

GAO

PERFORMANCE
AND
ACCOUNTABILITY
REPORT

FISCAL YEAR 2007

Serving the Congress and the Nation



UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE
Accountability • Integrity • Reliability

SERVING THE CONGRESS



MISSION

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

ACCOUNTABILITY

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

INTEGRITY

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

RELIABILITY

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

SCOPE OF WORK

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

CONTENTS

Source: See Image Sources.

| | |
|---|-----|
| Abbreviations | iii |
| How to Use This Report..... | v |
| Introduction | 1 |
| From the Comptroller General | 2 |
| Financial Reporting Assurance Statements | 6 |
| About GAO | 8 |
| Mission..... | 8 |
| Strategic Planning and Management Process | 9 |
| Organizational Structure..... | 13 |
| How We Measure Our Performance | 17 |
| Part I: Management’s Discussion and Analysis | 19 |
| Promoting a Transparent and Accountable Government by Providing Fact-Based, Objective Information to the Congress and the Public | 20 |
| Focusing on Results..... | 23 |
| Focusing on Our Client | 34 |
| Focusing on Our People..... | 36 |
| Focusing on Our Internal Operations..... | 39 |
| Building and Sustaining Partnerships | 40 |
| GAO’s High-Risk Program..... | 41 |
| General Counsel Decisions and Other Legal Work | 43 |
| Managing Our Resources | 44 |
| Strategies for Achieving Our Goals..... | 48 |
| Internal Management Challenges and Mitigating External Factors That Could Affect Our Performance..... | 55 |
| Part II: Performance Information | 63 |
| Performance Information by Strategic Goal..... | 64 |
| Goal 1 Overview..... | 65 |
| Financial Benefits..... | 67 |
| Nonfinancial Benefits | 67 |
| Testimonies | 68 |

| | |
|--|------------|
| Goal 2 Overview..... | 69 |
| Financial Benefits..... | 71 |
| Nonfinancial Benefits | 71 |
| Testimonies | 71 |
| Goal 3 Overview..... | 73 |
| Financial Benefits..... | 75 |
| Nonfinancial Benefits | 75 |
| Testimonies | 76 |
| Goal 4 Overview..... | 77 |
| Data Quality and Program Evaluation..... | 78 |
| Verifying and Validating Performance Data..... | 78 |
| Program Evaluation | 93 |
| Part III: Financial Information..... | 97 |
| From the Chief Financial Officer..... | 98 |
| Overview of Financial Management and Controls..... | 100 |
| Financial Systems and Internal Controls..... | 100 |
| Audit Advisory Committee’s Report..... | 102 |
| Independent Auditor’s Report..... | 103 |
| Notes to Financial Statements..... | 112 |
| Part IV: From the Inspector General..... | 125 |
| From the Inspector General..... | 126 |
| Part V: Appendixes | 127 |
| 1. Accomplishments and Contributions | 128 |
| 2. GAO’s Report on Personnel Flexibilities | 185 |
| 3. GAO’s FISMA Efforts | 189 |
| Image Sources | 193 |
| Providing Comments on This Report | 194 |
| Obtaining Copies of GAO Documents | 194 |

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

Abbreviations

| | | | |
|--------------|--|----------------|--|
| ACF | Administration for Children and Families | FISMA | Federal Information Security Management Act |
| BEA | business enterprise architecture | FMFIA | Federal Managers' Financial Integrity act |
| BMDS | Ballistic Missile Defense System | FOIA | Freedom of Information Act |
| CAO | Chief Administrative Officer and Chief Administrative Office | FSI | Forensic Audits and Special Investigations |
| CBO | Congressional Budget Office | FTA | Federal Transit Administration |
| CBP | Customs and Border Protection | FTE | full-time equivalent |
| CDP | collection due process | FWS | Federal Wage System |
| CFO | Chief Financial Officer | GAO | Government Accountability Office |
| CMS | Centers for Medicare & Medicaid Services | GOES-R | Geostationary Operational Environment Satellite-R series |
| DHS | Department of Homeland Security | GS | General Schedule |
| DI | disability insurance | HHS | Department of Health and Human Services |
| DOD | Department of Defense | HUD | Department of Housing and Urban Development |
| DOE | Department of Energy | IDP | individual development plan |
| DOT | Department of Transportation | IED | improvised explosive device |
| DTV | digital television | IESS | Integrated Electronic Security System |
| EAC | Employee Advisory Council | IG | Inspector General |
| EAS | Emergency Alert System | IFPTE | International Federation of Professional and Technical Engineers |
| EBT | electronic benefit transfer | HIP | Individual and Households Program |
| EEOC | Equal Employment Opportunity Commission | INTOSAI | International Organization of Supreme Audit Institutions |
| EPA | Environmental Protection Agency | IRS | Internal Revenue Service |
| ERMS | Electronic Records Management System | IS | information security |
| FAA | Federal Aviation Administration | ISTS | Information Systems and Technology Services |
| FAS | Financial Audit System | IT | information technology |
| FBI | Federal Bureau of Investigation | LEP | limited English proficiency |
| FDA | Food and Drug Administration | MCA | managerial cost accounting |
| FCC | Federal Communications Commission | MCC | Millennium Challenge Corporation |
| FCS | Future Combat System | MDA | Missile Defense Agency |
| FEMA | Federal Emergency Management Agency | MSA | Metropolitan statistical areas |
| FFMIA | Federal Financial Management Improvement Act | | |
| FHA | Federal Housing Administration | | |
| FICA | Federal Insurance Contributions Act | | |

| | | | |
|----------------|--|-----------------|---|
| NASA | National Aeronautics and Space Administration | QDR | Quadrennial Defense Review |
| NCMEC | National Center for Missing and Exploited Children | SAN | storage area network |
| NextGen | Next Generation Air Transportation System | SBA | Small Business Administration |
| NFC | National Finance Center | SBI | Secure Border Initiative |
| NIST | National Institute of Standards and Technology | SCHIP | State Children's Health Insurance Program |
| NPOESS | National Polar-Orbiting Operational Environment Satellite System | SEC | Securities and Exchange Commission |
| NRC | Nuclear Regulatory Commission | SLI | Space Launch Initiative |
| NSPS | National Security Personnel System | SNF | skilled nursing facility |
| O&M | operations and maintenance | SSA | Social Security Administration |
| OASI | Old Age and Survivors Insurance | SSI | Supplemental Security Income |
| OMB | Office of Management and Budget | SSN | Social Security number |
| OPM | Office of Personnel Management | TAP | Transition Assistance Program |
| PBC | performance-based compensation | TSA | Transportation Security Administration |
| PBGC | Pension Benefit Guaranty Corporation | TSCA | Toxic Substances Control Act |
| PCA | private collection agency | TSP | Thrift Savings Plan |
| PEO | Program Executive Office | UN | United Nations |
| PIN | personal identification number | USACE | U.S. Army Corps of Engineers |
| PPA | Pension Protection Act of 2006 | USAID | U.S. Agency for International Development |
| PRISM | Program Review Instrument for Systems Monitoring | USDA | United States Department of Agriculture |
| PT | program and technical | USPS | United States Postal Service |
| QCI | Quality and Continuous Improvement | US-VISIT | United States Visitor and Immigrant Status Indicator Technology |
| | | VA | Department of Veterans Affairs |

How to Use This Report

This report describes the U.S. Government Accountability Office's (GAO) performance measures, results, and accountability processes for fiscal year 2007. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our Web site at <http://www.gao.gov/sp.html>.

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

Introduction

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

Management's Discussion and Analysis

This section discusses our agencywide performance results and use of resources in fiscal year 2007. It also includes information on the strategies we use to achieve our goals and the management challenges and external factors that affect our performance.

Performance Information

This section includes details on our performance results by strategic goal in fiscal year 2007 and the targets we are aiming for in fiscal year 2008. It also includes an explanation of how we ensure the completeness and reliability of the performance data used in this report.

Financial Information

This section includes details on our finances in fiscal year 2007, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and audit advisory committee. This section also includes information on our internal controls and an explanation of the kind of information each of our financial statements conveys.

From the Inspector General

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

Appendixes

These sections include detailed write-ups about our most significant accomplishments and contributions recorded in fiscal year 2007 and information on certain human capital management flexibilities and on information security management efforts.

Serving the Congress and the Nation



INTRODUCTION

Source: See Image Sources.



From the Comptroller General

Source: GAO.

Comptroller General of the United States, David M. Walker

November 15, 2007

I am pleased to present our performance and accountability report for fiscal year 2007. We accomplished a great deal for the Congress and the American people with the resources we received. We continued to focus our efforts on increasing the transparency, efficiency, and accountability of federal operations by giving the Congress and the public the information they need to ensure that the federal government makes prudent decisions now and in the future. We performed our work in accordance with our strategic plan for serving the Congress, guided by our core values, and consistent with applicable professional standards. You can be assured that the information in this report is complete and reliable and meets our high standards.

In fiscal year 2007 we exceeded the targets for five of our six key performance measures—financial benefits, nonfinancial benefits, past recommendations implemented, new products with recommendations, and testimonies—that gauge how well we produced results and served our client, the Congress. With this level of performance we were able to achieve a return on investment for the American people of about \$94 for every dollar the Congress gave us. Specifically, we recorded \$45.9 billion in financial benefits from our work and 1,354 nonfinancial benefits, which helped improve government operations and better serve the public. We also documented that the Congress and federal agencies implemented 82 percent of the recommendations we made 4 years ago and that 66 percent of the new products we issued during the fiscal year contained recommendations that in time should have a positive impact on the efficiency and effectiveness of the federal government. Moreover, this was a banner year for us in testimonies. Our senior executives and I delivered testimonies at 276 hearings, 36 more hearings than in fiscal year 2006. In fact, our performance on this measure is the fourth highest over the last 25 years and an all-time high for us on a per capita basis. Though we issued our products on time 94 percent of the time, we fell short on our timeliness measure by 1 percentage point, just shy of our 95 percent target.

We also met or exceeded five of the eight targets we set for our people measures—new hire rate, acceptance rate, retention rate with retirements, retention rate without retirements, and staff development. While these

measures were largely similar to last year's results, we missed the performance targets for staff utilization, leadership, and organizational climate by 5 percentage points or less in spite of the challenges we faced internally. These challenges included meeting tight deadlines and being responsive to our clients when demand for our work was extremely high and budgetary and staffing resources were extremely constrained. During fiscal year 2007, we also had to manage a large workload in the wake of significant human capital transformation efforts and other changes within our agency, including a union organizing campaign.

While supporting the Congress's oversight efforts with more than 1,200 reports and testimonies we issued during the fiscal year, in November 2006, we sent a letter to the incoming leadership of the new Congress suggesting three dozen areas for additional oversight. In addition, we welcomed the new congressional Members in January with several special publications to help them make the transition to their responsibilities as stewards of the federal purse. All of these publications—*Fiscal Stewardship: A Critical Challenge Facing Our Nation* (GAO-07-362SP, January 2007); *Understanding Similarities and Differences between Accrual and Cash Deficits* (GAO-07-117SP, December 2006); and *Understanding the Primary Components of the Annual Financial Report of the United States Government* (GAO-05-958SP, September 2005)—are available through our Web site at www.gao.gov. Though we received a clean opinion on our own financial statements, the federal government's books are not yet in order and will require focused leadership and sustained attention to get them there, especially in connection with the Department of Defense.

The Congress needs information to make sound judgments that will benefit this nation in the short term and over the long run. Thus, to further assist our client with its oversight function and aid its insight and foresight, we revised our list of federal programs and areas at risk of fraud, waste, abuse, and mismanagement and in need of broad-based transformation and issued our biennial report card called *High-Risk Series: An Update* (GAO-07-310, January 2007). We continue to do this work to bring visibility and urgency to these areas and to prompt needed actions sooner rather than later. I also continued to speak around the country about the fiscal condition and long-term fiscal outlook of our country as part of the Fiscal Wake-Up Tour sponsored by the Concord Coalition—a nationwide, nonpartisan, grassroots organization dedicated to educating the public about the consequences of fiscal deficits and promoting a generationally responsible fiscal policy. The tour also involves the Brookings Institution and the Heritage Foundation and a range of other organizations. To date, the tour has held events in 24 states and the District of Columbia reaching thousands of people. The purpose of this effort is to state the facts and speak the truth about the fiscal challenges that this country faces if we continue to do business in the same way, increase public awareness about the consequences, and help create the impetus and support for appropriate federal, state, and local officials to take much needed and long overdue action.

Closer to home, we updated our strategic plan to guide our own actions in the near future and ensure that we have the foresight needed to support the Congress. Our strategic plan includes bodies of work that address anticipated requests for evaluations of current and emerging issues and anticipated work related to government transformation efforts, especially in the areas of homeland security and defense. Seven broad themes provide the context for our strategic plan and we describe them in detail in *Forces That Will Shape America's Future: The Themes from GAO's Strategic Plan (GAO-07-467SP, March 2007)*. We believe these themes will shape the many requests and mandates we expect to receive from the Congress over the next 3 years as well as the work we plan to do under my statutory authority as Comptroller General of the United States.

An effective, transparent government requires a first-rate workforce and one of our agencywide goals is to create a model federal agency and world-class professional services organization. We want to continue to attract staff from a variety of disciplines who can gather the facts and develop innovative solutions to both old and new problems challenging the federal government. Thus, in fiscal year 2007 we improved our recruiting and hiring practices by clarifying our hiring goals and making it a priority to aggressively recruit at select colleges and universities. We also instituted an executive exchange program to help us tap talent outside of the federal government for short-term projects. In addition, we began a professional development program for entry-level administrative and professional support staff (similar to our development program for analyst staff), initiated a formal mentoring program, and continued to support employees working flexible schedules and telecommuting to help them balance the demands of work and home. I am very proud to say that we rated second among large federal agencies on the Partnership for Public Service's list of the Best Places to Work in the Federal Government for 2007, up from fourth place in 2005. Furthermore, in September 2007 we were named as one of Washington's top 60 employers by *Washingtonian* magazine.

However, not all of our human capital initiatives have been easy—or without controversy, especially the 2006 restructuring of our midlevel (Band II) analyst workforce. Reforms that affect an employee's pay and job classification tend to be very controversial and this is particularly true in a workforce like ours that is highly educated and, by training and disposition, highly skeptical and analytical. In May 2007 I testified at oversight hearings to discuss changes we made to many of our human capital policies and procedures over the last several years and other related issues. For example, employees' pay and compensation are now more directly tied to the market and to achieving results—measurable outcomes that further the agency's mission. Also, jobs for our employees are classified according to employees' roles and responsibilities, and pay is based on a employees' job as well as market-based conditions and their performance rather than longevity on the job. We believe we are the first major federal agency to adopt such an approach on an agencywide basis. At the same time, due to my concern

regarding the trends in ratings differences associated with our performance appraisals over time, we also contracted with a private firm to assess the possible reasons for the differences and make related recommendations.

For some staff, these changes are unsettling; thus listening and responding to employees' concerns and comments is particularly important during this time of change. I and the other executives encouraged employees to provide their input about the changes taking place and the direction the agency is headed—and we heard them. During fiscal year 2007, we made certain adjustments to our annual pay parameters and I proposed legislation known as the Government Accountability Act of 2007, which, if passed, will benefit our existing employees and will serve to further enhance our ability to attract, retain, and reward a top-flight workforce. For example, under one provision of the act, employees below the senior executive level would be able to include the bonus part of their performance awards in their high-three average salary for retirement purposes, which is not currently possible.

We hope to work through these human capital issues and our other management challenges related to physical and information security in partnership with the agency's recently elected employee's union, the International Federation of Professional and Technical Engineers, which will serve as the exclusive representative of entry and midlevel analysts as well as other employees in dealing with management on issues related to certain terms and conditions of employment. I and the rest of management will bargain in good faith with the union and hope to reach timely agreements on issues of mutual interest and concern.

The challenge before us as servants of the Congress and the nation is to maintain a government that is effective, transparent, and relevant for this generation and generations to come. This agency has never wavered in its belief that the Congress and the public deserve to be fully informed about all major aspects of government operations. I am committed to ensuring that we will continue to “lead by example” in transforming government while providing the most professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information possible to the Congress and the American people.

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

David M. Walker
Comptroller General
of the United States

Financial Reporting Assurance Statements

November 15, 2007

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

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We conducted an assessment of the effectiveness of our internal control over financial reporting consistent with the criteria in 31 U.S.C. 3512 (c), (d) (commonly referred to as the Federal Managers' Financial Integrity Act (FMFIA) and in Appendix A of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this assessment, we have reasonable assurance that internal control over financial reporting as of September 30, 2007, was operating effectively and that no material weaknesses exist in the design or operation of the internal control over financial reporting.

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

- Our financial reporting is reliable—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- We are in compliance with all applicable laws and regulations—transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.
- Our performance reporting is reliable—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information consistent with the criteria set forth in the Government Performance and Results Act of 1993 and related OMB guidance.

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



David M. Walker
Comptroller General
of the United States



Gene L. Dodaro
Chief Operating Officer



Sallyanne Harper
Chief Financial Officer



Gary L. Kepplinger
General Counsel

ABOUT GAO

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

Source: GAO.

GAO is an independent, nonpartisan, professional services agency in the legislative branch of the federal government. Commonly known as the “audit and investigative arm of the Congress” or the “congressional watchdog,” we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including 31 U.S.C. 3512 (commonly referred to as the Federal Managers’ Financial Integrity Act), the Government Performance and Results Act of 1993, and the Federal Financial Management Improvement Act of 1996.¹ Accordingly, this performance and accountability report for fiscal year 2007 supplies what we consider to be information that is at least equivalent to that supplied by executive branch agencies in their annual performance and accountability reports.

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

Mission

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

GAO’s History

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

Strategic Planning and Management Process

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

- Strategic Goal 1: Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People
- Strategic Goal 2: Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence
- Strategic Goal 3: Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges
- Strategic Goal 4: Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization

Figure 1: GAO's Strategic Planning Hierarchy



Source: GAO.

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

Figure 2: Examples of How GAO Assisted the Nation

| | In fiscal year 2007, GAO provided information that helped to... |
|---|---|
| <p>Strategic Goal 1</p> <p>Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people</p> | <ul style="list-style-type: none"> ▪ highlight ways to address problems affecting the delivery of health and disability services for injured soldiers and veterans ▪ improve the Food and Drug Administration’s process for removing dangerous drugs from the marketplace ▪ identify physician practice patterns to improve efficiency in the Medicare program ▪ encourage the preservation of affordable housing ▪ identify Food Stamp Program areas vulnerable to payment errors and fraud ▪ improve the Small Business Administration’s timely delivery of disaster assistance ▪ outline various approaches used in the United States and abroad to negotiate drug prices ▪ assess the housing needs of low-income veterans ▪ focus attention on the Pension Benefit Guaranty Corporation’s premium structure ▪ evaluate the Federal Housing Administration’s role and modernizing efforts ▪ increase knowledge sharing about federal and state efforts to improve older driver safety ▪ highlight inadequacies in the management of federal oil and gas royalties ▪ raise awareness about the financial risks to the insurance industry posed by climate change ▪ improve transportation efficiency |
| <p>Strategic Goal 2</p> <p>Provide timely, quality service to the Congress and the federal government to respond to changing security threats and the challenges of global interdependence</p> | <ul style="list-style-type: none"> ▪ identify key issues for congressional oversight of U.S. efforts to stabilize and rebuild Iraq ▪ improve the transparency of military compensation costs ▪ promote federal efforts to secure sensitive information ▪ identify the need for a Chief Management Officer to improve the Department of Defense’s business processes ▪ highlight challenges with securing energy commodity carrying tankers from terrorist attacks ▪ strengthen security at airport passenger screening checkpoints ▪ identify shortcomings in the Department of Homeland Security’s program to track the visa status of visitors and immigrants to the United States ▪ improve licensing procedures for radioactive materials ▪ enhance the sharing of federal homeland security information with states and localities ▪ contribute to congressional dialogue on the U.S. food aid provisions of the 2007 Farm bill ▪ improve oversight and procurement practices at the United Nations ▪ improve financial literacy in the United States ▪ better protect consumers who purchase title insurance ▪ improve the financial supervision of holding companies |
| <p>Strategic Goal 3</p> <p>Help transform the federal government’s role and how it does business to meet 21st century challenges</p> | <ul style="list-style-type: none"> ▪ identify the risks of relying on military and homeland security contractors ▪ alert the Congress to cost and schedule risks affecting major weapon systems ▪ uncover fraud, waste, and abuse in financial assistance payments to people affected by hurricanes Katrina and Rita ▪ promote a coordinated approach to improving standards and educating professionals in the accountability community ▪ identify multiple approaches needed to reduce the tax gap ▪ enlighten the public about the nation’s long-term fiscal challenges ▪ inform the Congress about the status of recovery and rebuilding efforts in the aftermath of hurricanes Katrina and Rita ▪ enhance national preparedness for an influenza pandemic ▪ gauge agencies’ progress with implementing the Freedom of Information Act ▪ ensure that individuals’ personal information is protected ▪ summarize progress and challenges and identify federal financial implications of rebuilding the Gulf Coast ▪ strengthen the Department of Defense’s business systems modernization program ▪ strengthen the oversight of an environmental satellite program |
| <p>Strategic Goal 4</p> <p>Maximize the value of GAO by being a model federal agency and a world-class professional services organization</p> | <ul style="list-style-type: none"> ▪ inform the Congress and the public through our strategic plan about the forces that are likely to shape our nation’s future, its place in the world, and the changing role of the federal government ▪ develop and implement the Financial Audit System—an automated tool used to audit the financial statements of executive branch agencies |

Source: GAO.

The fourth goal is our only internal one and is aimed at maximizing our productivity through such efforts as investing steadily in information technology (IT) to support our work; ensuring the safety and security of our people, information, and assets; pursuing human capital transformation; and leveraging our knowledge and experience. We revisit the focus and appropriateness of these four strategic goals each time that we update our strategic plan. We updated our strategic plan in March 2007.

An Example of Our Strategic Planning Elements

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

Strategic Objective: A Safe, Secure, and Effective National Physical Infrastructure

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

Key Efforts:

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

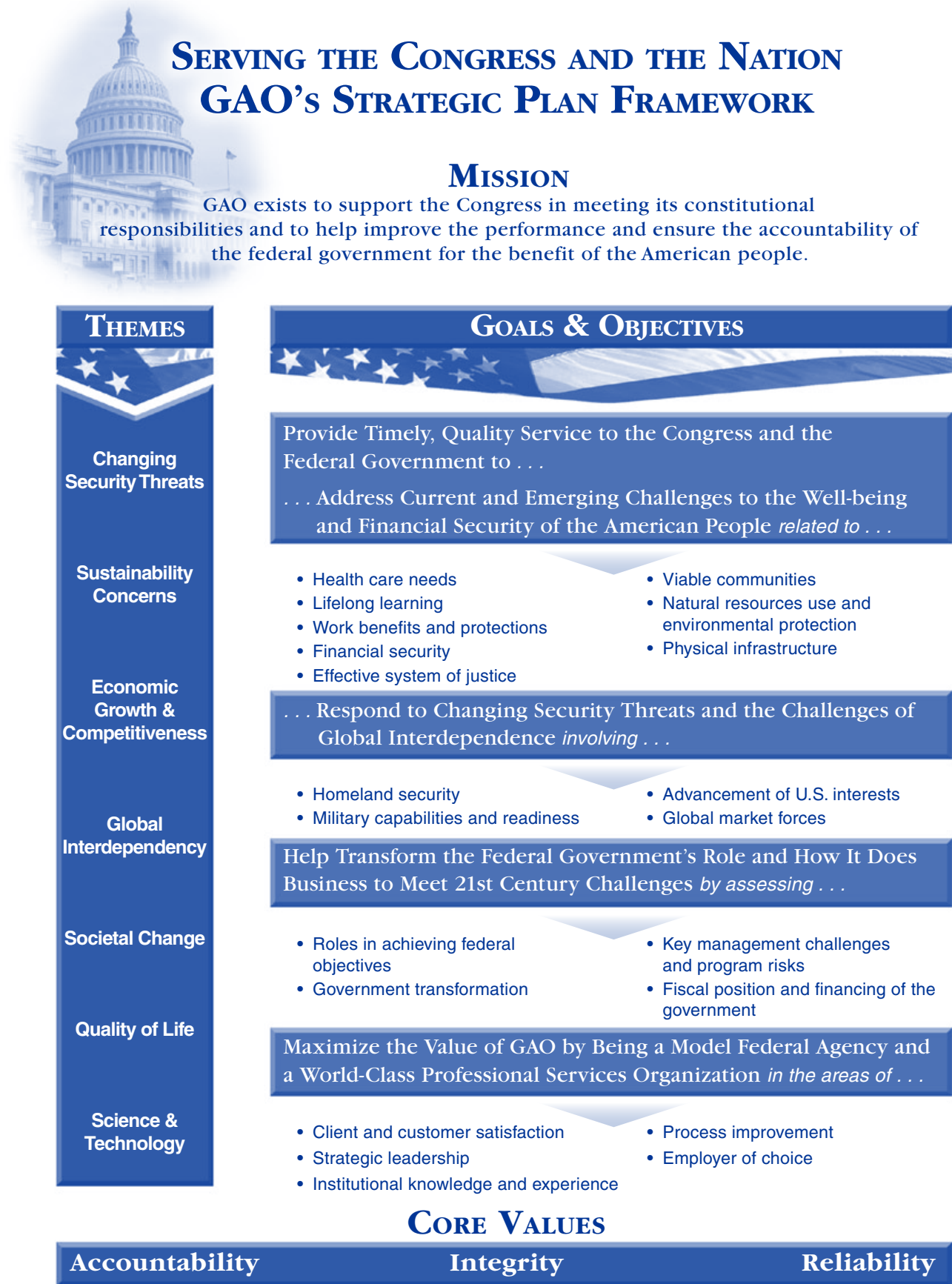
The four strategic goals are supported by strategic objectives that are in turn supported by and achieved through numerous performance goals and key efforts. Our strategic planning framework for serving the Congress, which lists the strategic objectives under each goal, is depicted on [page 12](#).

