
- We made 376 new recommendations to executive branch agencies to further improve their operations and services, 50 percent more than our target of 250 recommendations.

In addition, we expect to meet or exceed all 20 qualitative performance goals by the end of fiscal year 2002. These performance goals are listed in appendix II, along with details of our fiscal year 2000 accomplishments in helping the Congress and the federal government respond to changing security threats and the challenges of global interdependence.



## *Revamping*

### NAVY'S IN-TRANSIT INVENTORY

At the request of several Members of Congress, GAO examined how the Navy reconciled its in-transit inventory records and found that the Navy had lost accountability over \$3 billion in inventory. In response, the Navy established a task force that, for fiscal years 1999 and 2000, resolved errors

valued at \$802 million. Had this reconciliation not occurred, the Navy could have bought additional inventory not knowing that it already had the items in stock.

## *Stabilizing*

### THE BALKANS

Despite the presence of two large NATO-led forces, the Balkans remain volatile. GAO's work has shown that the international operations in Bosnia and Kosovo face severe obstacles to achieving enduring peace and stability. Most local leaders and members of their respective ethnic groups have not embraced the political and social recon-

ciliation needed to build multiethnic, democratic societies. Our work has also shown that the international community has not provided the resources that the United Nations mission in Kosovo says it needs. If progress is not made in these matters, violence may escalate or armed conflict may result.

## *Evaluating*

### TRADE AGREEMENTS

GAO identified procedural and structural problems in the government's monitoring and enforcement of its trade agreements. We found inconsistencies and weaknesses in trade archiving practices that prevented the government from determining the number of agreements it is party to. We also identified human capital and other capacity weaknesses that limited key agencies' trade monitoring and enforce-

ment abilities. In response, the key agencies improved the accuracy and utility of their trade archives and are enhancing efforts to achieve compliance with trade agreement provisions, to improve coordination and teamwork in monitoring and enforcement activities across the government, and to update mechanisms for obtaining private sector input on trade policy.

## ➤ *Fiscal Year 2001 and 2002*

Guided by our final decisions on realigning the agency's structure to the goals in our strategic plan, we allocated 685 full-time equivalent staff to Goal 2. We revised some of our quantitative targets for fiscal year 2001 to reflect these decisions, as indicated on the table on page 28, and expect to meet our quantitative targets for fiscal year 2001. In addition, we revised 4 of our 20 qualitative performance goals to more accurately reflect the scope of work being done under Goal 2. The tables in appendix II show these changes to our performance goals.

Looking ahead to fiscal year 2002, we have requested 720 full-time equivalent staff for this goal. The additional staff will be used to increase our work on international affairs and trade. Given these resources, we set the following targets:

- \$5.3 billion in financial benefits,
- 163 actions taken on our recommendations to improve government operations or services, and
- a 75-percent implementation rate for the recommendations we made 4 years ago.

These performance targets will continue to focus our attention on work that provides financial benefits and other improvements in government operations. We also set targets of delivering 62 testimonies and making 291 recommendations to executive agencies, two measures of the value of our work for congressional decision-making and in identifying opportunities for improving federal operations that yield benefits to taxpayers.

# GAO *on the Hill*

Among the changing security threats and challenges of global interdependence we testified on:

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



## Strategic Goal 3: Performance and Plans

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

### Annual Quantitative Performance Measures and Targets, Fiscal Years 1997-2002

Type	Measure	1997 Actual	1998 Actual	1999 Actual	2000 Target <sup>a</sup>	2000 Actual	2001 Target	2002 Target
<b>Outcome</b>	<b>Financial benefits (billions)</b>							
	Annual	\$8.6	\$4.6	\$4.5	\$5.0	\$5.1	\$5.25 <sup>b</sup>	\$5.7
	4-year average	\$5.2	\$5.2	\$5.7	\$5.7	\$5.7	\$4.86	\$5.1
	<b>Other benefits</b>							
	Annual	216	311	414	415	503	342 <sup>b</sup>	359
	4-year average	145	200	274	339	361	393	405
	<b>Recommendations implemented<sup>c</sup></b>							
4-year implementation rate	69%	65%	78%	74%	77%	75%	75%	
<b>Intermediate outcome</b>	<b>Testimonies</b>							
	Annual	57	96	100	85	105	43 <sup>b</sup>	67
	4-year average	66	75	79	84	90	86	79
	<b>Recommendations made</b>							
	Annual	322	460	335	370	413	343 <sup>b</sup>	352
	4-year average	321	332	355	372	383	388	361

### 3-Year Qualitative Performance Goals, Fiscal Years 2000-2002

Qualitative	Performance goals: 15
Expect to meet or exceed	100%
Do not expect to meet	0%
Not started	0%

<sup>a</sup>Because GAO did not have a performance plan for fiscal year 2000, the figures in this column were referred to in past documents as "estimates." They served the same function as the targets we now set in our performance plans.

<sup>b</sup>This is a revised target. For the original target, please see GAO's revised final performance plan for fiscal year 2001, available at [www.gao.gov](http://www.gao.gov).

<sup>c</sup>This measure gauges the implementation rate of recommendations made 4 years prior to each respective fiscal year.

As we enter the 21st century, American citizens are increasingly demanding improved government services and better stewardship of public resources. The federal government is adopting the principles of performance-based management in an effort to address these demands. This approach to managing government integrates thinking about organizational structure; program and service delivery strategies; and the use of technology, reliable financial information, and effective human capital strategies into decisions about the results the government intends to achieve. Many initiatives now under way across government to improve operations and strengthen accountability are being driven by management reforms statutorily

## MANAGEMENT DISCUSSION AND ANALYSIS

established by the Congress in the 1990s. Yet the reforms did not encompass all areas of government management, in particular, human capital strategic planning and management at a governmentwide level.

The reforms that have been adopted have profound implications for what government does (the products and services it delivers), how it is organized, and how it performs. Consequently, government decisionmakers and managers are adopting new ways of thinking, considering different ways of achieving goals, and using new information to guide decisions. At the same time, with budget surpluses now projected for the coming years, the U.S. government faces a new set of challenges, in both the long and near terms, in making budget decisions.

To ensure that we support the transition to a more results-oriented and accountable federal government, we have established four strategic objectives:

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

## *Fiscal Year 2000*

In working toward this Strategic Goal in fiscal year 2000, we exceeded all five of our annual performance targets:

- We achieved measurable financial benefits of about \$5.1 billion—\$100 million more than our target of \$5 billion.
- We recorded 503 actions taken on our recommendations by executive branch agencies or the Congress to improve government operations or services, again exceeding the target, which was 415 actions.
- The implementation rate for the recommendations we made to executive branch agencies 4 years ago was 77 percent, exceeding our target of 74 percent.
- We testified 105 times before the Congress on making government more results oriented and accountable, exceeding our target of 85 testimonies.
- We made 413 new recommendations to executive branch agencies to further improve their operations and services—well beyond our target of 370 recommendations.

In addition, we expect to meet or exceed all 15 qualitative performance goals by the end of fiscal year 2002. These performance goals are listed in appendix III, along with details of our fiscal year 2000 accomplishments in supporting the transition to a more results-oriented and accountable federal government.

## *Improving* SBA'S DISASTER LOAN PROGRAM ESTIMATES

In reviewing information the Small Business Administration developed and used to prepare its financial statements for fiscal years 1997 and 1998, GAO identified errors in the method SBA used to estimate the cost of the Disaster Loan Program. In response, SBA developed a

new approach to estimate its program's costs using actual historical data, which decreased the estimated cost of the loan program. During fiscal years 1999 and 2000, about \$609 million in benefits resulted.

## *Informing* CONGRESSIONAL DELIBERATIONS ON TAX POLICY

The nation's evolving economy and the size and complexity of the current IRS Code raise policy issues for the Congress. For example, the rapid development of electronic commerce has fueled debate about whether online transactions should be taxed. During the debate over whether to extend the ban on

state and local sales taxes on electronic commerce, GAO provided the Congress with a unique perspective on the potential revenue losses to state and local governments. In addition, our prior work on better targeting the Earned Income Credit continued to generate substantial savings of over \$600 million.

## *Implementing* THE GOVERNMENT PERFORMANCE AND RESULTS ACT

GAO assisted the Congress and executive branch agencies with the difficult cultural changes needed to create high-performing agencies. As part of this work, we assessed agencies' efforts under GPRA and made specific recommendations on how the Congress and the executive branch could work together to ensure that results-oriented

processes are useful to and used by decisionmakers. We also worked with the Congress to ensure that agencies resolve management problems that undercut or undermine programs. Our work for the Senate on the key attributes of high-performing organizations is being used as a basis for oversight and decision-making.

Among the issues we testified on pertaining to the transition to a more results-oriented and accountable federal government:

Budget issues

Computer security

District of Columbia reforms

Electronic government

Federal management challenges

Financial management reform

Government facility security

Government in the 21st century

Government program oversight

GPRAs congressional oversight

Human capital

Managing in the new millennium

Money laundering

Security breaches at federal agencies

U.S. government financial statement

audit

Y2K leadership and partnership

## ➤ *Fiscal Year 2001 and 2002*

Guided by our final decisions on realigning the agency's structure to the goals in our strategic plan, we allocated 942 full-time equivalent staff to Goal 3. We revised some of our quantitative targets to reflect these decisions, as indicated on the table on page 33, and are on track to meet our quantitative targets for fiscal year 2001. In addition, we revised 1 of our 15 qualitative performance goals to more accurately reflect the scope of work being done under Goal 3. The tables in appendix III show that change to the performance goals.

Looking ahead to fiscal year 2002, we have requested 976 full-time equivalent staff for this goal. The additional staff will be used to increase our emphasis on federal human capital management, government computer security, and analyses of economically significant regulations. Given these resources, we set the following targets:

- \$5.7 billion in financial benefits,
- 359 actions taken on our recommendations to improve government operations or services, and
- a 75-percent implementation rate for the recommendations we made 4 years ago.

These performance targets will continue to focus our attention on work that provides financial benefits and other improvements in government operations. We also set targets of delivering 67 testimonies and making 352 recommendations to executive agencies, two measures of the value of our work for congressional decision-making and in identifying opportunities for improving federal operations that yield benefits to taxpayers.



## *Strategic Goal 4: Performance and Plans*

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

### **3-Year Qualitative Performance Goals, Fiscal Years 2000-2002**

<b>Qualitative</b>	<b>Performance goals: 17</b>
Expect to meet or exceed	100%
Do not expect to meet	0%
Not started	0%

To carry out our responsibilities to the Congress and the American people successfully, GAO must be perceived as credible and must lead by example. Our fourth strategic goal provides the framework for enhancing and sustaining our organizational credibility.

To ensure that we maximize the value of GAO by being a model organization for the federal government, we have established five strategic objectives:

- cultivate and foster effective congressional and agency relations,
- implement a model strategic and annual planning and reporting process,
- align human capital policies and practices to support GAO's mission,
- develop efficient and responsive business processes, and
- build an integrated and reliable information technology infrastructure.

## *Fiscal Year 2000*

To help guide our efforts in achieving Strategic Goal 4, we originally established three quantitative annual performance measures and targets: timeliness, product quality, and multiunit products. In our revised final fiscal year 2001 performance plan, we made the timeliness measure an overall GAO management measure. This change will provide greater focus and emphasis on meeting client needs.



We discontinued the product quality measure at the end of the second quarter of fiscal year 2000 primarily because it did not adequately capture the evolving environment at GAO. Our increased emphasis on risk management and matrix management requires us to build quality into our work and products prior to issuance and to view quality through our clients' eyes. Therefore, we are developing a new measure of product quality based on client feedback and new internal assessments.

Eight percent of our products were issued as multiunit products in fiscal year 2000—that is, they were issued jointly by two or more of GAO's units. While this was up from our experience of 5 percent in fiscal year 1999, it was below our target of 9 percent. We have, however, eliminated this measure for fiscal year 2001 for several reasons. It was originally intended as an indicator of whether GAO's units were sharing resources with one another. But the risk management and matrix management strategies we implemented last year now provide more active senior management and ensure that needed resources are made available, regardless of where they are housed in the agency. Moreover, because this measure had relatively little meaning outside of GAO, we are seeking a better way to measure our matrix management efforts.

We expect to meet or exceed all 17 qualitative performance goals by the end of fiscal year 2002. These performance goals are listed in appendix IV, along with details of our fiscal year 2000 accomplishments in maximizing the value of GAO as a model organization for the federal government.

## *Managing*

STRATEGICALLY  
WITH  
ACCOUNTABILITY

GAO developed its first strategic plan for the 21st century, based on input from the Congress and supplemented by GAO's expertise and other outreach efforts. We subsequently developed our performance plan for fiscal year 2001 to directly link our

strategic goals with what managers and staff do day to day. Also in fiscal year 2000, GAO issued its first accountability report to the Congress, documenting our performance and accountability during fiscal year 1999.

## *Improving*

SERVICE TO THE  
CONGRESS

In fiscal year 2000, GAO piloted congressional protocols to guide our interactions with the Congress and to ensure our accountability. The final protocols have since been issued and reflect refinements made in response to feedback from Members of the

Congress and their staffs. The protocols will allow us to better serve the Congress, improve satisfaction with our work, and ensure equitable treatment for all congressional requesters.

## *Managing*

HUMAN CAPITAL

Because of our work with key congressional committees during fiscal year 2000, the Congress passed the GAO Personnel Flexibility Act, which provides the Comptroller General with the authority to better position our workforce for the future. Separately, we completed our first human

capital self-assessment and a knowledge and skills inventory, significantly increased our recruiting and college relations efforts, and enhanced training opportunities. We also established an employee advisory council and an employee suggestion program.

## *Fiscal Year 2001 and 2002*

For fiscal year 2001, we are continuing to make progress in most areas, although we received insufficient funds to support several of our initiatives, such as those for additional enabling technology and human capital support. We allocated 614 full-time equivalent staff to our work on Strategic Goal 4. While we are making progress toward our performance goals, achieving them by the end of fiscal year 2002 will depend on having sufficient resources for projects delayed by the funding shortfall in fiscal year 2001. The tables in appendix IV show changes to the performance goals.

For fiscal year 2002, we have again requested 614 full-time equivalent staff to work on our efforts to maximize the value of GAO as a model organization for the federal government. We have, however, requested additional funding to continue our initiatives in human capital, enabling technology, and several other key efforts. In the human capital area, we plan to continue our efforts to enhance our performance-based rewards and compensation program, to improve training to address skill gaps and maximize productivity, and to increase our ability to attract and retain high-quality staff by providing benefits comparable to those of other federal government agencies. Funding to continue technology initiatives will allow us to upgrade software and hardware to ensure our network's continued enhancement, to reengineer existing business processes to support our strategic goals and objectives, and to improve the security of our network.



## *Strategies and Challenges—Achieving Our Goals*

*The Government Performance and Results Act directs agencies to articulate not just goals but also strategies for achieving their goals. The strategies emphasize the need to work with other organizations on crosscutting issues and to mitigate internal and external factors that could impair performance. The next sections describe how we plan to approach these opportunities and challenges. From there, we will turn to how we will assess our efforts through our performance data and through program evaluations.*

For GAO, achieving our strategic goals and objectives rests, for the most part, on providing professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information. We support the Congress in a variety of ways:

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

Most of these strategies have long been part of GAO's traditional role as the Congress's "watchdog" agency. One strategy we are increasingly emphasizing, however, is that of the

constructive engagement, which calls for our staff to consult or collaborate with agency staff and help them improve their programs and operations. Ultimately, a high-performing government requires that agencies incorporate best management practices and use relevant benchmarking information in the way they conduct their day-to-day business. Rather than waiting for agencies to produce results that we can analyze to pinpoint weaknesses, these engagements are designed to help federal agencies obtain positive results the first time. This approach is yielding results in our oversight and due diligence responsibilities for ensuring the economy, efficiency, and effectiveness of government operations. While we are committed to employing a constructive engagement approach when appropriate, we will do so in a way that does not compromise our independence.

For example, the Congress mandated that we use a constructive engagement approach with the Department of Education to evaluate the feasibility of using various market mechanisms to determine the lender yield for Federal Family Education Loans under the Higher Education Act of 1965. In response, during fiscal year 2000, GAO and Education convened the Market Mechanisms Study Group, which comprised representatives from the Department of Treasury, OMB, and the Congressional Budget Office, as well as others from the financial services community and participants in student loan programs. The group released a draft of its findings for public comment in January 2001 and anticipates releasing the final report in May 2001.

We have also begun to issue assessment guides to help agencies compare their operations against best practices. Of particular note, using our guide on assessing the maturity of information technology investments, the Immigration and Naturalization Service assessed its investment management capability and then worked with GAO to verify the accuracy of its assessment. The resulting report describes the maturity of the Service's current practices, the associated funding risks, and the specific steps required for improvement. The latest addition to the series of assessment guides, *Human Capital: A Self-Assessment Checklist for Agency Leaders*, was issued in September 2000 and is being used by GAO analysts and planners in

## MANAGEMENT DISCUSSION AND ANALYSIS

other agencies. As more is learned from their experiences with the checklist, we will refine and update the document.

To further encourage constructive engagements and provide clearly defined, well-documented, transparent policies and practices for carrying out our work for the Congress, we are developing protocols that will govern GAO's work at federal agencies and elsewhere. The protocols identify what GAO expects of agencies and what agencies can expect from GAO. Our goal is to maximize GAO and agency interactions and in so doing enable GAO to better meet the needs of the Congress, improve the performance and accountability of the federal government for the benefit of the American people, and ensure consistent treatment of all agencies.

As part of our strategies for achieving our goals and objectives, we are coordinating our work with the wider accountability community, both domestically and internationally, and are confronting challenges inside GAO and in the environment in which we and the Congress operate.

### *Coordination to Address Crosscutting Issues*

Although GAO is unique in the scope of its activities to support the Congress and to improve the performance and accountability of government, it shares with other members of the accountability community similar visions and values. Each member has a different role, responsibility, and expertise, but collectively, they advance the principles of good government through a variety of activities.

To take advantage of opportunities to work collaboratively, we continue to ensure that our work complements the efforts of others and that crosscutting goals are mutually reinforcing and efficiently implemented. Toward this end, GAO established the External Liaison office. Its mission is to enhance proactive working relationships with domestic and international

accountability organizations; foreign, state, and local government agencies; and selected colleges, universities, and not-for-profit entities. The External Liaison is to provide a cohesive, seamless structure for carrying out GAO's mission and goals, in concert with those of the other entities, to advance GAO's goals with the ultimate objective of making government better.

To collaborate more effectively with these organizations, we conduct four types of activities:

- develop and promote standards for government auditing, federal accounting, and federal financial management systems;
- identify and promote "best practices" in public management;
- leverage resources and services to better identify opportunities for collaboration to improve government operations; and
- convene and participate in forums, boards, councils, and other bodies to share knowledge.

### *Develop and Promote Standards for Government Auditing and Federal Accounting*

In consultation with others in the accountability community, we update government auditing standards for addressing emerging issues; participate in the development of federal accounting standards; and as required by law, issue and update standards for internal controls in the federal government. Of particular note, GAO and the President's Council on Integrity and Efficiency (PCIE) worked cooperatively during fiscal year 2000 to

## ACCOUNTABILITY COMMUNITY

### Organizations we work with include:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

develop a draft-for-comment of the Financial Audit Manual for performing financial statement audits of federal entities. The benefits of a unified manual are significant. Its adoption should relieve some of the burden that agencies face in staying current with ever-changing audit requirements and expectations. The manual will also improve consistency among agency audits. The most important outcome of this process will be financial statement audits of the highest quality and the greatest usefulness that provide the best possible accountability over taxpayer-provided resources. GAO and PCIE issued the draft manual in December 2000 and will issue the final version in May 2001.

We coordinate closely with the Office of Management and Budget (OMB) and the Department of the Treasury in developing federal accounting standards and preparing and auditing the U.S. government's financial statements. Since 1990, GAO, OMB, and Treasury have jointly developed federal accounting principles through an advisory committee—the Federal Accounting Standards Advisory Board (FASAB). In October 1999, the American Institute of Certified Public Accountants recognized FASAB as the source of generally accepted accounting principles (GAAP) for federal entity financial statements. This recognition means that for the first time, federal entities have a body of GAAP on which to base financial statements. Maintaining GAAP through this partnership with the executive branch and with adequate representation of the public interest improves federal accountability.

GAO also coordinates with OMB on the guidance for agencies' GAAP-based financial reports. That guidance is contained in OMB's bulletins on the form and content of financial statements and on auditing requirements. GAO consults with OMB on the technical aspects of this crucial guidance. In addition, we maintain effective liaison with the Financial Accounting Standards Board (FASB), which issues accounting standards for the private sector, and the Government Accounting Standards Board (GASB), which issues accounting standards for state and local entities.

To help ensure that the generally accepted government auditing standards the Comptroller General issues continue to meet the needs of the auditing community and the public it



serves, the Comptroller General appointed the Advisory Council on Government Auditing Standards to review the standards and recommend necessary changes. The Council consists of experts in financial and performance auditing drawn from all levels of government, private enterprise, public accounting, and academia. These standards are widely used by government and private sector auditors in audits of federal, state, and local government programs as well as in audits of entities receiving federal assistance. In addition, to ensure a better understanding and consistent application of the standards, GAO staff provide technical advice and outreach to the audit community by responding to requests for guidance, conducting training at regional and national conferences, and maintaining an Internet site on the standards and the process used to set them.

Internationally, GAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI). The Comptroller General is a member of INTOSAI's Board of Governors and chairs INTOSAI's committee on accounting. GAO is an active member of INTOSAI's audit standards, internal control standards, information technology, and public debt committees. The Comptroller General also chairs the executive committee of the national intergovernmental audit forum.

### *Identify and Promote Best Practices in Public Management*

To facilitate governmentwide management and institutional reforms, we will continue to develop and promote best practices to build and sustain high-performing organizations. For example, we developed an executive guide to help federal agencies maximize the success of their Chief Information Officers (CIO), who were assigned responsibility by the Clinger-Cohen Act to promote the effective design and operation of all major information resources for the executive agencies. The guide offers a generic framework of core principles and critical success factors for agency executives to follow in supporting their CIOs. We also issued an executive guide that highlighted best practices in creating value through world-class financial management.

## MANAGEMENT DISCUSSION AND ANALYSIS

GAO is also collaborating with the Chief Information Officers Council to develop guidance defining the practical steps involved in developing, implementing, and maintaining an enterprise architecture. Enterprise architecture—the roadmap that shows how an entity can move, in terms of both business and technology, from its current operation to its desired operation in the future—is required by legislation and by OMB.

In addition, we assisted the CIO Council, OMB, and the National Institute of Standards and Technology in developing an Information Technology Security Assessment Framework to aid in conducting assessments of agencies' security programs and in measuring incremental progress. By collaborating with other organizations in the development of the framework, we helped to ensure consistency between executive branch guidance and GAO's audit criteria.

### *Leverage Resources and Services Through Collaboration to Improve Government Operations*

We recognize that we can meet our goals and strategic objectives more efficiently and effectively if our work complements that of others. To ensure that we target the right issues, provide balanced perspectives, and develop practical recommendations, we work with members of the accountability community, including federal, state, and international audit organizations; academic and professional organizations; agency Inspector General (IG) offices; and our sister agencies, the Congressional Budget Office (CBO) and the Congressional Research Service (CRS). In addition, we are exploring new ways of working with other federal, state, local, and international accountability organizations to better serve our respective clients. These efforts will include a domestic working group of representatives from federal IG and state and local government audit offices and a global working group of the Comptroller General's international counterparts.

In addition to GAO, CBO and CRS support the Congress and may assist it in connection with the same agency, program, and policy areas as GAO. Senior managers from all three agencies meet quarterly to identify opportunities to work together to better serve the

Congress. For example, we recently provided CBO, CRS, and congressional staff with electronic access to our active assignment list to help keep them informed of our ongoing work. We also worked with CRS staff to hold a conference on ways to conduct oversight of federal agencies and programs.

We also collaborate with executive branch agencies. For example, our Physical Infrastructure team has a continuing, reciprocal relationship with the Federal Aviation Administration (FAA) to enhance both agencies' expertise. At FAA's request, GAO developed and piloted training in fiscal years 1999 and 2000 for aviation safety inspectors on conducting effective internal audits. In fiscal year 2001, FAA will assume responsibility for conducting the training on its own. FAA, meanwhile, admits our analysts to its courses and has loaned us, on a long-term basis, one of its instructional platforms with over 100 computer-based aviation classes on topics such as the air traffic control system and new navigational systems that help aircraft avoid crashes.