Complete descriptions of the steps in our strategic planning and management process are included in our strategic plan for fiscal years 2007 through 2012, which is available on our Web site at <http://www.gao.gov>. This site also provides access to our annual performance plans since fiscal year 1999 and our performance and accountability reports since fiscal year 2001.

To ensure that we are well positioned to meet the Congress's current and future needs, we update our 6-year strategic plan every 3 years, consulting extensively during the update with our clients on Capitol Hill and with other experts (see our complete strategic plan on <http://www.gao.gov/sp/d04534sp.pdf>). Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and we allocate the resources we receive from the Congress accordingly. Given the increasingly fast pace with which crucial issues emerge and evolve, we design a certain amount of flexibility into our plan and staffing structure so that we can respond readily to the Congress's changing priorities. When we revise our plan or our allocation of resources, we disclose those changes in annual performance plans, which are posted—like our strategic plan—on the Web for public inspection (<http://www.gao.gov/sp.html>).

In fiscal year 2007, we revised our strategic plan for the third time since we first issued a strategic plan in 2000. The broad goals and objectives of our strategic plan for 2007-2012 did not change significantly since our last update, but events such as the continuing war in Iraq and recent and predicted natural

Figure 3: GAO's Strategic Plan Framework



Source: GAO.

GAO Strategic Plan 2007-2012

disasters account for some modification in emphasis. Seven broad issues or “themes” provide the context for our strategic plan (see [GAO’s Strategic Plan Framework](#) on p. 12), many of which were raised repeatedly by our client and other stakeholders during our outreach efforts and discussions we initiated while preparing the plan. For more information about the themes see *Forces That Will Shape America’s Future: The Themes from GAO’s Strategic Plan* ([GAO-07-467SP](#), March 2007).

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

We have included some information about future plans in this report to provide as cohesive a view as possible of what we have done, what we are doing, and what we expect to do to support the Congress and to serve the nation. Last year, the Association of Government Accountants awarded us for the fifth consecutive year its Certificate of Excellence in Accountability Reporting for our fiscal year 2006 performance and accountability report. According to the association, this certificate means that we produced an interesting and informative report that achieved the goal of complete and fair reporting. We also received an award from Graphic Design USA for the Highlights version of our fiscal year 2006 report. (See [fig. 4](#).)

Organizational Structure

As the Comptroller General of the United States, David M. Walker is the head of GAO and is serving a 15-year term that began in November 1998. Three other executives join Comptroller General Walker to form our Executive Committee: Chief Operating Officer Gene L. Dodaro, Chief Administrative

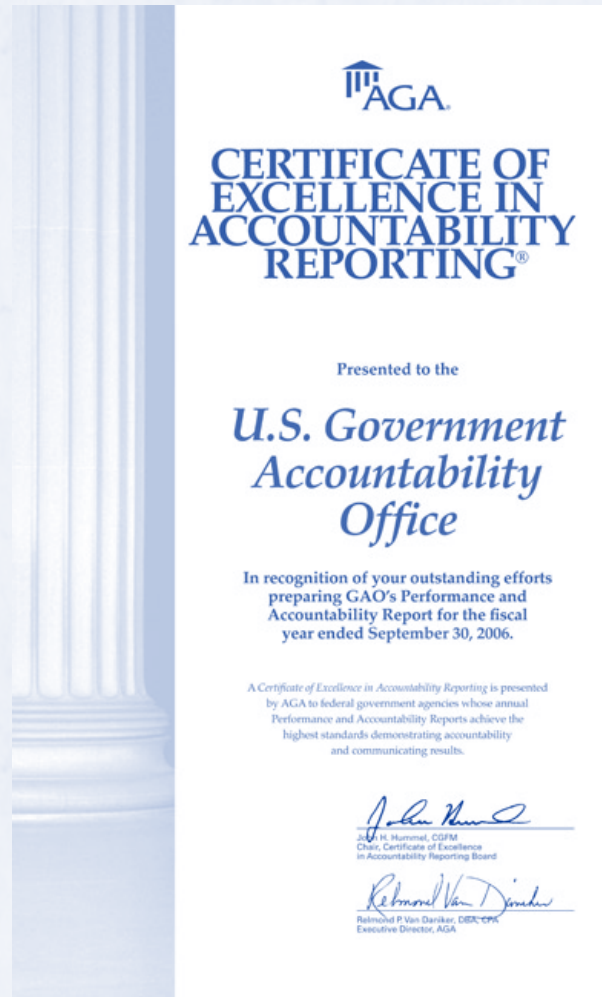
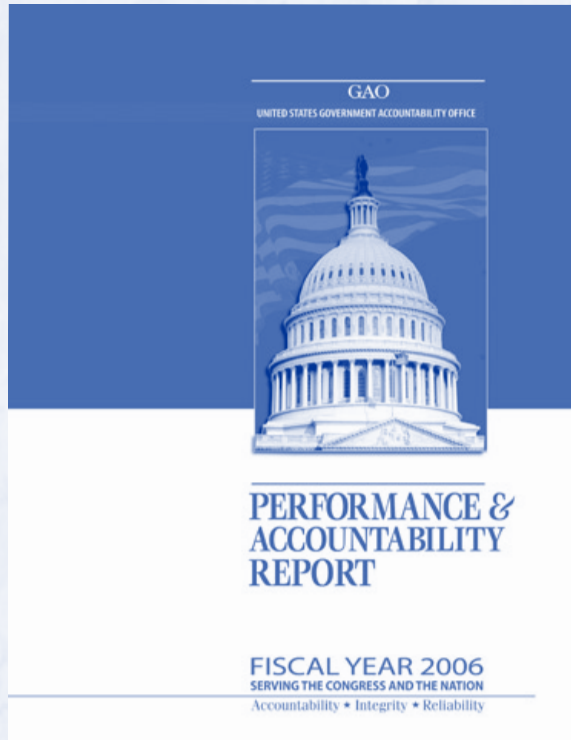
Officer/Chief Financial Officer Sallyanne Harper, and General Counsel Gary Kepplinger.

To achieve our strategic goals, our staff is organized as shown in [figure 5](#). For the most part, our 13 evaluation, audit, and research teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal. Also, our Forensic Audits and Special Investigations (FSI) unit, within our Financial Management and Assurance team, provides the Congress with high-quality forensic audits; investigates fraud, waste, and abuse; evaluates security vulnerabilities; and conducts other appropriate investigative services as part of its own assignments or in support of other teams. In addition, FSI follows up on engagements and referrals from our other teams when its special services are required to help determine whether legislative or administrative actions are necessary. FSI is composed of investigators, auditors who have experience with forensic audits, and staff in General Counsel who work with FraudNet—our online system designed to facilitate follow up of allegations of fraud, waste, abuse, or mismanagement of federal funds.

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

As described below, General Counsel supports the work of all of our teams. In addition, the Applied Research and Methods team assists the other teams on

Figure 4: GAO's Performance and Accountability Report 2006 Awards



Source: GAO.

matters requiring expertise in areas such as economics, research design, and statistical analysis. Staff in many offices, such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, Public Affairs, and the Chief Administrative Office, support the efforts of the teams. This collaborative process, which we refer to as matrixing, increases our effectiveness, flexibility, and efficiency in using our expertise and resources to meet congressional needs on complex issues.

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

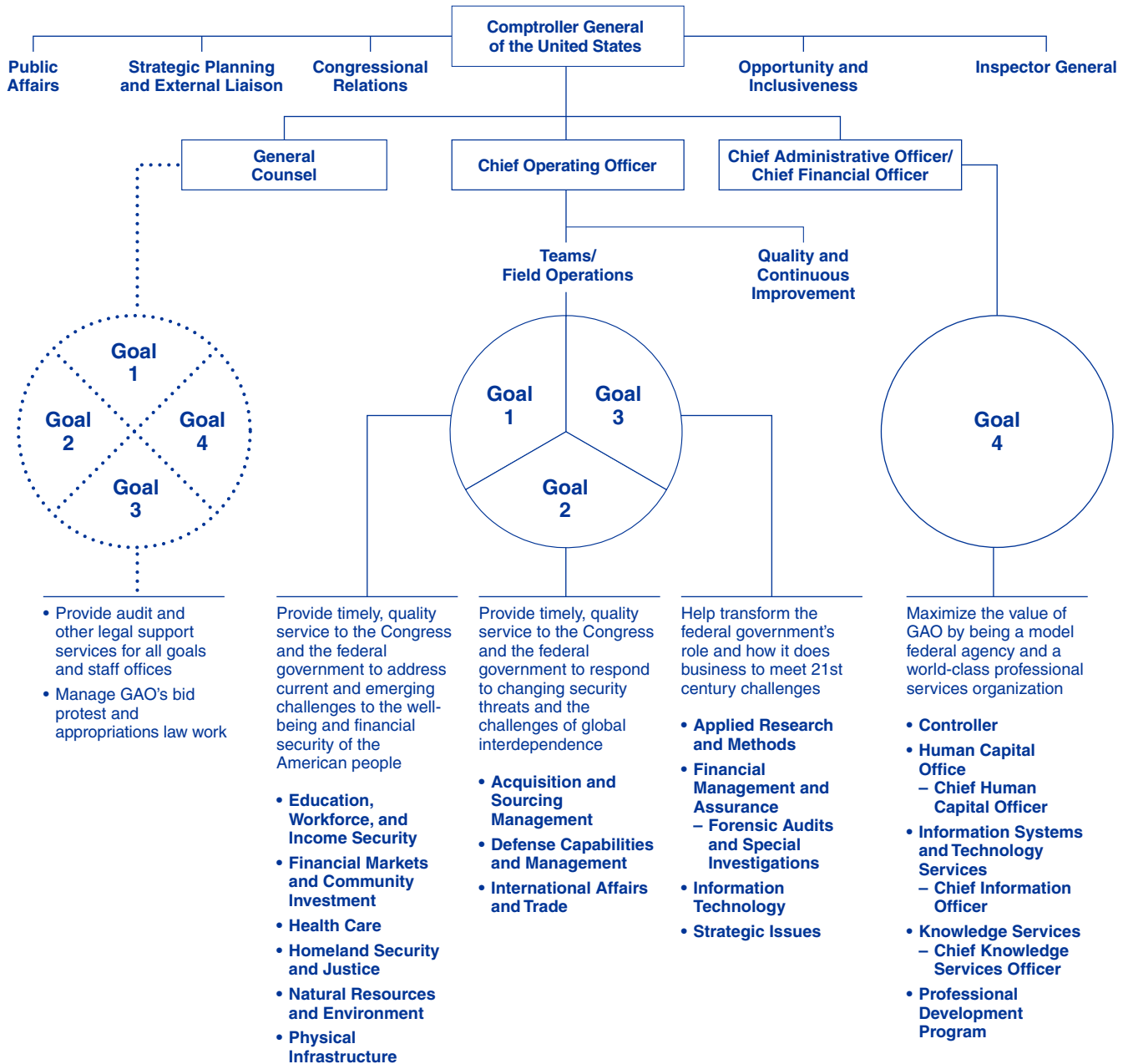
For strategic goal 4—our fourth and only internal strategic goal—staff in our Chief Administrative Office take the lead. They are assisted on specific key efforts by the Applied Research and Methods team and by staff offices such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, and Public Affairs. In addition, attorneys in General Counsel, primarily in the Legal Services group, provide legal support for goal 4 efforts.

We maintain a workforce of highly trained professionals with degrees in many academic disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our approximately 3,200 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country. Staff in these field offices are aligned with our research, audit, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

GAO Field Locations

Atlanta
Boston
Chicago
Dallas
Dayton
Denver
Huntsville
Los Angeles
Norfolk
San Francisco
Seattle

Figure 5: Organizational Structure



Source: GAO.

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

How We Measure Our Performance

We measure our performance using annual quantitative measures. Together, these indicators help us to determine how well we are meeting the needs of the Congress and maximizing our value as a world-class organization.

For several years, we assessed our performance annually using quantitative performance measures that are related to our work results and the usefulness of those results to our primary client—the Congress. We subsequently expanded our focus to include a more balanced set of performance measures that focus on four key areas—results, clients, people, and internal operations.² These categories of measures are briefly described below.

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

²In addition, we are continuing to explore measures that could help us assess how well we develop mutually beneficial relationships with other accountability organizations. Such partnerships are important because they (1) create opportunities for collaboration and cooperation that help all organizations involved address common challenges and enhance their ability to improve government operations and serve the public better, (2) allow us and other organizations to make meaningful changes in our internal accountability processes and policies, and (3) allow us to better leverage available resources. In part I of this report, the section on Building and Sustaining Partnerships describes our progress with measuring the quality of our partnerships and the section on Strategies for Achieving Our Goals provides additional information about the partnerships we established or continued in fiscal year 2007.

on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred or are expected to occur over a period of several years. The remaining measures are intermediate outcomes in that they often lead to achieving outcomes that are ultimately captured in our financial and nonfinancial benefits.

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

- **Clients.** To judge how well we are serving our clients, we measure the number of times we are asked to present expert testimony at congressional hearings as well as our timeliness in delivering products to the Congress. Our strategy in this area draws upon a variety of data sources (e.g., our client feedback survey and in-person discussions with congressional staff) to obtain information on the services we are providing to our congressional clients.

We set a target at the agencywide level for the number of testimonies and then assign a portion of the testimonies as a target for each of the external goals—that is,

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

- **People.** As our most important asset, our people define our character and capacity to perform. A variety of data sources, including an internal survey, provide information to help us measure how well we are attracting and retaining high-quality staff and how well we are developing, supporting, using, and leading staff. We set targets for these measures at the agencywide level.
- **Internal operations.** Our mission and people are supported by our internal administrative services, including information management, building management, knowledge services, human capital, and financial management services. Through an internal customer satisfaction survey, we gather information on how well our internal operations help employees get their jobs done and improve employees' quality of work life. Examples of surveyed services include providing secure Internet access and voice communication systems, performance management, and benefits information and assistance. Fiscal year 2007 is only the second year in which we reported how well we performed against the targets we set for our internal operations measures. We set targets for these measures at the agencywide level.

Setting Performance Targets

To establish targets for all of our measures, we examine what we have been able to achieve in the past (for example, by looking at our 4-year rolling averages for most of our results measures (see p. 23) and the external factors that influence our work (see p. 60). The teams and offices that are directly engaged in the work discuss their views of what must be accomplished in the upcoming fiscal year with our top executives, who then establish targets for the performance measures.

Once approved by the Comptroller General, the targets become final and are presented in our annual performance plan and budget.³ We may adjust these targets after they are initially published when our expected future work or level of funding provided warrant doing so. If we make changes, we include the changed targets in later documents, such as this performance and accountability report, and annotate that we have changed them. In part II, we include detailed information on data sources that we use to assess each of these measures, as well as the steps we take to verify and validate the data (see pp. 78-95).

On the pages that follow, we assess our performance for fiscal year 2007 against our previously established performance targets. We also present our financial statements, the independent auditor's report, and a statement from GAO's Inspector General.

³Our most recent performance plan is available on our Web site at <http://www.gao.gov/cgi-bin/getrpt?.rptno=GAO-07-421SP>.

Serving the Congress and the Nation



PART I

Management's Discussion and Analysis

Source: See Image Sources

Promoting a Transparent and Accountable Government by Providing Fact-Based, Objective Information to the Congress and the Public

The work we did in fiscal year 2007, as well as some of our past work, contributed greatly to our performance on our results and client measures shown in [table 1](#). We surpassed our financial benefits target of \$40 billion by almost \$6 billion this fiscal year and exceeded our annual target for nonfinancial benefits by about 23 percent. Our financial benefits of \$45.9 billion represent about a \$94 return on every dollar invested in us. While our financial benefits for fiscal year 2007 were lower than what we achieved last fiscal year, due to various reasons such as legislation pending at the close of the fiscal year, our financial benefits have continued to increase on average over the last 4 years as shown in [table 2](#). Also, the more than 1,300 nonfinancial benefits resulting from our work helped to improve the efficiency and effectiveness of government programs that serve the public. In addition, we exceeded our targets for past recommendations implemented and new products with recommendations by 2 percentage points and 6 percentage points, respectively.

We believe we served the Congress very well during fiscal year 2007. Our senior executives delivered testimony at 276 hearings, exceeding our target of 185 by 49 percent.

Many of these testimonies focused on Iraq reconstruction and stabilization efforts, fraudulent activity and mismanagement associated with the Hurricane Katrina relief effort, and the global war on terrorism (see [p. 35](#) for a list of other topics we testified on during fiscal year 2007). Though we missed our timeliness target of 95 percent by 1 percentage point, our performance indicates that 94 percent of congressional staff responding to our client feedback survey either strongly or generally agreed that our written products were delivered on time. We discuss the client feedback survey in detail [part II](#) of this report.

Concerning our eight people measures, we met or exceeded our targets for five of them—new hire rate, acceptance rate, retention rate with retirements, retention rate without retirements, and staff development—but did not meet the remaining three measures—staff utilization, leadership, and organizational climate. We missed our target of 78 percent for staff utilization by 5 percentage points. We also missed our leadership and organizational climate targets by very small margins—1 and 2 percentage points, respectively.

Table 1: Agencywide Summary of Annual Measures and Targets

| Performance measure | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual | Met/Not met | 2008 target |
|--|------------------|-------------|-------------|-------------|-------------|------------------|------------------|---------------------|
| Results | | | | | | | | |
| Financial benefits (dollars in billions) | \$35.4 | \$44.0 | \$39.6 | \$51.0 | \$40.0 | \$45.9 | Met | \$40.0 ^a |
| Nonfinancial benefits | 1,043 | 1,197 | 1,409 | 1,342 | 1,100 | 1,354 | Met | 1,150 |
| Past recommendations implemented | 82% | 83% | 85% | 82% | 80% | 82% | Met | 80% |
| New products with recommendations | 55% | 63% | 63% | 65% | 60% | 66% | Met | 60% |
| Client | | | | | | | | |
| Testimonies | 189 | 217 | 179 | 240 | 185 | 276 | Met | 220 |
| Timeliness ^b | N/A ^c | 89% | 90% | 92% | 95% | 94% | Not met | 95% |
| People | | | | | | | | |
| New hire rate | 98% | 98% | 94% | 94% | 95% | 96% | Met | 95% |
| Acceptance rate | 72% | 72% | 71% | 70% | 72% | 72% | Met | 72% |
| Retention rate | | | | | | | | |
| With retirements | 92% | 90% | 90% | 90% | 90% | 90% | Met | 90% |
| Without retirements | 96% | 95% | 94% | 94% | 94% | 94% | Met | 94% |
| Staff development | 67% | 70% | 72% | 76% | 75% | 76% | Met | 76% |
| Staff utilization ^d | 71% | 72% | 75% | 75% | 78% | 73% | Not met | 75% ^e |
| Leadership | 78% | 79% | 80% | 79% | 80% | 79% | Not met | 80% |
| Organizational climate | 71% | 74% | 76% | 73% | 76% | 74% | Not met | 75% ^f |
| Internal operations^g | | | | | | | | |
| Help get job done | 3.98 | 4.01 | 4.10 | 4.10 | 4.00 | N/A ^c | N/A ^c | 4.00 |
| Quality of work life | 3.86 | 3.96 | 3.98 | 4.00 | 4.00 | N/A | N/A | 4.00 |

Source: GAO.

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

^aOur fiscal year 2008 target for financial benefits differs from the target we reported for this measure in our fiscal year 2008 performance budget in January 2007. Specifically, we decreased our financial benefits target by \$1.5 billion based on (1) our assessment of our past recommendations that are likely to be implemented by federal agencies and the Congress in the coming fiscal year and (2) the impact that our constrained budget could have on the work that leads to financial benefits. We are currently operating under a continuing resolution which is only slightly higher than our fiscal year 2006 funding level. See pages 44 to 48 for more information about our budget.

^bSince fiscal year 2004 we have collected data from our client feedback survey on the quality and timeliness of our products, and in fiscal year 2006 we began to use the independent feedback from this survey as a basis for determining our timeliness.

^cN/A indicates that the data are not available yet or are not applicable because we did not collect the data during this period.

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

^eOur fiscal year 2008 target for staff utilization differs from the target we reported for this measure in our fiscal year 2008 performance budget in January 2007. We lowered the staff utilization target by 3 percentage points because we determined that, based on our past performance, the target was unrealistic, and we reset it at a level that is still challenging but more likely to be achieved.

^fOur fiscal year 2008 target for organizational climate differs from the target we reported for this measure in our fiscal year 2008 performance budget in January 2007. We decreased the organizational climate target by 1 percentage point because we determined that based on our past performance, the target was unrealistic, and we reset it at a level that is still challenging but more likely to be achieved.

^gFor our internal operations measures, we will report actual data for fiscal year 2007 once data from our November 2007 internal customer satisfaction survey have been analyzed. Information explaining all of the measures included in this table appears in the Data Quality and Program Evaluations section in part II of this report.

Concerning our two internal operations measures, we will assess our performance related to how well our internal administrative services (e.g., computer support, mail service, and Internet service) help employees get their jobs done or improve employees' quality of work life once data from our November 2007 annual customer satisfaction survey have been analyzed. These measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. There will always be a lag in reporting on this measure because our customer feedback survey is distributed after we issue the performance and accountability report. In fiscal year 2006, we exceeded our target of 4.0 by a tenth of a percentage point for our help get job done measure and met our 4.0 target for our quality of work life measure. These scores indicate that our employees were generally very satisfied with the internal administrative services they used during their work day. The survey asked staff to rank the importance of each service to them and indicate their satisfaction with it on a scale from 1 to 5.

To help us examine trends over time, we also look at 4-year averages for our results and client measures except the percentage of past recommendations implemented—because it is a composite that is drawn from a number of years rather than an annual percentage—and

timeliness—because we have no trend data for our current timeliness measure. Calculating 4-year rolling averages for the other measures minimizes the effect of an atypical result in any given year. We consider this calculation, along with other factors, when we set our performance targets. [Table 2](#) shows that from fiscal year 2003 through fiscal year 2007 financial benefits, nonfinancial benefits, and new products with recommendations have increased steadily during this period. The average number of hearings at which we testified has climbed since 2004 with a significant increase from fiscal year 2006 to 2007.

Though we consider our 4-year rolling averages and our past performance when setting our target for the number of hearings at which our senior executives testify, we base our testimonies target largely on the cyclical nature of the congressional calendar. Our experience has shown that during the fiscal year in which an election occurs, generally the Congress holds fewer hearings, which provide fewer opportunities for us to be invited to testify, because the congressional members are reorganizing during the months after the election. However, in fiscal year 2007—the year after an election—the new Congress held many more hearings than we anticipated and seemed especially interested in our work.

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

| Performance measure | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Results | | | | | |
| Financial benefits (billions) | \$30.7 | \$35.9 | \$39.2 | \$43.0 | \$45.1 |
| Nonfinancial benefits | 884 | 986 | 1,139 | 1,248 | 1,325 |
| New products with recommendations | 48% | 54% | 58% | 61% | 64% |
| Client | | | | | |
| Testimonies | 205 | 193 | 200 | 206 | 228 |

Source: GAO.

Focusing on Results

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

Financial Benefits and Nonfinancial Benefits

We describe many of the results produced by our work as either financial or nonfinancial benefits. Both types of benefits result from our efforts to provide information to the Congress that helped to (1) change laws and regulations, (2) improve services to the public, and (3) promote sound agency and governmentwide management. In many cases, the benefits we claimed in fiscal year 2007 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

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

Financial Benefits

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

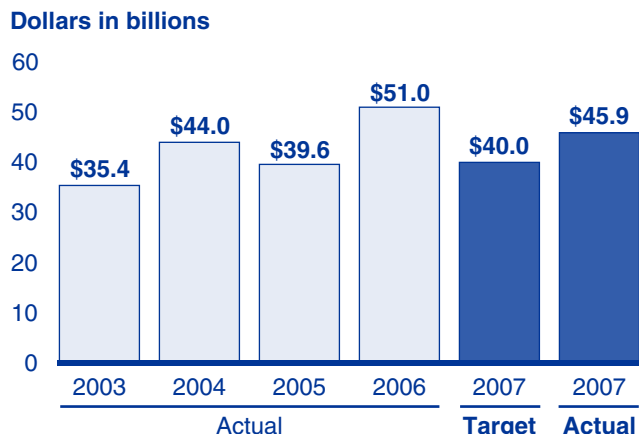
- changes in business operations and activities;
- the structure of federal programs; or
- entitlements, taxes, or user fees.

Financial benefits result if, for example, the Congress were to reduce the annual cost of operating a federal program or lessen the cost of a multiyear program or entitlement. Financial benefits could also result from increases in federal revenues—because of changes in laws, user fees, or asset sales—that our work helped to produce.

In fiscal year 2007, our work generated \$45.9 billion in financial benefits (see [fig. 6](#)), exceeding our target by about 15 percent. We exceeded the target primarily as a result of a few unexpected and large financial accomplishments. Thus, we believe our target of \$40.0 billion for fiscal year 2008 (shown on [p. 21](#)) is reasonable and achievable. Of

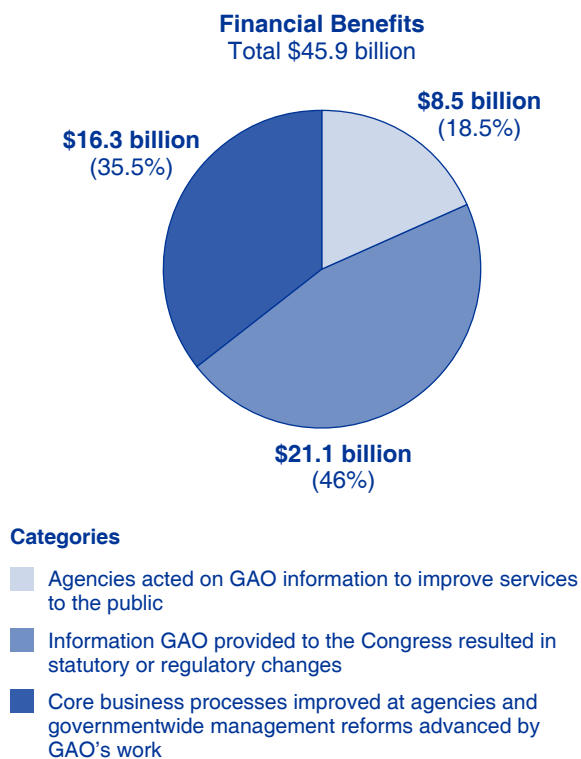
the total amount documented in fiscal year 2007, about \$21.1 billion (or approximately 46 percent) resulted from changes in laws or regulations (see fig. 7).

Figure 6: Financial Benefits GAO Recorded in Fiscal Year 2007



Source: GAO.

Figure 7: Types of Financial Benefits Recorded in Fiscal Year 2007 from Our Work



Source: GAO.

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

To document financial benefits, our staff complete reports documenting accomplishments that are linked to specific products or actions. All accomplishment reports for financial benefits are documented and reviewed by (1) another GAO staff member not involved in the work and (2) a senior executive in charge of the work. Also, a separate unit, our Quality and Continuous Improvement office, reviews all financial benefits and approves benefits of \$100 million or more, which amounted to about 94 percent of the total dollar value of benefits recorded in fiscal year 2007. The GAO Inspector General (IG) also performed an independent review of all accomplishment reports claiming benefits of \$500 million or more in fiscal year 2007.

Figure 8 lists several of our major financial benefits for fiscal year 2007 and briefly describes some of our work contributing to financial benefits.

FINANCIAL BENEFITS

(Dollars in billions)

Source: See Image Sources.

Figure 8: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2007

| Description | Amount |
|---|--------|
| <p>Helped to ensure funding for United States Postal Service (USPS) retirement-related health care benefits. For many years we have reported on USPS's significant liabilities and obligations, including tens of billions of dollars in post-retirement health care benefits that were not yet funded. In December 2006, the Postal Accountability and Enhancement Act (Pub. L. No. 109-435) was enacted, which created the Postal Service Retiree Health Benefits Fund into which USPS is to make a series of 10 annual payments to fund its retiree health care obligations. In fiscal year 2007, USPS made the first of its annual payments into the fund. This \$5.4 billion payment, funded through additional January 2006 and May 2007 postal service rate increases, helped to avoid requiring the federal government to finance this substantial obligation. (Goal 3)</p> | \$5.4 |
| <p>Improved the Internal Revenue Service's (IRS) methodology for pursuing delinquent taxes. Our previous financial audit work determined that IRS did not have systems or procedures in place to allow it to identify and actively pursue cases with collection potential. We recommended that IRS improve its capacity to assess the collectibility of delinquent taxes as a way to better target debt collection resources. In 2004, IRS began implementing sophisticated modeling technology to differentiate between more and less productive cases in order to make better resource allocation decisions. In 2007, we reported that IRS's actions in response to our recommendations increased its collections of delinquent taxes using approximately the same level of resources by about \$4.2 billion or almost 20 percent in fiscal year 2006 from fiscal year 2003 levels. (Goal 3)</p> | \$4.2 |
| <p>Encouraged the National Aeronautics and Space Administration's (NASA) decision to terminate the space launch initiative (SLI). In a September 2002 report, we questioned NASA's overall acquisition strategy to develop a new generation of space transportation vehicles—the SLI. We reported that NASA faced considerable challenges defining basic requirements for SLI. We also noted that most of the key technologies under consideration by SLI were very immature and that management controls necessary to estimate cost and gauge progress were not in place. We recommended that the NASA Administrator take several steps, including completing the reassessment of NASA's Integrated Space Transportation Plan, before moving forward with SLI. NASA concurred and in November 2002 took action to delay decisions regarding future launch vehicles and refocused SLI on conducting basic research on advanced launch technologies and developing a vehicle to service the International Space Station. In 2005, NASA terminated the entire SLI program and redirected \$3.7 billion in funding originally programmed for SLI toward future exploration activities. (Goal 3)</p> | \$3.7 |

| | |
|--|---------------|
| <p>Helped to reduce food stamp fraud and abuse. Since 1994, we repeatedly reported and testified on reducing fraud and abuse in the Department of Agriculture’s (USDA) Food Stamp Program by reducing the trafficking of benefits. In our 1994 and 1995 reports, we found that USDA’s reliance on paper coupons to provide food stamp benefits had resulted in fraud and abuse through trafficking, counterfeiting, and mail theft. To reduce this fraud and abuse, we supported the use of electronic benefit transfer (EBT) systems to replace the coupon-based system that states were using. In response, the Congress passed legislation that required that each state implement EBT for the Food Stamp Program by October 1, 2002, unless the Secretary of Agriculture granted a waiver. USDA reported in December 2006 that the Food Stamp Program’s integrity had substantially improved, estimating that trafficking had diverted only about \$241 million per year between 2002 and 2005—or about 1 cent of each food stamp dollar—compared with an estimated \$660 million per year—or about 3-1/2 cents of each food stamp dollar—diverted between 1996 and 1998. USDA found that the decline in food stamp trafficking corresponded with the increased use of EBT. This will result in an estimated \$3.4 billion in cumulative financial benefits between fiscal years 2005 and 2009. Also, in fiscal year 2007 we recommended that USDA use its electronic data to perform risk assessments of retailers most likely to traffic in food stamp benefits and develop a strategy to increase penalties for this offense. USDA responded by proposing new penalties and expedited processes. (Goal 1)</p> | <p>\$3.4</p> |
| <p>Recommended that the Department of Housing and Urban Development (HUD) track and reallocate unspent housing funds. We recorded about \$2.19 billion in financial benefits based on our work involving the HUD recaptured fiscal year 2005 unexpended balances. Prior to 2002 HUD did not routinely review its unexpended fund balances to determine whether these funds could be recaptured. In 2001, we expressed concerns over unexpended balances in a briefing to the incoming Administration and testified before the Subcommittee on Housing and Transportation, Senate Committee on Banking Housing and Urban Affairs, about long-standing problems HUD had in the management and oversight of its unexpended balances. Using the Public Housing Capital fund as an example, we stated, and HUD agreed, that it did not have the information it needed to routinely quantify unexpended balances that might be available for recapture. Given the importance of this information in formulating and justifying budget requests, we recommended that HUD (1) develop systems that routinely provide timely and reliable information on the status of its unexpended balances to quantify amounts available for recapture or rescission, (2) incorporate this information into the management of its programs, and (3) use this information in formulating budget requests. In response to our recommendations, HUD made many operational changes that since 2002 have enabled the agency to routinely incorporate information on unexpended balances into the management and operation of its programs and to take unexpended balances into account in setting forth budget needs. HUD has routinely recaptured unutilized funds to offset its budget requests. (Goal 1)</p> | <p>\$2.19</p> |
| <p>Helped to increase collections of civil debt. In July 2001, we reported that the Department of Justice’s (Justice) financial litigation units, which are responsible for both criminal and civil debt collection, did not have adequate procedures for enforcing collections. We made a number of recommendations to the Attorney General to help the units improve criminal debt collections and stem the growth in reported uncollected criminal debt. One such recommendation was to reinforce policies and procedures for entering cases into debt-tracking systems; filing liens; issuing demand letters, delinquent notices, and default notices; performing asset discovery work; and using other enforcement techniques. These policies and procedures are applicable to the units’ civil as well as criminal debt collection efforts. In January 2002, Justice completed actions to address this recommendation, including providing training materials to unit staff involved in debt collection. These actions helped it to increase collections of civil debt in fiscal years 2004 and 2005—the third and fourth years for which we are claiming financial benefits over a 5-year period—by a total of about \$1.70 billion on a net present value basis. (Goal 3)</p> | <p>\$1.70</p> |
| <p>Recommended that the Congress reduce the Department of Defense’s (DOD) fiscal year 2007 operations and maintenance budget. The congressional appropriations committee conferees reduced DOD’s fiscal year 2007 operations and maintenance appropriations by \$1.459 billion based in part on the analysis we provided identifying fiscal year 2004 and 2005 underexecution of some budget subactivity groups. Staff members used the analysis of underexecution (designations exceeded obligations) for fiscal years 2004 and 2005 in part to reduce DOD’s fiscal year 2007 budget request by \$598.8 million for subactivity groups that have been historically underexecuted. In addition, the conferees reduced DOD’s fiscal year 2007 budget request by \$860.6 million for peacetime training and flying hour offsets also based in part on our analysis of underexecution in multiple subactivity groups used to fund these activities. The combined impact—as indicated above—is about \$1.459 billion. (Goal 2)</p> | <p>\$1.46</p> |

Identified an opportunity for DOD to reallocate funds to cover new initiatives. In a November 2002 report, we suggested that the Congress consider extending the deadline for the submission of DOD’s Quadrennial Defense Review in order to provide additional time for DOD to align its upcoming budget request with its newest strategic thinking as reflected in the Quadrennial Defense Review. In our view, this extra time would allow DOD to take full advantage of the review’s results and shift resources where they would be needed most, that is, provide for a better allocation of resources, and avoid unnecessary costs of lower priority programs. The Congress adopted our approach and the 2006 Quadrennial Defense Review is the first to benefit from the extended deadline and reallocate defense resources in accordance with DOD’s new strategic plan. As a result, DOD’s fiscal year 2007 budget shifts resources into new programs advocated by the Quadrennial Defense Review, including over \$1 billion for a special operations initiative to help fight the war on terror. To pay for these initiatives, DOD shaved billions of dollars from other programs. The 2006 Quadrennial Defense Review stated that by shifting the completion date of the review to coincide with the submission of the President’s fiscal year 2007 budget request, DOD had included a limited number of new initiatives in the budget submission for fiscal year 2007, rather than waiting until the fiscal year 2008 budget cycle. The final congressional action on DOD’s proposal provided a \$1.2 billion increase in funding for Special Operations Forces in fiscal year 2007. (OMB documents state that DOD made offsetting reductions before the President’s budget was sent to the Congress.) The financial benefit is the \$1.2 billion made available from the reallocation of resources. (Goal 2)

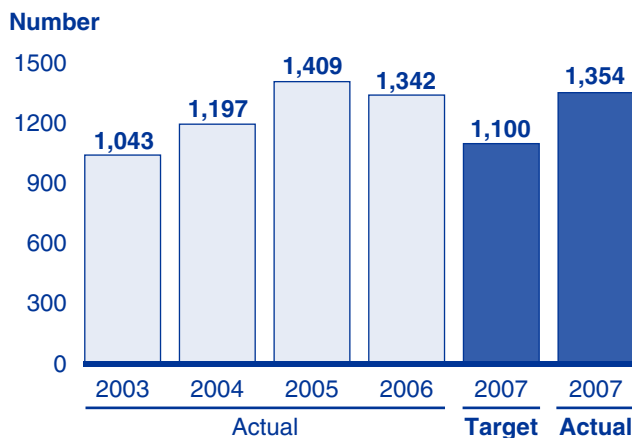
\$1.2

Source: GAO.

Nonfinancial Benefits

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2007, we recorded a total of 1,354 nonfinancial benefits (see fig. 9). We significantly exceeded our target because of actions taken by agencies governmentwide on several of our reports dealing with governmentwide IT and accounting issues. We believe that we will achieve our fiscal year 2008 target of 1,150 nonfinancial benefits (shown on p. 21) though we do not expect there will be as many situations similar to fiscal year 2007 where agencies will take governmentwide actions on our recommendations.

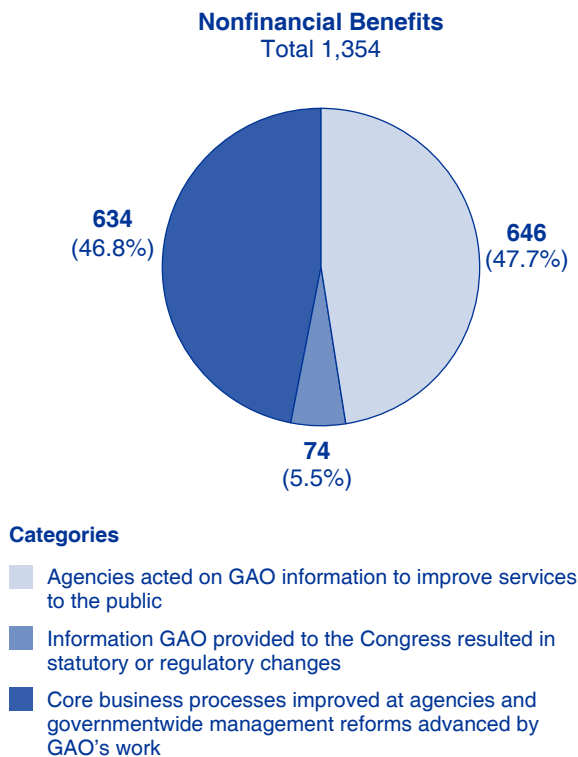
Figure 9: Nonfinancial Benefits GAO Recorded in Fiscal Year 2007



Source: GAO.

In fiscal year 2007 we documented 646 instances where federal agencies used our information to improve services to the public, 74 instances where the information we provided to the Congress resulted in statutory or regulatory changes, and 634 instances where agencies improved core business processes or governmentwide reforms as a result of our work. (See [fig. 10.](#)) These actions covered a variety of issues such as improving the Department of Veteran’s Affairs’ (VA) ability to process veteran’s claims for disability benefits, identifying weaknesses in telecommunications data, providing information on the rising cost of military pay and compensation, and improving the strategic planning of U.S. diplomacy efforts. In [figure 11](#), we provide examples of some of the nonfinancial benefits we claimed as accomplishments in fiscal year 2007. The laws that we cite in the first section of this figure were enacted in fiscal year 2007.

Figure 10: Types of Nonfinancial Benefits Documented in Fiscal Year 2007 from Our Work



Source: GAO.

NONFINANCIAL BENEFITS

Source: See Image Sources.

Figure 11: GAO's Selected Nonfinancial Benefits Reported in Fiscal Year 2007

Nonfinancial benefits that helped to change laws

Department of Homeland Security Appropriations Act of 2007, Pub. L. No. 109-295

Our work is reflected in this law in different ways.

Developing a center to locate children after disasters. After hurricanes Katrina and Rita, GAO found that the National Center for Missing and Exploited Children (NCMEC) faced problems getting access to American Red Cross and Federal Emergency Management Agency (FEMA) data because of these organizations' concerns about privacy. GAO found that a lesson learned from these disasters is that agreements for data sharing between NCMEC and the American Red Cross and FEMA can help locate missing persons more quickly. We spoke about these concerns several times with congressional staff. Subsequently, Pub. L. No. 109-295 provided for a National Emergency Child Locator Center to be established within NCMEC and requires the FEMA Administrator to establish procedures to make all relevant information available to the center in a timely manner to facilitate the expeditious identification and reunification of children with their families. The law also requires the center to enter into a cooperative agreement with federal and state agencies and with other organizations, such as the American Red Cross, as necessary to implement their missions.

Improving FEMA information on the status of hurricane relief and recovery funds. In September 2006, we recommended four actions to improve reporting by FEMA to the appropriations committees on the status of governmentwide hurricane relief and recovery. These actions included (1) explicitly recognizing that FEMA's weekly reporting on mission assignment obligations and expenditures does not reflect the status from a governmentwide perspective, (2) requesting and including actual obligation and expenditure data from agencies performing mission assignments in FEMA reporting at specified intervals, (3) including in the weekly report amounts reimbursed to other agencies that are in suspense because FEMA has not yet reviewed and approved the documentation supporting the expenditures, and (4) reiterating to agencies performing mission assignments FEMA's policies on (a) the detailed information required in supporting documentation for reimbursements and (b) the timeliness of agency billings. As requested, we provided language that was included in Pub. L. No. 109-295 which implemented these recommendations.

The John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364

U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Pub. L. No. 110-28

In December 2005 and January 2007, we reported that DOD and NASA structured monetary incentives in ways that led to significant disconnects between the fees paid to contractors and program outcomes. We made recommendations aimed at strengthening the link between incentives and outcomes. The Comptroller General testified on this issue in April 2006 and we briefed multiple congressional committees. The result has been changes to award and incentive fee policies across several agencies including DOD, NASA, and the Department of Homeland Security (DHS). Pub. L. No. 109-364 incorporated our recommendations by requiring DOD to issue guidance to ensure that award fees are linked to acquisition outcomes. In addition, Pub. L. No. 110-28 required all DHS award fees to be linked to successful acquisition outcomes.

Postal Accountability and Enhancement Act, Pub. L. No. 109-435

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

Foreign Investment and National Security Act of 2007, Pub. L. No. 110-49

The Exon-Florio amendment to the Defense Production Act authorizes the President to conduct investigations and to suspend or prohibit foreign acquisitions, mergers, or takeovers of U.S. companies that threaten to impair national security. The President delegated the authority to investigate transactions to an interagency committee, the Committee on Foreign Investment in the United States. In our September 2005 report, we found that some members of the committee have narrowly defined what constitutes a threat to national security, despite the broad coverage of the factors listed in Exon-Florio that may be considered in determining a threat to national security. In one case, this narrow view resulted in the weakening of enforcement provisions in an agreement to mitigate national security concerns. In our report, we suggested that the Congress consider amending Exon-Florio to more clearly emphasize factors that should be considered in determining the potential harm to national security. In response to our report and subsequent events, in 2007 the Congress amended Exon-Florio adding additional factors to be considered in determining the effect of a transaction on national security.

Implementing Recommendations of the 9/11 Commission Act of 2007, Pub. L. No. 110-53

Our work is reflected in this law in different ways.

Reexamining inspection exemptions for inbound cargo. During our review of the Transportation Security Administration's (TSA) inbound air cargo (i.e., cargo bound for the United States from a foreign country) security procedures, we briefed congressional staff on several occasions regarding the status of inbound air cargo security and the challenges that TSA faces to reducing the vulnerability of the air cargo system to terrorist attack. Based on a subsequent report, we recommended that TSA establish a time frame for completing an assessment of whether existing random inspection exemptions for inbound air cargo pose an unacceptable vulnerability to the security of air cargo, and take steps, if necessary, to address identified vulnerabilities. The Congress included a provision in the 9/11 Commission Act consistent with our recommendation which requires DHS to conduct an assessment of inspection exemptions for cargo transported on passenger aircraft and an analysis to assess the risk of maintaining such exemptions no later than 120 days from the enactment of the act.

Reexamining inspection exemptions for domestic air cargo. During our review of TSA's domestic air cargo (i.e., cargo that is transported within the United States) security procedures, we briefed congressional staff regarding the status of domestic air cargo security and the challenges that TSA faces to reduce the vulnerability of the air cargo system to terrorist attack. Based on a subsequent report, we recommended that TSA reexamine the rationale for existing air cargo inspection exemptions, determine whether such exemptions leave the air cargo system unacceptably vulnerable to terrorist attack, and make any needed adjustments to the exemptions. The Congress included a provision in the 9/11 Commission Act consistent with this recommendation, by requiring DHS to conduct an assessment of inspection exemptions for cargo transported on passenger aircraft and an analysis to assess the risk of maintaining such exemptions no later than 120 days from the enactment of the act.

Nonfinancial benefits that helped to improve services to the public

Strengthened screening procedures for all VA health care practitioners

We identified key screening requirements that VA uses to verify the professional credentials and personal backgrounds of its health care practitioners. We found adequate screening requirements for certain practitioners, such as physicians, for whom all licenses are verified by contacting state licensing boards. However, screening requirements for others, such as currently employed nurses and respiratory therapists, are less stringent because they do not require verification of all licenses and national certificates. Moreover, they require only physical inspection of the credential rather than contacting state licensing boards and national certifying organizations. Physical inspection alone can be misleading; not all credentials indicate whether they are restricted, and credentials can be forged. We recommended that VA expand the verification requirement that facility officials contact state licensing boards and national certifying organizations to include all state licenses and national certificates held by applicants and employed practitioners. In response to our recommendation, VA directed its medical facilities to document the verification of all state licenses and national certificates (held by all practitioners applying for VA positions) with the issuing state licensing board or national certifying organization. In December 2006, VA required facility officials to credential all health care practitioners who claim licensure, registration, or certification through its electronic credentialing system. In addition, VA required its facility officials to establish a mechanism to ensure that multiple licenses, registrations, and/or certifications were held in good standing by contacting the state boards or issuing organization. VA's actions will better ensure the safety of veterans receiving health care at VA medical facilities.

Tightened monitoring criteria in the Environmental Protection Agency's (EPA) rule on lead in drinking water

In a January 2006 report, we recommended that EPA should reassess existing regulations and guidance to ensure the circumstances in which states approve water systems for reduced monitoring are appropriate and that systems resume standard monitoring following a major treatment change. We reported that lead rule implementation experiences to date have revealed weaknesses in the regulatory framework. In some cases, corrosion control can be impaired by changes to other water treatment processes, and controls that would help avoid such impacts may not be adequate. In July 2006, EPA proposed to change the federal regulations and disallow water systems that exceed the lead action level from initiating or remaining on a reduced lead and copper monitoring schedule based solely on the results of their water quality parameter monitoring (see *Federal Register*, 71, FR 40828 (July 18, 2006)). EPA noted that this change would ensure that reduced monitoring would only be permitted in instances in which it has been demonstrated that corrosion control treatment is both effective and reliable. Compliance with water quality parameters alone may not always indicate that corrosion control is effective.

Encouraged reporting of nursing home fire safety deficiencies

As part of our review of nursing home fire safety, we found that federal oversight of state fire safety activities is inadequate to ensure that existing standards are being enforced. Specifically, we found that despite the availability of information on oversight of nursing home quality through the Center for Medicare and Medicaid Services' (CMS) Nursing Home Compare Web site, no comparable information on fire safety was available. Therefore, consumers lack a complete picture of a nursing home's compliance with federal health and safety requirements when selecting a facility. To provide the public with important information about the fire safety status of nursing homes, we recommended that the Administrator of CMS make fire safety deficiency data available via the Nursing Home Compare Web site, including information on whether the facility has automatic sprinklers. CMS concurred with our recommendation and began posting this information on the Web site in October 2006.

Improved information security at the Securities and Exchange Commission (SEC)

In our past work we reported that a publicly accessible workstation connected to the internal SEC network was not securely configured. We recommended that SEC develop and implement procedures to ensure that all publicly-accessible workstations were adequately secured and configured with the minimum amount of services necessary to accomplish their purpose. In response to our recommendation, SEC removed the unsecured workstation and developed procedures to ensure that publicly located workstations are secure. As a result, SEC has reduced the risk that network services can be compromised, disrupted, or disabled via publicly accessible workstations.

Improved coordination to enhance security of nuclear warhead sites in Russia

We reported in past work that DOD and the Department of Energy (DOE) pursued different approaches to securing nuclear warhead sites in Russia. We found that DOD and DOE did not know how many additional sites they planned to help secure, had not determined which department would improve security at sites they both had in their plans, and had not worked together to standardize the types of security equipment provided to Russia. As a result, we recommended that DOD and DOE work more closely together and develop an integrated plan to help secure Russia's warhead sites. In response, DOD and DOE improved their coordination mechanisms for sharing information and avoiding duplication of effort. Under the aegis of National Security Council (NSC) guidance, the departments agreed on what sites to upgrade and which department would install the upgrade. They have also developed common design standards to ensure consistency in the assistance provided to Russia warhead storage sites. DOD and DOE have also adopted similar approaches in how they manage the contracts for installing the security upgrades.

Nonfinancial benefits that helped to promote sound agency and governmentwide management

FEMA establishes control to help limit disaster assistance payments to individuals with invalid Social Security numbers

As part of our audit of FEMA's Individuals and Households Program (IHP) to assist the victims of hurricanes Katrina and Rita, we found that FEMA did not adequately validate the identity of registrants applying for disaster assistance. We identified payments to thousands of IHP registrants who provided Social Security numbers that were never issued or which belonged to deceased individuals. We recommended that FEMA improve internal controls over identity confirmation to provide reasonable assurance that disaster assistance payments are made only to qualified IHP applicants. FEMA subsequently implemented new edit controls intended to ensure that Social Security numbers and names submitted by IHP disaster assistance registrants are both appropriately matched and valid. FEMA's improved control procedures in this area should improve up-front controls over the registration process to better ensure that only valid applicants receive IHP payments, thereby helping to reduce fraudulent IHP payments based on invalid registration data.

NASA establishes policies for reimbursement by nonofficial travelers on passenger aircraft

In previous work we found that while NASA used its passenger aircraft to transport numerous nonofficial travelers to various events, it did not have effective procedures in place for collecting reimbursements from these travelers as required by OMB Circular No. A-126. We recommended that NASA establish procedures for identifying and recovering applicable costs associated with transporting these nonofficial travelers. In response to our recommendations, in fiscal year 2006, NASA revised its aircraft use policy to include specific instructions for identifying and obtaining reimbursements from nonofficial travelers. This policy change establishes necessary procedures for recovering the applicable costs of providing air transportation services to nonofficial travelers, and may result in savings to NASA and the federal government for the cost of transporting these passengers.