Our Office of Special Investigations (OSI) regularly collaborates with other organizations to improve government operations. Because of its investigations related to international money laundering, OSI will meet with Delaware officials in the coming year to discuss potential weaknesses in the state's incorporation laws governing non-U.S. entities. OSI is also collaborating with federal agencies to reduce potential weaknesses found in security procedures at various federal facilities. OSI and the Department of Defense's IG plan to collaborate on several investigative efforts to test the security of military materiel and weapons. Through GAO's FraudNET—a system for reporting fraud, waste, abuse, or mismanagement of federal funds—OSI collaborates with IGs at other agencies and with law enforcement agencies. OSI evaluates allegations received by FraudNET and, when appropriate, conveys information to IGs or regulators for follow-up. With the transition to an online system, the quality of the allegations FraudNET receives has improved, and opportunities for coordinating work and referring investigative findings have increased.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, GAO's Applied Research and Methods team helps other agencies improve their analytic capacities by reviewing federal agencies' information development activities, developing methodologies, and fostering knowledge transfer in the federal and professional evaluation communities.

### *Convene and Participate in Forums, Boards, Councils, and Other Bodies to Share Knowledge*

To advance principles of improved performance and accountability, we help convene and participate in related forums with other government audit organizations. For example, INTOSAI—the professional organization of 179 national audit offices from around the world—holds triennial congresses to share experiences, discuss issues, and recommend ways of improving government accountability worldwide. The 17th International Congress of Supreme Audit Institutions will take place in Seoul, Korea, in October 2001. The United States will chair one of the major themes—the contributions of supreme audit agencies to public management reforms.

In addition, in January 2001, the Comptroller General hosted the second annual informal global working group meeting, where the heads of 11 of GAO's counterparts from the G-7 and other selected countries met at GAO to discuss emerging issues of mutual concern and to hear each other's experiences. To further promote knowledge sharing internationally, GAO publishes the *International Journal of Government Auditing* on behalf of INTOSAI and sponsors the annual International Auditor Fellowship Program.

In March 2001, the Comptroller General hosted and chaired, for the first time, an informal domestic working group, consisting of six federal IG, six state, and six local government audit officials, to discuss matters of mutual concern. This group will supplement the intergovernmental audit forum and will meet annually to share knowledge through informal exchanges.

The Comptroller General is also initiating a Comptroller General's Advisory Board of widely recognized experts in areas pertaining to each of GAO's strategic objectives. Among its other responsibilities, the advisory board will assist GAO in developing a revised strategic plan for fiscal years 2002 through 2007. The board's first annual meeting is scheduled for April 2001.

We also coordinate with the Chief Financial Officers Council to address crosscutting accounting, financial systems, internal control, and financial reporting issues and with the Chief Information Officers Council to address governmentwide matters concerning information technology issues, including investment, management, evaluation, and security. With the Joint Financial Management Improvement Program, we participate in the development of federal financial systems' standards and requirements and other initiatives to improve government management.



*Major Management Challenges—Internal Factors  
That Could Affect Our Performance in  
Fiscal Year 2002*

Like any organization, GAO faces major management challenges in accomplishing our strategic goals and objectives. With the vast majority of our resources devoted to staff salary and benefits, the area of human capital presents a major challenge. A significant percentage of our current workforce is nearing retirement age. Moreover, marketplace, demographic, economic, and technological changes indicate that competition for skilled workers will be greater in the future. Another major management challenge is to build an integrated and reliable information technology infrastructure that supports the achievement of our goals.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Human Capital*

GAO has completed a comprehensive assessment of its human capital and has identified succession planning, skill imbalances, and other issues that need to be addressed. We found, for instance, that a third of our analysts and related staff will be eligible to retire by the end of fiscal year 2004, along with more than half of our senior managers. We found that as a result of a 5-year hiring freeze, which began in 1992 to downsize GAO and was then extended to achieve mandated funding reductions, we have a lot fewer analysts at the entry-level than at the senior and management levels. Maintaining adequate skills also was identified as a key human capital issue, especially the need to train senior executives in key competencies such as leadership, communications, and conflict resolution. Because of resource constraints, training for executives had been drastically reduced for a number of years after fiscal year 1993. In addition, technical skills, such as actuarial and information technology skills, were not sufficiently available within GAO for us to effectively assist the Congress in meeting its oversight responsibilities.

We have made progress in assessing many of our human capital challenges. For example, we recently realigned the agency and reallocated resources to better support the Congress and meet the future challenges outlined in our strategic plan. We also completed a first-ever electronic knowledge and skills assessment and inventory that will be used to staff engagements more effectively and help identify skill gaps and succession planning needs within the agency. In addition, staff recently completed an employee assignment preference survey, the results of which, along with the knowledge and skills inventory, will be used to help us accommodate staff preferences when making work assignments to meet our institutional needs. We also revised performance standards for all staff to

- incorporate GAO's core values and strategic goals;
- update descriptions of performance to better reflect the current nature of GAO's work; and
- to include key management and performance concepts, such as leadership by example, client service, and measurable results.

We have begun a major initiative to develop a competency-based performance model and to update performance standards for analysts to reflect prevailing best practices. Similarly, we plan to update the performance systems for our attorneys and mission support staff in fiscal year 2001. We have reestablished and are expanding training opportunities for our senior executives. In addition, we have significantly revised and enhanced our recruitment and college relations program. Efforts at colleges and universities are under way to recruit diverse, high-caliber staff with the skills and abilities GAO needs to achieve our strategic goals and objectives. To engage our employees more fully in improving the agency's performance, we established the Comptroller General's Employee Advisory Council and implemented an employee suggestion program that received more than 800 submissions in its first year of operation. And lastly, the Congress has provided us with legislative authority that gives us greater flexibility to manage our human capital more effectively.

While we are making progress, we need to continue many of these efforts and initiate others to successfully address our human capital challenges. To provide greater recruitment and retention incentives, we need to enrich our performance-based rewards, compensation, and employee benefit programs, such as transportation subsidies, to make them comparable to those offered in the executive branch and the private sector. We also need to update our training curriculum and professional development programs to address the organizational, change management, and technical needs, both of individuals and of the agency. In addition, as we expand our recruitment effort, we need to continue enhancing training for new entry-level staff.

### *Information Technology*

We have greatly improved our information technology (IT) infrastructure during the past year, but other challenges remain. During fiscal year 2000, we initiated a comprehensive review of our IT infrastructure to identify opportunities to increase our efficiency, effectiveness, and productivity. We also began an effort to map our business processes to the IT architecture and to link future IT investments to our business goals. We designed and

## MANAGEMENT DISCUSSION AND ANALYSIS

implemented several software tools and products to streamline access to data and report processing, which included providing better access to online policy, protocols, and procedures for managing the engagement process; to legal and other resources at the desktop; and to enhanced software and graphics capability. In addition, we developed a number of Web-based knowledge-sharing applications, such as a productivity and knowledge management tool that provides a one-stop guide to conducting GAO engagements. We also recently completed development of a Web site that provides information for the congressional and presidential transitions ([www.gao.gov/transition/](http://www.gao.gov/transition/)). Numerous subscriptions and databases, previously available only in hardcopy, are now available through our agency's network. In addition, we continued systemic upgrades of network software, hardware, and communications tools to ensure quick response times and increased productivity.

While many gains have been made, we face several IT challenges. We need to continue initiatives designed to increase employee productivity, maximize the use of technology, and enhance the tools available at the desktop. For example, we have aging agencywide management information systems that need to be replaced with integrated, Web-based applications centered around a common data model; these systems were developed in-house over two decades ago and are obsolete and incapable of interfacing within our network environment. Our network operating and applications systems are outdated versions and must be upgraded soon to ensure continued vendor support and compatibility with industry standards and with the software used by other federal agencies. Also, to increase productivity and facilitate greater interaction among our staff, federal agencies, and other external contacts, our videoconferencing capability needs to be extended to the agencywide network. That capability will allow us to conduct training seminars, conferences and engagement interviews with federal agency officials, and to transmit telecasts to GAO staff. In addition, we need to strengthen the security of our network operating environment by implementing features such as network intrusion detection software, secure communication devices, and automated system monitoring tools. Finally, we need to upgrade our computer security facility to ensure GAO's continued ability (1) to conduct effective testing of complex, diverse, and interconnected executive branch systems and (2) to attract and retain skilled, technical staff.



## *External Factors That Could Affect Performance*

Several external factors could affect the achievement of our performance goals, including national and international upheavals, changes in political leadership, the resources we receive, and limitations imposed on our work by other organizations or limitations on the ability of other federal agencies to make the improvements we recommend. For example, as the Congress focuses on unpredictable events, such as domestic or international economic crises, election controversies, wars, or natural disasters, the mix of work we are asked to undertake could change, diverting our resources from some of our strategic objectives and performance goals. We can and do mitigate the impact of these events on the achievement of our goals by

- being alert to possibilities that could shift the Congress's, and therefore our, priorities;
- continuing to identify in our products and meetings with the Congress conditions that could trigger new priorities; and
- quickly redirecting our resources, as appropriate, so that we can deal with major changes that do occur.

During fiscal year 2001, both a new Congress and a new administration are beginning work. Consequently, we are strengthening existing ties and quickly establishing working relationships with the new leaders and Members of Congress and with key department and agency heads to ensure the continued relevance and effectiveness of our work. Maintaining and strengthening these relationships in fiscal year 2002 is essential to successfully completing our strategic objectives and performance goals. Realistically, the extended transition associated with this new administration and the 107th Congress, the 50/50 split in the Senate, and the many new committee chairs in the House may reduce the opportunities we have to provide testimony at congressional hearings and limit the responsiveness of agencies to our recommendations. In addition, achieving our strategic goals will depend on having sufficient budgetary resources available. Many of these external factors are beyond our control; however, we will take action to continue to enhance our overall performance and the related results.

## MANAGEMENT DISCUSSION AND ANALYSIS

Certain externally imposed limitations could also affect our achievement of specific performance goals. For example, because we do not have audit authority with respect to foreign government entities and international institutions, our ability to conduct thorough analyses of some issues is affected by the level of openness and voluntary cooperation we can obtain. Also, the sensitivity of overall foreign policy concerns and the need to ensure the safety of GAO personnel may cause us to restrict the scope of our work in some instances. Regardless, we will continue to monitor international events, to work closely with our congressional clients, and to maintain broad-based staff expertise so that we can quickly adjust the focus of our work to meet emerging needs.

In some situations GAO needs access to records in the private sector or at the state or local level that we do not have a statutory right to obtain. When this occurs, our ability to thoroughly analyze issues is affected by the level of voluntary cooperation we receive.

Our efforts to improve the government's performance and accountability could be hampered if agencies lack the capacity to develop and effectively use performance and cost information to make improvements. It will be important for the Congress and top agency managers to sustain the current strong commitment to reforming federal management and to addressing major management challenges and high-risk areas. We will continue to work closely with agency heads and program managers of OMB and the Department of the Treasury, chief financial officers, and the IG community to foster improved performance and accountability.

Also, we will continue providing management leadership and technical assistance and will help build capacity by working proactively with agencies and participating in forums and on interagency and intergovernmental boards, councils, and other information-sharing organizations. Moreover, through our frequent contacts with a range of congressional committees, we will continue to stress the importance of this effort and the role of improved performance and financial information in more effectively, efficiently, and economically managing government operations and providing needed accountability.

## *Procedures to Verify and Validate GAO's Performance Data*

We emphasize the importance of reliable and valid information in our work through (1) standards, policies, and procedures; (2) management's use of performance information; and (3) independent reviews of our work. First, our standards, policies, and procedures provide guidance on assessing the reliability and validity of performance information. Specifically, our Government Auditing Standards (often referred to as generally accepted government auditing standards) contain the core standards governing our work. Our Policy and Procedures Manual provides additional guidance, including procedures on verifying and validating the information used in specific performance measures. We reinforce the content and application of these standards, policies, and procedures by training all staff conducting GAO work. Second, management's use of our performance information on a routine basis further helps to ensure its reliability and validity. Data are provided to managers for decision-making, and their feedback on these data helps to ensure that the data are properly recorded.

Third, additional reviews—conducted by both internal and external groups—help ensure that all of our work is consistent with generally accepted government auditing standards and with our policies and procedures. We are also in the process of identifying possible external entities to conduct a peer review of our performance auditing. These reviews include the following:

- internal reviews of management controls to ensure compliance with provisions of 31 U.S.C. 3512, formerly the Federal Managers' Financial Integrity Act;
- internal reviews to determine how well selected GAO work and products comply with our core values and professional standards;
- internal inspections of quality controls for our financial auditing;
- reviews by our Office of the Inspector General to assess key performance measures;
- peer reviews of our financial audits by a public accounting firm; and

## MANAGEMENT DISCUSSION AND ANALYSIS

- ▶ audits of our financial statements by a public accounting firm that reviews internal controls relevant to these financial statements and the compliance of our financial management system with the Federal Financial Management Improvement Act.

### *Data Limitations and Responses*

Generally, our measures are better suited to examining trends in performance over a number of years than to making conclusions about our overall level of performance in any given year. We rely on trends for several reasons. The benefits our work produces may not be realized for a number of years because of the complexity of issues we address and the schedules during which the Congress and the executive branch may act on our recommendations. Also, opportunities to produce benefits vary and can influence the volume of accomplishments recorded in any given year.

To provide a clear indication of trends, we report results that are averaged over a 4-year period. However, we also report yearly totals to allow comparisons between any 2 specific years and to more readily identify underlying factors affecting trends. We also ensure that our criteria are consistently applied each year to allow these comparisons. In addition, because a simple enumeration of our performance does not adequately capture the breadth and depth of our work, we provide each year a qualitative assessment of the extent to which we have successfully met our multiyear performance goals. This assessment considers how our work contributes to the potential outcomes identified in our strategic objective plans.

### *Current Performance Measures*

#### **Financial Benefits**

*Background and Context:* Our findings and recommendations directly or indirectly contribute to congressional decision-making and executive branch actions that result in significant financial benefits to taxpayers. These benefits include budget reductions, costs avoided,

resources reallocated, and revenue enhancements that are documented as either directly attributable to, or significantly influenced by, our work. The funds made available in response to our findings and recommendations may be used to reduce government expenditures or may be reinvested in other areas.

*Data Limitations:* Not every financial benefit from our work can be readily estimated or directly attributed to GAO. Estimates are based on both objective and subjective data, and as a result, judgment is required. We use data provided by an agency or an independent third party—such as the Congressional Budget Office or a congressional committee—to make our estimates. Moreover, GAO’s policy requires conservative estimation of financial benefits. Therefore, we believe that the total of the estimated benefits from our findings and recommendations understates our overall contribution to congressional decision-making and executive branch actions.

*Verification/Validation:* Policies and procedures guide the estimation of financial benefits and their attribution to GAO. We require estimates to be based on independent sources, reduced by any identifiable offsetting costs, and limited to the first 2 years of implementation. Benefits are estimated in internal written reports that are formally reviewed to ensure they meet the same documentation and quality standards as any external GAO product. In addition, our Quality and Risk Management office reviews benefit claims in excess of \$100 million, and our Office of the Inspector General reviews claims in excess of \$1 billion. Benefits are revised if new information significantly affects the estimated values.

*Data Sources:* Internal listing of accomplishment reports.

### **Other Benefits**

*Background and Context:* Our findings and recommendations also contribute to congressional decision-making and executive branch actions that result in significant improvements to agency management or performance—for example, by strengthening internal control processes—but do not have directly measurable financial benefits. This measure is the

## MANAGEMENT DISCUSSION AND ANALYSIS

number of actions that the Congress or agencies have taken in response to our findings and recommendations.

*Data Limitations:* Other benefits vary in significance. Also, because not all benefits can be directly attributed to our findings and recommendations or documented, this measure understates our overall contribution toward improving government.

*Verification/Validation:* Policies and procedures require internally written reports to record the other benefits of our findings and recommendations. These reports are formally reviewed within GAO to ensure the appropriateness of the claimed accomplishment, including attribution to GAO's work. These reports must meet the same documentation and quality standards as any GAO product.

*Data Sources:* Internal listing of accomplishment reports.

### **Recommendations Implemented**

*Background and Context:* As part of our audit responsibilities under generally accepted government auditing standards, we follow up and report yearly to the Congress on the status of actions taken by the Congress and agencies in response to our recommendations. This measure is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year. For example, the fiscal year 2002 implementation rate is the percentage of recommendations made in fiscal year 1998 that were implemented by fiscal year 2002. Prior experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.

*Data Limitations:* Because the measure is based on the implementation of recommendations made 4 years prior to any given fiscal year, the measured value for any given year will not reflect the results of GAO's activities undertaken within that year. In addition, this measure may not include all actions proposed or initiated by agencies. Specifically, agencies may

report actions in response to our recommendations, but we may determine that these actions are insufficient or do not adequately implement our recommendations. In these cases, recommendations will be recorded as not implemented even though the agency has proposed or taken some actions.

*Verification/Validation:* GAO policies and procedures specify that staff must verify with sufficient supporting documentation that an agency's reported actions are adequately being implemented. Our staff may interview agency officials, obtain agency documents, access agency databases, or obtain information from the agency's Office of the Inspector General. Internal review procedures are intended to ensure that claims regarding the implementation of recommendations are consistent and meet our quality requirements. Information on recommendations implemented is maintained in a database managed by an external contractor that routinely conducts software-based checks of data consistency and completeness and annually performs more exhaustive checks for data integrity.

*Data Sources:* The percentage of recommendations implemented is derived from GAO's document database. Information entered into the database is collected through our recommendation follow-up system.

### **Testimonies**

*Background and Context:* The Congress may request that GAO testify at hearings on various issues. Testimony is one of our most important forms of communication with the Congress, and the total number of testimonies reflects the importance and value of our institutional knowledge in assisting congressional decision-making.

*Data Limitations:* The number of testimonies in any given year may reflect congressional interest in work completed that year, in the previous year, and work in progress. Additionally, the number each year depends on the Congress's agenda. Therefore, year-to-year variations in the total number of testimonies may be influenced by factors other than the quality of our performance in any specific year.

## MANAGEMENT DISCUSSION AND ANALYSIS

*Verification/Validation:* Teams are responsible for notifying GAO's Congressional Relations office of upcoming hearings. Notices of these hearings are entered into a tracking system. Staff are assigned responsibility for monitoring the progress and status of planned hearings within their teams.

*Data Sources:* Internal listing of hearings planned and held.

### **Recommendations Made**

*Background and Context:* Recommendations in our products help to ensure that benefits will result from our work. These recommendations reflect specific actions that can be taken to improve federal programs. Where appropriate, we strive for recommendations that are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and that are specific, feasible, and cost-effective to the extent practical.

*Data Limitations:* We provide a variety of products and services that meet the needs of our congressional clients but may not lead to recommendations. For example, the Congress may require descriptive information on federal programs or analyses of the potential consequences of alternative program design options. This information is intended to assist the Congress in its oversight of federal agencies or in its formulation of policy and legislation but does not lend itself to recommendations. Consequently, this measure underestimates the extent to which GAO assists the Congress and federal agencies.

*Verification/Validation:* An external contractor reviews all GAO products distributed through a formal process, prepares summaries that identify products containing recommendations, and verifies this information through our recommendation follow-up system. Also, GAO managers are provided with reports on the recommendations being tracked to help ensure that the contractor has correctly identified the recommendations contained in reports.

*Data Sources:* GAO's document database.



### **Timeliness**

*Background and Context:* The likelihood that GAO's products will be used is enhanced if they are produced when needed to support congressional and agency decision-making about government programs. We monitor the extent to which our products are completed by dates agreed to with our clients. This measure is the proportion of GAO's products that are issued by the date to which we have formally committed. In our revised final fiscal year 2001 performance plan, we made the timeliness measure an overall GAO measure. This will provide greater focus and emphasis on meeting client needs.

*Data Limitations:* We measure the timeliness of key external products but exclude internal products.

*Verification/Validation:* Aggregate and job-specific timeliness data are given to managers monthly, who advise of any anomalies. The software used to prepare the monthly reports is verified by comparing job-specific detail from the reports with the same detail on original data files maintained by an external contractor. At job completion, data on job target and completion dates are reported to the manager, who reviews and signs the report to confirm its accuracy.

*Data Sources:* Our automated Mission and Assignment Tracking System, which is used to monitor job progress on an ongoing basis.

### **Qualitative Performance Measures**

*Background and Context:* Our work is of value to different audiences and is used in a variety of ways that may not be reflected in our quantitative performance measures. For this reason, we complement our quantitative goals with qualitative goals to be achieved over a 3-year period, currently from fiscal year 2000 through fiscal year 2002. These goals are listed in appendixes I through IV, by strategic goal and objective.

## MANAGEMENT DISCUSSION AND ANALYSIS

The qualitative measures are whether we meet, exceed, or fail to meet the performance goals for which results are assessed every 3 years. Our performance meets expectations when we provide information or make recommendations on the key efforts when viewed collectively. Our performance exceeds expectations when we provide information or make recommendations that congressional decisionmakers and others use toward achieving the potential outcomes described in the relevant strategic objective plan. The key efforts and potential outcomes are listed in the relevant strategic objective plans covering fiscal years 2000 through 2002.

Gauges of “use” include, among other things, congressional decisionmakers’ requests for other support, such as assisting in the development of oversight agendas, commenting on bills, helping to craft hearings, or providing questions for deliberations; citations in congressional documents, such as bills, laws, committee reports, or the *Congressional Record*; and information showing how agencies use our products. We also plan to develop a congressional feedback system and to track references to our work by the media, universities, and other organizations.

We have provided an assessment of progress toward these goals in this report and will do so again next year. Our performance report for fiscal year 2002 will provide a final assessment of the extent to which performance has met, exceeded, or failed to meet expectations for each of these goals over the 3-year period.

*Data Limitations:* Because our use of qualitative goals is new, we do not yet have sufficient experience to determine their limitations. Success will depend upon the continued refinement of the goals, definitions of key terms, and standards for making assessments.

*Verification/Validation:* The assessments of progress against each 3-year goal will be supported by specific examples in internal written reports, receive formal internal review, and meet the same documentation and quality standards as any external GAO product. In addition,

GAO's Quality and Risk Management office will review the reports for consistency and ensure that requirements are met.

*Data Sources:* GAO managers' assessments of success in meeting goals, supported by documented examples of accomplishments.

### *Revising GAO's Performance Measures*

In fiscal year 2001, as laid out in our strategic plan, we began assessing our performance measures and, as appropriate, began developing new measures to track progress toward our strategic goals and annual targets. We believe this assessment is appropriate, given that we have a new strategic plan, a newly realigned organization that is consistent with our strategic goals and objectives, and two new management strategies to improve how we accept and manage engagements. The assessment will focus on how we can establish a "balanced scorecard" of performance measures to evaluate our performance in three key areas:

- Clients: What feedback do we receive from our clients about the services we are providing?
- Results: Are we producing the desired results—supporting the Congress and improving government outcomes—in an efficient manner?
- People: Are we successfully attracting, retaining, supporting, developing, deploying, leading, and recognizing our staff?

To move to a balanced scorecard, GAO will be developing new measures based on client feedback and our performance in key human capital activities. For the "results" category, we will refine a number of our current measures, for example, financial benefits, other benefits, and timeliness. Most of the new measures and the refinements to existing measures are scheduled to be implemented in fiscal year 2002, which means we will report results in our fiscal year 2002 performance report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Discontinued Measures*

#### **Quality Review Scores**

Our final performance plan for fiscal year 2001 included a performance measure of how well GAO's products adhered to applicable auditing policies and procedures. At the end of the second quarter of fiscal year 2000, however—after the plan was published—we discontinued this measure. As a post-issuance measure, it did not reflect the evolving environment at GAO, where the increased emphasis on risk and matrix management requires building quality into our work and products prior to issuance. These management strategies emphasize a more proactive and systematic method to ensure that our products comply with GAO's core values, applicable professional standards, and reporting requirements. In addition, while this measure attempted to put a quantitative value on quality, the results were very similar for all of our operating units, meaning that it was not very useful in our efforts to improve our products and increase our ability to serve our clients.

A measure of product quality should look at our products through the eyes of their users. Thus, we are developing a mechanism to obtain client feedback on our products as part of our balanced scorecard strategy. We will, however, continue our quality control practice of having senior managers review a statistically valid sample of products to make sure they comply with our core values and professional standards. The results will be one of the inputs used to continuously build quality into our products.

#### **Multiunit Products**

Our final performance plan for fiscal year 2001 included a performance measure for multiunit products. This was our first attempt at measuring matrix management by focusing on published products issued jointly by more than one of our teams and offices. We decided not to use this performance measure in fiscal year 2001 for three reasons. First, we were concerned that it did not adequately capture the extensive collaboration needed within and across units, which goes beyond that required to simply produce a published report. Second,

instead of just measuring the extent to which matrix management is occurring, we need to assess how well it is working. Finally, and most importantly, the new risk and matrix management strategies we implemented last year provide more proactive senior management involvement in our work processes. For instance, the new engagement acceptance meetings and engagement review meetings we conduct involve senior managers early in key decisions, such as whether to accept an engagement and what resources to allocate to it and determining the level of senior management involvement. As a result, we believe we have a more proactive approach to ensuring that the appropriate resources are devoted to each engagement regardless of where in our agency those resources are housed. Moreover, because this measure had relatively little meaning outside of GAO, we are seeking a better way to measure matrix management efforts.