Army requires credit card vendors to conduct credit checks before issuing individually billed travel cards

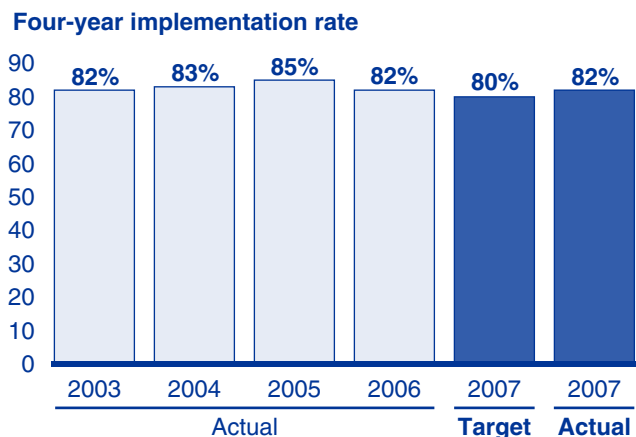
During our audits of the Army's controls over individually billed travel cards, we found substantial problems with controls over travel card accounts, including issuing cards to individuals without conducting credit checks. Credit checks could have revealed travel card applicants with poor prior credit histories and helped prevent the substantial delinquencies and amounts charged-off identified in our audits. GAO recommended that the Army establish policies and procedures governing the issuance of individual travel cards to military and civilian employees, including evaluating the feasibility of extended use of credit checks for all travel card applicants. In response to our recommendation, pursuant to a revision to DOD's Financial Management Regulation, the Army now requires its travel card contractor to perform a credit check on each new card applicant. Under this policy, (1) applicants who refuse to permit a credit checks may be asked to self-certify to their creditworthiness in order to obtain restricted travel cards, and (2) applicants who are denied government travel cards due to poor credit scores, or inability to meet self-certification requirements, will be exempt from mandatory use of the individually billed account travel cards. By implementing these requirements, Army strengthened management oversight and internal controls over the individually billed travel card program and reduced the chance that travel cards will be issued to individuals at high risk of not making payments or not making payments timely, thus reducing fees and eliminating substantial resources spent pursuing and collecting past due accounts.

Source: GAO.

Past Recommendations Implemented

One way we measure our effect on improving the government’s accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2007, 82 percent of the recommendations we made in fiscal year 2003 had been implemented (see [fig. 12](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

Figure 12: Percentage of Past Recommendations Implemented in Fiscal Year 2007

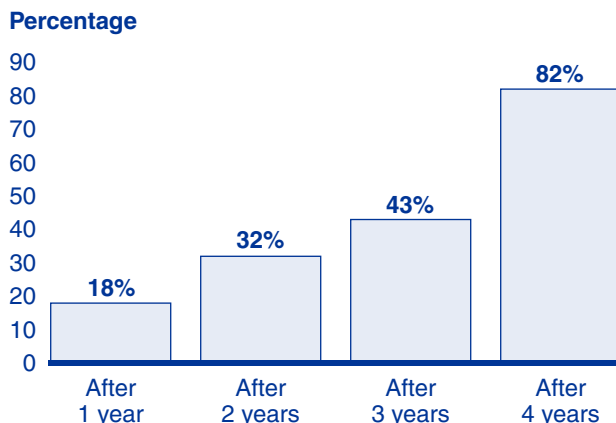


Source: GAO.

The 82 percent implementation rate for fiscal year 2007 exceeded our target for the year by 2 percentage points, matching our performance in fiscal years 2003 and 2006, respectively. Our performance on this measure declined from 85 percent in fiscal year 2005 to 82 percent in fiscal years 2006 and 2007 because, in some cases, we were unable to obtain the agency data that would allow us to fully document that our recommendations had been implemented. As [figure 13](#) indicates, agencies need time to act on recommendations. Therefore, we assess recommendations implemented after

4 years, the point at which experience has shown that if a recommendation has not been implemented, it is not likely to be.

Figure 13: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2003



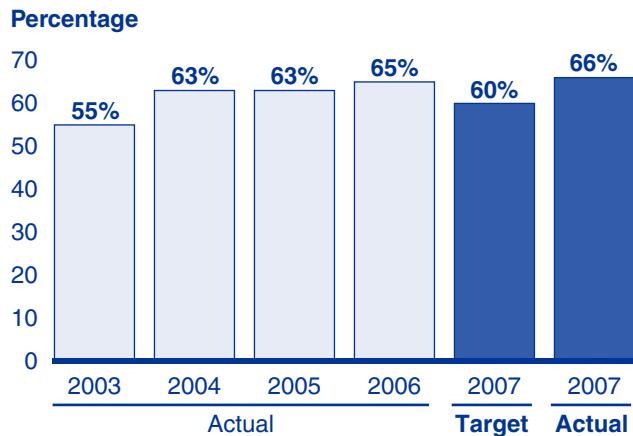
Source: GAO.

New Products Containing Recommendations

In fiscal year 2007, about 66 percent of the 647 written products we issued (excluding testimonies) contained recommendations. (See [fig. 14](#).) We track the percentage of new products with recommendations because we want to encourage staff to develop recommendations that when implemented by the Congress and agencies, produce financial and nonfinancial benefits for the nation. We exceeded our target of 60 percent by 6 percentage points because our audit teams are emphasizing the need to identify possible recommendations as they plan and carry out their work. However, we set our target again in fiscal year 2008 at 60 percent because we recognize that our products do not always include recommendations and that the Congress and agencies often find such informational reports just as useful as those that contain recommendations. Our informational reports have the same

analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about significant financial and nonfinancial benefits. Hence, this measure allows us ample leeway to respond to requests that result in reports without recommendations.

Figure 14: Percentage of New Products with Recommendations in Fiscal Year 2007



Source: GAO.

Focusing on Our Client

To fulfill the Congress’s information needs, we strive to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we assisted our client—the Congress—well, by significantly exceeding our target on the number of hearings we participated in and delivering many of our products on time based on the feedback from our client.

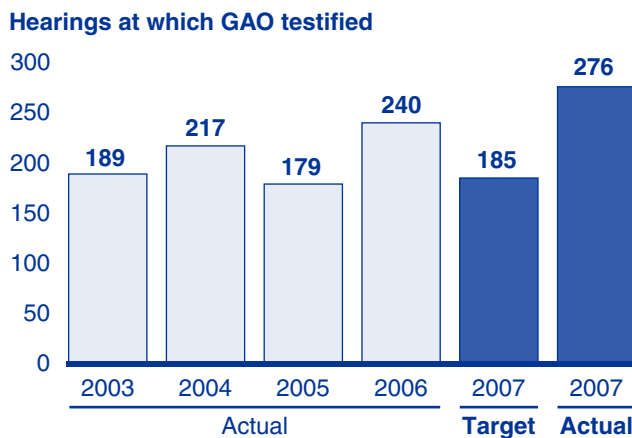
Testimonies

Our clients often invite us to testify on our current and past work when it addresses issues that congressional committees are examining through the hearing process. During fiscal year 2007, experts from our staff testified at 276 congressional hearings covering a wide range of complex issues

(see fig. 15). (See fig. 16 for a summary of issues we testified on by strategic goal in fiscal year 2007.) Over 90 of our testimonies were related to high-risk areas and programs, which are discussed on page 40.

In fiscal year 2007, we significantly exceeded our target for testimonies at 185 hearings and surpassed our performance on this measure over the last 4 years. In fact, only three times in the last 25 fiscal years have we delivered testimonies at more hearings. The new Congress that took office in January 2007 was extremely interested in our past and current work on a variety of issues and asked us to testify at 91 more hearings than we anticipated even though this was during a year following an election when historically our testimonies are lower. The Congress asked our executives to testify more than 10 times this fiscal year on Hurricane Katrina issues and about 20 times on issues related to both terrorism and the Iraq conflict. Though lower than our actual performance on this measure in 2007, we believe that our fiscal year 2008 target of testimonies at 220 hearings is challenging and reflects a more typical estimate of the number of hearings we are likely to attend after a very busy first year for this Congress.

Figure 15: Testimonies



Source: GAO.

Figure 16: GAO's Selected Testimony Issues in Fiscal Year 2007

SELECTED TESTIMONY ISSUES

FISCAL YEAR 2007

Goal 1:

Address Challenges to the Well-Being and Financial Security of the American People

- Federal oversight of food safety
- Capacity and service gaps among homeless veterans programs
- Reauthorizing the State Children's Health Insurance Program
- Claims processing challenges for veterans' disability benefits
- FEMA payments on hurricane-damaged properties
- Nursing home oversight
- Private pension fees
- Small Business Administration's disaster preparedness efforts
- Improved safety for coal miners
- Federal actions to improve child welfare services
- Oil and gas royalties
- Medicare physician payments
- Effects of seller-funded down payments on home loans
- Status of the future air traffic control system
- USPS reform efforts
- Federal real property issues
- Emergency management plans for schools

Goal 2:

Respond to Changing Security Threats and the Challenges of Globalization

- Status of benchmarks for Iraqi government
- DOD's management of systems and assets
- Improving the military's supply chain
- Linking defense strategy with military personnel requirements
- Navy shipbuilding
- Using best practices for space acquisitions
- Vulnerabilities in U.S. export control systems
- Combating nuclear smuggling
- Securing radiological sources in foreign countries
- Improving the efficiency of U.S. food aid procedures
- National strategy to enforce intellectual property rights
- DHS's major mission and management functions
- Risk-management principles and homeland security
- Secure border initiative
- Bankruptcy reform and credit counseling
- National strategy to improve financial literacy
- VA's information security management

Goal 3:

Help Transform the Federal Government's Role and How It Does Business

- Contracting and security challenges in Iraq
- Federal acquisitions and contracting challenges
- Acquisition challenges at DHS
- Security vulnerabilities at unmonitored border locations
- Incomplete reporting of federal improper payments
- Fiscal stewardship challenges facing the United States
- Tax abuses by Medicare Part B providers
- Transforming DHS's financial management systems
- Challenges facing the polar satellite program
- Electronic voting
- Balancing individual privacy with homeland security needs
- Health information technology and privacy
- Long-term fiscal challenges
- Tax compliance
- Human capital challenges facing the federal government
- Rebuilding the Gulf Coast
- Preparations for the 2010 Census

Source: See Image Sources.

Timeliness

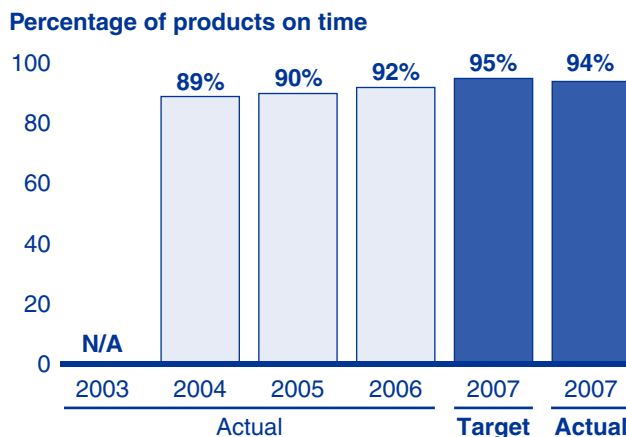
To be useful to the Congress, our products must be available when our client needs them. We used the results of our client feedback survey as a barometer for how well we are getting our products to our congressional clients when they need the information. We used this survey as the primary data source for our external timeliness measure because the responses come directly from our clients. We tally responses from the surveys we send to key congressional staff working for the requesters of our testimony statements and more significant written products (e.g., engagements assigned an interest level of “high” by our senior management⁴ and those requiring an investment of 500 staff days or more), which represented 95 percent of the written products we issued in fiscal year 2007. Because our products usually have multiple requesters, we often survey more than one congressional staff person per testimony or product. Each survey asks the client whether the product was provided or delivered on time. In fiscal year 2007, we had a 28 percent response rate from the congressional staff surveyed, which provided us with feedback on 54 percent of the products for which we sent surveys.

As shown in [figure 17](#), in fiscal year 2007 we missed our timeliness target by 1 percentage point. We have always set our target for timeliness high because it is important for us to meet congressional needs when they occur, but we have yet to achieve this target. We will continue to emphasize to our audit teams the importance of communicating with our clients about when they will need testimony statements and products and delivering these statements and products

⁴As part of our risk-based engagement management process, we identify a new engagement as high interest if the work we need to perform will likely require a large investment of our resources, involve a complex methodology, or examine controversial or sensitive issues.

when agreed to allow them enough time to prepare for hearings and other congressional activities. We anticipate these actions will enable us to meet our fiscal year 2008 target of 95 percent.

Figure 17: Timeliness



Source: GAO.

Note: We pilot tested our client feedback survey beginning in March 2002 and collected actual data on our clients’ satisfaction with the timeliness of our products beginning in fiscal year 2004.

Focusing on Our People

Our highly professional, multidisciplinary staff were critical to the level of performance we demonstrated in fiscal year 2007. Our ability to hire, develop, retain, and lead staff is a key factor to fulfilling our mission of serving the Congress and the American people.

Over the last 5 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2007, we met or exceeded our targets for five of our eight people measure. All eight measures are directly linked to our goal 4 strategic objective of becoming a professional services employer of choice. For more information about our people measures, see [Verifying and Validating Performance Data on page 78](#) of this report.

New Hire Rate and Acceptance Rate

Our new hire rate is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account strategic goals, projected workload changes, and other changes such as retirements, attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires and, for each new hire, specifies the pay plan, skill type, and level. The plan is conveyed to each of our units to guide hiring throughout the year. Progress toward achieving the workforce plan is monitored monthly by the Chief Operating Officer and the Chief Administrative Officer. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions. In fiscal year 2007, our adjusted

plan was to hire 198 staff. However, we were only able to bring on board 187 staff by year-end. Of the 198 staff positions, 3 positions were carried over to fiscal year 2008 because the applicants could not start until the new fiscal year. Our acceptance rate measure is a proxy for our attractiveness as an employer and an indicator of our competitiveness in bringing in new talent. It is the ratio of the number of applicants accepting offers to the number of offers made. [Table 3](#) shows that we exceeded by 1 percentage point the targets we set for our new hire rate and met our acceptance rate target of 72 percent. Our calculations for each of these measures do not include offers extended to applicants for fiscal year 2007 vacancies who accepted but will not report on duty until the first quarter of fiscal year 2008. (For more about our recruitment strategy and performance in fiscal year 2007, see app. 1, p. 182.)

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

| Performance measures | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| People | | | | | | |
| New hire rate | 98% | 98% | 94% | 94% | 95% | 96% |
| Acceptance rate | 72% | 72% | 71% | 70% | 72% | 72% |

Source: GAO.

Retention Rate

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

attrition rate, where attrition rate is defined as the number of separations divided by the average on-board strength. We calculate this measure with and without retirements. [Table 4](#) shows that both of our retention rate targets have declined 2 percentage points since fiscal year 2003, but have remained relatively flat during the intervening years.

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

| Performance measures | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| People | | | | | | |
| Retention rate | | | | | | |
| With retirements | 92% | 90% | 90% | 90% | 90% | 90% |
| Without retirements | 96% | 95% | 94% | 94% | 94% | 94% |

Source: GAO.

Staff Development and Utilization, Leadership, and Organizational Climate

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

In fiscal year 2007, about 72 percent of our employees completed the survey, and we met our target for staff development but missed the remaining three targets (see [table 5](#)). Though we did not meet our targets for leadership or organizational climate in fiscal year 2007, the favorable responses were equal to or slightly better than those in fiscal year

2006. We revised our fiscal year 2008 targets slightly for leadership and organizational climate and set them at 80 percent and 75 percent, respectively, to be more realistic, but still challenging. We anticipate continued improvement on these measures. Since fiscal year 2003, favorable responses to our staff utilization measure (see p. 90 for more information on this measure) have generally increased, but declined in fiscal year 2007. We also adjusted this target slightly and set it at 75 percent for fiscal year 2008 to ensure that it is realistic and challenging, and we plan to perform a comprehensive analysis of the factors associated with staff utilization during the fiscal year.

Data from our employee feedback survey are also used by the Partnership for Public Service to determine our standing in the annual Best Places to Work in the Federal Government rankings. We were cited as second on the list of large federal agencies according to rankings released in April 2007 by this organization. We were also selected by *Washingtonian* magazine in September 2007 as a “Great Place to Work” from more than 225 candidates because of our interesting work, good pay and benefits, collegial staff, employee development, and flexibility.

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

| Performance measures | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| People | | | | | | |
| Staff development | 67% | 70% | 72% | 76% | 75% | 76% |
| Staff utilization | 71% | 72% | 75% | 75% | 78% | 73% |
| Leadership | 78% | 79% | 80% | 79% | 80% | 79% |
| Organizational climate | 71% | 74% | 76% | 73% | 76% | 74% |

Source: GAO.

Focusing on Our Internal Operations

Our mission and people are supported by our internal administrative services, including information management, facility management, knowledge services, human capital, financial management, and other services. To assess our performance related to how well our internal administrative services help employees get their jobs done or improve employees' quality of work life, we use information from our annual customer satisfaction survey to set targets and assess our performance for both of these measures, which are shown in [table 6](#) along with baseline data that we recorded for them in fiscal year 2003 and fiscal year 2004. We asked staff to rank 31 internal services available to them and to indicate on a scale from 1 to 5 their satisfaction with each

service. Our internal operations measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. The first measure encompasses 21 services that help employees get their jobs done, such as Internet access, desktop computer equipment, voice and video communication systems, shared service centers for copying and courier assistance, travel services, and report production. The second measure encompasses another 10 services that affect quality of work life, such as assistance related to pay and benefits, building security and maintenance, and workplace safety and health. Using survey responses, we calculate a composite score for each service category that reflects employee ratings for (1) satisfaction with the service and (2) importance of the service.

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

| Performance measures | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Internal operations | | | | | | |
| Help get job done | 3.98 | 4.01 | 4.1 | 4.1 | 4.0 | N/A |
| Quality of work life | 3.86 | 3.96 | 3.98 | 4.0 | 4.0 | N/A |

Source: GAO.

Note: We will report actual data for fiscal year 2007 once the data from our November 2007 internal operations survey have been analyzed. N/A indicates that the data are not available yet.

Building and Sustaining Partnerships

The various societal, economic, and other challenges facing our nation are becoming increasingly difficult for public agencies to address, in part because these issues tend to cut across different organizations and sectors. At the same time, public agencies are being called upon to address these complex problems in an era of tighter resources, smaller workforce levels, and other constraints. As a result of these trends, it will be difficult, if not impossible, for any one agency to address these challenges on its own. Moreover, evidence suggests that the most effective solutions arise when organizations join forces to apply their experience, knowledge, and resources to address common challenges.

We have long recognized the importance of working collaboratively, and teams and units supporting all four of our strategic goals have continued their partnerships with a number of organizations, such as the National Academies of Sciences, the Council for Excellence in Government, and the International Organization of Supreme Audit Institutions (INTOSAI). Indeed, our collaborative relationships with “good government” and other domestic and international organizations enhance our ability to manage risk, address

common challenges, improve government operations, provide better service to the public, make meaningful changes to the accountability process, and leverage available resources, all while maintaining our professional independence. Simply put, our relationships with our partners and other affiliates help us and them to carry out our respective missions.

In fiscal year 2006, we began a formal effort to identify indicators that could help us measure the quality of our collaborative relationships. This initiative continued in fiscal year 2007, when a special team was created and tasked with developing a methodology that would enable us to (1) assess the extent and nature of our collaborative activities, (2) quantitatively measure the effectiveness of our collaborative activities, and (3) identify options for improving those relationships.

Among other actions, the team reviewed available literature for leading practices on partnering, interviewed our senior executives and partner organization officials on their collaborative activities, and developed and pretested a survey of partner organizations designed to elicit information on how well our collaborative relationships were working.

Moving forward, we expect to finalize the survey and other aspects of the methodology and survey these organizations in fiscal year 2008.

GAO's High-Risk Program

Since 1990, our high-risk program has highlighted long-standing challenges facing the federal government. Increasingly, the program has focused on those major programs and operations that are in urgent need of broad-based transformation and congressional as well as executive branch action, to ensure that our national government functions in the most economical, efficient, and effective manner possible. Our latest regular update, released in January 2007, highlights 27 troubled areas across government. Many of these areas involve critical public service providers, such as USDA, IRS, and CMS, which provides services to Medicare and Medicaid recipients.

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

In fiscal year 2007, we determined that sufficient progress was made to merit removing the high-risk designation from two areas—the USPS transformation efforts and long-term outlook and HUD's single-family mortgage insurance and rental housing assistance programs. We also designated three new areas as high risk: financing the nation's transportation system, ensuring the effective protection of technologies critical to U.S. national security interests, and transforming federal oversight of food safety.

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

Our high-risk list work in fiscal year 2007:

- 221 reports
- 96 testimonies
- \$13.55 billion in financial benefits

In fiscal year 2007, we issued 221 reports and delivered 96 testimonies related to our high-risk areas and documented financial benefits totaling approximately \$13.55 billion. These results included, for example, reviews we completed in evaluating DOD's weapon system acquisition process. Some of our significant work in this area includes reviewing DOD's progress in meeting cost, schedule, and performance goals for the Joint Strike Fighter—DOD's most expensive aircraft acquisition program—and assessing the challenges to building a new type of aircraft carrier, the USS *Gerald R. Ford*, within budget. Our work in the DOD's weapons system acquisition area resulted in \$2.6 billion in financial benefits. In addition, we examined how IRS could better enforce tax laws. For example, we made recommendations on how to increase the tax compliance of sole proprietors and improve the efficiency in the appeals process used by taxpayers facing liens or levies. We documented approximately \$1.3 billion in financial benefits from our past work in the enforcement of tax laws area. To learn more about our work on the high-risk areas or to download our January 2007 high-risk update in full, go to www.gao.gov/docsearch/featured/highrisk.html.

Table 7: GAO's 2007 High-Risk List

| High-risk area | Year designated high risk |
|---|---------------------------|
| Addressing Challenges In Broad-Based Transformations | |
| ■ Strategic Human Capital Management ^a | 2001 |
| ■ Managing Federal Real Property ^a | 2003 |
| ■ Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures | 1997 |
| ■ Implementing and Transforming the Department of Homeland Security | 2003 |
| ■ Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security | 2005 |
| ■ DOD Approach to Business Transformation ^a | 2005 |
| ■ DOD Business Systems Modernization | 1995 |
| ■ DOD Personnel Security Clearance Program | 2005 |
| ■ DOD Support Infrastructure Management | 1997 |
| ■ DOD Financial Management | 1995 |
| ■ DOD Supply Chain Management (formerly Inventory Management) | 1990 |
| ■ DOD Weapon Systems Acquisition | 1990 |
| ■ FAA Air Traffic Control Modernization | 1995 |
| ■ Financing the Nation's Transportation System ^a (New) | 2007 |
| ■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests ^a (New) | 2007 |
| ■ Transforming Federal Oversight of Food Safety ^a (New) | 2007 |
| Managing federal contracting more effectively | |
| ■ DOD Contract Management | 1992 |
| ■ DOE Contract Management | 1990 |
| ■ National Aeronautics and Space Administration Contract Management | 1990 |
| ■ Management of Interagency Contracting | 2005 |
| Assessing the efficiency and effectiveness of tax law administration | |
| ■ Enforcement of Tax Laws ^a | 1990 |
| ■ IRS Business Systems Modernization | 1995 |
| Modernizing and safeguarding insurance and benefit programs | |
| ■ Modernizing Federal Disability Programs ^a | 2003 |
| ■ Pension Benefit Guaranty Corporation Single-Employer Insurance Program ^a | 2003 |
| ■ Medicare Program ^a | 1990 |
| ■ Medicaid Program ^a | 2003 |
| ■ National Flood Insurance Program ^a | 2006 |

Source: GAO.

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

General Counsel Decisions and Other Legal Work

In addition to our audit and evaluation work, the Congress and the public also benefited from some of our other activities in fiscal year 2007 in the following ways:

- We handled more than 1,000 protests filed by parties who challenged the way individual federal procurements were conducted or how federal contracts were awarded, and we issued merit decisions on more than 450 protests addressing a wide range of issues involving compliance with, and the interpretation of, procurement statutes and regulations. In fiscal year 2007, we handled numerous protests associated with areas of significant current interest. For example, we issued decisions concerning the contract for interpreters and translators for U.S. armed forces in Iraq as well as the acquisition of major systems, such as the Air Force's replacement combat search and rescue vehicle.
- We issued appropriations law decisions and opinions on, among other things, the purposes for which appropriated funds may be used, the proper disposition of funds received by the government, potential Antideficiency Act violations, and accountability for the use of government purchase cards. Three decisions stand out. They addressed interagency transactions between the DOD and the Department of the Interior and the agencies' failure to prevent the misuse of expired appropriations. These three decisions more fully defined the criteria for valid interagency agreements, enhancing uniformity and consistency within government.
- For fiscal year 2007, we received 25 Antideficiency Act reports for our repository and made selected information from these reports publicly available on our web site. Since the Congress amended the Antideficiency Act in December 2004 requiring agencies to send us a copy of reports of Antideficiency Act violations, we have received a total of 68 reports, of which 20 were for 2005 and 23 were for 2006. This year's reports, which also report overobligations from earlier fiscal years, include an overobligation of the TSA appropriation by \$195 million because purchase orders were not properly recorded and a \$126 million violation because of an inaccurate estimation of carryover appropriations by the Employment and Training Administration.
- In 2007 we issued a report on Presidential Signing Statements to the Senate Appropriations Committee and the House Judiciary Committee. This report consisted of a detailed analysis and history of signing statements, an examination of their use by federal courts, and an explanation of the grounds on which the President has objected to various laws in signing statements. The report also included the results of our investigation into whether agencies were executing as written 19 provisions of law appearing in the fiscal year 2006 appropriations acts. We found that agencies were not executing the provisions as written in 6 of the 19 cases.
- Several of our attorneys served on the Contract Appeals Board to resolve appeals on claims by contractors under contract with the Government Printing Office as well as with the Architect of the Capitol involving the Capitol Visitor Center, the West Refrigeration Plant Expansion, the Longworth House Office Building, and the Supreme Court.