## *Program Evaluation*

To assess the extent to which our work improves the performance and accountability of the federal government, we track agencies' implementation of our recommendations. Much of the benefit from GAO's work results from agencies' responding to our recommendations by taking specific actions to improve their performance and accountability. GAO's continued attention to whether our recommendations are being implemented helps ensure that the benefits of our audit work are realized. A recommendation is closed when it has been implemented, when actions have been taken that essentially meet the recommendation's intent, or when circumstances have changed and the recommendation is no longer valid. The results of our evaluations of actions taken in response to our recommendations are reported quantitatively in our performance reports as the implementation rate.

Each GAO team is responsible for actively tracking the status of open recommendations. The primary sources of information on their status are the agencies themselves. We verify the information they supply to ensure that the recommended actions are being taken and, to the

## MANAGEMENT DISCUSSION AND ANALYSIS

extent possible, that the desired results are being achieved. We use the results of our analysis to determine the need for further work in an area. If, for example, an agency has not undertaken a recommended action that we consider to be still valid and worthwhile, we may decide to pursue further action with agency officials or undertake additional work.

Early each calendar year, we provide a report to the House and Senate Appropriations Committees on the status of GAO's open recommendations. The report is intended for use by congressional oversight and authorization committees, as well as by the Appropriations Committees, in preparing for hearings and budget deliberations. The report's database describes the most recent actions taken on open recommendations and is on the Internet.

Separately, title 31 U.S.C. 720 requires agencies to submit, within a specific period, written statements to the House and Senate Committees on Appropriations, the House Committee on Government Reform, and the Senate Committee on Governmental Affairs explaining actions taken or planned in response to GAO recommendations made to heads of agencies.

Additional reviews—conducted by internal and external groups—help ensure that our work is consistent with generally accepted government auditing standards and with our policies and procedures. The reviews include internal reviews of management controls and business processes, annual internal inspections of the quality control system for our financial auditing practice, peer reviews of the quality control system for our financial audit practice by a public accounting firm (conducted every 3 years), and reviews by our Office of the Inspector General. For example, the team that inspected our quality controls for financial auditing for the period from January 1, 2000, through September 30, 2000, rendered an unqualified opinion and found no matters requiring a letter of comment. We are pursuing ways to expand the use of peer review to our performance audits. Also, the Quality and Risk Management office is developing additional methods to evaluate our ability to build quality into products and to ensure compliance with our core values and applicable professional standards.



## *Highlights of Resources Needed to Achieve Our Fiscal Year 2002 Performance Goals*

*GAO has requested a budget of \$430.3 million for fiscal year 2002 to support the Congress as outlined in our strategic plan and to maintain current operations. This funding level will allow us to fully staff at our authorized level of 3,275 full-time equivalent personnel.*

More than 80 percent of GAO's budget will be used to compensate and provide benefits to its human capital—our greatest asset. The next largest proportion of its budget—about \$51.2 million—is for contract services supporting both GAO's mission-direct work and administrative operations, including information technology, training, and building operation and maintenance services. About \$12.3 million will be spent on travel and transportation, critical components to accomplishing and ensuring the quality of GAO's mission-direct activities. The remainder will be used for office equipment and space rentals; telephone, videoconferencing, and data communications services; and other operating expenses, including supplies and materials, printing and reproduction, and furniture and equipment. Our request includes \$5.2 million to carry out responsibilities created by the Truth in Regulating Act.

During fiscal year 2002, we plan to increase our investments in human capital and information technology to help maximize the productivity and impact of our current workforce. To help ensure our ability to attract, retain, and reward high-quality staff, we plan to devote additional budgetary resources to our performance-based rewards and recognition and training programs. For example, increased resources will be targeted to continue an initiative begun in fiscal year 2000 to address skill gaps, maximize staff productivity and effectiveness, update our training curriculum to address organizational and technical needs, and provide training to new staff. Major efforts are also planned and under way to revise our performance

## MANAGEMENT DISCUSSION AND ANALYSIS





appraisal system for our analyst, legal, and mission support staff. We will continue to focus our hiring efforts in fiscal year 2002 on recruiting entry-level staff to help reshape the organization's human capital profile.

On the information technology front, we plan to continue our technology initiatives designed to increase employee productivity, facilitate knowledge-sharing, maximize the use of technology, and enhance employee tools available at the desktop. We will also upgrade to Microsoft Office 2000 to ensure continued vendor maintenance, support, and compatibility with industry standards. Additional resources also are targeted to revamping the information technology systems supporting our engagement tracking system and implementing system features necessary to ensure a secure network operating environment.

The following table provides an overview of how our budgetary and human capital resources will be allocated among the four strategic goals and by budget program activity.

### GAO'S PROPOSED BUDGET BY STRATEGIC GOAL

**2002**  
FISCAL YEAR

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



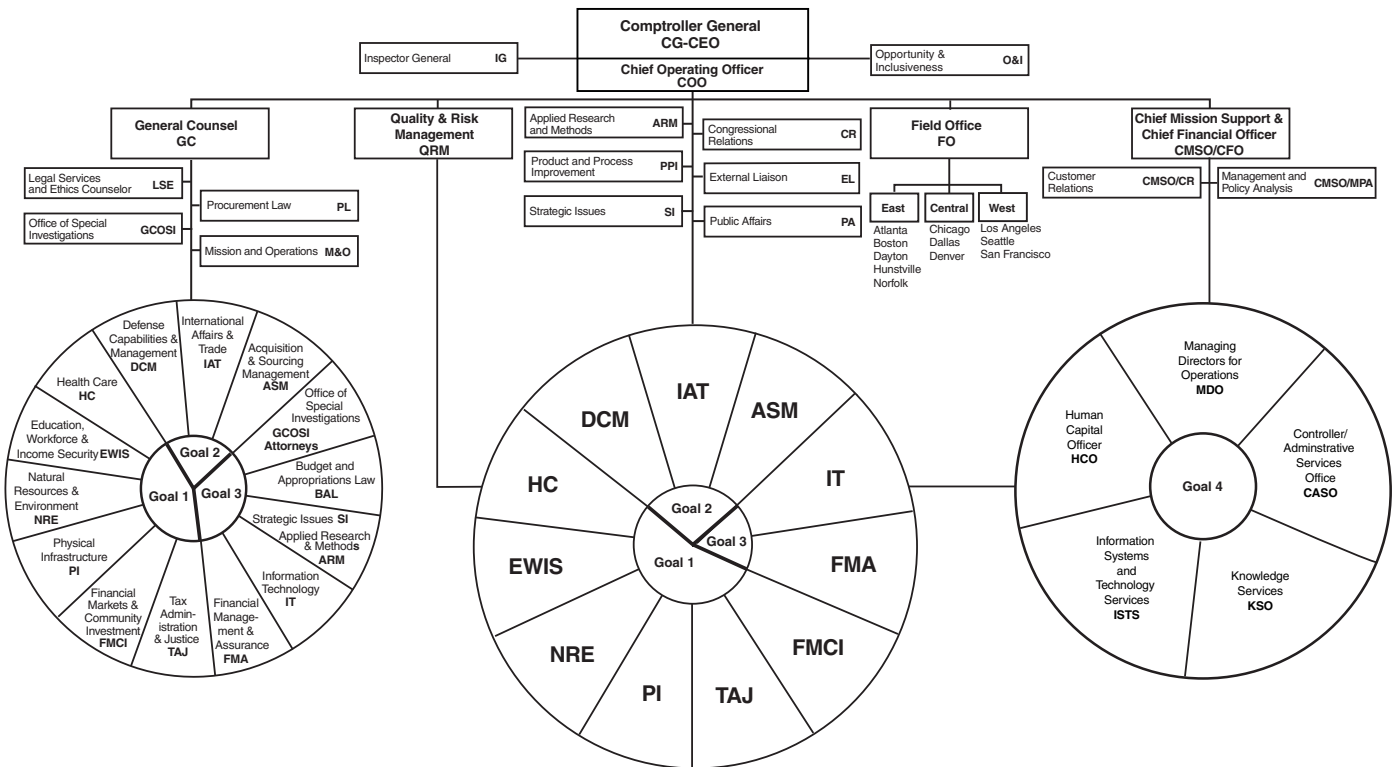


## *Organization and Structure*

*Created in 1921 as a result of the Budget and Accounting Act, GAO is headquartered in downtown Washington, D.C., at 441 G Street, Northwest, in a building placed on the National Register of Historic Places as a symbol of what in 1951 represented a new age in federal office design. It is across the street from the Pension Building (now the National Building Museum), which served as GAO's home prior to the construction of the GAO building in the late 1940s. Over 70 percent of GAO's approximately 3,200 employees are located at the headquarters building, with the remaining staff located in field offices throughout the United States.*

During fiscal year 2000, GAO began to realign its structure to better support the Congress and to prepare the agency to meet the future challenges outlined in GAO's strategic plan. At headquarters, staff formerly arrayed mainly in 5 divisions and 31 issue areas were restructured into 13 teams focused on research, audit, and evaluation work: Acquisition and Sourcing Management; Applied Research and Methods; Defense Capabilities and Management; Education, Workforce, and Income Security; Financial Management and Assurance; Financial Markets and Community Investment; Health Care; Information Technology; International Affairs and Trade; Natural Resources and Environment; Physical Infrastructure; Strategic Issues; and Tax Administration and Justice. Smaller specialized units support the teams and the agency as a whole. The Office of General Counsel, for instance, provides legal services to the Comptroller General and GAO's teams. Mission offices, including Quality and Risk Management, Product and Process Improvement, Congressional Relations, Public Affairs, and mission support offices, such as human capital and the controller, support the agency in achieving its goals and objectives.

# MANAGEMENT DISCUSSION AND ANALYSIS



In the field, the realignment better aligned resources with the strategic plan, concentrated field resources in fewer locations with greater critical mass, and clarified the roles and responsibilities of field management, among other things. Five of our 16 field offices—Kansas City, Portland, Raleigh, Sacramento, and St. Louis—closed in November 2000, affecting about 4 percent of GAO’s workforce. Employees at those locations had the opportunity to apply for jobs within GAO and were given assistance in finding jobs with other employers.

Like any organization that seeks to be a model for others, GAO cannot remain static in the face of rapid change and evolving client needs. Through the realignment and other initiatives, we have eliminated a layer of management, reduced the number of internal “silos” and field offices, increased our client focus, adopted formal core values for the agency, implemented more effective matrix management techniques, placed stronger emphasis on our human capital, and improved the alignment of programmatic capabilities with our new strategic plan.



## *Overview of Financial Statements*

*GAO's financial statements and accompanying notes begin on page 76. Our financial statements for the fiscal year ended September 30, 2000, were audited by an independent auditor, Clifton Gunderson, LLP. The independent auditor rendered an unqualified opinion on GAO's financial statements and an unqualified opinion on the effectiveness of GAO's internal controls over financial reporting and compliance with laws and regulations. In addition, the independent auditor found no reportable instances of noncompliance with selected provisions of laws and regulations. In the opinion of the independent auditor, the financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles.*

The net cost of operating GAO during fiscal years 2000 and 1999 was approximately \$404 million and \$390 million, respectively. Expenses for salaries and related benefits continue to account for about 75 percent of GAO's net cost of operations. Activities in the issue areas related to justice, tax policy, financial institutions, and general management, along with those related to education and employment, health care, and income security, were responsible for most of the increase. For fiscal year 2001 reporting, GAO plans to report our net cost of operations according to our four major Strategic Goals, an appropriate measure of cost consistent with our new strategic planning process.



## *Financial Systems and Internal Controls*

*GAO recognizes the importance of strong financial systems and internal controls to ensure our accountability, integrity, and reliability. To achieve a high level of quality, management maintains a quality control program and seeks advice and evaluation from both internal and external sources. Specifically, through internal reviews and peer review activities, we obtain reasonable assurances that our audit and evaluation work conforms with all applicable professional requirements, including generally accepted government auditing standards.*

GAO's Inspector General (IG) conducts audits and investigations and functions as an independent fact-gathering and technical adviser to the Comptroller General. This year, as a result of IG efforts, we have strengthened our policies and internal controls on information technology contractor oversight, accountable personal property, charge card usage, and processing classified information on computers. We have also improved enforcement of requirements for filing annual financial disclosure statements and maintaining GAO building parking privileges.

GAO utilizes an Audit Advisory Committee, which assists the Comptroller General in overseeing the effectiveness of our financial reporting and audit processes, internal controls over financial operations, and processes to ensure compliance with laws and regulations relevant to GAO's financial operations. The Committee consists of the following three distinguished individuals:

- ▶ *Sheldon S. Cohen* (Chairman) is a certified public accountant and practicing attorney in Washington, D.C.; former Commissioner and Chief Counsel of the Internal Revenue Service; and Senior Fellow of the National Academy of Public Administration.

- *Alan B. Levenson* is a practicing attorney in Washington, D.C., and a former senior official at the Securities and Exchange Commission.
- *Katherine D. Ortega* is a certified public accountant, former Treasurer of the United States, former Commissioner of the Copyright Royalty Tribunal, and a former member of the President's Advisory Committee on Small and Minority Business.

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

GAO's management assesses compliance with these controls through a series of comprehensive internal reviews, applying the evaluation criteria in OMB's guidance (Circular A-123, Management Accountability and Control) for implementing FMFIA. The results of these reviews are discussed with GAO's Audit Advisory Committee, and action is taken to correct deficiencies as they are identified.

GAO has assessed our internal controls as of September 30, 2000, based on the criteria mentioned above for effective internal controls in the federal government. On the basis of this assessment, we believe that we have effective internal controls in place, as of September 30, 2000. Additionally, GAO's independent auditors have provided an unqualified opinion on GAO's internal controls over financial reporting and compliance with all applicable laws and regulations. Consistent with GAO's evaluation, the auditor found no material internal control weaknesses.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, GAO is committed to fulfilling the objectives of the Federal Financial Management Improvement Act (FFMIA) of 1996. Although not subject to FFMIA, GAO voluntarily complies with its requirements. We believe that we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level as of September 30, 2000, and for the fiscal year then ended. GAO made this assessment based on criteria established under FFMIA and guidance issued by OMB. Also, in their testing, GAO's auditors did not identify any instances of substantial noncompliance with FFMIA.

## FINANCIAL STATEMENTS

U.S. GENERAL ACCOUNTING OFFICE  
**BALANCE SHEET**  
 AS OF SEPTEMBER 30, 2000 AND 1999

Dollars in Thousands	2000	1999
<b>Assets</b>		
Intragovernmental		
Funds with the U.S. Treasury	\$55,115	\$53,343
Accounts receivable	487	1,222
Other	369	382
Property and equipment, net	74,863	62,617
<b>Total Assets</b>	<b>\$130,834</b>	<b>\$117,564</b>
<b>Liabilities</b>		
<b>Liabilities Covered by Budgetary Resources</b>		
Intragovernmental		
Accounts payable	\$5,801	\$5,909
Salaries and benefits	2,502	2,292
Other liabilities	1,042	986
Salaries and benefits	15,094	13,982
Employee travel	663	657
Accounts payable	7,041	7,986
<b>Total liabilities covered by budgetary resources</b>	<b>32,143</b>	<b>31,812</b>
<b>Liabilities Not Covered by Budgetary Resources</b>		
Accrued annual leave and other	27,573	26,334
Workers' compensation	10,121	10,150
Comptrollers General retirement plan	2,441	2,492
Capital leases	7,730	6,671
Deferred lease revenue	8,550	—
<b>Total liabilities not covered by budgetary resources</b>	<b>56,415</b>	<b>45,647</b>
<b>Total Liabilities</b>	<b>\$88,558</b>	<b>\$77,459</b>
<b>Net Position</b>		
Unexpended appropriations	\$23,515	\$22,777
Cumulative results of operations	18,761	17,328
<b>Total net position</b>	<b>42,276</b>	<b>40,105</b>
<b>Total Liabilities and Net Position</b>	<b>\$130,834</b>	<b>\$117,564</b>

The accompanying notes are an integral part of these statements.

U.S. GENERAL ACCOUNTING OFFICE

STATEMENT OF NET COST

FOR FISCAL YEARS ENDED SEPTEMBER 30, 2000 AND 1999

Dollars in Thousands	2000	1999
<b>Net Costs by Program Area</b>		
National Defense, Security and International Relations, and Other Related Issues	\$87,094	\$84,942
Less reimbursable services	—	—
Net program cost	87,094	84,942
Financial Audits, Systems, Information Management and Technology Issues	83,937	84,617
Less reimbursable services	(778)	(997)
Net program cost	83,159	83,620
Energy, Agriculture, Environment, Housing, Transportation, and Natural Resources Issues	75,927	73,815
Less reimbursable services	—	—
Net program cost	75,927	73,815
Justice, Tax Policy, Financial Institutions, and General Management Issues	63,750	57,718
Less reimbursable services	—	(6)
Net program cost	63,750	57,712
Education and Employment, Health Care and Income Security Issues	58,989	55,148
Less reimbursable services	—	(33)
Net program cost	58,989	55,115
Legal Services	26,017	24,461
Less reimbursable services	—	—
Net program cost	26,017	24,461
Special Investigations and Investigative Support	6,275	6,288
Less reimbursable services	—	—
Net program cost	6,275	6,288
Senior management and staff	3,627	4,778
Less reimbursable services not attributable to programs	(712)	(456)
<b>Net Cost of Operations</b>	<b>\$404,126</b>	<b>\$390,275</b>

The accompanying notes are an integral part of these statements.



## FINANCIAL STATEMENTS

# U.S. GENERAL ACCOUNTING OFFICE STATEMENT OF CHANGES IN NET POSITION

FOR FISCAL YEARS ENDED SEPTEMBER 30, 2000 AND 1999

Dollars in Thousands	2000	1999
<b>Net Cost of Operations</b>	<b><u>\$404,126</u></b>	<b><u>\$390,275</u></b>
<b>Financing Sources (other than reimbursable services)</b>		
Appropriations used	376,640	365,009
Federal employee retirement benefit costs paid by OPM and imputed to GAO	19,009	19,839
Amortization of deferred lease revenue	503	—
Intragovernmental transfer of property and equipment	<u>(556)</u>	<u>(1,176)</u>
<b>Total Financing Sources</b>	<b><u>395,596</u></b>	<b><u>383,672</u></b>
<b>Net Results of Operations</b>	<b>(8,530)</b>	<b>(6,603)</b>
<b>Net Increase (Decrease) in Unexpended Appropriations</b>	<b><u>738</u></b>	<b><u>(10,003)</u></b>
<b>Change in Net Position</b>	<b>(7,792)</b>	<b>(16,606)</b>
<b>Net Position - Beginning of Fiscal Year</b>	<b>40,105</b>	<b>56,711</b>
<b>Reinstatement of the GAO Building and Land as a Multi-Use Heritage Asset</b>	<b>9,963</b>	<b>—</b>
<b>Net Position - End of Fiscal Year</b>	<b><u>\$42,276</u></b>	<b><u>\$40,105</u></b>

The accompanying notes are an integral part of these statements.



U.S. GENERAL ACCOUNTING OFFICE  
**STATEMENT OF BUDGETARY  
 RESOURCES**

FOR FISCAL YEARS ENDED SEPTEMBER 30, 2000 AND 1999

Dollars in Thousands	2000	1999
<b>Budgetary Resources Made Available</b>		
Current year appropriations	\$377,561	\$354,268
Transfers of budget authority, net	125	1,000
Unobligated appropriations, beginning of fiscal year	4,477	2,166
Reimbursable services	1,490	1,492
Cost sharing and pass-through CPA contract reimbursements	7,000	9,669
<b>Total Budgetary Resources Made Available</b>	<b>\$390,653</b>	<b>\$368,595</b>
<b>Status of Budgetary Resources</b>		
Obligations incurred	\$386,081	\$363,856
Unobligated appropriations, end of fiscal year	4,264	4,477
Lapsed budget authority	308	262
<b>Total Status of Budgetary Resources</b>	<b>\$390,653</b>	<b>\$368,595</b>
<b>Outlays</b>		
Obligations incurred	\$386,081	\$363,856
Less: Reimbursable services	(1,490)	(1,492)
Cost sharing and pass-through CPA contract reimbursements	(7,000)	(9,669)
Obligated balance, net - beginning of fiscal year	48,866	55,632
Less: Obligated balance, net - end of fiscal year	(50,851)	(48,866)
<b>Total Outlays</b>	<b>\$375,606</b>	<b>\$359,461</b>

The accompanying notes are an integral part of these statements.

## FINANCIAL STATEMENTS

U.S. GENERAL ACCOUNTING OFFICE

# STATEMENT OF FINANCING

FOR FISCAL YEARS ENDED SEPTEMBER 30, 2000 AND 1999

Dollars in Thousands	2000	1999
<b>Obligations and Nonbudgetary Resources</b>		
Obligations incurred	\$386,081	\$363,856
Less: Reimbursable services	(1,490)	(1,492)
Cost sharing and pass-through CPA contract reimbursements	(7,000)	(9,669)
Financing imputed from OPM for federal employee benefit cost subsidies	19,009	19,839
Amortization of deferred lease revenue	503	—
Intragovernmental transfer of property and equipment	(556)	(1,176)
<b>Total obligations as adjusted, and nonbudgetary resources</b>	<b><u>396,547</u></b>	<b><u>371,358</u></b>
<b>Resources That Do Not Fund Net Cost of Operations</b>		
Net (increase) decrease in unliquidated obligations	(951)	12,314
Costs capitalized on the balance sheet	(9,204)	(8,425)
Expenses to be funded by future appropriations	1,159	215
<b>Total resources that do not fund net cost of operations</b>	<b><u>(8,996)</u></b>	<b><u>4,104</u></b>
<b>Costs That Do Not Require Resources</b>		
Depreciation	16,575	14,813
<b>Net Cost of Operations</b>	<b><u>\$404,126</u></b>	<b><u>\$390,275</u></b>

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, budgetary resources, and financing of the United States General Accounting Office (GAO), an agency of the legislative branch of the federal government. The financial activity presented relates primarily to the execution of GAO's congressionally approved budget. GAO's budget consists of an annual appropriation covering salaries and expenses and a building expenditure fund. 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; they also do not include activity related to GAO's trust function described in Note 11.

#### **Basis of Accounting**

The Federal Accounting Standards Advisory Board (FASAB) was established in October 1990 by the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General (FASAB Principals). The mission of FASAB is to recommend proposed accounting standards to the Principals after considering the financial and budgetary information needs of the congressional oversight groups, executive agencies, and the needs of other users of federal financial information. When FASAB has developed a proposed concept or standard, FASAB will submit it to the Principals, who will have 90 days to review the statement or concept and communicate any objections. If none of the Principals objects, the statement or concept will become final guidance for federal financial reporting entities.

In April 2000, the American Institute of Certified Public Accountants (AICPA) recognized FASAB as the body that promulgates generally accepted accounting principles (GAAP) for federal reporting entities. 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 in the accompanying financial statements. Also, for purposes of the financial statements, budgetary appropriations are recognized as a financing source when goods and services are received or benefits are provided.

#### **Basis of Presentation**

GAO's 2000 financial statements have been prepared on the accrual basis of accounting in conformity with GAAP for the federal government and OMB Bulletin 97-01, Form and Content of Agency Financial Statements, as amended. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash, respectively.

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

GAO's receipts and disbursements are processed by the U.S. Treasury. Funds with the U.S. Treasury represent appropriated funds available to pay liabilities and to finance authorized purchase commitments.

#### **Accounts Receivable**

GAO's accounts receivable are due principally from federal government corporations and other federal agencies for audit and other reimbursable services.

#### **Property and Equipment**

On October 28, 1988, Public Law 100-545 transferred control of the GAO building and land in Washington, D.C., from the General Services Administration (GSA) to GAO without a monetary exchange. At the time of transfer, the depreciated value of the building was

## NOTES TO FINANCIAL STATEMENTS

\$15,664,000 and the book value of land was \$1,191,000. GAO recorded the building and the land as assets at the values stated above. The GAO building is listed in the National Register of Historic Places and has been designated as, and is GAO's only heritage asset. Maintenance of the building has been kept on a current basis. Beginning with the 1996 financial statements, the GAO building and land were removed from the Balance Sheet and reported in a separate supplementary section of annual stewardship information under the requirements of Statement of Federal Financial Accounting Standards (SFFAS) Nos. 6 and 8 then in effect.

SFFAS No. 16, effective for periods beginning after September 30, 1999, was issued to amend the measurement and reporting requirement for multi-use heritage assets as originally prescribed in SFFAS Nos. 6 and 8. SFFAS No. 16 calls for accounting for multi-use heritage assets as general property, plant, and equipment to be included in the balance sheet and depreciated. Therefore, the GAO building and land have been recorded on the 2000 financial statements at their value set on the day of transfer from GSA. Accumulated depreciation has been adjusted to reflect the depreciation charges not taken in 1996 through 1999. The building is depreciated on a straight-line basis over 25 years. The amounts reinstated are as follows:

Dollars in Thousands	
Building acquisition value	\$15,664
Land acquisition value	1,191
<b>Total</b>	<b>16,855</b>
Less accumulated depreciation through September 30, 1999	(6,892)
<b>Addition to Total Assets and Net Position</b>	<b>\$9,963</b>

Property and equipment costing more than \$5,000 is capitalized at cost. Bulk purchases of lesser-value items that aggregate more than \$100,000 are also capitalized at cost. These assets are depreciated on a straight-line basis over the estimated useful life of the property, ranging from 2 to 20 years.