- In 2007 we issued our annual update of volumes 1 and 2 of the *Third Edition of Principles of Federal Appropriations Law*, commonly known as the Red Book. The Red Book is available to the public on our web site and is considered the primary resource for appropriations law guidance in the federal financial community. Volumes 1 and 2 of the Red Book each average more than 15,000 inquiries per week on our web site as attorneys, budget analysts, financial managers, project managers, contracting officers, and accountable officers from all three branches of the government access it to research questions about budget and appropriations law. The third edition will be complete with publication of volume 3 in 2008. In addition, General Counsel taught a 2 ½ day course on appropriations law 25 times this fiscal year to 12 agencies. The course provides an analytical framework for analyzing appropriations law issues to ensure that funds are available for obligation with regard to purpose, amount and time. To further communication across agencies, General Counsel hosted its third annual appropriations law forum in March, with an analysis of significant decisions and opinions of 2006 and interactive sessions on indemnification clauses and continuing resolutions.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2007 Performance Goals

Our financial statements for fiscal year 2007 received an unqualified opinion from an independent auditor. The auditor found our internal controls to be effective—which means that no material weaknesses were identified—and the auditor reported substantial compliance with the requirements for financial systems in the Federal Financial Management Improvement Act of 1996. In addition, the auditor also found no instances of noncompliance with the laws or regulations in the areas tested. The statements and their accompanying notes, along with the auditor’s report, appear later in this report. [Table 8](#) summarizes key data. Compared with the statements of large and complex agencies in the executive branch, our statements present a relatively simple picture of a small yet very important agency in the legislative branch. We focus most of our financial activity on the execution of our congressionally approved budget with most of our resources devoted to the human capital needed for our mission of supporting the Congress with professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced information and analysis.

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

| | Fiscal Year 2007 | Fiscal Year 2006 |
|---|------------------|------------------|
| Total budgetary resources ^a | \$498.9 | \$497.2 |
| Total outlays ^a | \$490.5 | \$488.1 |
| Net cost of operations | | |
| Goal 1: Well-being and financial security of the American people | \$177.4 | \$191.9 |
| Goal 2: Changing security threats and challenges of globalization | 157.5 | 154.7 |
| Goal 3: Transforming the federal government's role | 146.6 | 146.8 |
| Goal 4: Maximizing the value of GAO | 23.9 | 23.7 |
| Less reimbursable services not attributable to goals | (5.7) | (5.6) |
| Total net cost of operations | \$499.7 | \$511.5 |
| Actual FTEs | 3,152 | 3,194 |

Source: GAO.

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

Our budget consists of an annual appropriation covering salaries and expenses, and revenue from reimbursable audit work and rental income. Our total assets were \$106.5 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. Total liabilities of \$94 million were composed largely of employees' accrued annual leave, amounts owed to other government agencies, accounts payable, and employees' salaries and benefits. The greatest change in the liabilities is a decrease of \$6.1 million in intragovernmental accounts payable due to more timely billing from, and therefore payments to, other government entities. Also, \$3.8 million in vendor financed equipment is recorded on the balance sheet as a note payable.

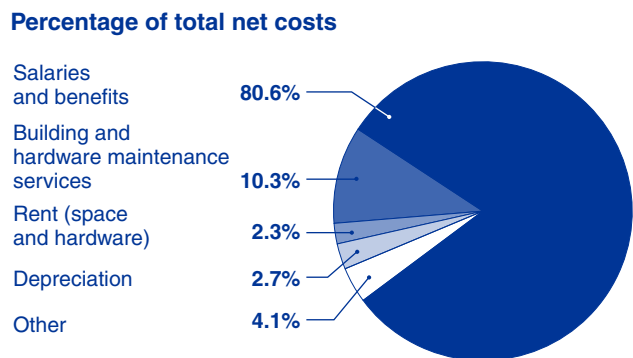
The net cost of operating GAO during fiscal year 2007 and fiscal year 2006 was approximately \$500 million and \$511 million, respectively. Expenses for salaries and related benefits accounted for 81 and 79 percent of our net cost of operations in fiscal years 2007 and 2006, respectively. [Figure 18](#) shows how our fiscal year 2007 costs break down by category.

We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Overall, our net costs of operations decreased by \$11.8 million, due in part to the change in workers' compensation methodology in fiscal year 2006, which increased liabilities and expenses by more than \$5.5 million; there was no similar change in fiscal year 2007.

Our strategic Goal 1 showed a reduction in net costs of \$14.5 million in fiscal year 2007 compared to fiscal year 2006. This decline in Goal 1 costs reflects the continuing shift in

our resources towards the areas of homeland security, national disaster preparedness, and immigration issues, which reside in our strategic Goal 2.

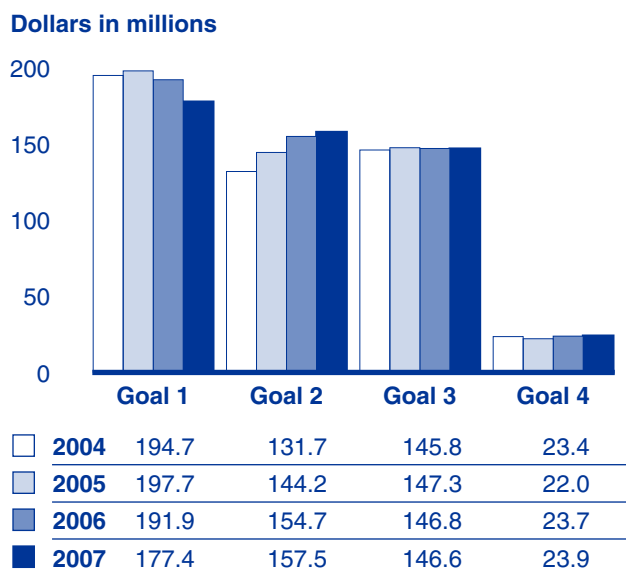
Figure 18: Use of Fiscal Year 2007 Funds by Category



Source: GAO.

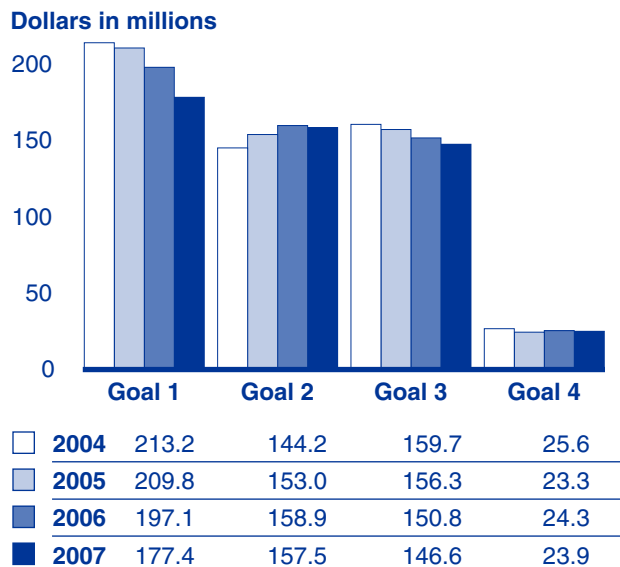
Figures 19 and 20 show our net costs by goal for fiscal year 2004 through fiscal year 2007. Figure 19 shows costs unadjusted for inflation, while figure 20 shows the same costs in 2007 dollars, that is, adjusted for inflation.

Figure 19: Net Cost by Goal, Unadjusted for Inflation



Source: GAO.

Figure 20: Net Cost by Goal, Adjusted for Inflation



Source: GAO.

Limitation on Financial Statements

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

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

Planned Resources to Achieve Our Fiscal Year 2008 Performance Goals

As we go to press on this report, the Congress has not completed action on our fiscal year 2008 budget request. We, as well as the rest of the federal government, are operating under a continuing resolution appropriation at near fiscal year 2006 levels through November 16, 2007, pending enactment of the fiscal year 2008 appropriations bills for the federal government.

Our fiscal year 2008 budget request to the Congress for about \$530 million would allow us to continue to perform a range of oversight-, insight-, and foresight-related engagements to support the Congress in meeting the full range of its constitutional responsibilities and to meet the performance goals outlined in our Strategic Plan. The requested resources will allow us to rebuild our workforce to a level that will position

us to better respond to increasing supply and demand imbalances in responding to congressional requests, cover mandatory pay and uncontrollable cost increases, continue to be regarded as an employer of choice, undertake critical investments in technology improvements and other transformational areas, and ensure that we can effectively support the Congress's legislative agenda. Our request represents an increase of about 8.5 percent over our fiscal year 2007 funding level. At this time, the House of Representatives has approved a 4.5 percent increase above 2007. The Senate Appropriations Committee has proposed a 6 percent increase above fiscal year 2007 funding levels, but the full Senate has not yet acted on our request. [Table 9](#) reflects our requested funding level and full-time equivalent (FTE) figures to support the Strategic Plan. We will update our fiscal year 2008 funding and FTE numbers when the final appropriation has been approved by the Congress.

Table 9: Requested Fiscal Year 2008 Budgetary Resources by Strategic Goal

| Strategic goal | FTEs | Amount (dollars in millions) |
|--|--------------|------------------------------|
| Goal 1 Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people. | 1,213 | \$193 |
| Goal 2 Provide timely, quality service to the Congress and the federal government to respond to changing threats and the challenges of global interdependence. | 1,000 | 160 |
| Goal 3 Help transform the federal government's role and how it does business to meet 21st century challenges. | 860 | 137 |
| Goal 4 Maximize the value of GAO by being a model federal agency and a world-class professional services organization. | 144 | 40 |
| Total | 3,217 | \$530 |

Source: GAO.

Our fiscal year 2008 budget request aligns the budget in support of three broad program areas, human capital, engagement support and infrastructure operations. These programs align to all four of our strategic goals in support of the Congress and the American people. Our budget request will support activities in the following areas:

- **Human capital.** Provides resources to support our most important asset—our employees—and cover salaries and benefits, training and development, awards and recognition, and recruitment and retention programs, such as transit subsidy and student loan repayment programs. Human capital costs represent about 80 percent of our total budgetary resources. For fiscal year 2008, we are requesting funds to support an increase to achieve a staffing level of 3,217 FTEs which will allow us to fill critical vacancies, meet succession-planning needs, rebuild our capacity, and address supply and demand imbalances in responding to congressional requests.
- **Engagement support.** Provides resources for contractual services and staff travel needed to perform engagements to support the Congress’s legislative agenda, restore travel to more normal levels, and increase our oversight in the Middle East to provide more timely and responsible information on U.S. activities in the area.
- **Infrastructure operations.** Includes resources activities, such as building maintenance, computer hardware maintenance and software, field office rent, financial management activities, and targeted initiatives. We plan to allocate 20 percent of our total budget request for infrastructure operations and critical infrastructure initiatives previously deferred during budget shortfalls.

Our fiscal year 2008 budget request seeks necessary resources to rebuild and enhance our workforce, knowledge capacity, employee programs, and infrastructure. In the years ahead our support to the Congress will likely prove even more critical based on pressures created by our nation’s current and projected budget deficit and growing long-term fiscal imbalances.

Our budget request seeks to maximize our effectiveness and credibility while achieving three elements essential to increased value and mitigating risk—incentives, transparency, and accountability. With these elements in mind we use our resources to address major management challenges surrounding human capital, information security and physical security. We capitalized on opportunities that minimize related risks, while staying mindful of the big picture and the long-term view. Using long-term perspectives to transform our organization and operations to better meet today’s needs as well as future needs, we are in the business of helping government work better for and holding it accountable to the American people.

Strategies for Achieving Our Goals

The Government Performance and Results Act directs agencies to articulate not just goals, but also strategies for achieving those goals. As detailed in the following sections, we emphasize two overarching strategies for achieving our goals: (1) providing information from our work to the Congress and the public in a variety of forms and (2) continuing and strengthening our internal operations. Specifically, our strategies emphasize the importance of working with other organizations on crosscutting issues and effectively addressing the challenges to achieving our agency’s goals and recognizing the internal and external factors that could

impair our performance. Through these strategies, which have proven successful for us for a number of years, we plan to achieve the level of performance that is needed to meet our annual performance measures as well as our multiyear performance goals. (For all four strategic goals, the multiyear performance goals included in our current strategic plan describe specific areas of work that we addressed in fiscal year 2007.) This level of performance, in turn, will allow us to achieve our strategic goals.

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

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

We conduct specific engagements as a result of requests from congressional committees and mandates written into legislation, resolutions, and committee reports. In fiscal year 2007, we devoted 90 percent of our engagement resources to work requested or mandated by the Congress. We initiated the remaining 10 percent of the engagement work under the Comptroller General's authority. Much of this work addressed various challenges that are of broad-based interest to the Congress, such as the global war on terrorism, the cost and status of the reconstruction efforts in Iraq, and our reviews related to the 2005 hurricane season.⁵ Also covered by this work were government programs and operations that we have identified as at high risk for fraud, waste, abuse, and mismanagement as well as reviews of agencies' budget requests to help support congressional decision making. By making recommendations to improve the accountability, operations, and services of government agencies, we contribute to increasing the effectiveness of federal spending and enhancing the taxpayers' trust and confidence in their government.

Our staff are responsible for following high standards for gathering, documenting, and supporting the information we collect and analyze. More often than not, this information is documented in a product that is made available to the public. In some cases, we develop products that contain classified or sensitive information that cannot be made available publicly.

⁵In fiscal years 2005 and 2006, the work performed under the Comptroller General's authority represented 13 percent and 15 percent, respectively, of our engagement efforts.

We generally issue around 1,200 to 1,300 products each year, electronically and in printed format. In addition, we publish about 250 to 350 legal decisions and opinions each year. Our products include the following:

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

We also produce special publications on specific issues of general interest to all Americans, such as our report on fiscal stewardship and our series of issue papers to assist the Congress in developing its oversight agenda for the situation in Iraq.⁶ Our publication, *Principles of Federal Appropriations Law*, is viewed both within and outside of the government as the primary resource on federal case law related to the availability, use, and control of federal funds. In addition, we maintain the government's repository of reports on Antideficiency Act violations and make available on our Web site various information extracted from those reports. Collectively, our products always contain information and often conclusions and recommendations that allow us to achieve our external strategic goals.

⁶*Fiscal Stewardship: A Critical Challenge Facing Our Nation* (GAO-07-362SP, January 2007) and *Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight* (GAO-07-308SP, January 2007).

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

Similarly, we use our biennial high-risk report, most recently issued in January 2007, to provide a status report on major government operations that we consider high risk because they are vulnerable to fraud, waste, abuse, and mismanagement or are in need of broad-based transformation. We also use our report on 21st century challenges, which was issued in February 2005, to alert the nation's leaders to current and emerging issues facing the nation, including the long-range budget challenge, the human capital crisis, postal reforms, and the federal government's financial management efforts. These reports are valuable planning tools because they help us to identify those areas where our continued efforts are needed to maintain the focus on important policy and management issues that the nation faces.

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

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

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

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

Strategic and Annual Work Planning

Through forums and a number of ongoing advisory boards and panels, we gather information and perspectives for our strategic and annual performance planning efforts. In fiscal year 2007, the Comptroller General convened various experts from the public, private, and nonprofit sectors in eight forums and panels intended to enhance our understanding of emerging issues and to identify opportunities for action. The forums included discussions on options for extending the working life of older workers, modernizing disability policies and programs, exploring the feasibility of the Chief Management Officer and Chief Operations Officer concepts, controlling health care

costs, addressing 21st century transportation challenges, improving financial market regulation, addressing issues related to environmental accounting, and closing the tax gap. We also updated our Strategic Plan for 2007 through 2012. Our update included a significantly revamped themes section that outlined for the Congress and the public the forces that will shape our country's future.

We continued our speakers' series Conversations on 21st Century Challenges, wherein a prominent national leader spoke to our staff on issues affecting the United States and its place in the world. These speakers included General Anthony Zinni, USMC (retired); Norman Ornstein, Resident Scholar, American Enterprise Institute for Public Policy; Marian Wright Edelman, Founder, Children's Defense Fund; and Norman Mineta, Vice-Chairman, Hill and Knowlton.

Advisory boards and panels also support our strategic and annual work planning by alerting us to issues, trends, and lessons learned across the national and international audit community that we should factor into our work. These groups include the Comptroller General's Advisory Board, whose 40 members from the public and private sectors have broad expertise in areas related to our strategic objectives. Through the National Intergovernmental Audit Forum, chaired by the Comptroller General, and 10 regional intergovernmental audit forums, we consult regularly with federal inspectors general and state and local auditors. In addition, through the Domestic Working Group, the Comptroller General and the heads of 18 federal, state, and local audit organizations exchange information, experiences, and best practices, and seek opportunities to collaborate. Internationally, the Global Working Group, comprising of the Comptroller General and 18 heads of national audit offices, serves the same purpose through its annual meeting. And our leadership role in INTOSAI provides

further opportunities for us to benefit from international perspectives, insights, and contacts, and to help strengthen accountability globally with a special focus on developing countries receiving development assistance from the United States.

We also work with a number of issue-specific and technical panels to improve our strategic and annual work planning, including the following:

- The Advisory Council on Government Auditing Standards provides us guidance on promulgating auditing standards. These standards articulate auditors' responsibilities when examining government organizations; programs; activities; functions; and government assistance received by contractors, nonprofits, and other nongovernmental organizations. The council's work helped to ensure that the revised standards would be generally accepted and feasible. On July 27, 2007, we issued a revision of the standards. It includes updates of the quality control and peer review sections.
- The Accountability Advisory Council, made up of experts in the financial management community, advises us on audits of the U.S. government's consolidated financial statements and emerging issues involving financial management and accountability reporting in the public and private sectors.
- The Executive Council on Information Management and Technology, whose 19 members are experts from the public and private sectors and representatives of related professional organizations, helps us to identify high-risk and emerging issues in the IT arena.
- The Comptroller General's Educators Advisory Panel, composed of deans, professors, and other academics from prominent universities across the United States, advises us on recruiting, retaining, and developing staff and on strategic planning matters.

Internationally, we participate in INTOSAI—the professional organization of the national audit offices of 186 countries. During the fall of 2004, the INTOSAI Congress unanimously adopted a 5-year strategic plan—the first in INTOSAI's 50-year history—that was developed by a 10-nation task force chaired by the Comptroller General. The plan has provided the foundation for the Governing Board to engage member institutions in advancing professional audit standards and promoting knowledge sharing and best practices. In fiscal year 2007, we made significant contributions to implement the strategic plan and strengthen INTOSAI as a model international organization by serving as goal liaison for the organization's capacity-building committee and as vice-chair of its finance and administration committee. Looking to the next 5-year period, the Comptroller General has been asked by INTOSAI to chair a task force to update the current strategic plan.

Collaborating with Others

By collaborating with others to implement the INTOSAI strategic plan, we have strengthened professional standards, provided technical assistance, leveraged resources, and developed best practices. In our work with INTOSAI, we chair the accounting and reporting subcommittee and are an active member of INTOSAI's auditing standards, internal control, and other technical subcommittees. We publish INTOSAI's quarterly *International Journal of Government Auditing* in five languages to foster global understanding of standards,

best practices, and technical issues. An expanded and more robust journal web presence this year has made the Journal more useful to INTOSAI members, more accessible to our global readership, and positioned the journal to take full advantage of technology.

To help ensure that the public sector perspectives are reflected in the International Federation of Accountants Standards Development project, we are working as a member of INTOSAI's Professional Standards Committee as it collaborates closely with the International Auditing Assurance Standards Board and the World Bank to develop international auditing standards.

To build capacity in national audit offices around the world, we conduct an international auditor fellows program for mid- to senior-level staff from other countries. In 2007, 15 audit fellows from Asia, Africa, Europe, Latin America, the Caribbean, and the South Pacific spent about 4 months with us learning how we are organized to do our work, how we plan our work, and what methodologies we use, particularly for performance audits. As part of our strategy to promote continuous learning and sustainability once the fellows return to their countries, we are working with major donors—such as the World Bank, regional development banks, and the U.S. Agency for International Development—to identify or support relevant capacity-building projects in fellows' institutions. Seven current and eight former auditors general as well as several deputy auditors general, including the current chair of INTOSAI, are graduates of this program. This year we forged an agreement with the World Bank (the Bank would pick up much of the costs, including transport, subsistence, and interpretation) and the INTOSAI Development Initiative (IDI) to collaborate on a pilot seminar in November 2007 involving the heads of

30 national audit offices. The seminar would focus on knowledge sharing of best practices on organizational transformation.

Other collaborative activities undertaken by our staff during 2007 included the following:

- Participating in two Domestic Working Group collaborative efforts of federal, state, and local audit officials to address issues regarding governance and pandemic preparedness. Collaborative efforts with the Domestic Working Group and the National Association of State Auditors, Comptrollers, and Treasurers facilitated our work involving the states by fostering cooperative working relationships with the state auditors on almost 20 engagements, including our work on Medicaid and FEMA's process to estimate funds needed to respond to a disaster.
- Implementing the National Intergovernmental Audit Forum strategic plan that was adopted in December 2004. This plan was developed by a task force composed of federal, state, and local auditors and an independent public accountant. The newly established committees continue organizing to implement the plan, which seeks to help maximize the forum's effectiveness in promoting good government and accountability at all levels of government. In 2007, the forum advanced its strategic plan through the activities of its knowledge-sharing, communications, standards liaison, and emerging issues committees. In addition, 16 regional forum meetings were held, which brought together auditors at all government levels. These conferences helped advance the public sector accountability profession's understanding of and ability to respond to the many challenges facing the nation in the 21st century.

- Facilitating collaboration between our teams and federal, state, local, and international auditors, which, among other things, helped us to minimize duplication of efforts, leverage resources, and gain access to people and information. We used our database and networks to help “push out” electronically the revised Yellow Book to the domestic and international accountability communities.
- Supporting the Comptroller General as part of the Concord Coalition’s initiative to educate the public on America’s long-term fiscal challenges.
- Hosting a series of meetings to “connect people to people” in an effort to improve our working relationships and better leverage our resources with our sister agencies and IGs. We participated in the second coordination meeting between the leadership and senior executives of the Congressional Research Service and our leadership and team managing directors. Also, we hosted the second ever meeting between our leadership and team managing directors with members of the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency, whose respective members are primarily inspectors general appointed by the President and by agency heads.
- Receiving about 461 visitors from 71 countries, including officials from our counterpart organizations, parliaments, and central government ministries.
- Signing an interagency agreement with the Department of State to fund the translation of our audit standards (the Yellow Book) into Arabic in support of the professional development goals of the Iraqi national audit office and our other audit agency counterparts in the Arabic speaking world, and to provide a bilateral capacity program for selected audit staff from our Iraqi counterpart institution.
- Redesigning our external Web page for the auditing and accountability community to enhance access to information available from us and other sources. This effort updated both the content and the format of the Web page to facilitate accessing desired information based on user’s comments. The Web page now highlights what users believe is most important and provides expanded access to auditing guidance and methodology not previously available.
- Bringing value to our agency by using various human capital exchange authorities. For example, we used our network and authority for the Executive Exchange Program to successfully recruit the first two participants for this program. It was a win-win situation for both KPMG, the home organization for the private sector participants, and us. The participants worked on a number of special projects in our Financial Management and Assurance Team that included updating financial audit guidance and developing agency protocols for financial audits. They were also involved in other leadership development opportunities. Positive articles on the candidates’ experiences while participating in this program were published by the *Federal Times* and the Association of Government Accountants. We also recruited our first ever Commerce Science Fellow who brought his engineering expertise to our Applied Research and Methods team.

Using Our Internal Experts

We coordinated extensively within our own organization on our strategic and annual performance planning efforts, as well as on the preparation of our performance and account-

ability reports. Our efforts are completed under the overall direction of the Comptroller General and the Chief Operating Officer. We relied on our Chief Administrative Officer/Chief Financial Officer and her staff to provide key information, such as the financial information that is included in part III of this report. Her staff also coordinated with others throughout the agency to provide the information on goal 4's results, which appears in part II of this report, and provided input on other efforts dealing with issues that include financial management, budgetary resources, training, and security. We obtained input on all aspects of our strategic and annual performance planning and reporting efforts from each of our engagement teams and organizational units through their respective managing directors, as well as other staff responsible for planning or engagement activities in the teams. Staff from QCI prepared the report, ensuring, among other things, that the report was responsive to comments and suggestions received from AGA and other reviewers. In short, we involved virtually every part of our agency and used our internal expertise in our planning and reporting efforts.

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

At GAO, management challenges are identified by the Comptroller General, the Executive Committee, and the agency's senior executives through the agency's strategic planning, management, and budgeting processes. Our progress in addressing the challenges is monitored through our annual performance and accountability process. Under strategic goal 4, we establish performance goals focused on each of our management challenges, track our progress in completing the key efforts for those performance goals quarterly, and report each year on our

progress toward meeting the performance goals. Each year we ask our IG to examine management's assessment of the challenges and the agency's progress in addressing them. (See part IV for the [IG's assessment](#).)

For fiscal year 2007, we continued to address three management challenges—physical security, information security, and human capital. We anticipate that we will continue to need to address all three challenges in future years because they are evolving and will require us to continuously identify ways to adapt and improve. We will report any changes as we monitor and report on our progress in addressing the challenges through our annual performance and accountability process. The following sections describe our recent and planned efforts to address these challenges.

Physical Security Challenge

We continue to build on our previous efforts and pursue new initiatives to protect our people and assets and ensure continuity of operations. The domestic and international climate remains such that we must constantly assess our physical security profile and continuity of operations programs and identify and implement improvements to strengthen them.

During fiscal year 2007, we realigned the Office of Emergency Preparedness (OEP), first established in the third quarter of fiscal year 2006. OEP is now under the Chief Information Officer, who has taken the lead for our continuity of operations and emergency preparedness operations. Since the realignment, OEP has centralized and strengthened policies and operations, improved internal and external communication and information-sharing efforts, and upgraded and enhanced its technical capabilities.

In its policy and oversight role for emergency planning OEP developed program policy and documents to help ensure that we can continue to carry out our functions in the face of natural or man-made disasters or other disruptions. In addition, OEP centralized all previously established planning efforts into the “Continuity Program Document” and “Continuity Program Support Documents” to ensure a more effective response to any event.

To ensure better communications and information-sharing between congressional agencies OEP meets regularly with both the Legislative Branch Continuity of Operations Plan Working Group and the Executive Branch Continuity of Operations Working Group. In addition, OEP continues to coordinate with sister agencies in the legislative branch, executive branch agencies, and local law enforcement for contingency planning efforts and information/intelligence-sharing purposes. In fiscal year 2007 we formalized program strategy and concepts of operations.

OEP enhanced our capability to communicate to staff during emergency situations by developing and refining the emergency notification system procured in fiscal year 2006. Specific response groups have been identified and established in the system for alert when needed. This fiscal year OEP also further improved its visibility and access to emergency preparedness information with the launching of an emergency preparedness Web site on our intranet.

In the area of physical security, we constantly assess our physical security profile and seek ways to improve it. Our last independent security assessment was conducted following 9-11 in what was a very different threat environment. Since that time we have deployed many physical and procedural security enhancements. Accordingly, we initiated a contract at the end of fiscal year 2007 for an updated security assessment to

review all security programs, assess recent enhancements against our current threat environment and revalidate our planned next steps.

We relocated and activated our Security Operations Center and the adjacent Emergency Operations Center. Subsequently, we have implemented incremental improvements to our Integrated Electronic Security System, including installation of intrusion detection systems and infrastructure enhancements necessary for continued system upgrades.

We believe that physical security will remain a management challenge in fiscal year 2008. Some of our planned initiatives will be subject to collective bargaining as they may affect the terms and conditions of bargaining unit employees. Some of the most significant efforts planned to address this challenge in fiscal year 2008 include the following:

- Launching a formal test training and exercise program for continuity of operations in coordination with the legislative and executive branches and local law enforcement.
- Refining the emergency notification system and the emergency preparedness Web site to enhance our internal communications.
- Carrying out a security assessment of our current security programs and associated risks to personnel, property, and information.
- Installing card readers that comply with Homeland Security Presidential Directive 12, which requires issuance of secure and reliable forms of identification to employees and contractors using U.S. government facilities and information services, allowing both physical access to facilities as well as logical access to information.

The Information Security Challenge

Information system security continues to be a critical activity in ensuring our information system and assets are effectively protected and free from compromise. While we are not required by law to comply with the Federal Information Security Management Act (FISMA),⁷ we have adopted FISMA requirements to help us meet the challenges posed in ensuring information system security.

In fiscal year 2007, we established a wide range of goals and embarked on numerous initiatives to address information system security. For example, we:

- Worked to improve the protection of data on workstations by identifying a desktop encryption product (which converts all the data on the hard drive to a form that cannot be read by unauthorized people) and conducting a limited deployment of it on workstations containing higher risk data. We expect to deploy this encryption technology on all workstations throughout the agency in the coming year.
- Enhanced our enterprise Internet security by increasing our capability to screen Internet traffic against potential threats.
- Improved our ability to effectively monitor and better secure our computing assets with an enterprise event correlation application (which allows us to collect and analyze the results of various monitoring tools) to enhance our centralized auditing of network servers and devices

⁷FISMA was signed into law as part of the E-Government Act of 2002 (Pub. L. No. 107-347) and its goals include the development of a comprehensive framework to protect the federal government's information, operations, and assets. To ensure the adequacy and effectiveness of information security controls, FISMA requires agency program officials, Chief Information Officers, and Inspectors General to conduct annual reviews of an agency's information security program and report the results to OMB.

- Refined our procedures for information security in our security program plan to maintain compliance with new federal guidance on information security.
- Improved our ability to respond and recover in the event of a disruption by enhancing communications and restoration capabilities at our disaster recovery operations to lessen our risks. These and other efforts are discussed in detail in our report on our FISMA activities in [appendix 3](#).

While new challenges to information systems security can often be addressed with technology improvements, an overall information security program can only be effective when these systems security efforts are fully integrated with it and with an agency's physical security program. In recognition of this need for integration, several of our units—Information Systems and Technology Services, the Office of Security, the Learning Center, and Knowledge Services—partnered together to develop an integrated information security awareness education and training program. In 2007, we produced a video of the Comptroller General emphasizing our employee's responsibilities regarding information security and data protection. We also produced a new information security computer-based training program and required all personnel to complete it. Our goal has been to ensure that information protection requirements extend across the life cycle of documentation: from data collection, report production, data transmission and storage to the eventual archival and destruction of data.

Given the constantly evolving nature of threats to information systems and assets, information security will continue to be a management challenge for us and all government and private sector entities in the foreseeable future. Some of our planned initiatives may be subject to collective

bargaining as they may affect the terms and conditions of employment of bargaining unit employees. Some of the most significant efforts planned to address the information security challenge in fiscal year 2008 include:

- focusing on data protection encryption and identity management to better control access to our internal network and information
- increasing the centralized auditing and monitoring of network servers and devices to better secure our computing assets within the agency
- enhancing our security awareness training for staff that includes recurring presentations by senior management and focused role-based instructions
- responding to new and updated security guidance from the National Institute of Standards and Technology and OMB
- refining our security processes and procedures, enhancing our contingency operations, and improving our overall ability to respond to the changing threats by implementing appropriate new technologies, such as smart card technology to reduce or manage risks.

Human Capital Challenge

Competition for talent among knowledge-based organizations is rising as the demographics of the workforce shift to a younger and less experienced workforce and knowledge and skill gaps occur—particularly at mid and more senior levels—as a result of retirements. The need to sustain a knowledge and skills-based workforce is critical as it is this workforce that makes it possible for us to deliver the results and performance expected by our clients and customers.

Our ability to have the right mix of experienced and knowledgeable staff to carry out our engagements and meet our client's needs is an ongoing challenge. We continue to face continuity and succession issues from downsizing and reduced hiring from the mid to late 1990s and as a result, are facing continuity and succession issues. At the beginning of fiscal year 2007, over 42 percent of our analysts and related staff had fewer than 5 years of agency experience, making learning and development—as well as leadership—of this staff of paramount importance. This demographic change has also created some cultural challenges as our workforce evolves into a multi-generational workforce, with many diverse interests and needs and with differing attitudes toward the workplace and a career. This is an area that we are currently reviewing and plan to focus on as we move forward, given the potential for changing turnover dynamics and the likelihood of greater mobility among this workforce.

Not surprisingly, recruiting, rewarding and retaining a highly qualified, high performing, and diverse workforce also remains one of our most important challenges. Over the past year, we have begun implementing enhancements to our recruitment and hiring activities which were recommended after an extensive review in 2006 of both our recruiting programs and best practice research. These enhancements are chiefly focused on recruiting and communications strategies/tools to ensure consistent and effective approaches for talent acquisition—from the first meeting on a college campus to the first day of employment. While we have focused these efforts primarily on our entry level hiring and student intern programs, we have also extended them to upper level hiring, as well. All efforts also include a focus on diversity to ensure that our programs and practices support a diverse workforce and reinforce our commitment to diversity.

To address learning and development, we continue to offer more courses electronically and have adopted a blended learning approach mixing classroom training with web-based training to ensure that all staff members have access to learning. In fiscal year 2007, a team comprised of staff and managers from various mission teams and units completed an evaluation of our leadership development programs and made recommendations to our Learning Board and Executive Committee for a comprehensive program to enhance the ability of staff at all levels to prepare for leadership roles. We plan to implement these recommendations in fiscal year 2008. In addition, in fiscal year 2007, we inaugurated a new agencywide mentoring program. We currently have 155 participants in both individual and group mentoring activities and expect the program to expand over the coming year.

We have been a leader in the federal government in implementing competency-based performance management, performance-based compensation, and more recently a market-based pay system in which (1) pay ranges are set competitive with the labor markets in which we compete for talent; (2) staff are rewarded based on their performance; (3) staff have the opportunity to advance to the top of the pay range; (4) pay ranges provide some overlap to adequately reward expertise, leadership and performance; and (5) pay policies are grounded on the principle of equal pay for work of equal value. From a change management perspective, such major transformational efforts affecting staff performance and pay, however, can be quite difficult and require strong leadership and commitment. This was true with the decoupling of our pay system from the governmentwide annual across-the-board adjustments, our move to market-based pay, and changes in the analyst Band II pay band.

Our Office of Opportunity and Inclusiveness performs an annual review of our employees' performance appraisal data to ensure that the ratings are fair and unbiased. In 2006, the trend showed that the most significant differences in performance rating averages were between African Americans and Caucasians at all mission analysts' band levels, and that the gap was increasing. To address this challenge, in fiscal year 2007 we awarded a contract to an external consultant to analyze the African American and Caucasian performance appraisal data from 2002 through 2006 and to assess and compare the skills, assignments, engagement roles, training, education, and recruiting practices for African Americans and Caucasians. In addition, the consultant will identify best practices internally and externally that might enhance our performance management systems and assist in reducing the gap.

An organizing campaign by the International Federation of Professional and Technical Engineers (IFPTE) took place over the last year. On September 19, 2007, our Band I and Band II analysts elected the IFPTE as their exclusive representative in dealing with our management on the terms and conditions of their employment. In accordance with labor relations law, we postponed work on several initiatives regarding our current performance and pay programs and also maintained absolute neutrality during the election period. With the outcome of the union vote, our management is committed to working constructively with employee union representatives to forge a positive labor management relationship and to establish our first collective bargaining agreement.

Finally, over the past year, the expectations of our clients and customers have risen as requests for our services have increased, creating an ever burgeoning workload, and resulting in some supply and demand imbalances. Our ability to meet expectations

and balance these workload demands is heavily dependent on our annual funding. Because our workforce costs comprise about 80 percent of our annual appropriations, only 20 percent of the budget is available to fund all other agency needs. Without funding to adequately staff the agency, invest in our people, and reward our top performers, our ability to deliver the requested services will ultimately to be negatively impacted.

While we have made much progress, we believe human capital will still present a management challenge next fiscal year. Some of our planned initiatives may be subject to collective bargaining as they may affect the terms and conditions of bargaining unit employees. Some of the most significant efforts planned in this area for fiscal year 2008 include the following:

- Working cooperatively and productively with the newly elected labor union to establish our first collective bargaining agreement
- Completing the implementation of the recruitment task team recommendations
- Implementing an aggressive hiring strategy to rebuild our workforce and acquire needed talents and skills
- Implementing a structured leadership development program to prepare managerial talent
- Providing more transparency and knowledge of our of market-based compensation approach
- Focusing on the workforce impact of cultural issues created by generational issues as well as diversity in general
- Instituting better, more comprehensive human capital metrics

- Developing an action plan for addressing the findings and recommendations identified in the African American performance appraisal study
- Improving the efficiency and effectiveness of the Human Capital Office in support of these human capital initiatives.

Mitigating External Factors

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

As the Congress focuses on unpredictable events—such as terrorism, natural disasters, and military conflicts and threats abroad—the mix of work we are asked to undertake may change, diverting our resources from some strategic objectives and performance goals. We can and do mitigate the impact of these events on the achievement of our goals in various ways. For example in fiscal year 2007, we

- stayed abreast of current events (such as vulnerabilities in the nation’s food supply system, the quality of health facilities and services for soldiers returning from military conflicts abroad, and fraud and abuse plaguing disaster assistance programs) and communicated frequently with our congressional clients in order to be alert to possibilities that could shift the Congress’s priorities or trigger new priorities;

- quickly redirected our resources when appropriate (i.e., to respond to a record number of requests for our senior executives to testify on our current and past work covering a wide range of topics such as the Iraq war and the global war on terrorism) so that we could deal with major changes as they occurred;
- maintained broad-based staff expertise (i.e., in our Social Security, health care financing, and homeland security areas) so that we could readily address emerging needs; and
- initiated evaluations under the Comptroller General's authority on a limited number of selected topics, including the status of Iraq's reconstruction efforts and our 21st century challenges and high-risk work, and fiscal challenges discussions.

We are experiencing heavy demand from the Congress for work in a number of subject areas, including monitoring the progress of the global war on terrorism and the continuing challenges it presents; exploring economic issues facing U.S. financial markets and American consumers, such as concerns facing the subprime mortgage market; analyzing where funds are being spent through off-budget vehicles such as tax expenditures, and continuing our work on disaster relief issues, such as reviews of the installation of new pumps in New Orleans and the reconstruction of areas ravaged by hurricanes Katrina and Rita. Yet, our resources have declined: adjusted for inflation, our budget authority has declined by 3 percent in constant fiscal year 2006 dollars since fiscal year 2003. Similarly, our FTE usage has declined by more than 3 percent since fiscal year 2003—from 3,269 to an estimated 3,152 FTEs. In fiscal year 2007, we worked with 42 fewer FTEs than last fiscal year. In short, both our budget authority and FTE usage are at

their lowest level since fiscal year 2001. Our ability to effectively manage this demand could have an impact on our ability to meet our performance targets and satisfy congressional requests for our work. We will continue to manage the Congress's requests in order to minimize any negative impact on our ability to meet its needs. However, if the Congress continues to rely on us to provide assistance in these and other areas, the growing imbalance between our workload and our available resources must be addressed. Over time, the consistently high performance that the Congress expects of us will simply be unsustainable if our workload continues to grow while our resources continue to lag.

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

that performance-based budgeting concepts would support providing additional resources to entities with prudent budget requests and proven performance results. If the Congress employs such an approach, we should be in a good position to continue to provide a high rate of return on the resources invested in the agency.

A growing area for us involves our work on bid protests. As required by law, our General Counsel's office prepares Comptroller General procurement law decisions that resolve protests filed by disappointed bidders. These bidders challenge the way individual federal procurements are being conducted or how the contracts were awarded. In recent years, we have experienced an increase in the number of bid protests that have been filed. For example, the number of protest filings in fiscal year 2007 was 23 percent higher than the number filed in fiscal year 2001 and 6 percent higher than the number filed in fiscal year 2006. In fiscal year 2005 the Congress enacted legislation that expanded our authority to allow certain representatives of affected government employees to protest when the private sector wins a private-public competition. We will continue to monitor our workload in this area to ensure that we meet our statutory responsibilities with minimal negative impact on our other work.

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

Serving the Congress and the Nation



PART II

Performance Information

Source: See Image Sources

Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2007 performance results. Specifically, for goals 1, 2, and 3—our external goals—we present performance

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

Goal 1 Overview

Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people

Source: See Image Sources.

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

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov>. The work supporting these objectives was performed primarily by headquarters and field office staff in the following teams: Education, Workforce,

Selected Work under Goal 1

Improving care for veterans transitioning from military service: We identified the Departments of Defense's (DOD) and Veteran Affairs' (VA) inability to electronically share medical records for severely injured servicemembers transferred from DOD to VA polytrauma facilities. Real-time access to DOD's medical records is needed to determine whether servicemembers are medically stable enough to participate in vigorous rehabilitation activities. In May 2007, VA reported that three of the four polytrauma facilities now have access to DOD's electronic medical records. (See [app. 1, item 1.06.C.](#))

Identifying financial risks to the federal government caused by a changing climate: Our work raised awareness that climate change poses extraordinary fiscal challenges to federal insurance programs. The Federal Emergency Management Agency (FEMA) and the Department of Agriculture (USDA), the key federal agencies with potentially multibillion-dollar insurance liabilities associated with future climate change impacts, stated that they will report to the Congress on potential climate change-related losses for FEMA's National Flood Insurance Program and USDA's Federal Crop Insurance Corporation and the mitigation options they may use to reduce their exposure to loss. (See [app. 1, item 1.31.C.](#))

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

To accomplish our work under these strategic objectives in fiscal year 2007, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies, such as the Departments of Education, Health and Human Services, Homeland Security, Transportation, Housing and Urban Development, and the Interior and developed reports and testimonies on

the efficacy and soundness of programs they administer.

As shown in [table 10](#), we did not meet our fiscal year 2007 performance targets for financial benefits and nonfinancial benefits but exceeded our testimonies target for goal 1.

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

| Performance measure | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual | Met/ not met | 2008 target ^a |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------------------|
| Financial benefits (dollars in billions) | \$23.7 | \$26.6 | \$15.6 | \$22.0 | \$20.2 | \$12.9 | Not met | \$13.8 |
| Nonfinancial benefits | 217 | 252 | 277 | 268 | 256 | 238 | Not met | 238 |
| Testimonies | 80 | 85 | 88 | 97 | 78 | 125 | Met | 84 |

Source: GAO.

^aOur fiscal year 2008 targets for these three measures differ from the targets we reported in our fiscal year 2008 performance budget in January 2007. Specifically, we decreased our target for financial benefits from \$21.2 billion and lowered the number of nonfinancial benefits and hearings at which we testify from 257 and 90, respectively, because we shifted some work previously performed under goal 1 to goal 2 in our new strategic plan for 2007-2012.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year. These averages are shown in [table 11](#).

This table indicates that goal 1 nonfinancial benefits have generally risen over time, while the number of hearings at which we testify has exhibited a more wave-like trend during the 5-year period since fiscal year 2003.

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

| Performance measure | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|--------|--------|--------|--------|--------|
| Financial benefits (dollars in billions) | \$17.7 | \$20.8 | \$22.5 | \$22.0 | \$19.3 |
| Nonfinancial benefits | 209 | 226 | 243 | 254 | 259 |
| Testimonies | 99 | 87 | 91 | 88 | 99 |

Source: GAO.

The following sections describe our performance under goal 1 for each of these three quantitative performance measures and describe the targets for fiscal year 2008.

Financial Benefits

Example of Goal 1's Financial Benefits

Our work influenced legislation requiring states to implement electronic benefit transfer in place of paper coupons to reduce fraud and abuse in the Food Stamp Program. This action resulted in an estimated \$3.4 billion in cumulative financial benefits from fiscal years 2005 through 2009. (See [app. 1, item 1.25.F.](#))

The financial benefits reported for this goal in fiscal year 2007 totaled \$12.9 billion, which missed the target of \$20.2 billion by about \$7.3 billion. This was due in large part to the work in goal 1 supporting goals 2 and 3 and the evermore highlymatrixed nature of our work. For example, a financial benefit for \$5.4 billion related to the United States Postal Service (USPS) payment of post-retirement health care costs, which is reported in goal 3 (see [p. 168](#)), is the result of a joint effort by our Financial Management and Assurance team in goal 3 and the Physical Infrastructure team in goal 1. While reported in goal 3, this financial benefit could have just as well been reported in goal 1 given the joint nature of the teams' work. We describe goal 1 accomplishments in the [goal 1 section of appendix 1](#).

Because financial benefits often result from work completed in prior years, we set our fiscal year 2008 target on the basis of our assessment of the progress agencies are making in implementing our past recommendations. Our analysis indicates that financial benefits in the future for goal 1 are likely to increase only slightly. We, therefore, have set the target for fiscal year 2008 at \$13.8 billion, rather than \$21.2 billion as reported in our fiscal year 2008 performance plan.

Nonfinancial Benefits

Nonfinancial benefits reported for goal 1 in fiscal year 2007 included 214 actions taken by federal agencies to improve their services and operations in response to our work and another 24 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 238 nonfinancial benefits did not meet our target of 256. We report some of our major nonfinancial accomplishments in detail in the goal 1 section of appendix 1. For fiscal year 2008, we have set a target of 238 for nonfinancial benefits. This target is the same as what we achieved this fiscal year and is consistent with our recognition that we are more likely to achieve these benefits under goals 2 and 3 in the next few years. We decreased this target by 19 compared with the nonfinancial benefits target we reported in our fiscal year 2008 performance plan.

Examples of Goal 1's Nonfinancial Benefits

Improving disclosure of pension plan information to plan participants: Our work identified ways to improve the transparency of pension plan information. For example, we recommended requiring that all plan participants receive information about plan investments and the minimum benefit amount that the Pension Benefit Guaranty Corporation guarantees if a plan is terminated. The Pension Protection Act of 2006 addressed these concerns by, among other things, allowing qualified advisers to offer investment advice to participants in defined contribution plans and adding new disclosure requirements. (See [app. 1, item 1.18.N.](#))

Enacting comprehensive postal reform legislation: In 2001, we designated the USPS transformation as a high-risk area because its financial outlook had significantly deteriorated and it lacked a comprehensive plan to address financial, operational, and human capital challenges. Since then, USPS developed a transformation plan, and the Congress enacted comprehensive postal reform legislation in the areas of rate setting, regulatory oversight, and financial transparency. In 2007, we removed the USPS's transformation from our high-risk list. (See [app.1, item 1.36.N.](#))

Testimonies

Our witnesses testified at 125 congressional hearings related to this strategic goal, which exceeded the fiscal year 2007 target by 47 testimonies, about 60 percent. Among the testimonies given were those related to FEMA payments on hurricane-damaged properties, safety enhancements for coal miners, federal actions to improve child welfare services, and USPS reform efforts. (See [p. 35](#) for a list of testimony topics by goal.) On the basis of our assessment of the potential need to testify on issues under this goal, we have set a target of presenting testimony at 84 hearings during fiscal year 2008, which represents 6 fewer hearings than we reported as our target in our fiscal year 2008 performance plan.

Example of Goal 1's Testimonies

Evaluating the role and modernization of the Federal Housing Administration (FHA): In a series of testimonies, we examined trends in the use of FHA-insured mortgages, FHA's risk management, and the implications of a legislative proposal to overhaul the agency's products and processes. For example, while noting that FHA could be a vehicle to provide lower-cost and more sustainable mortgage options to some subprime borrowers, we also emphasized the need for improvements in risk management to ensure that FHA operates in a financially sound manner. Our work informed congressional debate on the benefits and risks of FHA modernization legislation under consideration. ([GAO-07-615T](#))

Goal 2 Overview

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

Source: See Image Sources.

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

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov>. The work supporting these objectives is performed primarily by headquarters and field staff in the following teams: Acquisition and Sourcing Management, Defense Capabilities and Management, and International Affairs and Trade. In addition, the work supporting some performance goals and key efforts is

Selected Work under Goal 2

Improving tanker security: We identified the challenges facing the federal government in securing the transportation of energy commodities by tankers from terrorist attacks, including the challenges resulting from an increase in liquefied natural gas shipments to the United States. We recommended that the Secretary of Homeland Security direct the Coast Guard to develop a resource allocation plan to meet these new liquefied natural gas security requirements with other existing security responsibilities. The Department of Homeland Security (DHS) agreed with our recommendation. (See [app. 1, item 2.06.C.](#))

Improving DOD's management approach to major weapon systems acquisition: We reported that leading commercial companies achieve success in product development by using portfolio management, which addresses product investment collectively from an enterprise level. In contrast, DOD approves proposed programs with much less consideration of its overall portfolio. We recommended that DOD establish a portfolio management approach to ensure delivery of a balanced mix of weapon systems programs at the right time and cost and establish a single point for determining which programs are allowed in the portfolio. The Congress has required DOD to address our recommendations. (See [app. 1, item 2.23.C.](#))

performed by headquarters and field staff from the Information Technology, Homeland Security and Justice, Financial Markets and Community Investment, and Natural Resources and Environment teams.

To accomplish our work in fiscal year 2007 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to programs that took us across multiple continents, including Europe, Africa, Asia, South America, and North America. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 12](#), we exceeded our fiscal year 2007 performance targets for

financial benefits, nonfinancial benefits, and testimonies for this goal.

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

| Performance measure | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual | Met/ not met | 2008 target ^a |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------------------|
| Financial benefits (dollars in billions) | \$7.1 | \$9.7 | \$12.9 | \$12.0 | \$9.8 | \$10.3 | Met | \$11.3 |
| Nonfinancial benefits | 273 | 369 | 365 | 449 | 290 | 468 | Met | 322 |
| Testimonies | 48 | 70 | 42 | 68 | 52 | 73 | Met | 69 |

Source: GAO.

^aOur fiscal year 2008 targets for these three measures differ from the targets we reported in our fiscal year 2008 performance budget in January 2007. Specifically, we increased our target for financial benefits from \$9.8 billion, nonfinancial benefits from 309, and the number of hearings at which we testify from 59 because we shifted some work previously performed under goal 1 to goal 2 in our new strategic plan for 2007-2012 and anticipate continued congressional interest in our work on homeland security issues and the Iraq war.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single

year and are shown in [table 13](#). This table indicates that goal 2 financial benefits, nonfinancial benefits, and testimonies have steadily increased over the last 5 years.

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

| Performance measure | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|-------|-------|-------|--------|--------|
| Financial benefits (dollars in billions) | \$7.9 | \$8.9 | \$9.5 | \$10.4 | \$11.2 |
| Nonfinancial benefits | 202 | 262 | 306 | 364 | 413 |
| Testimonies | 44 | 48 | 50 | 57 | 63 |

Source: GAO.

The following sections describe our performance under goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2008.