## **Liabilities**

Liabilities represent the amounts that are likely to be paid by GAO as a result of transactions that have already occurred; however, no liability is paid by GAO absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

## **Federal Employee Benefits**

SFFAS No. 5, Accounting for Liabilities of the Federal Government, requires that GAO recognize its share of the cost of providing future pension benefits to eligible employees over the period of time that services are rendered. 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. The measurement of the service cost requires the use of an actuarial cost method and assumptions, with the factors applied by GAO provided by OPM, the agency that administers the plan. The excess of the recognized pension expense over the amount contributed by GAO 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.

The standard also requires that GAO recognize a current-period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. GAO accounted for and reported 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.

## **Annual Leave, 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.

## NOTES TO FINANCIAL STATEMENTS

### Contingencies

GAO has certain claims and lawsuits pending against it. When claims are expected to result in payments, and the payment amounts can be reasonably estimated, appropriate provision is included in the accompanying financial statements. In the opinion of management and legal counsel, the resolution of other claims and lawsuits will not materially affect the financial position or operations of GAO.

### Reclassifications

Certain amounts for 1999 have been reclassified to conform with the 2000 presentation of those amounts.

### *Note 2. Property and Equipment, Net*

The composition of property and equipment as of September 30, 2000, is as follows:

Dollars in Thousands			
Classes of Property and Equipment	Acquisition Value	Accumulated Depreciation	Book Value
Building	\$15,664	\$7,519	\$8,145
Land	1,191	—	1,191
Building improvements	97,757	56,132	41,625
Computer and other equipment, and software	46,973	31,226	15,747
Leasehold improvements	4,888	4,510	378
Assets under capital lease	14,916	7,139	7,777
<b>Total Property and Equipment</b>	<b>\$181,389</b>	<b>\$106,526</b>	<b>\$74,863</b>



The composition of property and equipment as of September 30, 1999, is as follows:

Dollars in Thousands			
Classes of Property and Equipment	Acquisition Value	Accumulated Depreciation	Book Value
Building improvements	\$85,852	\$48,026	\$37,826
Computer and other equipment, and software	46,379	28,673	17,706
Leasehold improvements	4,797	4,376	421
Assets under capital lease	11,030	4,366	6,664
<b>Total Property and Equipment</b>	<b>\$148,058</b>	<b>\$85,441</b>	<b>\$62,617</b>

*Note 3. Lease of Space to U.S. Army Corps of Engineers*

The U.S. Army Corps of Engineers (COE) entered into an agreement with GAO to lease the entire third floor of the GAO building. COE provided all funding for the third floor renovation. Occupancy began August 3, 2000, for an initial period of 3 years, with options to renew on an annual basis for 7 additional years. Total rental revenue to GAO includes a base rent, which remains constant for the entire 10-year period, plus the lease agreement calls for operating expense reimbursements at a fixed amount for the first 3 years, with escalations from year 4 through year 10.

In addition, COE paid for the design, construction, and renovation of one-half of the sixth floor to be occupied by GAO. The renovations have been capitalized by GAO at a cost of \$9,052,612. GAO will repay COE for the entire cost of the renovations in the form of rental credits during the first 3 lease years. Rental credits have been recorded as deferred lease revenue and will be amortized over a 3-year lease term. The current year amortization of deferred lease revenue is reported on the Statement of Changes in Net Position as a financing source and on the Statement of Financing as a nonbudgetary resource.

The net amount of rental revenue due to GAO each year is the total revenue less the amortization of the deferred lease revenue. Fiscal year 2000 rents received by GAO, net of the deferred lease revenue amortization, amounted to \$189,000. This amount is included in

## NOTES TO FINANCIAL STATEMENTS

Reimbursable Services on the Statements of Budgetary Resources and Financing. Net rental revenue for the 10-year period is as follows:

Dollars in Thousands			
Fiscal Year Ending September 30	Total Rental Revenue	Amortization of Deferred Lease Revenue	Rental Revenue Received or Due
2000	\$692	\$503	\$189
2001	4,189	3,018	1,171
2002	4,189	3,018	1,171
2003	4,214	2,514	1,700
2004	4,345	—	4,345
2005	4,398	—	4,398
2006-2010	22,064	—	22,064
<b>Total</b>	<b>\$44,091</b>	<b>\$9,053</b>	<b>\$35,038</b>

### *Note 4. Net Position*

GAO's operations do not require permanent capital and are not expected to generate an operating surplus or deficit. Net Position is composed of two elements—unexpended appropriations and cumulative results of operations. Unexpended appropriations includes appropriations not yet obligated or expended, i.e., unobligated appropriations and unliquidated obligations. Unobligated appropriations were \$4,264,000 as of September 30, 2000, and \$4,477,000 as of September 30, 1999; unliquidated obligations were \$19,251,000 as of September 30, 2000, and \$18,300,000 as of September 30, 1999. Cumulative results of operations includes the amounts accumulated over the years by GAO from its financing sources less its expenses, including donations and transfers of capitalized assets and an amount representing GAO's liabilities not covered by budgetary resources. The former represents GAO's investment in capitalized assets, including supplies, net of capital lease liability and deferred lease revenue liability.

Liabilities not covered by budgetary resources represent aggregate amounts of congressionally authorized long-term liabilities (annual leave, workers' compensation, retirement benefits for Comptrollers General and severance pay) that are expected to be funded by future years' appropriations.

### *Note 5. Net Cost of Operations*

The Statement of Net Cost shows the full and net operating costs of GAO's major programs. Expenses for salaries and related benefits for fiscal years 2000 and 1999 amounted to \$302,985,000 and \$291,860,000, respectively, which were about 75 percent of GAO's annual net cost of operations. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$19,009,000 in fiscal year 2000 and \$19,839,000 in fiscal year 1999. Revenues from reimbursable services earned by a program area are shown as an offset against the full cost of the program to arrive at its net cost. These revenues consist primarily of billings to federal government corporations for financial statement audits performed by GAO and to federal agencies for detailed GAO employees performing GAO mission-related work. Earned revenues that are insignificant or cannot be associated with a major program area are shown in total. Revenues from reimbursable services for fiscal years 2000 and 1999 amounted to \$1,490,000 and \$1,492,000, respectively. The net cost of operations represents GAO's operating costs that must be funded by financing sources other than revenues earned from reimbursable services. These financing sources are presented in the Statement of Changes in Net Position.

### *Note 6. Net Financing Sources*

GAO's financing sources, other than reimbursable services, consist of appropriations used, imputed financing and amortization of deferred lease revenue, less transfers-out. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This is true whether the goods, services, and benefits are paid prior to the reporting date or are payable as of that date, and whether the appropriations are used for items that are recorded as expenses or are capitalized. Imputed financing is the offset to the federal employee benefit costs paid by OPM and imputed to GAO that are reported on the Statement of Net Cost. Amortization of deferred lease revenue represents the current year, nonbudgetary financing source used to cover the sixth floor renovation. Transfers-out

## NOTES TO FINANCIAL STATEMENTS

represent the book value of capitalized assets transferred from GAO to other federal agencies without reimbursement.

### *Note 7. Spending Authority From Budget Transfers and Reimbursements*

Budgetary resources made available to GAO include spending authority from budget transfers and reimbursements arising from both revenues earned by GAO from providing services to other federal entities for a price (reimbursable services) and cost sharing and pass-through contract arrangements with other federal entities. Fiscal year 2000 budget transfers consisted of budget authority transferred in from OMB for a management review of the operations of the Office of National Drug Control Policy. Budget transfers in fiscal year 1999 consisted of budget authority transferred in from the U.S. Agency for International Development for assessing disaster recovery assistance related to Hurricane Mitch and from the Department of Health and Human Services for specified studies of the Organ Procurement and Transplantation Network. Reimbursements from cost sharing and pass-through contract arrangements consisted primarily of collections from other federal entities for the support of FASAB and collections from other federal entities that utilize standing GAO contracts for obtaining accounting and auditing services from CPA firms. The costs and reimbursements for these activities are not included in the Statement of Net Cost.

### *Note 8. Leases*

#### **Capital Leases**

GAO has entered into capital leases for office 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 2, Property and Equipment, Net. As of September 30, 2000 and 1999, the capital leases liability was \$7,730,000 and \$6,671,000, respectively.

The lease agreements are written as annual fiscal-year contracts that are subject to the availability of funding. The agreements contain a lease-to-purchase provision, and there is no penalty for cancelling the lease and returning the equipment before the end of the lease term. GAO's estimated future minimum lease payments under the terms of the leases are as follows:

Dollars in Thousands	
Fiscal Year Ending September 30	Total
2001	\$4,655
2002	2,472
2003	1,360
2004	116
2005	0
Total Estimated Future Lease Payments	\$8,603
Less: Imputed Interest	( 873)
<b>Net Capital Lease Liability</b>	<b>\$7,730</b>

### Operating Leases

GAO leases office space from GSA and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal years 2000 and 1999 amounted to approximately \$7,800,000 and \$7,483,000, respectively. GAO's estimated future minimum lease payments are as follows:

Dollars in Thousands	
Fiscal Year Ending September 30	Total
2001	\$6,421
2002	5,078
2003	3,606
2004	1,665
2005	1,337
Thereafter	114
<b>Total Estimated Future Lease Payments</b>	<b>\$18,221</b>

### *Note 9. Federal Employee Benefits*

All permanent employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective

## NOTES TO FINANCIAL STATEMENTS

January 1, 1987. Temporary employees and employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA). GAO makes contributions to CSRS, FERS, and FICA and matches employee contributions to the thrift savings component of FERS up to 5 percent of basic pay. The pension expense recognized in GAO's financial statements for fiscal years 2000 and 1999 amounted to approximately \$35,061,000 and \$34,906,000, respectively. These amounts include pension costs financed by OPM and imputed to GAO of \$11,285,000 and \$11,899,000, respectively. 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. However, the payments to FICA that GAO makes are recognized as operating expenses. These payments amounted to approximately \$10,314,000 and \$9,765,000 during fiscal years 2000 and 1999, respectively. Similarly, to the extent that GAO employees are covered by the thrift savings component of FERS, GAO payments to the plan are operating expenses. GAO's costs associated with the thrift savings component of FERS during fiscal years 2000 and 1999 amounted to approximately \$5,010,000 and \$4,535,000, respectively.

In addition, all permanent employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and Federal Employees Group Life Insurance Program (FEGSLIP) and may continue to participate after retirement. GAO makes contributions to FEHBP and FEGSLIP for active employees to pay for their current benefits. GAO's contributions for active employees are recognized as operating expenses and, during fiscal years 2000 and 1999, amounted to approximately \$9,881,000 and \$9,349,000, respectively. Using the cost factors supplied by OPM, GAO has also recognized an expense in its financial statements for the future cost of post-retirement health benefits and life insurance for its employees. These costs amounted to approximately \$7,724,000 and \$7,940,000 during fiscal years 2000 and 1999, respectively, and are financed by OPM and imputed to GAO.

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 and amounted to approximately \$251,700 and \$246,700 during fiscal years 2000 and 1999, respectively. Since GAO is responsible for future payments under this plan, the estimated present value of accumulated plan benefits is recorded as an unfunded liability. The estimated present value of accumulated plan benefits was \$2,441,000 as of September 30, 2000, and \$2,492,000 as of September 30, 1999.

### *Note 10. Workers' Compensation*

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GAO employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by GAO. GAO recorded an estimated liability for claims incurred as of September 30, 2000 and 1999, and expected to be paid in future periods. The total liability also includes amounts paid to claimants by DOL as of September 30, 2000 and 1999 of \$2,113,000 and \$2,146,000, respectively, but not yet reimbursed to DOL by GAO.

### *Note 11. Davis-Bacon Act Trust Function*

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act receipts and payments. 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 employee. GAO is accountable to the Congress and the public for the proper administration of the assets held in the trust. Trust assets under GAO's administration totaled approximately \$4,878,000 on

September 30, 2000. These assets are not the assets of GAO or the federal government and are held for distribution to appropriate claimants. During fiscal year 2000, receipts and disbursements in the trust amounted to \$2,197,000 and \$2,088,000, respectively. Since the trust assets and related liabilities are not assets and liabilities of GAO, they are not included in the accompanying financial statements.





## *Report of the Audit Advisory Committee*

The Audit Advisory Committee assists the Comptroller General in overseeing the U.S. General Accounting Office's (GAO) financial operations. As part of that responsibility, the Committee meets with agency management and its internal and external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. The Committee reviews the findings of the internal and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews and comments on the draft Performance and Accountability Report, including its financial statements. The Committee met twice during fiscal year 2000. During these sessions, the Committee met with the internal and external auditors without GAO management being present.

Sheldon S. Cohen

Chairman

Audit Advisory Committee



# Independent Auditor's Report

*When Relationships Count<sup>SM</sup>*



## Independent Auditor's Report

Comptroller General of the United States

In our audit of the General Accounting Office for fiscal year 2000, we found

- the financial statements were fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles,
- the General Accounting Office had effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations, and
- no reportable noncompliance with laws and regulations we tested and no instances in which the General Accounting Office's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information and (2) the scope of our audit.

## Opinion on Financial Statements

In our opinion, the accompanying financial statements including the notes on pages 77 through 94 present fairly, in all material respects, as of and for the years ended September 30, 2000 and 1999, the General Accounting Office's:

- assets, liabilities and net position;
- net costs;
- changes in net position;
- budgetary resources; and
- reconciliation of net costs to budgetary obligations,

in conformity with U. S. generally accepted accounting principles.

As discussed in Note 1, the General Accounting Office changed its method of accounting for multi-use Heritage Assets during the year ended September 30, 2000.

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1

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### **Opinion on the Effectiveness of Internal Control**

In our opinion, the General Accounting Office maintained, in all material respects, effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 2000 that provided reasonable assurance that misstatements, losses, or noncompliance, material in relation to the financial statements would be prevented or detected on a timely basis. Management's assertion was based on criteria established under 31 U.S.C. 3512 (Federal Managers' Financial Integrity Act) and the Office of Management and Budget (OMB) Circular A-123, *Management Accountability and Control*.

### **Compliance With Laws and Regulations and FFMI Requirements**

The objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion. However, our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U. S. generally accepted government auditing standards or the Office of Management and Budget's (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. Our tests disclosed no instances in which the General Accounting Office did not substantially comply with the following requirements of FFMI: (1) federal financial management systems requirements, (2) generally accepted accounting principles for federal entities, and (3) the United States Government Standard General Ledger at the transaction level. This conclusion is intended solely for the information of the Congress and the General Accounting Office's management and is not intended to be, and should not be, used by anyone other than these specified parties.

### **Consistency of Other Information**

Management's Discussion and Analysis (MD&A) and other accompanying information (OAI) contain a wide range of data, some of which are not directly related to the financial statements. We did not audit this information and express no opinion on it. However, with regard to MD&A, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with General Accounting Office officials. With regard to OAI, we read the information and considered whether it was materially inconsistent with the information in the financial statements. Based on these limited procedures, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

### **Responsibilities and Methodology**

Management has the responsibility for:

- preparing the financial statements in conformity with U. S. generally accepted accounting principles;

## INDEPENDENT AUDITOR'S REPORT

*When Relationships Count<sup>SM</sup>*



- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met;
- complying with applicable laws and regulations, and;
- implementing and maintaining financial management systems that substantially comply with the requirements of FFMIA.

We are responsible for planning and performing our audit and examination to obtain reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U. S. generally accepted accounting principles and (2) management maintained effective internal control, in all material respects, based on criteria established under the Federal Managers' Financial Integrity Act and the Office of Management and Budget Circular A-123, *Management Accountability and Control*, the objectives of which are

- financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U. S. generally accepted accounting principles and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and
- compliance with laws and regulations – transactions are executed in accordance with laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the financial statements and any other laws, regulations, and government-wide policies identified by OMB Bulletin 01-02, Appendix C.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements, with laws for which OMB Bulletin 01-02 requires testing, and with FFMIA requirements. Further, we are responsible for performing limited procedures with respect to certain other information appearing in this Performance and Accountability Report.

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 accounting principles used and significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets), compliance with laws and regulations (including execution of transactions in accordance with budget authority), and performance measures reported in the MD&A; (5) tested relevant internal controls over financial reporting (including safeguarding assets), and compliance, and evaluated the design and operating effectiveness of internal control; (6) considered the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; (7) tested compliance with selected provisions of laws and regulations; and (8) tested whether the General Accounting Office's financial management systems substantially comply with the FFMIA requirements.



We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our opinion on internal control. 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 evaluation to future periods is subject to the 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 the General Accounting Office. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2000. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit and examination in accordance with U. S. generally accepted auditing standards, *Government Auditing Standards* as issued by the Comptroller General of the United States, attestation standards established by the American Institute of Certified Public Accountants, and OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. We believe our audit and examination provide a reasonable basis for our opinions.

*Clifton Gunderson LLP*

Calverton, Maryland  
December 15, 2000



## APPENDIX I

### GOAL 1 ACCOMPLISHMENTS AND PERFORMANCE GOALS

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

This appendix provides details of selected accomplishments during fiscal year 2000, categorized by strategic objective. The performance goals we set for fiscal years 2000 through 2002 for each objective and any revisions to them follow each set of accomplishments.

#### **Strategic Objective 1.1**

*The Health Care Needs of an Aging and Diverse Population*

- *Helping to Prevent Fraud and Abuse in Medicare:* GAO had long advocated increased funding for activities to prevent fraud and abuse in the Medicare program, and in 1996, the Congress passed the Health Insurance Portability and Accountability Act, which provided the additional funding. As a result of these activities, the Medicare program's net savings were about \$3 billion in fiscal year 2000.
- *Improving Management and Oversight of Medicare Operations:* In response to our work on oversight of Medicare operations, the Health Care Financing Administration (HCFA) overhauled its program for evaluating the performance of its claims administration contractors, representing nearly 60 companies. As we recommended, HCFA instituted a targeted and nationally uniform approach to contractor evaluation that should provide the agency with a clearer and more informative picture of contractors' performance in processing claims and conducting program integrity activities. Also, in response to our work, HCFA made major changes to its

regional and central office reporting structure to better hold officials accountable for their oversight of Medicare's contractor-managed day-to-day operations.

- *Informing the Debate on Medicare Reform:* Mindful of the need to ensure the Medicare program's long-term sustainability, the Congress relied on an ensemble of GAO reports to identify directions for Medicare reform. For example, our work on long-term budget projections and program management inefficiencies alerted policymakers to the need for significant program changes. At the same time, our analyses showing excess payments to managed care plans, factors contributing to their declining participation in Medicare+Choice, and the implementation challenges embedded in program reform proposals alerted the Congress to the complexities and trade-offs associated with large-scale reform and benefit expansions.
- *Improving Medicare's Payment Policies:* Medicare has implemented several new provider payment methods intended to slow spending growth while maintaining access to care. Our reports and testimonies consistently state the need for Medicare payment policies to ensure that provider payments are adequate, that payments reflect differences in beneficiary needs, and that providers have the appropriate incentives to deliver services in a cost-effective manner. Under the payment method for home health care, for example, we noted that provider payments could go up, while services delivered to beneficiaries could actually decline. The Congress delayed further reductions in home health payments until we complete a mandated study on this topic. Under the payment method for skilled nursing facility services, we determined that even though aggregate spending appears adequate, payment rates for the highest-cost cases might be too low, which could impair access to care. The Congress mandated that we evaluate the impact of targeted payment increases and the overall financial health of the nursing home industry. Regarding payments for physician services, we identified several components of Medicare's method that need refinement to improve the equity of payments. The Congress mandated that we investigate specific modifications to the payments for oncology services and delayed changes to the payments for the pharmaceuticals they provided until we have completed another mandated study on drug pricing.
- *Improving Private Health Insurance Coverage:* GAO's work on strengthening consumer protections for and improving access to private health insurance contributed to congressional consideration of several proposed reforms. Our report and testimony on the Mental Health Parity Act highlighted ways in which employers have continued to provide limited coverage for mental health as the Congress considered whether to reauthorize the 1996 law. In addition, several of our reports were used during Conference Committee consideration of major provisions of the patient protection and access legislation (H.R. 2990), including our findings on (1) the number and characteristics of individuals likely to be

## A P P E N D I X I

eligible for the proposed health insurance tax deduction; (2) the experience of existing small business health insurance purchasing cooperatives as models of the proposed HealthMarts; and (3) the federal government's enforcement of the Health Insurance Portability and Accountability Act of 1996, the same model proposed for federal enforcement of the patient protection legislation.

- *Sharing VA and DOD's Health Resources:* To save federal dollars, the Department of Veterans Affairs (VA) and the Department of Defense (DOD) have sought ways to share excess health care resources. VA and DOD officials have found that by sharing resources, better use of their local facilities, staff, and equipment; in some cases, beneficiary access and patient satisfaction have improved. However, most sharing is occurring between a small number of VA and DOD facilities. GAO identified and reported on the barriers inhibiting sharing and made a number of recommendations to overcome them. As a result, both agencies have refocused efforts to increase cooperation. Also, additional opportunities exist for VA and DOD to jointly purchase pharmaceuticals and obtain greater discounts from manufacturers. In fiscal year 2000, the two agencies will save an estimated \$32 million from jointly awarded national committed-use contracts with suppliers. GAO's analysis showed that more could be saved by expanding the use of these contracts. As a result of our recommendation, DOD and VA have increased joint pharmaceutical contracting, thereby reducing drug costs by millions of dollars.
  
- *Analyzing VA's Infrastructure:* As much as 25 percent of VA's annual health care budget is spent to operate, maintain, and improve roughly 4,700 buildings and 18,000 acres of property—including unused and underused hospitals and other facilities. Without a major restructuring of capital assets, billions of dollars will be used in the operation of hundreds of unneeded or underused VA buildings over the next few years. We reported that VA had made limited progress toward implementing a capital asset realignment process and estimated the opportunity cost of delay was as high as \$1 million a day. GAO recommended that VA develop asset-restructuring plans for all health care markets to guide investment decision-making. To respond to this recommendation, VA will soon implement its Capital Asset Realignment Services (CARES) program—to be carried out in three phases over 3 years—which involves assessing each network's health care requirements, identifying service delivery options to meet these requirements, and realigning capital assets accordingly. Successful implementation of CARES could result in significant savings for VA.
  
- *Preventing TRICARE Fraud and Abuse:* GAO has identified significant shortcomings in DOD's efforts to identify and prevent fraud and abuse. GAO's analyses validated that DOD and its contractors have paid little attention to fraud and abuse issues and that DOD could be losing hundreds of millions of dollars because of fraudulent activities.



GAO's recommendations for improving the programs resulted in DOD's agreeing to include in its military health system strategic plan how DOD will combat fraud and abuse and designate employees to oversee the implementation of new fraud prevention requirements.

- *Budgeting DOD's Custodial Care Benefit:* During GAO's efforts to evaluate the reasonableness of the Defense Health Care Program's budget request for fiscal years 2000-2001, significant issues arose concerning the basis for DOD's estimates for expanding the custodial care benefit. GAO's analyses of DOD's historical and current spending patterns for this type of care indicated that its request of \$100 million annually was overstated. As a result of GAO's work, DOD reduced its budget request to \$20 million.
- *Improving TRICARE Claims Processing:* As part of its assessment of health care claims processing, GAO reported that increasing electronic claims submission and Web-based services would reduce claims processing costs and improve customer service. GAO's analyses found that processing DOD claims cost several times as much as processing Medicare claims—\$7.50 compared with \$1.78 per claim on average. As a result of GAO's analyses, the Congress instructed DOD to increase electronic claims submission with the goal of saving hundreds of millions of dollars.
- *Learning Public Health Lessons From the West Nile Virus Outbreak:* In fall 1999, the mosquito-borne West Nile virus—a virus never before seen in this hemisphere—killed seven people in the New York City area and made dozens more very sick. Even though this was a natural occurrence, it can serve as a source of lessons about detecting and responding to an act of biological terrorism. GAO investigated this outbreak and established a thorough chronological account of the significant events and communications that occurred, from doctors and others who first saw the symptoms and from the officials mounting a response. From these efforts, GAO was able to identify lessons learned for public health and bioterrorism preparedness.
- *Analyzing Biomedical Research:* GAO found that the National Institutes of Health (NIH) had made less progress in implementing a requirement that certain clinical trials be designed and carried out to permit valid analysis by sex than it had in implementing other aspects of its policy to ensure the inclusion of women in clinical research. NIH quickly took several actions in response to GAO's findings and recommendations. It revised its guidelines on conducting and reporting on analyses of differences in Phase III clinical trials outcomes by sex and race/ethnicity; required grant recipients to describe plans to conduct such analyses, as appropriate, and report on the results in Progress Reports and Competitive Renewal Applications; and developed instructions for reviewers and scientific review administrators. In addition, the Department of Health and Human Services

## APPENDIX I

(HHS) held a symposium on issues pertaining to analysis of study results by sex, which focused on GAO’s findings.

➤ *Minimizing Foodborne Illnesses:* At a time when increased public awareness of foodborne illnesses has heightened concerns about the federal government’s effectiveness in ensuring the safety of the nation’s food supply, GAO’s work has been used extensively during congressional consideration of food safety issues. In particular, GAO has served as an honest broker of information on the shortcomings of the federal food safety system. GAO’s analyses and recommendations for improving food safety have been directed at the Food and Drug Administration and the Department of Agriculture (USDA). For example, our work resulted in USDA’s agreeing to create a new scientific, risk-based food safety inspection system referred to as the Hazard Analysis and Critical Control Point system. In implementing the system, USDA agreed to better clarify food inspectors’ roles, responsibilities, and training needs.

### Strategic Objective 1.1

*Health Care Needs and Financing, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Evaluate Medicare reform, financing, and operations	—
■	Assess trends and issues in private health insurance coverage	—
■	Assess actions and options for improving the Department of Veterans Affairs’ and the Department of Defense’s health care <del>facilities and services, including realigning capital assets to reduce unneeded physical infrastructure</del>	We revised the goal to reflect the broader nature of the work, which will look at access, quality, and cost-effectiveness in addition to infrastructure issues.
■	Evaluate the effectiveness of federal programs to promote and protect the public health	—
■	Assess the effectiveness of federal food safety programs	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



## **Strategic Objective 1.2**

### *A Secure Retirement for Older Americans*

- *Analyzing Social Security Reform:* GAO produced a major body of work analyzing the challenges facing the long-term financial solvency, stability, and sustainability of the Social Security program, including developing and applying criteria for evaluating reform proposals. Our criteria provide a clear, consistent, and objective analytical framework that the Congress, program officials, and the public can use in evaluating legislative reforms.
- *Improving SSA's Customer Service:* The Social Security Administration (SSA) has improved service to its customers as a result of GAO's work and recommendations. Subsequent to a GAO recommendation, the agency has taken steps to expand its automated 800 number service. It has also significantly improved the clarity and readability of the benefit statement it mails to almost every U.S. worker each year. In addition, GAO found that several types of letters SSA sends to the public each year did not clearly communicate key points about the recipient's eligibility for benefits, and the agency has begun a major initiative to improve these letters. Finally, GAO has stressed the importance of developing a plan to meet the increasing demands expected for service in the future, and the SSA has recently developed a formal vision for service in the year 2010.
- *Evaluating Proposed Pension Reforms:* GAO provided useful and timely information to aid congressional consideration of various pension reforms. Our work on "top-heavy" pension rules and on cash balance pension plans helped foster a greater understanding of the way pension coverage is provided and identified areas where protections of workers' benefits may be weak. In response to our recommendations, the Department of Labor is considering changes to its disclosure requirements for companies converting to cash balance plans.
- *Improving PBGC's Contract Management:* GAO's evaluation of the Pension Benefit Guaranty Corporation's (PBGC) contracting management has fostered change in the way the corporation does business. In response to our recommendations, the corporation is beginning the process of better linking its organizational structure, staffing, and contracting decisions to its long-term strategic planning process and is taking actions to improve competition and oversight in its contracting process. These changes, taken together, will improve efficiency and cost-effectiveness, which in turn will improve service to beneficiaries.

## APPENDIX I

### Strategic Objective I.2

*Retirement Income Security, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Assess the implications of various Social Security reform proposals within a developed framework and evaluation criteria	—
■	Identify opportunities to foster greater <b>pension coverage, increase private savings,</b> participation and ensure adequate retirement income <del>levels by private pension systems</del>	The wording was revised slightly to better articulate the focus of the goal.
■	Identify opportunities to improve the ability of <del>the Pension Benefit Guaranty Corporation's and the Department of Labor's Pension and Welfare Benefits Administration's programs</del> <b>federal agencies and programs to administer and</b> protect workers' <del>retirement benefits in private pension systems</del>	The goal was broadened to acknowledge the pivotal role played in this area by federal agencies other than the Department of Labor and the Pension Benefit Guaranty Corporation (e.g., the Treasury Department and the Internal Revenue Service).

#### Legend

- Expect to meet.
  - ★ May not be met until after FY 2002.
  - Not applicable.
- New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



### Strategic Objective I.3

*The Social Safety Net for Americans in Need*

- *Better Understanding the Status of Welfare Recipients:* Our work continues to provide an objective source of information to the Congress on the results of the sweeping changes that it made to the nation's cash assistance program for needy families with children. For example, our report on sanctions under welfare reform provided the first national picture of the extent to which welfare recipients received benefit reductions or terminations for not complying with work or other requirements. Congressional and federal agency officials have cited our comprehensive review of studies of families that have left welfare as an authoritative source of information. Our report on work-site activities for welfare recipients recommended that the Department of Health and Human Services identify and disseminate information on promising work-site approaches used by states and localities. The Department agreed with this recommendation.
- *Improving Nursing Home Quality of Care:* HCFA and several states—including California, Maryland, and Michigan—improved their oversight and enforcement of nursing homes' quality care standards in response to GAO's recommendations highlighting weaknesses in existing processes. These improvements included increased funding for nursing home surveyors, more prompt investigation of complaints alleging serious harm to nursing home residents, more immediate enforcement actions for homes with repeated serious problems, a reorganization of HCFA's regional staff to improve consistency in nursing home over-

sight, and increased funding for administrative law judges to reduce the backlog of appealed enforcement actions pending on nursing homes.

- *Financing Health Care for Low-Income Populations:* GAO reported and testified on several aspects of Medicaid and the State Children's Health Insurance Program, including extending Medicaid coverage to children with disabilities and delivering on statutory managed care protections for children with special needs. We also testified on two different financing schemes or unacceptable practices that states are using to inappropriately maximize federal funding and supplant the statutorily required state or local share of program expenditures. In the case of school-based Medicaid services, HCFA acted promptly to disallow over \$100 million in improper payments in one state alone. HCFA and the Congress also implemented our recommendations to close another existing loophole that at present allows states to draw down and retain excessive federal payments for Medicaid-covered services in local government facilities. HCFA estimates that these actions will save the federal government more than \$55 billion over 10 years.
- *More Accurately Budgeting the Food Stamp Program:* Because of declining participation rates and a strong national economy, GAO questioned the Agriculture Department's budget requesting \$18.4 billion for benefits and \$1 billion in contingency funds for the Food Stamp program. We pointed out that only about \$17 billion in benefits had been provided to recipients in 1998 and that the participation rate for the first half of 1999 had continued to decline. Following our work, the Congress provided \$17.1 billion for benefits and \$100 million for contingencies—a difference of \$2.2 billion.
- *Improving Rural Housing Assistance:* In response to a congressional request, we reviewed rural housing assistance programs run by the departments of Agriculture and Housing and Urban Development. We found that these programs serve similar markets and provide similar products. To optimize the federal role in rural housing, we suggested that the Congress consider requiring that these agencies examine their single-family insured lending programs to take advantage of the best practices of each, while ensuring that targeted populations are not adversely affected. The departments agreed that ways of improving rural housing opportunities should be explored.
- *Helping to Prevent Disability Program Overpayments:* GAO found that inattention by SSA in verifying recipients' eligibility for the Supplemental Security Income (SSI) program had contributed to fraud, waste, abuse, and overpayments. Subsequently, in response to GAO's designation of the SSI program as high risk, SSA developed a strategy that included processing more SSI financial redeterminations. Increasing these redeterminations prevented \$592 million in overpayments in fiscal year 1999.

## A P P E N D I X I

- *Helping People With Disabilities Return to Work:* Based in part on a body of GAO work that identified opportunities to improve federal disability programs' efforts to return people with disabilities to the workplace, the Congress passed the Ticket to Work and Work Incentives Improvement Act, which included
  - expanding the availability of health care services for people with disabilities who work;
  - expanding beneficiaries' access to vocational rehabilitation, employment, or other support services from an employment network of their choice; and
  - establishing an outreach program to provide accurate information on work incentives to disabled beneficiaries.
  
- *Improving VA's Disability Claims Processing:* VA provides over \$20 billion a year in disability compensation and pension benefits to more than 3 million veterans, family members, and survivors. In March 1999, we reported that while VA has taken steps to measure the accuracy of its claims-processing decisions, additional measures were needed to ensure that error-prone cases are identified and procedures for reviewing the accuracy of claims meet the government's internal control standards. GAO recommended, among other things, that VA implement a claims-processing accuracy review function that meets the government's internal control standard on separation of duties and the program performance audit standard on organizational independence. On the basis of our work, the Congress passed legislation requiring VA to establish a quality assurance program that meets generally applicable governmental standards for independence and internal controls.

### Strategic Objective 1.3

*Social Safety Net, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Analyze the results of welfare reform	—
■	Evaluate federal and state program strategies for financing and overseeing chronic and long-term health care	—
■	Assess states' experiences in providing health insurance coverage for <del>previously uninsured</del> low-income <b>children populations</b>	We modified the wording of the goal to broaden the focus beyond children.
■	Identify opportunities to provide more cost-effective food assistance programs and housing assistance programs	—
■	Identify ways to improve federal <del>disability</del> programs <b>support for people with disabilities</b>	We revised the goal to broaden the scope of our work to include access issues.
■	<b>Analyze the effectiveness and efficiency of child support enforcement and child welfare programs in serving their target populations</b>	We added this goal addressing child welfare and child support issues because of the intense concern the Congress has shown about these issues.

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective 1.4

*An Educated Citizenry and a Productive Workforce*

- *Seeking Ways to Make Early Childhood Programs More Effective:* GAO issued several reports and testified on what is known about the effectiveness of early childhood programs. To assist the continuing congressional interest in these programs, we also updated our report on the multiplicity of early childhood programs and what issues would need to be addressed to ascertain if opportunities for efficiency existed through consolidation.
- *Strengthening Accountability in Educating Disadvantaged Students:* GAO found accountability was lacking in the nation's \$8 billion Title I program, which is intended to meet the needs of economically and educationally disadvantaged students. In particular, GAO found that most states are not positioned to hold schools and school districts accountable for the educational outcomes of disadvantaged students. GAO recommended, among other things, that the Department of Education help the states improve the quality of assessment data to better determine whether the Title I program is effective and whether students are making educational progress.

## A P P E N D I X I

- *Managing High-Risk Student Financial Assistance Programs:* In reviewing the Department of Education's performance plans, GAO noted that there were no goals or objectives that directly address one of the key outcomes that the Department identified as an important mission area—less fraud, waste, and error in student assistance programs. We concluded that because the vulnerabilities of the student financial assistance programs place the federal government at risk of incurring high costs, the Department should have goals and objectives that directly address the need to improve management and oversight of these programs. We expressed concern that the Office of Student Financial Assistance—the newly established performance-based organization that administers the programs—did not have a goal or objective to address the issues needed to remove the programs from GAO's high-risk list. After GAO issued its report, the Department revised its strategic plan to include a performance goal of improving the integrity of its financial aid program and a number of strategies that could potentially address GAO's concern.
  
- *Enhancing the Understanding of the Workforce Investment Act's Implementation and Impact:* To assist the Congress in assessing the need for amendments to the legislation, GAO has begun monitoring the implementation of the act and the progress states have made to integrate employment and training services. In evaluating states' readiness to implement the act, we found mixed progress, and not all states were fully ready to implement the act on July 1, 2000, when it took full effect. States and localities confronted several challenges as they tried to integrate their services, including developing the infrastructure to support an integrated program and developing an integrated approach while responding at the same time to the requirements of the individual federal programs. In addition, we identified several integrated service delivery approaches that showed promise. In an examination of employment and training programs, we noted that multiple programs exist to serve similar target populations and that policymakers might consider taking advantage of the opportunity the act provides to integrate or consolidate program services.
  
- *Adjusting to a Changing Workforce:* Changing patterns of work, new workforce arrangements, tight labor markets, and short supplies of skilled workers have focused the Congress's attention on the nation's laws governing the workforce. The Congress used GAO's work during its consideration of issues related to the white collar designation in the Fair Labor Standards Act, the use of workplace protections offered to contingent workers, and the increase in the use of skilled foreign workers to temporarily fill skilled worker shortages.
  
- *Increasing the Labor Market Participation of Dislocated Workers:* GAO has begun a comprehensive examination of dislocated worker programs to assist the Congress in addressing these issues. Recently completed work focused on federal assistance to trade-displaced



workers, highlighting recent trends in worker certifications, the extent to which program services and benefits have been used, and the reemployment and wage outcomes for workers served by the programs. We recommended changes to the program structure and management, including improved performance measurement systems and more effective internal controls. In addition, in an examination of the foreign guest worker program targeted at highly skilled workers, we found inadequacies in the law and operations that (1) limit the ability to ensure that these workers meet program requirements and (2) increase the program's vulnerability to abuse. We recommended that the Congress consider legislative changes to address these problems. We also identified ways that the government and employers are working to improve the information technology skills of the nation's workforce.

### Strategic Objective 1.4

*Education/Workforce Issues, Progress Toward FY 2000-2002*

Progress assessment	Performance goal	Comment
■	Analyze the effectiveness and efficiency of early childhood care and education programs in serving their target populations	—
■	Assess options for federal, <del>state, and local</del> programs to effectively address <del>demographic changes</del> the educational and the infrastructure needs of <del>the education system</del> <b>elementary and secondary students</b>	The goal was revised to clearly indicate that it is related to elementary and secondary students rather than to higher education and to broaden the scope of our work to encompass overall educational needs.
■	Assess opportunities to better manage <b>postsecondary, vocational, and adult</b> education programs <del>costs and better target federal aid to the neediest students</del> and deliver more effective services	The revised goal clarifies that it is addressing postsecondary school students and broadens the scope to include focusing on more efficient ways of providing effective services.
■	Analyze the impact of <b>programs designed to raise worker skills and ensure employers have the workers they need</b> <del>the recently enacted Workforce Investment Act on the delivery of employment and training services</del>	This goal was combined with the one directly below because implementation of the Workforce Investment Act is part of the larger issue of analyzing the impact of federal job training issues.
—	<del>Analyze programs designed to raise worker skills and ensure employers have the skilled workers they need</del>	This goal was merged with the goal immediately above.
■	Assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing environment of work	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



**Strategic Objective 1.5**  
*An Effective System of Justice*

- *Strengthening the Crime Prevention Grant Program:* GAO made multiple recommendations to improve the Department of Justice’s Weed and Seed program—a program intended to “weed” out drugs and crime in infested neighborhoods and “seed” those locales with programs to foster community development. The assistance is intended to end when grantees are likely to be able to sustain themselves. As we recommended, the Department improved the program’s internal controls and monitoring and developed criteria for determining when grantees are self-sustaining so that the program can reduce or withdraw funding as soon as it is appropriate to do so. These actions can enhance the efficiency of program operations and ensure that funds are spent only where they are needed.
  
- *Helping to Prevent Drug Abuse:* GAO recommended to HHS that drug court programs funded by discretionary and block grants collect and maintain follow-up data on their participants’ criminal recidivism and drug use relapses. In response, (1) discretionary grant recipients underwent process and impact evaluations and participated in a national cross-site evaluation that included the collection of follow-up data, and (2) HHS obtained clearance from the Office of Management and Budget to include voluntary performance measures in the annual Substance Abuse Prevention and Treatment Block Grant application.
  
- *Assessing the Impact of INS Detention Policy:* The Immigration and Naturalization Service (INS) is to detain aliens who attempt to enter the country by engaging in fraud or misrepresentation and those who arrive with fraudulent, improper, or no documentation. If an INS officer determines that they have a credible fear of persecution or torture (if returned to their home country) and do not pose a risk of flight or a danger to the community, they can be released from INS custody to await a hearing before an immigration judge. Our review of 2,351 cases in which aliens were released and subsequently received an immigration judge’s decision showed that 40 percent of them had not appeared for their scheduled removal hearing. The Department of Justice estimates that, over time, the failure to appear rate will be about 25 percent. We recommended that INS reevaluate its policy of favoring the release of aliens found to have a credible fear of persecution.
  
- *Evaluating Customs’ Search Practices:* Of about 140 million international airline passengers entering the United States during fiscal years 1997 and 1998, Customs inspectors selected 102,000 for some form of personal search for contraband. Only 5 percent of the searched passengers were subjected to strip-searches or an X-ray. Our analysis showed that searched passengers of particular races and gender were more likely than other passengers to be strip-searched or X-rayed. However, in some cases, those types of passengers were

not as likely to be found carrying contraband. We recommended that Customs analyze its personal search data to better target passengers carrying contraband. As a result of the attention focused on this issue, Customs has changed some of its selection practices.

- *Implementing an Innovative Contracting Approach:* Following a GAO recommendation, the Bureau of Prisons implemented an innovative contracting approach to use Medicare-based benchmarking for competing bids. The benchmarking approach allowed contracting officials to (1) identify the best value among competing bids, (2) solicit lower prices through enhanced competition, and (3) provide for more accurate payment of medical bills.

### Strategic Objective 1.5

*Effective System of Justice, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Identify ways to improve federal agencies' response to crime	—
■	Assess the effectiveness of federal programs to control illegal drug use	—
■	Identify ways to administer our nation's immigration laws more efficiently and effectively	—
■	Assess the administrative efficiency and effectiveness of the federal court and prison systems	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



### Strategic Objective 1.6

*Investment in Communities and Economic Development*

- *Recapturing Excess HUD Funding:* GAO identified funding from several sources in the Department of Housing and Urban Development's (HUD) budget, including unexpended balances no longer needed, that could be recaptured in fiscal years 1998 and 1999. The Congress rescinded \$1.65 billion from the Section 8 fiscal year 1998 budget authority and rejected \$1.3 billion of HUD's fiscal year 1999 request for housing assistance, for a total reduction of \$2.95 billion. Subsequently, GAO and HUD worked together to revise HUD's analysis to show that, by using recaptured funds, HUD had sufficient funding to meet its needs.

## A P P E N D I X I

- *Improving HUD's Monitoring of Lenders and Management of Foreclosed Properties:* In response to our recommendations that it more effectively monitor lender performance, HUD implemented procedures for targeting high-risk lenders for quarterly on-site reviews. In our congressionally requested review, we found, among other things, that HUD did not focus its monitoring process on the riskiest lenders. Also in response to a congressional request, we reviewed HUD's procedures for managing and reducing its inventory of properties that it acquires through foreclosures. We found that many contractors who maintain these properties did not provide adequate maintenance and security, leading to declining property values in the surrounding community. Additionally, real estate contractors were focusing their sales efforts on properties that had recently been added to the inventory, resulting in an increase in the number of properties in the inventory over 6 months. We recommended that HUD implement more effective methods such as instituting a system of incentives and penalties to encourage contractors to reduce the number of properties that are in the inventory over 6 months. We believe that the incentives and penalties should encourage the contractors to reduce the number of older properties and also maintain those properties while in inventory.
- *Enhancing Tracking of Community and Support Service Outcomes:* GAO reported that collection of data on community and support services at certain (HOPE VI) urban revitalization sites was inconsistent. In response to our recommendations, HUD hired a contractor to devise a tracking system so HUD could collect accurate baseline data and outcome-based measures. HUD now requires housing authorities with HOPE VI developments to supply data quarterly showing community and support service progress, including data on residents completing job training, being placed in jobs, and participating in family counseling and substance abuse programs.
- *Enhancing Fair Lending Practices:* Our report on fair lending documented that lenders were against conducting self-testing of their lending practices because the results of those tests could be used as evidence of lending discrimination. The Congress removed this potential by creating a legal privilege for voluntary self-testing, and the Federal Reserve and HUD issued implementing regulations.
- *Developing Options to Manage Urban Growth:* In response to a congressional request, GAO examined how federal programs and policies influence the ability of states and local communities to plan for and manage growth. Our report discussed ways to improve coordination among federal agencies and presented options for changes to federal programs that invest in local infrastructure, revitalize neighborhoods, develop downtown areas, and preserve farmland and open space. We provided the Congress with policy options across a range of federal programs as well as ideas for improving interagency coordination on crosscutting issues. In addition, our survey of nearly 2,000 cities and

counties across the United States created a comprehensive national database; one that captured the growth-related concerns and priorities of America's communities and their views on the influence of a broad range of federal policies and practices. These survey results created a springboard for further study and analysis and are available publicly on GAO's Web site.

- *Improving USDA's Farm Loan Programs:* In 1990, we classified USDA's farm loan programs as high-risk programs because they entailed significant risk to the government of major financial losses. Since then, the Congress and USDA have taken a number of corrective actions, partly as a result of GAO's work, that have improved the financial condition of the farm loan programs. The unpaid principal on USDA's loan portfolio held by delinquent borrowers was reduced by about \$600 million between September 1998 and September 2000. This progress provides the basis for GAO to remove the program's high-risk designation (see *High-Risk Series: An Update*, GAO-01-263, Jan. 2001, available at [www.gao.gov](http://www.gao.gov)). However, we noted that because of an unpaid principal of about \$16.6 billion in active direct and guaranteed farm loans, the Congress and USDA need to continue monitoring to ensure that improvements in the financial integrity of the farm loan programs continue.
- *Investigating "Cramming" Complaints:* We testified and reported on "cramming"—the inclusion of unauthorized, misleading, or deceptive charges on residential and business telephone bills. Despite an overall decline in complaints nationally, 15 states reported increases in consumer complaints about cramming. Also, 22 states received complaints from small businesses about a new form of cramming, involving unauthorized charges for Internet Web page design and services. In response, federal and state regulators are taking additional enforcement actions against crammers.
- *Improving Airline Competition:* Our congressionally requested work on airline competition paid off, with the Congress passing legislation that addressed critical barriers to increased competition. Our work showed that limitations on the numbers of arrivals and departures (called slot controls) inhibit the ability of some airlines to serve new markets. The new law encourages more vigorous competition by phasing out slot controls at three major airports, increases slots for new-entrant airlines, increases slots for airlines with limited access, and requires that the Department of Transportation (DOT) grant additional slots to airlines that increase regional jet service to small-hub airports. Several of those smaller cities now receive improved service from airlines operating regional jets.
- *Analyzing Space Shuttle Safety:* As the nation's only launch system capable of carrying people to and from space, the space shuttle is critical to the National Aeronautics and Space Administration's (NASA) space programs such as the multibillion-dollar

## A P P E N D I X I

International Space Station. GAO testified and reported on the negative effects of downsizing the shuttle workforce by one-third. Examples include insufficient staffing in key areas, overwork and fatigue, and a demographic shape and skill mix that jeopardize the shuttle program's ability to "hand off" leadership roles to the next generation and achieve a higher flight rate to support assembly of the International Space Station. NASA is using GAO's human capital self-assessment checklist in ongoing workforce planning and discussions with the Office of Management and Budget.

- *Improving the Services Provided by SBA's 8(a) Program:* GAO's work on the Small Business Administration's (SBA) business development program provided the Congress and SBA with the first customer feedback on the program and insights into weaknesses in the program's information system. We found that almost all firms joined the program to obtain 8(a) contracts, wanted SBA to provide contracting assistance, and were more satisfied with the program if they had received a contract. Yet, access by firms to 8(a) contracts—long considered the program's biggest benefit—remains a problem, and SBA's 8(a) information system does not meet the needs of headquarters or district officials. We recommended that SBA take a number of actions to better meet the purpose of the program, the needs and expectations of the firms, and its ability to determine how well the program is working. As a result of our work, SBA is implementing changes to target business development and procurement assistance to the needs of particular 8(a) firms and to produce better information on the program's performance.
- *Budgeting Disaster Relief Funds More Accurately:* In response to a congressional request, we reported that the Federal Emergency Management Agency (FEMA) uses inaccurate data to compute the remaining costs for past disasters. The inaccuracies stemmed from a mistake in the process that FEMA used in extracting data from its financial information system. FEMA has taken steps to correct this problem. We also found that to estimate the remaining need for disaster funds in a calendar year, FEMA uses a constant rate of decline starting in October, even though hurricanes, which typically occur in late summer and early fall, cause a major draw on FEMA funds. We recommended changes in how FEMA estimates the timing and cost of future disasters. FEMA officials acknowledged that some inaccuracies have occurred in reports but have not yet informed us of their plans to respond to them.
- *Helping to Prevent Insurance Fraud:* GAO found that state insurance regulators were not prepared to prevent or detect a \$200 million investment scam perpetrated among multiple insurers for nearly an 8-year period. Among the regulatory weaknesses cited, GAO found that inadequate professional skepticism and long-standing information-sharing issues among federal and state financial regulators delayed detection of the scam for years. GAO made recommendations to state insurance commissioners, the National Association

of Insurance Commissioners, and the U.S. Attorney General to shore up regulatory weaknesses and develop more routine processes for sharing and coordinating information on common regulatory oversight matters.

➤ *Improving Mutual Fund Disclosures:* Mutual funds experienced incredible growth since the 1980s and held \$5.5 trillion of assets at the end of 1998. With 44 percent of U.S. households owning mutual funds, transparent information on the fees these funds charge is important to investors. However, GAO found that competition between firms and the fee disclosures they make may not be sufficiently influencing the level of fees mutual funds charge. In response to GAO’s recommendation, the Securities and Exchange Commission is planning to expand these disclosures to provide investors with more information.