Financial Benefits

Example of Goal 2's Financial Benefits

Our work highlighted the risks associated with developing and implementing the Army's Future Combat System. Citing the risks we reported and preserving the ability for DOD to change course, the Congress cut the system's budget request by \$254 million. (See [app. 1, item 2.17.F.](#))

The financial benefits reported for this goal in fiscal year 2007 totaled \$10.3 billion, exceeding the target of \$9.8 billion. Among other things, these accomplishments stemmed from engagements related to better allocating resources to fund new military capabilities, streamlining our embassy presence overseas, and reducing funding for the Millennium Challenge Corporation, which oversees a foreign assistance program. We describe these and other accomplishments in [the goal 2 section of appendix 1.](#)

Given the large portion of the U.S. budget that defense spending consumes, we expect our work under this goal to continue to produce economies and efficiencies that yield billions of dollars in financial benefits for the American people each year. We set our fiscal year 2008 target at \$11.3 billion based on our assessment of the progress agencies are making in implementing our past recommendations that might yield financial benefits.

Nonfinancial Benefits

The nonfinancial benefits reported for goal 2 in fiscal year 2007 included 432 actions taken by federal agencies to improve their

services and operations in response to our work and another 36 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 468 nonfinancial benefits greatly exceeded our target of 290. Our success in this area arose from our increased emphasis on follow-up efforts and increased monitoring of our progress toward the targets throughout the year. Some of our major accomplishments are reported in detail in [the goal 2 section of appendix 1.](#)

Looking ahead, our assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to set our fiscal year 2008 target at 322. This target is lower than our fiscal year 2007 actual performance and 4-year average for this measure because we want to encourage staff to identify significant and meaningful nonfinancial benefits rather than numerous, narrowly focused ones that would easily ensure that we meet a higher target. However, we set this target higher than the one we reported in our fiscal year 2008 performance plan of 309.

Example of Goal 2's Nonfinancial Benefits

Improving oversight of contractors on the battlefield: Among the challenges DOD faced in overseeing contractors on the battlefield was the lack of visibility over the number of contractors supporting deployed forces and the services that the contractors provide. In response to our work, DOD implemented a system designed to provide commanders with this information and appointed a DOD focal point to improve the agency's management and oversight of contractors assisting the troops. (See [app. 1, item 2.21.N.](#))

Testimonies

Our witnesses testified at 73 congressional hearings related to this strategic goal in fiscal year 2007, exceeding our target of presenting testimony at 52 hearings. Among other things,

we testified on transforming DOD's business practices, combating nuclear smuggling, and DHS's Secure Border Initiative as well as credit counseling and financial literacy. (See p. 35 for a list of testimony topics by goal.) We have set our target for presenting testimony at hearings to 69 for fiscal year 2008, 10 hearings higher than the target we reported in our fiscal year 2008 performance plan.

Examples of Goal 2's Testimonies

Creating a chief management officer at DOD to guide business transformation efforts: We supported establishing a senior-level position at DOD with significant authority and a sufficient term to provide focused and sustained leadership over the department's business transformation efforts. At a time of increasing military operations and growing fiscal constraints, billions of dollars have been wasted annually because of the lack of adequate transparency and appropriate accountability across DOD's business areas. ([GAO-07-229T](#)).

Identifying key issues for oversight of U.S. efforts to stabilize and rebuild Iraq: Our September 2007 benchmark report and related testimonies found that the Iraqi government had not met most of its 18 key legislative, security, and economic benchmarks. The Departments of State and Defense agreed with our recommendations to improve the quality of information provided to the Congress on the progress being made in meeting these benchmarks. ([GAO-07-1230T](#))

Goal 3 Overview

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

Source: See Image Sources.

Our third strategic goal focuses on the collaborative and integrated elements needed for the federal government to achieve results. The work under this goal highlights the intergovernmental relationships that are necessary to achieve national goals. Our multiyear (fiscal years 2007-2012) strategic objectives under this goal are to

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov>. The work supporting these objectives is performed primarily by headquarters and field staff from the Applied Research and Methods, Financial Management and Assurance, Information Technology, and Strategic Issues teams. In addition, the work supporting some performance goals and key efforts is

Selected Work under Goal 3

Ensuring personal privacy in the face of increasing threat: Our work found that individuals' personal information could be inadequately protected by DHS and other federal agencies, which may compromise individuals' privacy rights or expose their information to misuse. For example, we reported that DHS had not taken sufficient action to assess privacy risks before developing a sophisticated data mining tool. Further, we analyzed the lessons learned from a data breach at VA in making a recommendation regarding assistance to individuals affected by data breaches at federal agencies. (See [app. 1, item 3.12.C.](#))

Revising Government Auditing Standards: We issued a major revision to the Government Auditing Standards that organizes, clarifies, and strengthens the principles for audits of government programs and entities. The 2007 revision updates and clarifies chapters on financial audits, performance audits, and attestation engagements. Auditors at every level of government as well as certified public accountant firms conducting audits of government programs are currently implementing the revised standards. (See [app. 1, item 3.19.C.](#))

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

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

As shown in [table 14](#), we significantly exceeded our fiscal year 2007 performance targets for financial benefits, nonfinancial benefits, and testimonies for this goal.

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

| Performance measure | 2003 actual | 2004 actual | 2005 actual | 2006 actual | 2007 target | 2007 actual | Met/ not met | 2008 target ^a |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------------------|
| Financial benefits (dollars in billions) | \$4.7 | \$7.6 | \$11.0 | \$17.0 | \$10.0 | \$22.8 | Met | \$14.9 |
| Nonfinancial benefits | 553 | 576 | 767 | 625 | 554 | 648 | Met | 590 |
| Testimonies | 56 | 60 | 47 | 73 | 55 | 74 | Met | 67 |

Source: GAO.

^aOur fiscal year 2008 targets for these three measures differ from the targets we reported in our fiscal year 2008 performance budget in January 2007. Specifically, we increased our targets for financial and nonfinancial benefits from \$10.5 billion and 584, respectively, because we believe our past work on issues such as improper payments and IT will allow us to achieve these more challenging targets. However, we anticipate that though the Congress will continue its interest in our work on issues such as military contractors and acquisitions, the number of hearings at which we will be asked to testify will likely decline slightly.

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 15](#)—which minimize the effect of an unusual level of performance in any single year. This table indicates that documentation of financial and nonfinancial benefits derived from our work under this goal has generally risen

during the 5-year period shown, with a large increase in nonfinancial benefits recorded in 2006 compared with the previous year. The number of hearings during which our senior executives testified on goal 3 issues was relatively flat from fiscal years 2004 to 2006, but increased in fiscal year 2007.

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

| Performance measure | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|-------|-------|-------|--------|--------|
| Financial benefits (dollars in billions) | \$5.5 | \$6.1 | \$7.1 | \$10.1 | \$14.6 |
| Nonfinancial benefits | 480 | 498 | 590 | 630 | 654 |
| Testimonies | 67 | 56 | 57 | 59 | 64 |

Source: GAO.

The following sections describe our performance under goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2008.

Financial Benefits

Example of Goal 3's Financial Benefits

In response to our work, agencies such as DOD, the Department of Transportation (DOT), and USDA have improved their oversight of information technology (IT) investments resulting in a reduction in their planned IT expenditures of more than \$1.3 billion. For example, USDA coordinated its various IT investment boards and narrowed the scope of information system projects to reduce risk and increase efficiency. (See [app.1, item 3.05.F.](#))

The financial benefits reported for this goal in fiscal 2007 totaled \$22.8 billion, more than double our target of \$10.0 billion. These efforts included work that led to reductions in planned IT expenditures at several federal agencies, the termination of the National Aeronautic and Space Administration (NASA) space launch initiative (SLI), FEMA taking action to recoup and collect millions of dollars in improper or fraudulent assistance payments it made following hurricanes Katrina and Rita, and improved collections of federal nontax and criminal debts. We describe these and other accomplishments in [the goal 3 section of appendix 1.](#)

Under goal 3, we typically work on core government business processes and governmentwide management reforms. Our assessments of the executive branch's current efforts to implement the recommendations we made in our work under this goal indicate that financial benefits related to this goal are likely to be in line with our 4-year average. Consequently, we set the target for financial benefits at \$14.9 billion for fiscal 2008, which is \$4.4 billion higher than the target we reported in our fiscal year 2008 performance plan.

Nonfinancial Benefits

Examples of Goal 3's Nonfinancial Benefits

Strengthening the link between contract incentives and outcomes across government: We reported that DOD and NASA structured monetary incentives in ways that led to significant disconnects between the award fees paid to contractors and program outcomes. For example, DOD paid an estimated \$8 billion in award fees on contracts regardless of program outcomes. The Congress enacted legislation incorporating most of our recommendations directed at DOD, which strengthened the link between award fee criteria and acquisition outcomes. Moving toward more outcome-based award-fee criteria will give contractors an increased stake in helping agencies develop more realistic targets up front or risk receiving fewer award fees when cost, schedule, and performance targets are not met. (See [app. 1, item 3.07.N.](#))

Improving research and setting goals to reduce the tax gap: We made several recommendations to the Internal Revenue Service (IRS) to improve its efforts to reduce the tax gap. For example, we recommended that IRS set a long-term voluntary compliance goal to help measure the success of its compliance efforts. In its 2007 budget justification, IRS established a goal of 85 percent voluntary compliance by 2009. (See [app. 1, item 3.28.N.](#))

Nonfinancial benefits reported for goal 3 in fiscal year 2007 included 634 instances in which agencies' core business processes were improved or governmentwide management reforms were advanced because of our work. In addition, there were 14 instances in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 648 nonfinancial benefits exceeded our target of 554. The larger number of nonfinancial benefits occurred mainly in our financial management and information technology areas where we tend to make multiple, specific recommendations for change to more than one entity. We describe some of our major accomplishments in [the goal 3 section of appendix 1.](#)

Looking ahead, our assessments of the executive branch's current efforts to implement our recommendations made under

this goal led us to set a fiscal year 2008 target of 590 nonfinancial benefits for goal 3. We recognize that this target is lower than our fiscal year 2007 actual performance, but we set it at this level because we want to encourage staff to identify significant and meaningful nonfinancial benefits and limit the number of narrowly focused ones that would easily ensure that we meet a higher target.

Testimonies

Our witnesses testified at 74 congressional hearings related to this strategic goal in fiscal year 2007, exceeding the target of 55 by about 35 percent. Among the testimonies presented were those related to contracting and security challenges in Iraq, security vulnerabilities at unmonitored borders,

electronic voting, tax abuses by Medicare providers, and challenges facing the polar satellite program. (See [p. 35](#) for a list of testimony topics by goal.) For fiscal year 2008, we have set a target of presenting testimony at 67 hearings because we expect the level of hearings to be lower than it was in fiscal year 2007.

Example of Goal 3's Testimonies

Identifying fraud, waste, and abuse in Katrina and Rita financial assistance payments: Our work related to FEMA's Individual and Households Program identified from \$600 million to \$1.4 billion in improper or potentially fraudulent financial assistance payments made by FEMA following hurricanes Katrina and Rita. We referred thousands of cases we considered potentially improper and fraudulent to the Katrina Fraud Task Force for appropriate criminal investigation. (See [GAO-07-418T](#))

Goal 4 Overview

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

Source: See Image Sources.

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

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov>. The work supporting these objectives is performed under the direction of the Chief Administrative Officer with assistance on specific key efforts being provided by staff from the Applied Research and Methods team and from offices such as Strategic Planning and External Liaison,

Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, and Public Affairs.

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

Selected Work under Goal 4

Enhancing client service: We completed a pilot of e-dissemination of products to our congressional clients to enhance the quality and timeliness of service. During fiscal year 2007, we avoided approximately \$48,800 in costs for the 51 reports issued. Based on the cost-effectiveness of e-dissemination and the positive client feedback we recently fully implemented e-dissemination for the majority of our products. (See [app. 1, item 4.01.C.](#))

Converting to a new financial management system: We completed preparations and testing for conversion as of the new fiscal year to our new financial management system, GAO Delphi. We are able to take advantage of DOT's Enterprise Service Center expertise and economies of scale for select accounting functions, allowing our staff to transition to a greater focus on analysis and customer service. (See [app. 1, item 4.07.C.](#))

Improving work life programs: We increased our support for several of our work life programs and services that help our employees to balance work and personal life. These initiatives included increasing the capacity of the headquarters day care center through expansion of the physical facility, enhancing the Student Loan Repayment Program to support more applicants, and increasing our approval of telework applications by 200 percent. (See [app. 1, item 4.16.C.](#))

Updating our external Web site: We launched a new and improved version of www.gao.gov, implementing numerous recommendations resulting from an independent review. We improved our navigation and searching capabilities, and incorporated the reviewer's principles and methodology into our standards and processes. (See [app. 1, item 4.09.C.](#))

Data Quality and Program Evaluation

Verifying and Validating Performance Data

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

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

The specific sources of the data for our annual performance measures and multiyear qualitative performance goals, procedures for independently verifying and validating these data, and the limitations of these data are described in [table 16](#).

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

| Results measures | |
|---------------------------|---|
| Financial benefits | |
| Definition and background | <p>Our work—including our findings and recommendations—may produce benefits to the federal government that can be estimated in dollar terms. These benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. A financial benefit is an estimate of the federal monetary effect of agency or congressional actions. These financial benefits generally result from work that we completed over the past several years. The funds made available as a result of the actions taken in response to our work may be used to reduce government expenditures, increase revenues, or reallocate funds to other areas. Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action.</p> <p>Financial benefits are linked to specific recommendations or other work. To claim that financial benefits have been achieved, our staff must file an accomplishment report documenting that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within 2 fiscal years prior to the filing of the accomplishment report, (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed, and (4) estimates of financial benefits were based on information obtained from non-GAO sources. Prior to fiscal year 2002, we limited the period over which the benefits from an accomplishment could be accrued to no more than 2 years. Beginning in fiscal year 2002, we extended the period to 5 years for certain types of accomplishments known to have multiyear effects, such as those associated with multiyear reductions in longer-term projects, changes embodied in law, program terminations, or sales of government assets yielding multiyear financial benefits. Financial benefits can be claimed for past or future years. For financial benefits involving events that occur on a regular but infrequent basis—such as the decennial census—we may extend the measurement period until the event occurs in order to compute the associated financial benefits using our present value calculator.</p> <p>Managing directors decide when their staff can claim financial benefits. A managing director may choose to claim a financial benefit all in 1 year or decide to claim it over several years, especially if the benefit spans future years and the managing director wants greater precision as to the amount of the benefit.</p> |

Data sources Our Accomplishment Reporting System provides the data for this measure. Teams use this Web-based data system to prepare, review, and approve accomplishments and forward them to our Quality and Continuous Improvement office (QCI) for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total financial benefits agencywide and by goal.

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

The team forwards the report to QCI, which reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. QCI provides summary data on approved financial benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments submitted by their staff have been accurately recorded. Our Engagement Reporting System also contains accomplishment data for the fiscal year. In fiscal year 2007, QCI approved accomplishment reports covering 94 percent of the dollar value of financial benefits we reported.

Every year, our Office of Inspector General (IG) reviews accomplishment reports that claim benefits of \$500 million or more. For fiscal year 2007, the IG reviewed accomplishment reports covering 74 percent of the dollar value of financial benefits we reported. In addition, on a periodic basis, the IG independently tests compliance with our process for claiming financial benefits of less than \$500 million. For example, the IG reviewed fiscal year 2006 financial benefits of \$100 million or more and found our reporting process to be sound overall. However, the IG recommended improvements to the clarity of certain policies related to reporting financial accomplishments and the documentation supporting selected accomplishment reports. We clarified our guidance and updated our policy manual in fiscal year 2007.

Data limitations Not every financial benefit from our work can be readily estimated or documented as attributable to our work. As a result, the amount of financial benefits is a conservative estimate. Estimates are based on information from non-GAO sources and are based on both objective and subjective data, and as a result, professional judgment is required in reviewing accomplishment reports. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.

Nonfinancial benefits

Definition and background

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

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

Data sources

Our Accomplishment Reporting System provides the data for this measure. Teams use this automated system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total other (nonfinancial) benefits agency-wide and by goal.

Verification and validation

Our policies and procedures require us to use the Accomplishment Reporting System to record the nonfinancial benefits that result from our findings and recommendations. Staff in the teams file accomplishment reports to claim that benefits have resulted from their work. The team develops workpapers to support accomplishments with evidence that meets our evidence standard. Supervisors review the workpapers; an independent person within GAO reviews the accomplishment report; and the team's managing director or director approves the accomplishment report to ensure the appropriateness of the claimed accomplishment, including attribution to our work.

The team forwards the report to QCI, where it is reviewed for appropriateness. QCI provides summary data on nonfinancial benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments from their staff have been accurately recorded. Additionally, on a periodic basis, the IG independently tests compliance with our process for claiming nonfinancial benefits. For example, the IG tested this process in fiscal year 2005 and found it to be reasonable. The IG also recommended actions to strengthen documentation of our nonfinancial benefits and to encourage the timely processing of the supporting accomplishment reports.

Data limitations

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

Percentage of products with recommendations

Definition and background We measure the percentage of our written products (chapter and letter reports and numbered correspondence) issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive for recommendations that are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and that are specific, feasible, and cost-effective. Some products we issue contain no recommendations and are strictly informational in nature.

We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations and that the Congress and agencies often find such informational reports just as useful as those that contain recommendations. For example, informational reports, which do not contain recommendations, can help to bring about significant financial and nonfinancial benefits.

Data sources Our Documents Database records recommendations as they are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.

Verification and validation Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database. We provide our managers with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated. Additionally, on a periodic basis, the IG independently tests the teams' compliance with our policies and procedures related to this performance measure. For example, during fiscal year 2006, the IG tested and determined that our process for determining the percentage of written products with recommendations was reasonable. The IG also recommended actions to improve the process for developing, compiling, and reporting these statistics. We have implemented the IG's recommendations for fiscal year 2007. Since then, we have used the same procedures to compute and report this measure.

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

Past recommendations implemented

| | |
|---------------------------|---|
| Definition and background | <p>We make recommendations designed to improve the operations of the federal government. For our work to produce financial or nonfinancial benefits, the Congress or federal agencies must implement these recommendations. As part of our audit responsibilities under generally accepted government auditing standards, we follow up on recommendations we have made and report to the Congress on their status. Experience has shown that it takes time for some recommendations to be implemented. For this reason, this measure is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year (e.g., the fiscal year 2007 implementation rate is the percentage of recommendations made in fiscal year 2003 products that were implemented by the end of fiscal year 2007). Experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.</p> <p>This measure assesses action on recommendations made 4 years previously, rather than the results of our activities during the fiscal year in which the data are reported. For example, the cumulative percentage of recommendations made in fiscal year 2003 that were implemented in the ensuing years is as follows: 18 percent by the end of the first year (fiscal year 2004), 32 percent by the end of the second year (fiscal year 2005), 43 percent by the end of the third year (fiscal year 2006), and 82 percent by the end of the fourth year (fiscal year 2007).</p> |
| Data sources | <p>Our Documents Database records recommendations as they are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.</p> |

| | |
|-----------------------------|---|
| Verification and validation | <p>Through a formal process, each team identifies the number of recommendations included in each product, and an external contractor enters them into a database.</p> <p>Policies and procedures specify that our staff must verify, with sufficient supporting documentation, that an agency’s reported actions are adequately being implemented. Staff update the status of the recommendations on a periodic basis. To accomplish this, our staff may interview agency officials, obtain agency documents, access agency databases, or obtain information from an agency’s inspector general. Recommendations that are reported as implemented are reviewed by a senior executive in the unit and by QCI.</p> <p>Summary data are provided to the units that issued the recommendations. The units check the data regularly to make sure that the recommendations they have reported as implemented have been accurately recorded. We also provide to the Congress a database with the status of recommendations that have not been implemented, and we maintain a publicly available database of open recommendations that is updated daily.</p> <p>Additionally, on a periodic basis, the IG independently tests our process for calculating the percentage of recommendations implemented for a given fiscal year. For example, the IG determined that our process was reasonable for calculating the percentage of recommendations that had been made in our fiscal year 2002 products and implemented by the end of fiscal year 2006. The IG also recommended actions to improve the process for developing, compiling, and reporting this statistic. In fiscal year 2007, we implemented the IG’s recommendation for calculating the percentage of recommendations that had been made in fiscal year 2003 products and implemented by the end of fiscal year 2007.</p> |
|-----------------------------|---|

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

| Client measures | |
|---------------------------|--|
| Testimonies | |
| Definition and background | The Congress may ask us to testify at hearings on various issues, and these hearings are the basis for this measure. Participation in hearings is one of our most important forms of communication with the Congress, and the number of hearings at which we testify reflects the importance and value of our institutional knowledge in assisting congressional decision making. When multiple GAO witnesses with separate testimonies appear at a single hearing, we count this as a single testimony. We do not count statements submitted for the record when a GAO witness does not appear. |
| Data sources | The data on hearings at which we testified are compiled in our congressional hearing system managed by staff in Congressional Relations. |

Verification and validation The units responding to requests for testimony are responsible for entering data in the Congressional Hearing System. After a GAO witness has testified at a hearing, Congressional Relations verifies that the data in the system are correct and records the hearing as one at which we testified. Congressional Relations provides weekly status reports to unit managers, who check to make sure that the data are complete and accurate. Additionally, on a periodic basis, the IG independently examines the process for recording the number of hearings at which we testified. For example, the IG determined that our process for recording hearings during fiscal year 2006 was reasonable. In fiscal year 2007, we followed the same process for recording hearings.

Data limitations This measure does not include statements for the record that we prepare for congressional hearings. Also, this measure may be influenced by factors other than the quality of our performance in any specific year. The number of hearings held each year depends on the Congress's agenda, and the number of times we are asked to testify may reflect congressional interest in work in progress as well as work completed that year or the previous year. To mitigate this limitation, we try to adjust our target to reflect cyclical changes in the congressional schedule. We also outreach to our clients on a continuing basis to increase their awareness of our readiness to participate in hearings.

Timeliness

Definition and background The likelihood that our products will be used is enhanced if they are delivered when needed to support congressional and agency decision making. To determine whether our products are timely, we compute the proportion of favorable responses to questions related to timeliness from our electronic client feedback survey. Because our products often have multiple requesters, we often survey more than one congressional staff person per product. Thus, we base our timeliness result on the number of surveys sent out during the fiscal year. We send a survey to key staff working for the requesters of our testimony statements and a survey to requesters of our more significant written products—specifically, engagements assigned an interest level of “high” by our senior management and those requiring an investment of 500 GAO staff days or more. One question on each survey asks the respondent whether the product was delivered on time. When a product that meets our survey criteria is released to the public, we electronically send relevant congressional staff an e-mail message containing a link to a survey. When this link is accessed, the survey recipient is asked to respond to the questions using a five-point scale—strongly agree, generally agree, neither agree nor disagree, generally disagree, strongly disagree—or choose “not applicable/no answer.” For this measure, favorable responses are “strongly agree” and “generally agree.”

| | |
|-----------------------------|--|
| Data sources | <p>To identify the products that meet our survey criteria (all testimonies and other products that are high interest or involve 500 staff days or more), we run a query against GAO's Documents Database maintained by a contractor. To identify appropriate recipients of the survey for products meeting our criteria, we ask the engagement teams to provide in GAO's Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into our Product by Product Survey Approval Database that is managed by QCI. This database then combines product, survey recipient, and data from our Congressional Relations staff and creates an e-mail message with a Web link to a survey. (Congressional Relations staff serve as the GAO contacts for survey recipients.) The e-mail message also contains an embedded client password and unique client identifier to ensure that a recipient is linked with the appropriate survey. Our Congressional Feedback Database creates a survey record with the product title and number and captures the responses to every survey sent back to us electronically.</p> |
| Verification and validation | <p>QCI staff review a hard copy of a released GAO product or access its electronic version to check the accuracy of the addressee information in the Product by Product Survey Approval Database. QCI staff also check the congressional staff directory to ensure that survey recipients listed in the Product by Product Survey Approval Database appear there. In addition, our Congressional Relations staff review the list of survey recipients entered by the engagement teams and identify the most appropriate congressional staff person to receive a survey for each requester. Survey e-mail messages that are inadvertently sent with incorrect e-mail addresses automatically reappear in the survey approval system. When this happens, QCI staff correct any obvious typing errors and resend the e-mail message or contact the congressional staff person directly for the correct e-mail address and then resend the message. The IG also periodically reviews the timeliness performance measure and last reviewed it in fiscal year 2005—the last year before we began to use the independent feedback from the survey as a basis for determining our timeliness.</p> |
| Data limitations | <p>We do not measure the timeliness of all of our external products because we do not wish to place too much burden on busy congressional staff. Testimonies and written products that meet our criteria for this measure represent more than 50 percent of the congressionally requested products we issued during fiscal year 2007. We exclude from our timeliness measure low and medium interest reports requiring fewer than 500 staff days to complete, reports addressed to agency heads or commissions, some reports mandated by the Congress, classified reports, and reports completed under the Comptroller General's authority. Also, if a requester indicates that he or she does not want to complete any surveys, we will not send a survey to this person again, even though a product subsequently requested meets our criteria. The response rate for our client feedback survey is about 28 percent. We received comments from one or more people for about 54 percent of the products for which we sent surveys in fiscal year 2007.</p> |

People measures

New hire rate

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

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

Verification and validation The Chief Administrative Office maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our Chief Administrative Office staff input workforce information supporting this measure into the Chief Administrative Office database. While the database is updated on a daily basis, monthly reports are provided to the Chief Operating Officer and the Chief Administrative Officer so that they can monitor progress by GAO units in achieving workforce plan hiring targets. The Chief Administrative Office continuously monitors and reviews accessions maintained in the NFC database against its database to ensure consistency and to resolve discrepancies. The office follows up on any discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the new hire rate. During fiscal year 2004, the IG independently reviewed this process and found it to be reasonable. The IG also recommended actions to improve the documentation of the process used to calculate this measure. We have implemented the IG’s recommendations.