### Strategic Objective 1.6

*Community Investment, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Identify how federal agencies can <del>streamline and improve their programs to facilitate</del> the delivery of grants, loans, and other types of economic assistance to communities	The wording of the goal was revised to clarify the broader scope of the work we are doing.
■	Assess how the federal government can minimize financial risk in <del>mortgage assistance</del> <b>housing finance</b>	The wording of the goal was changed to better articulate the scope of the work we are doing.
■	Assess the effectiveness of <del>current federal farm subsidies and the extent to which the 1996 Farm Bill has</del> <b>programs and policies to</b> reduced agriculture’s dependence on federal subsidies and improved its competitiveness	The wording of the goal was changed to expand its focus beyond subsidies and the 1996 Farm Bill.
■	Assess the impact of transportation, telecommunications, and postal policies on competition and consumers	—
■	Assess the costs and outcomes of the federal investment in science and technology programs	—
■	Identify cost-effective and efficient ways to assist small and minority-owned businesses	—
■	Determine how federal disaster assistance costs can be reduced and targeted to the most cost-effective mitigation measures	—
■	Assess the regulatory effectiveness of programs and policies in ensuring access to financial services and deterring fraud and abuse	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



**Strategic Objective I.7**

*Responsible Stewardship of Natural Resources and the Environment*

- *Strengthening the Land Exchange Process:* Land exchanges—trading federal land for nonfederal land of similar market value—have long been used by the Bureau of Land Management and the Forest Service to supplement funds that are appropriated to purchase nonfederal land. GAO reported numerous land exchanges in which the agencies gave more than market value for nonfederal land they acquired and received less than market value for federal land they conveyed, totaling about \$28 million in losses to taxpayers. In addition, GAO found that the Bureau—under the umbrella of its land exchange program—illegally sold federal land and retained at least \$17 million in proceeds and interest to buy nonfederal land; these cash proceeds instead should have been deposited into the Treasury and subject to congressional appropriation. In response to our work, both agencies immediately increased management oversight of their ongoing exchanges. In addition, the Bureau identified cash balances of about \$4 million and deposited them into the Treasury, took steps to initiate a financial audit of these unauthorized cash transactions, and clarified its policies and guidance on land exchanges.
  
- *Managing Wildfire Prevention:* “Federal Experts Saw Massive Wildfires Coming” read an August 7, 2000, news headline. The article was referring to GAO’s April 1999 report on wildfires. Since then, GAO has used the increased risk of uncontrollable and often catastrophic wildfires as an example of the need for “strategic budgeting” to address issues that are not aligned with the current budget and organizational structures of the four major federal land management agencies. Responding to the wildfires that burned over 6.5 million acres of public and private land in 2000, the Congress appropriated an additional \$240 million in fiscal year 2001 to reduce hazardous fuels in high-risk locations where wildlands and urban areas meet. GAO testified on the need for the four land management agencies to act quickly to develop a framework to spend funds effectively and to account accurately for what they accomplish with the funds.
  
- *Addressing Energy Policy Issues:* GAO provided impartial analyses and commentary on energy price increases and related issues that were used by the Congress in addressing (1) disproportionate increases in gasoline prices on the West Coast compared with the rest of the United States, (2) the limited role of alternative fuel vehicles in reducing the nation’s dependence on petroleum, (3) the value in a \$1.25 billion government-industry partnership to develop a highly efficient automobile, and (4) opportunities for increasing the federal government’s \$3.2 billion in oil and gas royalties.
  
- *Improving Water Pollution Monitoring:* GAO has played a significant role in providing impartial research and analyses that were used by the Congress as it considered how to



best address the complex and controversial aspects of controlling water pollution, particularly concerning the issue of nonpoint sources of pollution. In fiscal year 2000, GAO issued several key reports and testified before House and Senate committees with jurisdiction over water issues. For example, the Congress used our reports on water quality data gaps in assessing whether water quality data were sufficient to support significant policy decisions. The monitoring weaknesses identified by GAO were cited in the report accompanying the Senate's fiscal year 2001 appropriations bill for the Environmental Protection Agency (EPA), which called on EPA to address these weaknesses, and were also cited in a legislative proposal calling for increased funding for nonpoint source pollution control.

- *Restoring the Florida Everglades:* Restoring the South Florida ecosystem, which includes the Everglades, is one of the most significant and complicated environmental initiatives ever undertaken. GAO found that the ability to accomplish the ecosystem's restoration in a timely and efficient manner was at risk unless a strategic plan to guide the restoration and a mechanism to resolve the inevitable conflicts were developed. The Congress directed the South Florida Ecosystem Restoration Task Force, a multiagency group responsible for coordinating and facilitating the restoration effort, to develop a strategic plan as outlined by GAO. GAO's analyses and recommendations for improving the planning and management of the restoration effort also resulted in congressional direction to the task force to develop (1) a conflict resolution process, (2) an estimate of the total costs to restore the ecosystem, and (3) a land acquisition plan to supplement the strategic plan.
- *Improving Superfund Program Management:* Given the environmental and public health importance of cleaning up the nation's tens of thousands of abandoned hazardous waste sites and the large financial commitment involved, improving the management of EPA's Superfund program has been an area of ongoing congressional interest, including recent congressional attention to the program's future policy direction. For over a decade, GAO has designated the program as being at high risk because recurring management problems heightened the potential for waste, fraud, abuse, and mismanagement. GAO's numerous recommendations have provided a detailed framework to assist the Congress and EPA in their efforts to strengthen Superfund program management. In recent years, the agency has made significant progress implementing GAO's recommendations and is doing a better job in such areas as considering human health and environmental risks in setting its clean-up funding priorities and attempting to recover more costs from parties responsible for site contamination. This progress provides the basis for GAO to remove the program's high-risk designation (see *High-Risk Series: An Update*, GAO-01-263, Jan. 2001, available at [www.gao.gov](http://www.gao.gov)).
- *Maximizing the Uranium Enrichment Program:* Acting on a GAO recommendation, the Congress required the Department of Energy to recover from commercial customers an

## APPENDIX I

appropriate share of the expected costs for work that involved the decontamination and decommissioning of the Department's uranium enrichment plants. More than \$731 million in additional collections resulted.

### Strategic Objective I.7

*Natural Resources Use and Environmental Protection, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Assess the costs and outcomes of federal strategies for managing federally owned lands and the adequacy of legislative and regulatory guidance for resolving conflicts and making choices among competing land uses	—
■	Assess the impact of energy and environmental policies and regulations on the availability of secure and reliable sources of energy	—
■	Assess the costs and outcomes of federal pollution control strategies and opportunities for more cost-effective approaches	—
■	Assess opportunities to improve the management and cleanup of hazardous and nuclear waste sites	—
■	Assess U.S. efforts to address global and international environmental challenges	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective I.8

*A Safe and Efficient National Physical Infrastructure*

➤ *Focusing on Infrastructure Needs:* To help the Congress understand the full range of infrastructure investment needs and spending trends on highways, airports, and federal facilities, GAO laid out a series of best practices that could help ensure that infrastructure investments produce the maximum benefits. Our work has increased awareness and helped focus attention on new infrastructure requirements and on major gaps in needed maintenance for existing infrastructure. We also reported that the Federal Buildings Fund does not provide sufficient revenues to meet the billions of dollars needed for repairs and alterations in buildings the General Services Administration (GSA) manages. GSA is moving to implement our recommendations to improve the overall management and oversight of its repairs and alterations program.

- *Eliminating High-Speed Rail Project:* Florida's governor canceled a planned \$6 billion-to-\$8 billion high-speed rail project as a result of concerns GAO raised about the cost estimates, financing requirements, ridership, and the project's extremely ambitious construction schedule. The governor's action eliminated the need for a \$295 million federal obligation to cover the cost of federal credit. The project's sponsors had planned to seek a \$2 billion loan through the Transportation Infrastructure Finance and Innovation Act of 1998. The \$295 million would have consumed over half of the funds authorized by the act to cover the cost of federal loans.
- *Assessing the Challenges Involved in Expanding Airport Capacity:* In response to a congressional request, we found that the greatest environmental challenge facing airports now and in the future as they attempt to grow and balance their growth with its effects on the environment is noise. Balancing growth with ensuring water quality and air quality also presents challenges. We recommended that the Administrator of the Federal Aviation Administration (FAA) communicate with airports about the requirements for environmental reviews and document the results of the reviews and communicate these results to airport officials. We also recommended that the Administrator, EPA, in coordination with FAA, clarify guidance for determining that airport expansion projects conform to requirements of the Clean Air Act and provide airport officials with the expertise necessary to meet air quality requirements.
- *Ensuring the Safety of Our Drinking Water:* In a nationwide survey done for several congressional requesters, GAO identified serious shortfalls in the funding available to help local drinking water systems comply with public health regulations—considering needed investments in both physical infrastructure and essential quality assurance activities, such as training water system operators. As a result of reports by GAO and others, congressional leaders expect to consider a major water infrastructure bill in the upcoming session.
- *Improving Aviation Inspections:* During the course of a congressionally requested review of FAA's safety program, GAO learned of serious concerns about inspector staffing deficiencies at a field office that could have jeopardized FAA's ability to ensure safety compliance for a major carrier that had a record of safety compliance problems. Inspector turnover at that field office had reduced the number of inspectors familiar with the troubled carrier. In addition, airline expansion plans within the field office's territory, combined with another airline's plans to relocate within the territory, further exacerbated the staffing situation. At the time of our review, FAA management was unaware of the potential problem. However, the week after we highlighted these concerns, FAA sent a team to assess the field office's staffing. FAA confirmed the problem, assigned additional staff on a temporary basis, and made further plans to reevaluate staffing needs at the field office.

## A P P E N D I X I

- *Strengthening Aviation Safety and Security Enforcement:* Responding to a congressional request on FAA's safety and inspection program, GAO reported that FAA had not established guidance on allocating its enforcement resources to cases with the most significant safety implications. GAO recommended that FAA develop guidance for its inspectors to help them distinguish major from minor violations, which would facilitate FAA's efforts to better focus its resources. In response to our recommendation, FAA revised its enforcement guidance to focus resources and efforts on identified areas of critical safety and security noncompliance.
- *Reducing FAA's Funding:* As a result of our review of FAA's fiscal year 2000 budget request, the Congress reduced FAA's appropriation by \$38.5 million. By interviewing FAA officials and examining project schedules and other documents, we identified several projects and an operations account line item as candidates for budget reductions.
- *Assessing Amtrak's Financial Viability:* In response to a congressional request, we reported on Amtrak's operating and capital costs and the availability of federal and nonfederal funds for Amtrak's capital investments. Similar to our past reports, we found that Amtrak's costs are growing and far exceed the expected funds available. We recommended that Amtrak develop measures of productivity for its different lines of business and that it adopt a multiyear capital spending plan that identifies its capital investment needs for at least 5 years, prioritizes these needs in accordance with corporate goals and strategies, establishes specific measurable benefits from these investments, and identifies specific funding sources to meet these needs.

## Strategic Objective 1.8

### Physical Infrastructure, Progress Toward FY 2000-2002 Performance Goals

Progress assessment	Performance goal	Comment
■	Identify the full range of infrastructure investment needs and spending trends at the federal, state, and local levels; best practices; and potential solutions for improved decision-making on infrastructure investments	The wording was revised to better articulate the scope of the work it covers.
■	Assess alternative methods for financing <del>transportation projects</del> <b>infrastructure needs</b>	The wording was changed to show that the focus is wider than transportation projects.
■	Analyze the environmental and economic impact of <del>transportation facilities</del> <b>infrastructure</b> on surrounding communities and <del>alternatives for reducing congestion and delays</del>	The wording was revised to reflect that our focus is on all infrastructure projects' impacts on the environment and the economy, not just the impact of transportation projects.
—	<del>Assess the investments required to meet federal safe drinking water and wastewater treatment standards and the alternatives for cost-effectively maintaining, repairing, and replacing communities' drinking water, wastewater, and solid waste infrastructure</del>	The goal was deleted because its issues will be addressed under the first goal above and under the performance goal—assess the costs and outcomes of federal pollution control strategies and opportunities for more cost-effective approaches—found in the previous strategic goal.
■	Assess the Department of Transportation's efforts to reduce accidents, injuries, and fatalities <b>improve safety</b> in all transportation modes	The wording was changed to show that the goal extends to other agencies' efforts as well (e.g., the National Transportation Safety Board's).
—	<del>Assess Amtrak's financial viability</del>	This goal was eliminated because financing is the key issue facing Amtrak, and we will do the work under the broader scope of the revised second performance goal: "Assess alternative methods for financing infrastructure needs."
—	<del>Assess the cost-effectiveness of upgrading and maintaining the nation's federal laboratories</del>	This goal was deleted because these issues will be covered under our performance goals related to the federal investment in science and technology under strategic objective 1.6 and in the new performance goal listed at the bottom of this chart.
■	<b>Assess the viability of the Postal Service and its mission</b>	This goal was added to guide our work on the Postal Service's infrastructure, regulatory oversight, quality of service, and human capital programs.
■	<b>Assess the stewardship of the federal facilities portfolio</b>	This goal was added to encompass work on the nonmilitary federal facilities portfolio, including the national laboratories.

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike out~~.



## APPENDIX II

### GOAL 2 ACCOMPLISHMENTS AND PERFORMANCE GOALS

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

This appendix provides details of selected accomplishments during fiscal year 2000, categorized by strategic objective. The performance goals we set for fiscal years 2000 through 2002 for each objective and any revisions to them follow each set of accomplishments.

#### **Strategic Objective 2.1**

*Responding to Diffuse Threats to National and Global Security*

- *Strengthening Security at Federal Buildings and Airports:* At the request of a House Judiciary Subcommittee, GAO assessed the potential risks to the security of federal buildings and airports from the use of counterfeit law enforcement badges and credentials, which are readily available publicly and through the Internet. During the investigation, GAO's special agents posed as plain-clothed law enforcement officers and successfully breached security at 19 secure federal buildings and two airports. By displaying fake badges and credentials, the agents were able to enter agency buildings while claiming to be armed, carried briefcases that were never searched, and, in one case, drove a rental van into the courtyard of a federal building without inspection. At the two airports, agents obtained boarding passes and firearms permits to carry weapons aboard flights for which they had purchased tickets. As a result of the Subcommittee's hearing on GAO's investigation and report, the Enhanced Federal Security Act of 2000 was passed, making it a federal crime to enter, or attempt to enter, federal property or the secure area of an airport under false pretenses.

- *Supporting Legislative Reforms to Combat Terrorism:* GAO supported congressional decision-making on proposed reforms to programs to combat terrorism. For example, we formally commented on a bill to change the management of selected counterterrorism programs. In addition, we monitored a congressionally mandated, national-level counterterrorism exercise to see if it met its objectives. Aside from specific legislative reforms, GAO supported congressional hearings by testifying five times on programs to combat terrorism.
- *Safeguarding Nuclear Material:* A primary national security concern of the United States and Russia is the 650 metric tons of highly enriched uranium and plutonium in Russia that are highly attractive to theft and that have weak security controls. GAO has reported that this program has placed only a small amount of material under improved security controls and that the Department of Energy (DOE) has already spent more than its original cost estimate for the entire program. We recommended, and the Secretary of Energy agreed to develop, new cost estimates and time frames for completing the program.
- *Assessing Biological Weapons Risks:* The former Soviet Union covertly developed the world's largest offensive biological weapons program, using a network of research institutes. After the fall of the Soviet Union, Russia cut funding for these institutes. However, the United States remains concerned about Russia's biological weapons capability. The U.S. response has been to fund collaborative research activities with the institutes to (1) reduce their incentives to work with hostile states and groups and (2) increase their openness to the West. The executive branch has sought a 10-fold increase in funding to achieve these objectives. GAO concluded, through an evaluation of the U.S. efforts, that expanding the program will pose certain risks to the United States. The key risks include sustaining Russia's existing biological weapons infrastructure, maintaining or advancing Russian scientists' skills to develop offensive biological weapons, and the potential misuse of U.S. assistance for offensive research. GAO's conclusions have resulted in the Congress's raising serious questions with the executive branch concerning the program's advisability.
- *Curtailing Ineffective Chemical Weapons Program:* In 1995, GAO first raised concerns about a pilot chemical weapons elimination facility to be built in Russia in a report on weapons of mass destruction. A year later, in 1996, GAO issued a second report, and as a result, the Department of Defense (DOD) and the Congress restricted the use of funds for the pilot project. In its most recent report in 1999, GAO reported that the pilot facility would be unlikely to achieve its intended result of accelerating Russian chemical elimination without billions more being spent on infrastructure and four additional facilities. As a matter for consideration, GAO suggested that the Congress have DOD identify sources for the additional funding. Subsequently, the House Armed Services Committee in its fiscal year 2000 report barred DOD from spending any future funds on

## A P P E N D I X I I

the pilot project. The final law barred DOD from funding the project—avoiding costs of about \$493 million for fiscal years 2000 through 2003.

- *Strengthening Nuclear Nonproliferation Efforts:* Nuclear nonproliferation and safety continue to be among the highest national security concerns of the Congress and the administration. GAO's work in these areas has had a major impact, including a redirection of DOE's international nonproliferation and safety assistance programs so that they more effectively and efficiently achieve U.S. national security goals. Specifically, the Congress has legislatively mandated the implementation of our numerous report recommendations, and DOE and other agencies have acted on them. In the case of DOE's program to employ Russian weapons scientists, our recommendations have greatly improved what was a faltering program. Similarly, U.S. nuclear safety assistance is now targeted to the most pressing safety concerns with Soviet-designed reactors, and real safety improvements are being achieved.
- *Enhancing DOE's Security:* Over the last few years, reports by independent commissions, congressional committees, and the intelligence community have identified pervasive weaknesses in DOE's security. GAO has played a significant role in bringing these weaknesses to national attention. For example, the President's Foreign Intelligence Advisory Board relied heavily on GAO's work in reporting on loosely controlled programs for thousands of foreign visitors to DOE's national laboratories and inadequate systems for controlling classified documents. This past year, GAO's work for the Congress included reporting on more than 75 incidents of attempted espionage against DOE laboratories' personnel traveling overseas and Internet-based computer attacks that disrupted research activities at some DOE national laboratories. GAO also testified numerous times before the Congress on the overall security situation at DOE and pointed out that sustained management will be needed to improve it.
- *Reducing Information Security Risks:* In October 2000, legislation was enacted (as part of the Defense Authorization Bill) that included several provisions for strengthening federal information security that had been developed based on GAO's best practices and audit work. During fiscal years 1999 and 2000, GAO worked with congressional staff to develop these and other provisions for consideration by the Congress. This new legislation requires each federal agency to implement an updated framework for managing its information security risks and requires annual independent audits for an initial period of 2 years.
- *Strengthening Information Security:* GAO has evaluated the information security programs and controls over critical systems at numerous federal agencies and made numerous recommendations for improvement. During fiscal year 2000, these agencies included



Treasury's Internal Revenue Service, Financial Management Service, and Bureau of Public Debt; the Department of Energy; the Department of Veterans Affairs; and the Environmental Protection Agency. In addition, in September 2000, GAO issued a summary report that provided a governmentwide perspective on the status of federal information security. This report, which covered Inspector General and GAO audit findings reported since July 1999, concluded that weak information security continues to be a widespread problem that places critical and sensitive federal operations at risk of tampering, disruption, and inappropriate disclosure.

- ▶ *Increasing Information Technology Infrastructure Protection:* GAO examined the national strategy for Critical Infrastructure Protection (CIP), which is described in Presidential Decision Directive 63 (PDD 63), and provided comments on the implementation guidance in the National Plan for Information Systems Protection. GAO identified the need for the National Security Council and the Office of Management and Budget to more clearly define roles and responsibilities in responding to information-based attacks. We also provided comments on proposed legislation (H.R. 4246) intended to facilitate the exchange of information between government and industry. At the request of Members of the Congress, GAO identified key challenges to monitoring threats and determining when an attack is under way, including issues related to collecting, correlating, analyzing, and disseminating warning information in a timely manner. In May 2000, GAO responded quickly to congressional requests for testimony on the "I love you" virus and provided a comprehensive assessment of the impact of the virus on federal agencies. GAO also reported on opportunities for applying lessons learned from remediating the Year 2000 problem to critical infrastructure protection.
  
- ▶ *Improving Battlefield Automation:* The Army expects that providing information technologies to soldiers operating in the battlefield will increase survivability, lethality, and tempo of operations. In response to a congressional request, we continued to review key critical Army digitization systems. The \$2.1 billion Land Warrior system will allow soldiers to know precisely where they are on the battlefield, where friendly forces are, and where enemy forces and obstacles are. We found that DOD's oversight of the program was insufficient; that the current configuration was not able to operate with another key digitized battlefield system; and that the program had not resolved technical and human factor problems that may render the system ineffective, such as overweight equipment. We made several recommendations directed at improving program monitoring, oversight, testing, and operability with other key Army digitized battlefield systems.

## APPENDIX II

➤ *Strengthening Aviation Security:* Based in part on our testimony on airport screeners, legislation has been recently enacted that significantly expands the training and testing requirements for airport security checkpoint screeners. Additionally, we reported in June 2000 that long-standing problems continue to reduce the effectiveness of airport screeners and, although the Federal Aviation Administration (FAA) has established performance improvement goals for screeners, it has not developed adequate plans or performance measures. We recommended that FAA (1) complete and implement an integrated plan to tie its various efforts to improve screeners' performance to the achievement of its goals and (2) establish additional performance goals to better measure and ensure the success of its improvement efforts. FAA agreed with our recommendations and is taking action to implement them.

### Strategic Objective 2.1

*Diffuse Security Threats, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Analyze the effectiveness of federal agencies' programs to combat terrorism	—
■	Assess the effectiveness of U.S. programs and agreements to prevent the proliferation of nuclear, biological, and chemical weapons	—
■	Assess U.S. efforts to protect computer-supported critical infrastructure for business and government	—
■	<del>Assess the Department of Defense's ability to retain information superiority on the battlefield</del>	This goal has been moved to Strategic Objective 2.2 because it is more relevant to ensuring military capabilities and readiness.
■	Assess the effectiveness of the Department of Transportation's oversight of domestic and international aviation security	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective 2.2

*Ensuring Military Capabilities and Readiness*

➤ *Retargeting Defense Spending:* GAO examined DOD's funding for contingency operations and reported in September 1999 that since combat operations in Kosovo ended earlier than anticipated, as much as \$475 million in fiscal year 1999 funding could be made available to reduce fiscal year 2000 funding. GAO also reported that additional amounts—which at the time were unquantifiable—could also become available. Subsequently, the conferees on the fiscal year 2000 defense appropriations reduced the contingency operations funding by \$665 million.



- *Lowering DOD's Funding:* GAO reviewed the reasonableness of DOD's budget requests for fiscal year 2000 to assist subcommittees in their appropriation and authorization deliberations. On the basis of GAO's findings, the Congress reduced (1) the military personnel request by \$334.7 million; (2) the operation and maintenance request by \$417.6 million; and (3) the procurement and research, development, test, and evaluation request by \$500 million. The reductions did not affect readiness because DOD did not have as many personnel onboard as expected, the foreign currency exchange rates for programs outside the United States (most of the operations and maintenance funds) were more favorable than expected, and procurement funds were available because programs' schedules slipped or they had performance problems.
- *Reducing the Vulnerability of Navy Ships:* GAO reported on the vulnerability of Navy ships to cruise missile attacks and the lack of a comprehensive strategy to address shortfalls in ship self-defense capability. The Navy agreed with the findings and is currently developing a strategy as recommended in the GAO report.
- *Correcting Deficiencies in the Anthrax Immunization Program:* Concerns have been raised about DOD's anthrax immunization program since the Department began immunizing its 2.4 million U.S. military personnel—including active and reserve component personnel. For example, some Gulf War veterans are suffering from unexplained illnesses that they believe might have been caused by anthrax vaccine shots that they received during the war. Also, some active duty and reserve members have expressed concerns about the safety and efficacy of the vaccine. In response to various congressional requests, we have reported and testified three times on (1) the need for a six-shot regimen and annual booster shots; (2) the short- and long-term safety of the vaccine; (3) the efficacy of the vaccine; (4) the extent to which problems the Food and Drug Administration found in the vaccine production facility in Michigan could compromise the safety, efficacy, and quality of the vaccine; and (5) the impact of the vaccination program on retention among Guard and Reserve pilots and other crew members. In addition, we assessed the State Department's efforts to administer anthrax vaccine at U.S. diplomatic missions overseas. Both DOD and the State Department have concurred with our findings and have agreed to institute measures to correct the deficiencies we identified.
- *Identifying Gaps in Knowledge About Gulf War Illnesses:* Many of the approximately 700,000 veterans of the Persian Gulf War have reported illnesses since the war's end in 1991, and over 10 percent have sought and completed health examinations through the Department of Veterans Affairs (VA) or DOD. We reported that while the federal government has expended substantial resources on research and the investigation of this matter, many basic questions remain. Answers to more complex questions about the causes of Gulf War veterans' increased rates of reporting ill health are difficult to derive, in part because

## A P P E N D I X I I

problems in identifying veterans' specific exposures persist. In addition, we testified about weaknesses in contracting for services supporting these investigations and some duplication of effort across the agencies. Both VA and DOD concurred with our recommendation that the interagency coordinating group report its progress in addressing the research objectives identified in 1995.

- *Assessing Satisfaction With Military Life:* GAO testified before the House Armed Services Committee on the preliminary results of DOD's 1999 survey of 66,000 active duty military members. The survey results indicate that more military personnel are satisfied with their way of life (about 50 percent) than are dissatisfied (about 29 percent). Personnel who spent 5 months or more away from home (about 19 percent) were less satisfied than those who spent less time away. Lastly, more than half of all military personnel (53 percent) reported being financially secure. However, some enlisted personnel (about 22 percent) reported financial difficulties. The Congress found this information useful as it planned continuing increases in military pay and retirement benefits and considered funding increases for military health care and housing.
- *Cutting Costs of F-22 Aircraft Program:* In a series of reports beginning in the mid-1990s, GAO questioned various aspects of the Air Force's F-22 aircraft acquisition program. We reported that the acquisition strategy was risky and that the program was experiencing cost growth and manufacturing problems with test aircraft as well as testing delays. Our analysts helped the Congress reduce the final fiscal year 2000 appropriation request for the F-22 by about \$552 million and identify conditions that should be met before the Department of Defense can begin production.
- *Identifying Best Practices:* GAO's body of work on best practices has shown that leading commercial firms have reduced the time and cost of developing new, more sophisticated products by separating technology development from product development and by insisting that technology be demonstrably mature before applying it to a product. GAO showed that DOD's successful programs employed similar practices, whereas its problematic programs attempted to develop technology and the weapon system at the same time. GAO recommended that DOD adopt these practices to improve the outcomes of its weapon system programs. In October 2000, DOD embraced these practices in a major revision of the policies and procedures that guide weapon system acquisitions.
- *Improving Joint Strike Fighter Program:* At the request of the House Government Reform Subcommittee on National Security, Veterans' Affairs and International Relations, GAO reviewed the Joint Strike Fighter tactical aircraft program and found that it was following DOD's traditional approach of maturing technology at the same time the weapon system is being developed. Our previous work on best commercial practices showed that leading

commercial firms and successful DOD programs matured key technologies before product development began. Employing standards developed by National Aeronautics and Space Administration (NASA) and used to a limited extent by DOD, GAO determined that eight critical Joint Strike Fighter technologies were at unacceptably low levels of maturity given the stage of the program. GAO recommended that DOD mature these technologies before beginning the engineering and manufacturing development of the Joint Strike Fighter to avoid future cost growth and schedule delays. The Congress directed the program to delay the engineering and manufacturing development decision date by 3 months and reduced funding for that phase by \$150 million so that these technologies could be matured to acceptable levels.

- *Reducing Antitank Weapon Procurements:* The Congress has expressed concern that although the number of potential enemy tanks and armored vehicles has been reduced by 80 percent since the end of the Cold War in 1990, DOD has continued to invest billions to maintain and improve its inventory of weapons for attacking tank and armored vehicles. GAO reported that DOD's master plan for spending \$17 billion acquiring new weapons to attack tanks and other armored targets overstates requirements, does not reflect reduced threats, and lacks the supporting data and analysis the Congress requires. On the basis of GAO's report, the Congress reduced DOD's annual funding requests for several such weapons by over \$100 million.
- *Revising Acquisition Strategy for High-Mobility Trailers:* GAO reported on Army contracting procedures that resulted in the award of a 5-year contract to acquire 7,563 high-mobility trailers without testing to ensure they met requirements. After receiving 6,700 trailers, Army testing found that they were not usable because of safety problems and because they damaged the vehicles towing them. Following GAO's report, the Army revised its acquisition strategy for acquiring over 18,000 additional trailers.
- *Modernizing DOD's Logistics:* GAO reviewed DOD's plans for reengineering and modernizing its logistics program. The reengineering efforts goal is to increase efficiency, improve performance, and reduce logistics system operations costs of about \$84 billion. Despite progress the Department has made with its restructuring effort, our recent review identified several concerns or uncertainties about incompleteness, overly optimistic implementation schedules, the potential for savings associated with specific initiatives, the effect of the initiatives on combat forces, and other factors. To enhance reengineering efforts, we have recommended that DOD (1) develop an overarching plan that integrates the individual service and defense agency logistics plans; (2) reassess its schedule for testing, evaluating, and implementing the initiatives; (3) establish a methodology showing the savings or improvements that come from reengineering concepts; and (4) reassess its approach for addressing various combat command concerns, such as the presence of increasing

## A P P E N D I X I I

numbers of contractor personnel on the battlefield. On the basis of our recommendations, DOD is reviewing service reengineering plans for consistency with DOD-wide Logistics Strategic Planning objectives and will tie various service initiatives into an overarching plan.

- ▶ *Revamping Navy's In-Transit Inventory:* At the request of several Members of the Congress, GAO examined how the Navy reconciled its in-transit inventory records and found that the Navy had lost accountability over \$3 billion in in-transit inventory. In response, the Navy established a task force that, for fiscal year 2000, resolved errors valued at \$650 million. Had this reconciliation not occurred, the Navy could have bought additional inventory not knowing that it already had the items in stock. The task force also corrected errors totaling about \$152 million for fiscal year 1999. Total costs avoided were about \$802 million over the 2 fiscal years.
  
- ▶ *Improving the Management of a Key Nuclear Project:* In response to a congressional request, GAO examined the status of DOE's National Ignition Facility. The facility is an important component of an integrated program to maintain the safety and reliability of the nation's nuclear arsenal. DOE estimates that this facility will eventually cost about \$3.5 billion and be completed in 2008—over a \$1 billion increase in cost and 6 years later than originally estimated. These cost increases and schedule delays have been attributed to poor contractor management and inadequate DOE oversight, including inadequate technical and management skills to oversee the project. We recommended that DOE arrange for an independent scientific and technical review of the facility's remaining technical challenges as they related to the project's cost and schedule. We also recommended that the Secretary of Energy not reallocate funds from the nuclear weapons program to the facility until the impact of various options on the overall program were examined. As a result, the Congress has made half of its fiscal year 2001 \$130 million appropriation for the facility contingent on DOE's meeting certain conditions. DOE must certify that the facility has been rebaselined and is within cost and schedule through the second quarter of fiscal year 2001. The Congress also required GAO to analyze the facility's new baseline and DOE's progress with keeping the project on cost and schedule and to report on the facility's role in the nuclear weapons program.

## Strategic Objective 2.2

*Military Capabilities and Readiness, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Assess development of an appropriate and ready force structure of people, weapons, and facilities <b>equipment</b> for the post-Cold War period	“Equipment” has been substituted for the word “facilities” here because infrastructure issues are more clearly addressed in the fourth performance goal below.
■	Assess improvements in personnel recruiting, retention, and quality of life	—
■	Assess <del>modernization of the</del> <b>Department of Defense’s ability to acquire and modernize</b> weapons systems <del>cost-effectively and revisions of acquisition practices</del>	The original wording of this goal was revised to better articulate our emphasis on cost-effectiveness.
■	Assess improvements in the responsiveness and effectiveness of the logistical support systems <del>and</del> <b>support infrastructure</b>	The words “and support infrastructure” were added to this goal to clearly reflect that this goal was meant to include infrastructure issues.
■	Assess the Department of Energy’s efforts to maintain a safe and reliable nuclear weapons stockpile	—
■	<b>Assess the Department of Defense’s ability to retain information superiority on the battlefield</b>	This goal was moved from Strategic Objective 2.1 because it relates more closely to Strategic Objective 2.2, Ensuring Military Capabilities and Readiness. The goal itself is unchanged.

### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



## Strategic Objective 2.3

*Advancing and Protecting U.S. International Interests*

- *Stabilizing the Balkans:* Despite the presence of two large forces led by the North Atlantic Treaty Organization (NATO), the Balkans remain volatile. GAO’s work has shown that the international operations in Bosnia and Kosovo face severe obstacles to achieving enduring peace and stability. Most local leaders and members of their respective ethnic groups have not embraced the political and social reconciliation needed to build multiethnic, democratic societies. Our work has also shown that the international community has not provided the resources that the United Nations (UN) mission in Kosovo says it needs, particularly for building a civilian police force. If progress is not made with these matters, violence may escalate or armed conflict may result.
- *Evaluating Economic Assistance:* GAO evaluated \$1.6 billion in U.S. economic assistance provided to the Federated States of Micronesia and the Republic of the Marshall Islands over 13 years and determined that the funding has had little impact on the economic development of the two island nations. GAO also determined that little accountability had

## A P P E N D I X I I

been exercised over the funding by either Micronesian nation or the United States. As a result of GAO's work, the Committee responsible for approving U.S. assistance is requiring that strengthened control and accountability measures be applied to all future funding.

- *Assessing UN Peacekeeping:* UN peacekeeping is a controversial issue, and the United States pays 25 percent of its cost. During the past year, GAO worked closely with the House Committee on International Relations and the Senate Committee on Foreign Relations to develop more effective policies on peacekeeping. GAO provided these committees with briefings, reports, information, and analysis about the cost and effectiveness of UN peacekeeping operations and the limits of UN capability. As a result of this work
  - State modified its position on several ongoing and planned peacekeeping operations and agreed to provide more realistic briefings to the Congress on proposed operations; and
  - the Senate Foreign Relations Committee organized historic meetings with the UN Security Council, partly structured around information provided by GAO.
- *Assessing UN Reforms:* Over the past several years, GAO has examined the UN's reform efforts as well as its peacekeeping operations. A key issue has been the payment of U.S. arrears. In part because of our effort, the Congress enacted legislation that enumerated several preconditions—which GAO had advocated—for such payments. More specifically, the legislation requires that the President consult with the Congress on each new peacekeeping operation and provide annually to the Secretary General of the UN data on all costs incurred by the United States in support of Security Council resolutions and that the UN develop a standardized methodology for the evaluation of its programs.
- *Culling the State Department's Excess Property:* The State Department owns more than \$10 billion in real estate at 200 locations overseas. GAO reviewed the State Department's efforts to identify and sell excess or underused real estate and to use the proceeds for other high-priority real property needs. GAO identified real estate at locations that could be sold to provide money to meet other real estate needs, described problems that State has had in deciding which properties to dispose of, and explained how State uses the proceeds from the properties it does sell. As a result, the State Department sold
  - the Consulate General's residence in Bermuda for \$12.5 million;
  - the Consulate Compound in Tangier, Morocco, for \$1.2 million; and
  - vacant lots in Budapest, Hungary, for \$326,000.



➤ *Responding to International Child Abductions:* GAO had examined international parental child abduction—where one parent takes a child from the United States or keeps a child overseas, violating the parental rights, including visitation, of the parent left behind—and concluded that gaps existed in the federal government’s response to the threat. This situation has occurred even though the Congress passed legislation in 1993 that allows the Justice Department to criminally prosecute abducting parents. In response, the departments of State and Justice developed an action plan with specific objectives, measurable goals, and specific time frames for implementing the initiatives. Funding for implementing the action plan was to begin in fiscal year 2001.

**Strategic Objective 2.3**

*Advancement of U.S. Interests, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment		
Performance goal	Comment	
■ Analyze the plans, strategies, costs, and results achieved from U.S. interventions	—	
■ Analyze the effectiveness and management of foreign aid programs and the tools to carry them out	—	
■ Analyze the costs and implications of U.S. military alliances and commitments	—	
■ Evaluate the efficiency and accountability of the United Nations and related multilateral organizations and the extent to which they are serving U.S. interests	—	
■ Assess the strategies used to manage U.S. foreign affairs functions and activities	—	

**Legend**

- Expect to meet.
- ★ May not be met until after FY 2002.
- Not applicable.
- New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



**Strategic Objective 2.4**

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

➤ *Evaluating Trade Agreements:* GAO identified procedural and structural problems in how the government monitors and enforces its trade agreements. For example, we found inconsistencies and weaknesses in trade archiving practices that prevented the government from determining how many agreements it is party to. We also identified human capital and other capacity weaknesses that limited key agencies’ trade monitoring and enforcement abilities. In response to our recommendations, the key federal trade policy agencies improved the accuracy and utility of their trade archives and are enhancing efforts to achieve compliance with trade agreement provisions, to improve coordination and teamwork on monitoring and enforcement activities across the government, and to update mechanisms for obtaining private sector input on trade policy.

## A P P E N D I X I I

- *Assessing WTO's Dispute Settlements:* Member countries of the World Trade Organization (WTO) have actively used its dispute settlement system during the first 5 years. GAO's work showed that the United States and the European Union were the most active participants, both as plaintiffs and defendants. GAO's analysis showed that the United States has gained more than it has lost using the dispute resolution system, and while WTO's cases have resulted in a large number of changes in foreign trade practices, their effect on U.S. laws and regulations to date has been minimal. Using this information as well as other data, the House of Representatives defeated a resolution requiring the United States to withdraw from WTO.
- *Analyzing U.S.-China Trade:* In response to congressional concerns about U.S.-China trade relations, GAO was asked to analyze ongoing negotiations over China's joining WTO as well as issues pertaining to the Congress's granting China permanent normal trade relations status. GAO's reports and numerous briefings helped the Congress assess the status of these negotiations and the implications of granting this status if China became a WTO member. GAO reported that U.S. trade negotiators had generally achieved their objectives in a number of areas despite ongoing differences with Chinese negotiators in other areas. GAO also reported that certain policy options being debated by the Congress could put U.S. business interests at a competitive disadvantage because of limitations in existing trade agreements between the United States and China. GAO's independent assessments helped the Congress conclude that China's membership in the World Trade Organization would benefit the commercial interests of U.S. firms and that China's tentative commitments warranted passing legislation granting it permanent normal trade relations once China became a WTO member. The President signed the legislation passed by the Congress.
- *Improving Export Promotion Programs:* GAO examined the federal government's export promotion programs. Exports as a share of U.S. gross domestic product rose from 6.4 percent in 1988 to 7.9 percent (\$672 billion) in 1998. The U.S. government runs several programs to help businesses promote their goods and services overseas, yet GAO reported that the participating agencies differed in how they defined export promotion and consequently differed in what they characterized as export-promoting activities. In response, the agencies involved agreed upon a common definition and what would be characterized as an export-promoting activity.
- *Analysis of the Defense Trade Security Initiative:* In response to industry and foreign government concerns about the U.S. export control system, the administration announced 17 proposals, collectively known as the Defense Trade Security Initiative, in May 2000 to reform that system. The proposals included providing arms export licensing exemptions to

certain countries. The Initiative was intended to ensure that U.S. defense companies successfully compete abroad, improve interoperability in coalition warfare scenarios, and reduce a gap in military capabilities between the United States and its allies. After analyzing the Initiative and the decision-making behind it, GAO found that the effects of the Initiative are uncertain. Specifically, we reported that there is little assurance that underlying problems with the U.S. export control system have been sufficiently analyzed to determine what the causes of the problems are or that the Initiative will remedy the problems that exist. We found past problems with arms export licensing exemptions and cautioned against extending similar exemptions to countries until the proper analysis has been completed. Our report served as the basis for new statutory requirements for the extension of arms export licensing exemptions. The law now requires a legally binding agreement between the United States and a foreign country, which requires that country to establish export controls that are comparable to those of the United States, prior to the granting of an exemption.

- *Evaluating Initiative for Heavily Indebted Poor Countries:* GAO's analysis showed that the enhanced Heavily Indebted Poor Country Initiative, a comprehensive approach to debt relief undertaken by the World Bank and the International Monetary Fund, will provide significant relief to recipient countries. But, given the continued fragility of these countries, the initiative is not likely to end the recipient countries' debt problems unless they achieve strong, sustained economic growth. GAO noted that the Bank's and Fund's assumptions about future economic growth for these countries were very optimistic. GAO's analysis also showed that the decline in debt service for recipient countries will only "free up" resources for poverty reduction if countries continue to borrow at the same level and concessional terms as in the years prior to their qualifying for debt relief. GAO's analysis has informed both the congressional and international debate on debt relief matters.
  
- *Reducing Global Lending Risks:* In 1998, the near collapse of Long Term Capital Management, a large hedge fund, posed a significant threat to global financial markets already unsettled by the Asian crisis and Russian debt moratorium. The Federal Reserve perceived the threat to global markets to be so great that it mediated a \$3.6 billion private sector capital infusion by some of the world's largest investment and commercial banks to prevent the collapse of the fund. GAO's work for the Congress identified regulatory gaps that impeded effective oversight and the need for greater regulatory coordination to identify potential systemic threats that cross institutions and markets before they reach crisis proportions.

## APPENDIX II

- *Decimalizing Equity Markets:* The United States was the only country left in the world that priced and traded securities in fractions rather than decimals. GAO’s work highlighted the technological challenges industry segments face in terms of computing and communications capacity to handle increased loads when moving from trades and quotes in fractions to decimals. During the course of GAO’s continued monitoring and evaluation efforts on behalf of the Congress, the New York Stock Exchange began trading in decimal prices, and the NASDAQ is expected to do so in spring 2001.
  
- *Improving Online Trading Disclosures:* Innovations in information technology and financial products have raised the specter that regulators and securities industry players may not be able to keep pace. Individual investors can now trade without having to use a broker and can place orders directly in the marketplace. GAO’s work for the Congress suggested ways for regulators to ensure that investors were aware of online trading firms’ technological capacity to handle their orders and provided reliable information on day trading based on a review of firms responsible for 95 percent of day trading volume.

### Strategic Objective 2.4

*Global Market Forces, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Analyze how <b>key</b> trade agreements and programs serve U.S. interests	The goal was revised to clarify that our focus will be on significant trade agreements and programs.
■	Improve understanding of the effects of globalization on the defense industry	—
■	Assess how the United States can influence improvements in the world financial system and address crises	—
■	Assess the ability of the financial services industry and its regulators to maintain a stable and efficient financial system in an era of global electronic commerce	—
■	Evaluate how prepared financial regulators are to respond to change and innovation	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



## APPENDIX III

### GOAL 3 ACCOMPLISHMENTS AND PERFORMANCE GOALS

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

This appendix provides details of selected accomplishments during fiscal year 2000, categorized by strategic objective. The performance goals we set for fiscal years 2000 through 2002 for each objective and any revisions to them follow each set of accomplishments.

#### **Strategic Objective 3.1**

*Analyze the Federal Government's Long-Term and Near-Term Fiscal Position, Outlook, and Options*

➤ *Analyzing Budget Issues:* As the Congress debated how to use the budget surplus, our work helped inform these deliberations on several fronts. First, our work using long-term fiscal simulations continued to focus attention on the long-term budget outlook for the nation. This work showed that, despite current surpluses, the aging of our nation will heighten fiscal pressures and eventually reduce our flexibility to respond to other emerging national needs over the longer term. These simulations played a key role in the ongoing Social Security and Medicare reform debates by illustrating the fiscal and economic consequences of the profound demographic changes forecast for our nation. Second, by capturing the budgetary implications of our work, we helped the Congress identify new, performance-oriented approaches to improve the allocation of resources to existing claims and programs in the budget. Finally, our work on performance budgeting has prompted the Office of Management and Budget (OMB) to make changes that clarified and strengthened its guidance to agencies. This resulted in improved linkages between agencies' performance plans and their budget presentations.

## APPENDIX III

### Strategic Objective 3.1

*Fiscal Position of the Federal Government, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Address the long-term fiscal health of the federal government	—
■	Analyze the structure and information for budgetary choices	—
■	Promote effective management of resources	—
■	Identify budget implications of various governmental tools using third parties in federal programs	The performance goal was revised to reflect that we will be examining issues that have implications beyond the budgetary arena.

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective 3.2

*Strengthen Approaches for Financing the Government and Determining Accountability for the Use of Taxpayer Dollars*

➤ *Assessing IRS' Computer Modernization:* GAO fulfilled its legislative mandate to support the House and Senate Appropriations committees in overseeing the Internal Revenue Service's (IRS) high-risk business systems modernization program. During this fiscal year, GAO assessed the progress of IRS' modernization and its capacity to manage modernization. GAO also provided real-time analysis and reporting on four separate IRS requests for release of modernization funding. This work enabled the committees to (1) reduce IRS' planned modernization spending by about \$30 million, (2) avoid potentially hundreds of millions of dollars in wasteful spending by not allowing funds to be spent on new systems before IRS established the required modernization management and technical controls, and (3) direct specific actions to bolster IRS' modernization management and technical controls and ensure the establishment of the requisite institutional capability to modernize effectively.

➤ *Supporting Oversight of IRS:* GAO continued to support congressional oversight of IRS' operations, including IRS' implementation of the 1998 IRS Restructuring and Reform Act, its budget requests, and its administration of various tax functions. For example, our testimony on IRS' broad-based modernization efforts provided an integrated assessment of the challenges IRS continues to face in its tax enforcement and customer service operations and its modernization of performance management, information systems, and business practices. At the same time, our work generated savings and potential reductions in taxpayer burden. Our work on the improved use of information returns in IRS' tax

enforcement operations yielded \$83 million in savings this year. IRS also agreed to begin tracking information that has the potential of clarifying its notices to taxpayers and easing their task in complying with those notices.

- *Informing Congressional Deliberations on Tax Policy:* The nation's evolving economy and the size and complexity of the current IRS Code raise policy issues for the Congress. For example, the rapid development of electronic commerce has fueled debate about whether online transactions should be taxed. During the debate over whether to modify states' authority to require out-of-state retailers, including Internet retailers, to collect the taxes due on their sales, GAO provided the Congress with a unique perspective on the potential revenue losses to state and local governments. In addition, our prior work on better targeting the Earned Income Credit continued to generate substantial savings of over \$600 million.
- *Auditing Financial Statements:* As required by the expanded Chief Financial Officers (CFO) Act of 1990, in fiscal year 2000, GAO reported on its audit of the U.S. government's consolidated financial statements for fiscal year 1999. As in the past 2 years, GAO reported that an opinion could not be given on the reliability of those statements because of significant financial systems weaknesses, problems with fundamental recordkeeping and financial reporting, and weak internal controls. Such deficiencies affect the government's ability to accurately measure the full cost and financial performance of its programs and effectively manage its operations.

GAO's financial statement audit work has helped to provide momentum in individual agencies' progress in achieving positive financial audit results—the number of agencies receiving unqualified audit opinions on financial statements is steadily increasing from 6 of the 24 CFO Act agencies in fiscal year 1996 to 18 in fiscal year 2000. During fiscal year 2000, GAO also reported on its audits of fiscal year 1999 financial statements of selected agencies and operations with the following results:

- At IRS, GAO pinpointed specific problems, fostered efforts to improve financial management systems and operations, and advanced the ability to produce reliable financial statements such as those related to custodial activities covering virtually all of the government's revenue—\$1.9 trillion of tax revenue.
- At Treasury's Bureau of the Public Debt, GAO helped assure the Congress about the reliability of the reported over \$3.6 trillion of federal debt held by the public and \$2 trillion held by federal entities.

## A P P E N D I X   I I I

- For the Federal Deposit Insurance Corporation, GAO audited and expressed an unqualified opinion on financial statements for the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund.

Ultimately, these efforts are aimed at developing good financial information with which to manage operations more efficiently day to day and to achieve greater budgetary savings, which is the CFO Act's end goal. Also, GAO issued modifications to the government auditing standards that auditors and audit organizations use in auditing federal government activities, including financial statement audits. In addition, GAO participated in the development of Federal Accounting Standards Advisory Board standards.

- *Improving SBA's Disaster Loan Program Estimates:* In reviewing information the Small Business Administration developed and used to prepare its financial statements for fiscal years 1997 and 1998, GAO identified errors in the method SBA used to estimate the cost of the Disaster Loan Program. In response, SBA developed a new approach to estimate its program's costs using actual historical data, which decreased the estimated cost of the loan program. During fiscal years 1999 and 2000, about \$609 million in benefits resulted.
- *Strengthening Internal Controls:* As required by 31 U.S.C. 3512 (formerly the Federal Managers' Financial Integrity Act), GAO issued updated standards for internal control in the federal government, which form the foundation for effectively establishing and maintaining internal control for all federal agencies and activities. GAO has identified and recommended solutions to internal control weaknesses at major agencies. These agencies include
  - the Department of Defense (DOD), which has, for instance, taken action to (1) improve accountability over its available funding, (2) provide better control practices related to sensitive items such as handheld rockets, and (3) improve control over costs charged to foreign countries for foreign military sales for a savings of \$350 million;
  - the Department of Health and Human Services (HHS), where GAO identified major internal control weaknesses that place at risk billions of dollars expended each year for the Medicare program;
  - the Department of Housing and Urban Development (HUD), where GAO's work identified an error in the method HUD uses to reestimate net revenues of the Mutual Mortgage Insurance Fund, making it appear that HUD had more funding than was actually available, and the government avoided a potential cost of about \$1.2 billion;



- the Internal Revenue Service (IRS), where GAO identified and recommended solutions to serious internal control deficiencies that affect management of unpaid tax assessments, resulting in unpaid taxes and significant taxpayer burden;
- the Treasury, where the Financial Management Service upgraded its cash controls to help ensure that agencies' requests to cancel previously authorized checks and electronic fund transfers are properly processed; and
- the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration, where GAO identified and recommended improvements needed in controls over seized drugs and weapons.

### Strategic Objective 3.2

*Government Financing and Accountability, Progress Toward FY 2000-2002*

Progress assessment	Performance goal	Comment
■	Support congressional oversight of the Internal Revenue Service's modernization and reform efforts	—
■	Contribute to congressional deliberations on tax policy	—
■	Strengthen accountability for the federal government's assets and operations	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective 3.3

*Facilitate Governmentwide Management and Institutional Reforms Needed to Build and Sustain High-Performing Organizations and More Effective Government*

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



## A P P E N D I X   I I I

- *Improving Financial Management:* GAO developed an Executive Guide on world-class financial management practices used by leading private sector and state government organizations, which agencies across the federal government are using to help guide major financial management reform efforts. GAO's work has resulted in many improvements in financial management systems and controls at agencies such as DOD and IRS and has resulted in the identification of many more long-term actions now under way across the government that will have a lasting improvement when fully implemented. GAO's efforts to issue requirements for agencies' financial systems and to fulfill its statutory requirement to report on the compliance of agencies' financial management systems with federal accounting standards and other requirements under the Federal Financial Management Improvement Act of 1996 have provided important impetus for agencies to (1) more fully recognize serious weaknesses with such systems and (2) modernize these systems. These initiatives are directed at developing the information needed for the day-to-day management and oversight of programs and operations, which represents the Congress's overarching expectation for the CFO Act. Moreover, GAO's analyses have helped prompt OMB and the agencies to pay closer attention and place greater priority on preventing billions of dollars in improper payments reported by agencies and the Treasury to take corrective actions that will help maximize the collection of billions of dollars of delinquent debt through its governmentwide cross-servicing initiative. Our analyses of financial information, such as for the Power Marketing Administration's rate setting, provided important assistance to the Congress in its oversight of key government activities.
  
- *Assessing Year 2000 Lessons Learned:* GAO played a crucial role in the government's preparation for, and ability to successfully meet, the Year 2000 (Y2K) computing challenge. To help agencies mitigate their Y2K risks, GAO produced a series of guides providing systematic approaches to enterprise readiness, business continuity and contingency planning, testing, and day one planning. Federal agencies and other organizations widely used these guides to help organize and manage their Y2K programs. In addition, GAO issued over 160 reports and testimony statements detailing specific findings and recommendations on the Y2K readiness of both the government as a whole and of a wide range of specific federal agencies. GAO worked with OMB and the President's Council on Year 2000 Conversion to emphasize the need for agencies to focus significant attention on resolving the Y2K problem. As a result, by December 1999, OMB reported that 99.9 percent of the mission-critical systems in the 24 major federal departments and agencies were Y2K compliant. During the century change and leap day rollover, most Y2K errors were minor and did not affect operations or the delivery of services; for the several significant problems that were encountered, quick action was taken to fix the problems or to implement contingency plans. The results of these efforts provide the basis for GAO to remove the high-risk designation for this area (see *High-Risk Series: An Update*, GAO-01-263, Jan. 2001, available at [www.gao.gov](http://www.gao.gov)).

- *Implementing IT Investment Management Processes:* GAO has led development of and significantly influenced the government's approach to managing and controlling its information technology (IT) investments. To assist government agencies in effectively implementing the Clinger-Cohen Act, we defined a set of critical processes that promote successful information technology investment management (ITIM). We produced guidance that prioritized these ITIM critical processes. We also developed a method to effectively assess an agency's implementation of ITIM. The guidance and method were used during our assessment of IT performance and accountability at the Small Business Administration, the Coast Guard, and the Immigration and Naturalization Service.
- *Improving Agencies' IT Modernization Efforts:* GAO has produced improvements in IT management in agencies throughout the federal government, creating stronger institutional IT management processes and controls, and individual system development and acquisition projects that are more likely to provide expected value and be delivered on time and within budget. For example, our work on institutional IT management processes and controls has provided the Immigration and Naturalization Service with a roadmap for developing and implementing both mature IT investment management processes and an enterprise architecture. In addition, our work on individual system projects greatly reduced the risks related to the Customs Service's efforts to acquire a new import processing system while producing cost avoidance savings of about \$30 million. Moreover, the progress made by the National Weather Service in addressing concerns with its modernization provided the basis for GAO to remove the high-risk designation for this area (see *High-Risk Series: An Update*, GAO-01-263, Jan. 2001, available at [www.gao.gov](http://www.gao.gov)). Also, our work on key decennial census systems contributed to the successful deployment and operations of one system and alerted the Census Bureau and the Congress to profound risks on another. We reviewed the Department of Veterans' Affairs' implementation of our previous recommendations focused on the Clinger-Cohen Act's provisions. On the basis of that review, we issued additional recommendations to VA, which it is in the process of implementing. We recommended that the Social Security Administration (SSA) institutionalize the evaluation of IT investments through post-implementation reviews and collection of cost, benefit, and performance data. SSA subsequently performed these recommendations for its Intelligent Workstation/Local Area Network project. We also provided input to OMB on its Circular A-130 revision and to the Chief Information Officers (CIO) Council on its guidance for establishing and maintaining information technology enterprise architectures.
- *Aiding Clinger-Cohen Act Compliance:* GAO continued to collaborate with OMB and the CIO Council in developing practical guidance to assist agencies in complying with the Clinger-Cohen Act and advancing the government's capacity to manage IT investments to improve performance. For example, GAO contributed to a CIO Council Guide for

## A P P E N D I X   I I I

assessing IT investments' compliance with agency enterprise architectures, and GAO is partnering with the CIO Council and OMB in developing a guide for developing, implementing, and maintaining enterprise architectures.

- *Assessing Internet Privacy:* GAO reported on Internet privacy—a critical issue that must be addressed if the government is to fully realize the potential of the Internet and successfully implement e-government initiatives. GAO's report on federal agencies' Web site privacy policies identified the progress agencies have made in posting appropriate policies but also pointed out that agencies were not consistently posting Privacy Act notices on Web pages where they collect substantial amounts of personal information from visitors. This report made specific recommendations to OMB to strengthen its guidance and oversight. GAO also responded quickly to congressional requests for a comparison of federal Web site privacy policies with the standards the Federal Trade Commission has proposed for commercial Web sites. The resulting report and testimony aided continuing congressional debate on the privacy standards needed for both the public and private sectors in the electronic age.
  
- *Improving the Success of the 2000 Decennial Census:* GAO's work on the preparation and conduct of the 2000 Decennial Census continued to provide the Congress with “real-time” information on the status of census operations. Our work paid particular attention to the consistency of the application of the Census Bureau's quality control efforts and the efficiency and effectiveness of the Bureau's efforts to follow up on over 40 million households that did not mail back a census form. In addition, we provided the Congress with perspective on the Bureau's plans to adjust the census counts for over- and undercounts of the population. Also, our work on key decennial census systems contributed to the successful deployment of one system and alerted the Bureau and the Congress to profound risks with another. The completion of much of the work associated with the decennial census provides the basis for GAO to remove the high-risk designation for this area (see *High-Risk Series: An Update*, GAO-01-263, Jan. 2001, available at [www.gao.gov](http://www.gao.gov)).
  
- *Analyzing Electronic Government Initiatives:* GAO's overview assessment of federal electronic government initiatives in May 2000 noted progress in areas of information dissemination over the Internet and the evolution of citizen interaction with government into an “online” environment. It also highlighted some significant challenges confronting government in making the transition to full electronic service and delivery, including (1) effective executive leadership and management; (2) developing and sustaining a “citizen as customer” focus; (3) security and privacy issues, including the successful adoption of Public Key Infrastructure technology; (4) adequate technical infrastructures; and (5) sufficient IT human resources to develop and manage Web-based Internet applications and solutions. We have reiterated these same concerns in our review of OMB's guidance to federal

agencies on the implementation of the Government Paperwork Elimination Act and our review of FirstGov, a Web site intended to serve as a portal to all of the federal government's publicly available online information and services.

- *Assessing DOD's Electronic Commerce:* GAO examined DOD's management of its electronic commerce program in fiscal year 2000 and found a number of program management weaknesses related to organizational placement, authority, and funding of the electronic commerce program management office. Moreover, we found that the Department's vision of using electronic commerce technologies to transform and streamline its business processes was at risk because key elements of its overall electronic commerce road map—an implementation plan and an electronic commerce architecture, i.e., information systems blueprint—had not been completed. Without these elements, the Department did not have the unifying direction needed to carry out its electronic commerce program. Subsequently, DOD initiated actions to strengthen the role of the program office, move forward on developing an electronic commerce architecture, and improve the use of performance measures to gauge the success of its electronic commerce initiatives. The Department has acted to strengthen the position of the Director of the Joint Electronic Commerce Program Office and to charter an Electronic Business Board of Directors.
  
- *Improving Human Capital Practices:* Our work on human capital issues helped focus the attention of the executive and legislative branches on the importance of these issues, in particular, on their importance in managing for results. Our efforts, involving speeches by the Comptroller General as well as other GAO staff presentations and written products, helped spur the administration to make human capital a priority management objective in the fiscal year 2001 budget submission. Our framework for human capital self-assessment is now being used in strategic human capital planning efforts at several agencies, including the Social Security Administration, the Small Business Administration, the National Aeronautics and Space Administration, and the Environmental Protection Agency. It is also used throughout GAO to help guide our research and development work and our congressionally driven examinations of how well agencies are pursuing strategic human capital management in support of their missions and goals. In addition, our report on retirement trends in the Senior Executive Service underscored the importance of succession planning.
  
- *Ensuring Competitiveness of DOD's Information Technology Contracts:* Our work disclosed that DOD purchased more than \$400 million worth of information technology products and services without competition. Competition helps federal agencies ensure the best value is obtained in awarding contracts. On the basis of our work, and because of concerns that agencies could waste taxpayer dollars in the absence of competition, the

## APPENDIX III

Congress legislated that the Office of Federal Procurement Policy issue regulations to ensure that agencies seek competition when buying information technology products and services.

### Strategic Objective 3.3

*Governmentwide Management Reforms, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Analyze and support efforts to instill results-oriented management across the government	—
■	Identify needed improvements to the government's financial management infrastructure	—
■	Help build the government's capacity to manage information technology to improve performance	—
■	Enhance efforts to manage the collection, use, and dissemination of government information in an era of rapidly changing technology	—
■	Identify and facilitate the implementation of human capital practices that will improve federal economy, efficiency, and effectiveness	—
■	Improve acquisition policies and practices	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective 3.4

*Recommend Economy, Efficiency, and Effectiveness Improvements in Federal Agency Programs*

- *Highlighting Criteria for Determining Performance and Accountability Challenges and High Risks:* GAO completed an assessment of, and issued a publicly available exposure draft on, the methodologies and criteria used to determine performance and accountability challenges and those federal government programs and functions that should be designated as high risk. The criteria consider qualitative and quantitative factors and agencies' corrective measures. It also includes criteria for determining governmentwide high risk and for removing high-risk designations. The final document will be used by GAO auditors in making these determinations and by the Congress and the executive branch agencies in understanding our basis for reporting in these areas.
- *Reviewing Agency Budget Requests:* GAO's reviews of agencies' budget requests (budget scrubs) provide objective analyses of the President's proposed budget for selected programs, activities, or line items. This work has helped the Congress in its budget

deliberations by identifying billions of dollars in proposed financial savings that could be used to reduce resources or redirect funding to higher priorities. For example, in its fiscal year 2000 budget scrub on HUD, GAO identified some programs for which the need for carrying unobligated balances was questionable. Taking steps to make more productive use of unobligated balances is important for HUD because these balances have grown over the past 3 years for some of its programs, such as Homeless Assistance (\$45 million) and Urban Empowerment Zones (\$105 million), for which HUD has requested \$234 million in increased funding for fiscal year 2000.

➤ *Improving U.S. Postal Service's E-Commerce Reporting:* GAO's work found deficiencies in the financial information the Postal Service provided for its e-commerce initiatives that raised concerns about the accuracy and completeness of the information. As a result of GAO's recommendation that it provide complete and accurate information on its e-commerce costs and revenues, the Postal Service stated that it is instituting standard reporting procedures in this area.

### Strategic Objective 3.4

*Economy, Efficiency, and Effectiveness Improvements in Federal Agencies, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Highlight the specific major management challenges confronting agencies and those federal operations at highest risk of fraud, waste, abuse, and mismanagement	—
■	Review the economy, efficiency, and effectiveness of key federal agencies and activities	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



## APPENDIX IV

### GOAL 4 ACCOMPLISHMENTS AND PERFORMANCE GOALS

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

This appendix provides details of selected accomplishments during fiscal year 2000, categorized by strategic objective. The performance goals we set for fiscal years 2000 through 2002 for each objective and any revisions to them follow each set of accomplishments.

#### **Strategic Objective 4.1**

*Cultivate and Foster Effective Congressional and Agency Relations*

- *Improving Service to the Congress:* In fiscal year 2000, GAO piloted congressional protocols to guide our interactions with the Congress and to ensure our accountability. The final protocols have since been issued and reflect refinements made in response to feedback from Members of the Congress and their staffs. The protocols will allow us to better serve the Congress, improve satisfaction with our work, and ensure equitable treatment for all congressional requesters.
  
- *Strengthening Congressional Relationships:* The Comptroller General and senior GAO officials have continued outreach efforts to understand how best to meet congressional needs and to assist the Congress in using GAO's resources and services. During fiscal year 2000, we met with the leadership of the Senate and House, Committee Chairs and Ranking Minority Members, and Members of our oversight and appropriations committees to increase our understanding of their needs and to obtain feedback on our performance.



- *Improving Communication With the Congress:* Responding to congressional concerns that GAO’s activities needed to be more transparent, we made our active engagement list available to Members of the Congress and their staffs as part of the Comptroller General’s commitment to effectively serve the Congress for the benefit of the American people. Congressional Members and staff, as well as staff in the Congressional Budget Office and the Congressional Research Service, are able to access the list through the House and Senate’s internal online systems.

**Strategic Objective 4.1**

*Client Relations, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Strengthen communications with our congressional clients	—
■	Implement clearly defined, consistently applied, well documented, and transparent policies and protocols for working with the Congress and agencies	—
■	Improve internal processes to help GAO’s senior executives and staff better serve the Congress	—

**Legend**

- Expect to meet.
  - ★ May not be met until after FY 2002.
  - Not applicable.
- New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



**Strategic Objective 4.2**

*Implement a Model Strategic and Annual Planning and Reporting Process*

- *Conducting Strategic Planning:* In spring 2000, GAO developed its first strategic plan for the 21st century based on input from the Congress, supplemented by GAO’s own expertise and other outreach efforts. Our plan focuses on how we intend to support the Congress and help shape a more efficient and effective government. Factoring in global changes that are having an impact on society at a variety of levels, our strategic plan provides a comprehensive and focused structure of goals and objectives to support the Congress in its legislative, oversight, appropriations, and investigative roles. We worked closely with the Congress’s leadership, committee leadership, individual Members, and staff in developing this strategic plan.
- *Improving Performance Planning:* In fiscal year 2000, we produced a performance plan for fiscal year 2001 to provide direct linkage between the strategic goals identified in our strategic plan and what managers and staff do day to day. Our performance plan contains the fiscal year 2001 quantitative and qualitative performance goals and targets we will use to gauge our progress toward accomplishing our strategic goals and objectives.

## APPENDIX IV

- *Increasing GAO's Accountability:* GAO issued its first accountability report to the Congress in 2000, discussing our performance and accountability in serving the Congress and the American people in fiscal year 1999. The report reviews GAO's accomplishments in meeting our mission and sustaining our core values of accountability, integrity, and reliability. The report takes the place of the annual report issued in previous years. The shift to an accountability report is part of GAO's overall effort, consistent with the Government Performance and Results Act (GPRA), to strengthen our performance and to hold our agency accountable.
  
- *Realigning Agency to Strategic Plan:* The Comptroller General decided, after 15 months of due diligence and internal and external consultation, to realign the agency to respond to significant environmental changes, address key business imperatives, and increase flexibility, capacity, and effectiveness in serving the Congress as outlined in our strategic plan. This realignment is designed to help GAO better support the Congress and proactively prepare to meet future challenges within current and expected resource levels. To align GAO's structure with the goals in our strategic plan, we reorganized both our field and our headquarters operations.

### Strategic Objective 4.2

*Strategic and Annual Planning, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Use a strategic planning process that meets the intent of the Government Performance and Results Act	—
■	Develop a performance tracking system and publish annual performance plans and reports	—
■	Realign organizational structure and resources to the strategic goals and objectives	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



### **Strategic Objective 4.3**

#### *Align Human Capital Policies and Practices to Support GAO's Mission*

- *Establishing Human Capital Baseline:* In fiscal year 2000, GAO completed a self-assessment of its human capital program to provide a baseline evaluation of its human capital management strategies, organizational alignment, leadership and special skill resources, and performance culture. This self-assessment provides the basis for the key initiatives described below to improve our human capital policies and practices.
- *Expanding Human Capital Tools and Authorities:* During fiscal year 2000, we worked with key congressional committees in drafting legislation that was enacted in October 2000 and that provides GAO greater flexibility in managing its workforce to meet our strategic goals and objectives and to better serve the Congress and the American people. This human capital legislation provides the Comptroller General with the authority to take the following actions:
  - Establish senior-level positions to meet GAO's critical scientific, technical, or professional needs. The staff serving in senior-level positions receive the same pay, rights, and benefits that members of GAO's Senior Executive Service (SES) receive. Existing members of the SES may be transferred to senior-level positions.
  - Offer voluntary early retirement to an employee or groups of employees for the purpose of realigning GAO's workforce, correcting skill imbalances, and reducing certain high-grade positions. No more than 10 percent of GAO's employees may receive an early retirement in a fiscal year.
  - Offer separation pay incentives to an employee or groups of employees for the same purposes that voluntary early retirement may be offered. No more than 5 percent of GAO's employees may receive a separation pay incentive in any fiscal year.
  - Separate employees during a reduction in force or other adjustment in force under regulations that consider the following factors in order of priority: tenure, military preference, veterans' preference, performance ratings, length of service, and other objective factors such as skills and knowledge.
- *Updating Appraisal Systems:* In fiscal year 2000, we revised the performance standards for all staff to incorporate GAO's core values and strategic goals, to update descriptions of performance to better reflect the current nature of GAO's work, and to include key management and performance concepts of the Comptroller General, such as leadership by example, client service, and measurable results. Also, during fiscal year 2000, we began a major initiative to develop a competency model and update the performance standards for analysts to reflect prevailing best practices.

## APPENDIX IV

- *Improving Recruitment:* GAO executives are actively engaged at more than 50 universities concentrating on attracting productive, motivated people who have the right skills to do our work. During fiscal year 2000, recruiting brochures and materials were updated to enhance GAO’s image in career fairs, interviews, and other presentations.
- *Matching Staff Knowledge and Skills to Strategic Goals and Objectives:* During fiscal year 2000, GAO developed a process for gathering and assessing information on our staff’s knowledge and skills. All staff completed this inventory, which was based on the knowledge and skills needed to implement our strategic plan. Staff also completed an employee preference survey indicating their placement interests. The information is being used to identify skill gaps and succession planning needs within the agency and to match employees’ interests with the agency’s needs.

### Strategic Objective 4.3

*Human Capital, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Develop and implement a strategic human capital plan	—
■	Implement an approach to assessing and inventorying knowledge and skills needed to meet our strategic goals and objectives	—
■	Update appraisal systems to support the agency’s core values, strategic plan, and performance goals	—
■	Improve recruitment, training/development, and recognition/reward programs	—

#### Legend

- Expect to meet.
  - ★ May not be met until after FY 2002.
  - Not applicable.
- New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

### Strategic Objective 4.4

*Develop Efficient and Responsive Business Processes*

- *Inaugurating New Management Strategies:* We implemented two new management strategies—matrix management and risk management—in fiscal year 2000. Matrix management is an operational approach that brings together key stakeholders throughout an engagement to transcend traditional organizational boundaries, thereby maximizing institutional values and minimizing related risks. Risk management uses risk to determine the level and degree of involvement management and stakeholders must have from an engagement’s initiation through the issuance of the product. Ensuring that the appropriate stakeholders and managers are involved at the right points in time is the key principle behind both of these strategies.



- *Improving Engagement Management Processes:* To effectively implement matrix and risk management, we initiated two key management meetings. GAO conducts an engagement assignment meeting weekly to review all new congressional requests, mandates, and proposals for research and development assignments to determine whether the work should be done and, based on risk, the appropriate level of Office of Comptroller General involvement. In addition, we match critical skills and expertise to our work to ensure that all staff contribute regardless of the team designated to lead the work. We then hold biweekly engagement review meetings to discuss our progress on high- and medium-risk assignments and upcoming reports.

**Strategic Objective 4.4**

*Core Business and Supporting Processes, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Continue improving the Job Management Process and other business processes to be more responsive to our clients' needs, reduce administrative burden, and expedite product issuance	—
■	Reengineer our product and service lines	—
■	Enhance coordination with the Congressional Budget Office and the Congressional Research Service to increase opportunities for collaboration and consultation	—
—	<del>Develop and implement a managerial accounting system</del>	We dropped this goal to participate in the development of a financial management system that will serve all of the agencies in the legislative branch.

**Legend**

- Expect to meet.
- ★ May not be met until after FY 2002.
- Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.

**Strategic Objective 4.5**

*Build an Integrated and Reliable Information Technology Infrastructure*

- *Completing Y2K Transition:* In fiscal year 2000, GAO successfully completed the Y2K efforts that ensured that our systems continued to function through the century change. We replaced or repaired systems under our direct control and worked closely with service providers to test and certify systems that run at other government computer sites.
- *Improving Network Security:* We also continued progress on initiatives to achieve full compliance with the information security requirements in the Office of Management and Budget's (OMB) Circular A-130, including establishing security plans for major systems, developing a disaster recovery plan, and testing disaster recovery capabilities.

## APPENDIX IV

- *Assessing Current Information Technology:* During fiscal year 2000, we initiated a comprehensive review of our information technology (IT) to identify additional opportunities for increasing our efficiency, effectiveness, and productivity. As part of this assessment, a concept of operations is being developed to guide future technology plans. In addition, GAO contracted for a “total cost of ownership” assessment that will provide both performance and cost metrics to be compared with other like government and private institutions. We also initiated an effort to map our business processes to the IT architecture and link future investments to our business goals.
  
- *Improving Online Access to Information:* Several software tools and products designed to streamline data access and report processing were implemented, including access to online policy, protocols, and procedures for managing the engagement process; access to legal and other resources from the desktop; and enhanced software and graphics capability. For example, to provide our teams of analysts with a mechanism for simplifying and standardizing their work, we launched the prototype of a comprehensive, Web-based guide to conducting GAO assignments, known as the EAGLE. As part of our role in assisting with the presidential transition, we developed an external Internet site with links to GAO contacts and reports on the major executive branch agencies, which was completed at the beginning of fiscal year 2001. Finally, we continued to improve the capabilities of our computer network and began a number of projects on enabling technologies, including software upgrades, the deployment of notebook computers, and improved remote access to allow our teams to work more efficiently on the road.

### Strategic Objective 4.5

#### *Information Technology Services, Progress Toward FY 2000-2002 Performance Goals*

Progress assessment	Performance goal	Comment
■	Develop a long-term, comprehensive plan for an integrated information technology approach	—
■	Develop and implement a short-term, cost-effective approach that begins to satisfy GAO's information needs quickly	—
■	Establish performance and cost metrics addressing the quality and value of information technology services	—
■	Ensure the availability of required information technology skills	—

#### Legend

■ Expect to meet.

★ May not be met until after FY 2002.

— Not applicable.

New wording for a performance goal is **bolded**; deleted wording is ~~strike-out~~.



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*This report—and a compact highlights version of it—is available through our Web site, [www.gao.gov](http://www.gao.gov).*

*GAO's other strategic planning, performance, and accountability documents are also available through the site, along with our reports and testimonies on the economy, efficiency, and effectiveness of federal operations and services.*



## Strategic Plan, 2000-2005

### Strategic Objective Plans

*Health Care Needs and Financing*

*Retirement Income Security*

*Social Safety Net*

*Education/Workforce Issues*

*Effective System of Justice*

*Community Investment*

*Natural Resources Use and Environmental Protection*

*Physical Infrastructure*

*Diffuse Security Threats*

*Military Capabilities and Readiness*

*Advancement of U.S. Interests*

*Global Market Forces*

*Fiscal Position of the Government*

*Government Financing and Accountability*

*Governmentwide Management Reforms*

*Economy, Efficiency, and Effectiveness*

*Improvements in Federal Agencies*

*Maximize the Value of GAO*



UNITED STATES GENERAL ACCOUNTING OFFICE