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

| Acceptance rate | |
|-----------------------------|--|
| Definition and background | This measure is the ratio of the number of applicants accepting offers to the number of offers made. Acceptance rate is a proxy for GAO's attractiveness as an employer and an indicator of our competitiveness in bringing in new talent. |
| Data sources | The information required is the number of job offers made (excluding interns, experts/consultants, and reemployed annuitants), the number of offers declined, and the number of individuals who come on board. Our Chief Administrative Office staff maintains a database that contains the job offers made and accepted or declined. Data on accessions—that is, new hires coming on board—are taken from a database that contains employee data from USDA's NFC database, which handles payroll and personnel data for GAO and other agencies. |
| Verification and validation | Human capital managers in the Human Capital Office work with the Chief Administrative Office staff to ensure that each job offer made and its outcome (declination or acceptance) is noted in the database that is maintained by Chief Administrative Office staff; periodic checking is performed to review the accuracy of the database. In addition, on a periodic basis, the IG examines our process for calculating the acceptance rate. During fiscal year 2004, the IG independently reviewed this process and found it to be reasonable. The IG also recommended actions to improve the documentation of the process used to calculate this measure and the reporting of this measure. We have implemented the IG's recommendations. |
| Data limitations | See New hire rate , Data limitations . |
| Retention rate | |
| Definition and background | We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the inverse of attrition. We calculate this measure by taking 100 percent of the onboard strength minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements. |
| Data sources | Data on retention—that is, people who are on board at the beginning of the fiscal year and are still here at the end of the fiscal year as well as the average number of people on board during the year—are taken from a Chief Administrative Office database that contains some data from the NFC database, which handles payroll and personnel data for GAO and other agencies. |
| Verification and validation | Chief Administrative Office staff continuously monitor and review accessions and attritions against the contents of their database that has NFC data and they follow up on any discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the retention rate. During fiscal year 2004, the IG reviewed this process and found it to be reasonable. The IG also recommended actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's recommendations. |
| Data limitations | See New hire rate , Data limitations . |

Staff development

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

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

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

Verification and validation The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. In fiscal year 2007, our response rate to this survey was about 74 percent, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey.

In addition, on a periodic basis, the IG independently examines our process for calculating the percentage of favorable responses for staff development. The IG examined this process during fiscal year 2004 and found it to be reasonable. The IG also recommended actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's recommendations.

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

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

Staff utilization

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

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

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

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

Leadership

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

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

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

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

Organizational climate

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

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

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

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

Internal operations measures

Help get job done and quality of work life

Definition and background To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct an annual Web-based survey in November. The customer satisfaction survey on administrative services, conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey we encourage our staff to indicate how satisfied they are with 19 services that help them get their jobs done and another 10 services that affect their quality of work life.

As part of the survey, employees are asked to rate, on a scale of 1 (low) to 5 (high), those services that are important to them and that they have experience with or used recently. Then, for each selected service, employees are asked to indicate their level of satisfaction from 1 (low) to 5 (high), and provide a written reason for their rating and recommendations for improvement if desired. Based on employees’ responses to these questions, we calculate a composite score.

Data sources These data come from our staff’s responses to an annual Web-based survey. To determine how satisfied GAO employees are with internal administrative services, we calculate composite scores for two measures. One measure reflects the satisfaction with the 19 services that help employees get their jobs done. These services include Internet and intranet services, IT customer support, mail services, and voice communication services. The second measure reflects satisfaction with another 10 services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and workplace safety and health. The composite score represents how employees rated their satisfaction with services in each of these areas relative to how they rated the importance of those services to them. The importance scores and satisfaction levels are both rated on a scale of 1 (low) to 5 (high).

Verification and validation The satisfaction survey on administrative services is housed on a Web site maintained by an outside contractor, and only the contractor has the ability to link the survey results with individual staff. Our survey response rate was 48 percent in 2006. To ensure that the results are largely representative of the GAO population, we analyze the results by demographic representation (unit, tenure, location, band level, and job type). Each GAO unit responsible for administrative services conducts follow-on work, including analyzing written comments to gain a better understanding of the information from the survey.

In addition, on a periodic basis, the IG independently assesses the internal operations performance measures. The IG examined the measures during fiscal year 2007 and found the measures reasonable. The IG also recommended actions to improve the measures' reliability and objectivity. We are in the process of implementing the IG's recommendations.

Data limitations The information contained in the survey is the self-reported opinion of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.

The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or entering their data incorrectly. Such errors can introduce unwanted variability into the survey results. We limit the chances of introducing nonsampling errors by using a Web-based survey for which respondents enter their answers directly into an electronic questionnaire. This eliminates the need to have the data keyed into a database by someone other than the respondent.

Source: GAO.

Program Evaluation

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

In addition, we actively monitor the status of our open recommendations—those that remain valid but have not yet been implemented—and report our findings

annually to the Congress and the public (<http://www.gao.gov/openrecs.html>). We use the results of that analysis to determine the need for further work in particular areas. For example, if an agency has not implemented a recommended action that we consider to be worthwhile, we may decide to pursue further action with agency officials or congressional committees, or we may decide to undertake additional work on the matter.

We also use our biennial high-risk update report to provide a status report on those major government operations considered high risk because of their vulnerabilities to fraud, waste, abuse, and mismanagement or the need for broad-based transformation.

The report is a valuable evaluation and planning tool because it helps us to identify those areas where our continued efforts are needed to maintain the focus on important policy and management issues that the nation faces. (See www.gao.gov/docsearch/featured/highrisk.html.)

To continuously improve the quality of our work supporting strategic goals 1, 2, and 3 in fiscal year 2007, we performed our annual inspection of our quality control system for audits completed during calendar year 2006. The inspection team concluded that our quality control system was suitably designed and operating effectively to provide us with reasonable assurance that we (1) conformed in all material respects with Government Auditing Standards and (2) provided the Congress and other users of our products with independent, objective, and reliable information during the year ended December 31, 2006.

The inspection team found that our quality assurance framework includes the key controls necessary to ensure quality products. The team also found that engagement teams followed these controls in all material aspects. The inspection team did not identify any instances where our work was not reliable or contained material errors. Further, the inspection team identified a number of noteworthy developments with respect to our quality control system during this year's inspection. Many of these developments have broad applicability to our analyst staff and some represent practices that mission teams may consider adopting. For example, one team enhanced its review of official workpapers developed and maintained for each engagement known as Engagement Management and Product Files to ensure their correct and timely completion and another team developed a template to ensure process control in instances where multiple staff are used to check the facts in a product resulting from an engagement.

We also completed a number of studies and evaluations related to goal 4's strategic objectives. These studies resulted in internal products or briefings in fiscal year 2007 that are not available publicly.

- **Financial management practices and processes.** We conducted internal control reviews as set forth in 31 U.S.C. 3512 (commonly referred to as the Federal Managers' Financial Integrity Act); Office of Management and Budget (OMB) Circular No. A-127, *Financial Management Systems*; and OMB Circular No. A-123, *Management's Responsibility for Internal Control, Appendix A*. Under the Federal Managers' Financial Integrity Act requirements, we reviewed quarterly payroll transactions and under A-127, we reviewed three modules—Financial Reporting Requirements; Preparation, Execution, and Reporting of GAO's Budget in Accordance With Requirements; and Training and User Support. We assessed our internal control over financial reporting consistent with A-123 by testing key cycles, specifically those that represent large-dollar flows or have high-risk factors, and conducting limited testing on cycles with low risk or that had few or no remediation actions from last year. On the basis of the results of these assessments, we concluded that we had reasonable assurance that internal control over financial reporting as of September 30, 2007, was operating effectively and that no material weaknesses exist in the design or operation of the internal controls over financial reporting.
- **Cost-benefit analysis of legislative history digitization project.** To ensure that staff can easily access our legislative histories electronically, we began an initiative to "digitize" or scan all our legislative histories into a Web-based database that will allow full-text searches

of the PDF format of this information. We conducted a digitization pilot and found that the cost of using in-house services for digitization would far outweigh the benefits. We awarded a no-cost contract to digitize over the next 4 years all the documents that constitute the legislative histories of 21,000 public laws from 1921 to 1995 that we have collected in exchange for the contractor's exclusive right to market and sell access to the digitized versions of these histories.

- **Automated background check system.** We piloted the Office of Personnel Management's automated personnel security background investigation system known as eQIP. The pilot demonstrated that we could reduce the processing time for these investigations by an estimated 50 percent at no additional cost to us. As a result of this successful pilot, we fully implemented eQIP on October 1, 2007.
- **Interest in our in-house mentoring program.** We conducted a Web-based survey to measure the level of staff interest in having a mentor or being a mentor and to gain an understanding of what staff expect to gain from a mentoring relationship. Among the 831 employees who responded to the survey, 637 indicated a desire to participate in the mentoring program as a mentor or mentee. Both groups expressed an interest in learning about or helping others to enhance leadership skills, supervise others, work through difficult situations, plan and manage a career, and manage work relationships.

Serving the Congress and the Nation



PART III

Financial Information

Source: See Image Sources.

From the Chief Financial Officer

Source: GAO.

Chief Financial Officer, Sallyanne Harper

November 15, 2007

I am pleased to report that during fiscal year 2007 the U.S. Government Accountability Office continued to lead by example in government financial management. For the 21st consecutive year, independent auditors gave our financial statements an unqualified opinion with no material weaknesses and no major compliance problems. The financial statements that follow were prepared, audited, and made publicly available as an integral part of this performance and accountability report 45 days after the end of the fiscal year. Our fiscal year 2006 report received a certificate of excellence in accountability reporting from the Association of Government Accountants (AGA). Our annual reports have received this AGA honor each year since we first applied with our fiscal year 2001 performance and accountability report.

In fiscal year 2007 we institutionalized the rigorous process of documenting, updating, and reviewing internal controls after successfully implementing the Office of Management and Budget's (OMB) revised Circular No. A-123, Appendix A last fiscal year. As a result of these efforts we have been able to improve on and strengthen the design and implementation of our internal control practices throughout the financial management process. This year we continued to address those minor weaknesses identified in fiscal year 2006 testing that remained outstanding by fiscal year end. We instituted a rotating testing schedule of the major cycles so that our A-123 testing team reviews, updates, and tests the designated cycles at least once every 3 years.

This fiscal year we also focused many of our resources on preparing for our new financial management system. The software solution is the Department of Transportation Enterprise Service Center's (ESC) *Delphi*, *Oracle Federal Financials*. Implementation of our new financial management system, GAO Delphi, followed widely accepted best industry practices for project management including independent verification and validation of our interfaces, test approach, and cutover and contingency plans. In addition to the normal testing prior to implementation, we built in a 2-month parallel processing phase to further validate our production readiness and ensure that GAO Delphi would meet agency business needs and internal and external reporting requirements. We plan to take advantage of ESC's expertise and economies of scale as our service provider for select accounting functions, particularly those involving transaction data entry, while our staff will maintain appropriate control and oversight of

the cross-serviced processes. Reducing the amount of data entry done in-house will allow our financial management staff to focus more on analysis and customer service. As fiscal year 2008 began, we successfully converted to the new system. Future phases include implementation of an integrated workforce planning and budget formulation solution and an E-Gov travel solution.

In addition to our extensive efforts on our financial systems, we have enhanced our product, business, and management processes to streamline operations and save the taxpayer money. During fiscal year 2007 we successfully completed our extended pilot of the electronic dissemination of our print engagement-related products avoiding \$48,800 in costs, and we project future annual savings of about \$300,000 annually in printing-related costs. The pilot showed that we can provide products more quickly to our client in electronic format while maintaining a high level of customer satisfaction. In tandem with this e-dissemination effort we have implemented a new digital printing contract which will provide the option to print only the quantity of the product needed for distribution to the requester and key recipients instead of the 150-copy minimum requested by outside contract print companies. To further improve our analysts' business processes, we have enhanced our internal electronic audit system, the Financial Audit System (FAS), which enables our staff to more comprehensively and accurately audit the financial statements of executive branch agencies. In addition to enabling us to provide an improved consolidated financial statement to our clients, we expect the improvements we have implemented will allow us to: reduce travel costs by increasing remote access capability; increase the efficiency of our audit work through enhanced automated analysis capabilities and project management tools; and minimize the effort required for audit start-ups through automated planning, staffing, and audit documentation tools.

The coming fiscal year promises many challenges including institutionalizing the day-to-day use of the new financial management system. We expect to see our hard work pay off with a smooth transition as we begin providing more meaningful management reporting throughout the organization and by taking advantage of our service provider's services in entering accounting data. As always, we remain focused on our role in the legislative branch to support the Congress in meeting its constitutional responsibilities, to help improve the performance and ensure the accountability of the government for the benefit of the American people, and to continue to focus on and enhance our internal operations and services to better achieve our strategic goal of being a model federal agency.



Sallyanne Harper
Chief Financial Officer

Overview of Financial Management and Controls

Our financial statements and accompanying notes begin on [page 108](#).⁸ Our financial statements for the fiscal years ended September 30, 2007 and 2006, were audited by an independent auditor, Clifton Gunderson, LLP. Clifton Gunderson, LLP, rendered an unqualified opinion on our financial statements and an unqualified opinion on the effectiveness of our internal controls over financial reporting and compliance with laws and regulations. The auditor also reported that we have substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996 (Improvement Act) and found no reportable instances of noncompliance with selected provisions of laws and regulations. In the opinion of the independent auditor, the financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles.

Financial Systems and Internal Controls

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

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

⁸Note 14 to the financial statements describes our Davis-Bacon Act trust function. For more detailed Davis-Bacon Act financial information, contact our General Counsel.

agencies' assessments of internal control over financial reporting. We performed this assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2007, was operating effectively and that no material control weaknesses exist in the design or operation of the internal controls over financial reporting. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our assessment, the auditor found no material internal control weaknesses.

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

In addition, we are committed to fulfilling the objectives of the Improvement Act, which is also covered within 31 U.S.C. 3512. Although not subject to the act, we voluntarily

comply with its requirements. We believe that we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *United States Government Standard General Ledger* at the transaction level as of September 30, 2007. We made this assessment based on criteria established under the Improvement Act and guidance issued by OMB. Also, our auditor reported that we had substantially complied with the applicable requirements of the Improvement Act as of September 30, 2007.

GAO's Inspector General (IG) also conducts audits and investigations that are internally focused, functions as an independent fact-gathering adviser to the Comptroller General, and reviews all accomplishment reports totaling \$500 million or more. During fiscal year 2007, the IG examined compliance with our policy and procedures for conflict-of-interest determinations and conducted reviews of the Comptroller General's vouchers for the official representation account, the compensatory time for travel program, and our information security program. In addition, the IG implemented and managed an internal hotline for use by our employees and contractors to report potential fraud, waste, and abuse in our operations. Finally, the IG independently tests our compliance with procedures related to our performance data on a rotating basis over a 3-year period; these actions are specifically identified in the table that begins on [page 79](#). No material weaknesses were reported by the IG. During fiscal year 2007, we completed actions related to seven IG recommendations, none of which affected the financial statements. There are no unresolved issues.

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

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

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

Audit Advisory Committee's Report

The Audit Advisory Committee (the Committee) assists the Comptroller General in overseeing the U.S. Government Accountability Office's (GAO) financial operations. As part of that responsibility, the Committee meets with agency management and its internal and external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. GAO's external auditors are responsible for expressing an opinion on the conformity of GAO's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the internal and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft Performance and Accountability Report, including its financial statements, and provides comments to management who have primary responsibility for the Performance and Accountability Report. The Committee met twice with respect to its responsibilities as described above. During these sessions, the Committee met with the internal and external auditors without GAO management being present and discussed with the external auditors the matters that are required to be discussed by generally accepted auditing standards. Based on procedures performed as outlined above, we recommend that GAO's audited statements and footnotes be included in the 2007 Performance and Accountability Report.



Sheldon S. Cohen
Chairman
Audit Advisory Committee

Independent Auditor's Report



Independent Auditor's Report

Comptroller General of the United States

In our audits of Government Accountability Office (GAO) for fiscal years 2007 and 2006, we found:

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

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

Opinion on Financial Statements

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, GAO's assets, liabilities and net position as of September 30, 2007 and 2006, and net costs; changes in net position; and budgetary resources for the years then ended.

Opinion on Internal Control

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2007, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d), the Federal Managers' Financial Integrity Act, and the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

11710 Beltsville Drive, Suite 300
Calverton, Maryland 20705-3106

tel: 301-931-2050
fax: 301-931-1710

www.cliftoncpa.com

1

Offices in 17 states and Washington, DC



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

Opinion on FFMIA Compliance

In our opinion, GAO's financial management systems, as of September 30, 2007, substantially complied with the following requirements of FFMIA: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the *United States Government Standard General Ledger* (SGL) at the transaction level. Our opinion is based on criteria established under FFMIA, OMB Circular No. A-127, Financial Management Systems (which includes the Joint Financial Management Improvement Program/Office of Federal Financial Management series of system requirements documents), accounting principles generally accepted in the United States of America, and the SGL.

Compliance with Laws and Regulations

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

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

Consistency of Other Information

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

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

Objectives, Scope, and Methodology

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

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

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

With respect to internal control related to significant performance measures included in the MD&A, we obtained an understanding of the design of the internal control relating to the existence and completeness assertions and determined whether they had been placed in operation, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not express an opinion on such control.

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

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

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements. We did not test compliance with all laws and regulations applicable to GAO. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2007. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We conducted our audit and examinations in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. We believe that our audit and examinations provide a reasonable basis for our opinions.

Clifton Henderson LLP

Calverton, Maryland
November 7, 2007

Purpose of Each Financial Statement

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

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

Financial Statements
U.S. Government Accountability Office
Balance Sheets
As of September 30, 2007 and 2006
(Dollars in thousands)

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| Assets | | |
| Intragovernmental | | |
| Funds with the U.S. Treasury and cash (Note 3) | \$63,626 | \$63,919 |
| Accounts receivable | 977 | 1,022 |
| Total Intragovernmental | <u>64,603</u> | <u>64,941</u> |
| Property and equipment, net (Note 4) | 41,566 | 40,293 |
| Other | 372 | 358 |
| Total Assets | <u>\$106,541</u> | <u>\$105,592</u> |
| Liabilities | | |
| Intragovernmental | | |
| Accounts payable | \$6,232 | \$12,068 |
| Employee benefits (Note 6) | 2,968 | 2,379 |
| Workers' compensation (Note 7) | 2,364 | 2,337 |
| Total Intragovernmental | 11,564 | 16,784 |
| Accounts payable | 11,280 | 10,815 |
| Salaries and benefits | 16,827 | 16,852 |
| Accrued annual leave and other (Note 5) | 29,572 | 30,299 |
| Workers' compensation (Note 7) | 16,368 | 15,910 |
| Capital leases (Note 9) | 4,542 | 6,872 |
| Note Payable (Note 5) | 3,779 | - |
| Total Liabilities | <u>93,932</u> | <u>97,532</u> |
| Net Position | | |
| Unexpended appropriations | 30,562 | 25,951 |
| Cumulative results of operations | <u>(17,953)</u> | <u>(17,891)</u> |
| Total Net Position (Note 13) | <u>12,609</u> | <u>8,060</u> |
| Total Liabilities and Net Position | <u>\$106,541</u> | <u>\$105,592</u> |

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Net Cost
For Fiscal Years Ended September 30, 2007 and 2006
(Dollars in thousands)

| | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|
| Net Costs by Goal (Note 2) | | |
| Goal 1: Well-Being/Financial Security of American People | \$177,376 | \$191,880 |
| Less: reimbursable services | - | - |
| Net goal costs | <u>177,376</u> | <u>191,880</u> |
| Goal 2: Changing Security Threats/Challenges of Global Interdependence | 157,568 | 154,727 |
| Less: reimbursable services | - | - |
| Net goal costs | <u>157,568</u> | <u>154,727</u> |
| Goal 3: Transforming the Federal Government's Role | 148,959 | 149,913 |
| Less: reimbursable services | (2,391) | (3,144) |
| Net goal costs | <u>146,568</u> | <u>146,769</u> |
| Goal 4: Maximize the Value of GAO | 23,924 | 23,664 |
| Less: reimbursable services | - | - |
| Net goal costs | <u>23,924</u> | <u>23,664</u> |
| Less: reimbursable services not attributable to goals | <u>(5,730)</u> | <u>(5,561)</u> |
| Net Cost of Operations (Note 10) | <u>\$499,706</u> | <u>\$511,479</u> |

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Changes in Net Position
For Fiscal Years Ended September 30, 2007 and 2006
(Dollars in thousands)

| | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|
| Cumulative Results of Operations, Beginning of fiscal year | (\$17,891) | (\$7,556) |
| Budgetary Financing Sources - Appropriations used | 474,925 | 476,081 |
| Other Financing Sources | | |
| Intragovernmental transfer of property and equipment | (27) | (61) |
| Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6) | <u>24,746</u> | <u>25,124</u> |
| Total Financing Sources | 499,644 | 501,144 |
| Net Cost of Operations | <u>(499,706)</u> | <u>(511,479)</u> |
| Net Change | (62) | (10,335) |
| Cumulative Results of Operations, End of fiscal year | <u>(17,953)</u> | <u>(17,891)</u> |
| Unexpended Appropriations, Beginning of fiscal year | 25,951 | 27,003 |
| Budgetary Financing Sources and Uses | | |
| Current year appropriations | 485,894 | 482,395 |
| Appropriations transferred in | - | 250 |
| Permanently not available | (6,358) | (7,616) |
| Appropriations used | <u>(474,925)</u> | <u>(476,081)</u> |
| Total Unexpended Appropriations, End of fiscal year | <u>30,562</u> | <u>25,951</u> |
| Net Position | <u>\$12,609</u> | <u>\$8,060</u> |

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Budgetary Resources
For Fiscal Years Ended September 30, 2007 and 2006
(Dollars in thousands)

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| Budgetary Resources (Note 11) | | |
| Unobligated balance, beginning of fiscal year | \$8,492 | \$11,080 |
| Budget authority | | |
| Appropriations | 485,894 | 482,395 |
| Spending authority from offsetting collections | | |
| Earned and collected | 10,698 | 10,930 |
| Changes in unfilled customer orders - advance received | 136 | 189 |
| Subtotal | 496,728 | 493,514 |
| Nonexpenditure transfers, net and actual | - | 250 |
| Permanently not available | (6,358) | (7,616) |
| Total Budgetary Resources | <u>\$498,862</u> | <u>\$497,228</u> |
| Status of Budgetary Resources | | |
| Obligations incurred | | |
| Direct | \$480,731 | \$479,842 |
| Reimbursable | 8,121 | 8,705 |
| Subtotal | 488,852 | 488,547 |
| Unobligated balance - Apportioned | 3,170 | 1,089 |
| Unobligated balance not available | 6,840 | 7,592 |
| Total Status of Budgetary Resources | <u>\$498,862</u> | <u>\$497,228</u> |
| Change in Unpaid Obligated Balance | | |
| Unpaid Obligated balance, beginning of fiscal year | \$55,238 | \$54,798 |
| Obligations incurred | 488,852 | 488,547 |
| Less: Gross Outlays | (490,474) | (488,107) |
| Unpaid Obligated balance, end of fiscal year | <u>\$53,616</u> | <u>\$55,238</u> |
| Net Outlays | | |
| Gross outlays | \$490,474 | \$488,107 |
| Less: Offsetting collections | (10,645) | (11,119) |
| Net Outlays | <u>\$479,829</u> | <u>\$476,988</u> |

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Accounting

GAO's financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles for the federal government. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were also prepared in conformity with OMB Circular No. A-136, *Financial Reporting Requirements*.

Assets

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

Funds with the U.S. Treasury

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

Accounts Receivable

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

Property and Equipment

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

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

Liabilities

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

Accounts Payable

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

Federal Employee Benefits

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

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

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

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

Annual, Sick, and Other Leave

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

Contingencies

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

Estimates

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

Note 2. Intragovernmental Costs and Exchange Revenue

Intragovernmental costs arise from exchange transactions made between two reporting entities within the federal government in contrast with public costs which arise from exchange transactions made with a nonfederal entity. Intragovernmental costs and exchange revenue for the years ended September 30, 2007 and 2006, are as follows:

Dollars in thousands

| | 2007 | 2006 |
|---|------------------|------------------|
| Goal 1: | | |
| Intragovernmental costs | \$16,930 | \$19,857 |
| Public costs | <u>160,446</u> | <u>172,023</u> |
| Total goal 1 costs | <u>177,376</u> | <u>191,880</u> |
| Goal 2: | | |
| Intragovernmental costs | 15,040 | 16,012 |
| Public costs | <u>142,528</u> | <u>138,715</u> |
| Total goal 2 costs | <u>157,568</u> | <u>154,727</u> |
| Goal 3: | | |
| Intragovernmental costs | 14,218 | 15,513 |
| Public costs | <u>134,741</u> | <u>134,400</u> |
| Total goal 3 costs | <u>148,959</u> | <u>149,913</u> |
| Goal 3 intragovernmental earned revenue | <u>(2,391)</u> | <u>(3,144)</u> |
| Net goal 3 costs | <u>146,568</u> | <u>146,769</u> |
| Goal 4: | | |
| Intragovernmental costs | 2,284 | 2,449 |
| Public costs | <u>21,640</u> | <u>21,215</u> |
| Total goal 4 costs | <u>23,924</u> | <u>23,664</u> |
| Earned revenue not attributable to goals | | |
| Intragovernmental | (5,640) | (5,492) |
| Public | <u>(90)</u> | <u>(69)</u> |
| Total earned revenue not attributable to goals | <u>(\$5,730)</u> | <u>(\$5,561)</u> |

Goals 1, 2, and 4 have no associated intragovernmental revenue and all public earned revenue collected is not attributable to goals. GAO's pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law. Therefore, revenues, as listed above, and costs that generated those revenues are equivalent.

Note 3. Funds with the U.S. Treasury and Cash

GAO's funds with the U.S. Treasury consist of only appropriated funds. GAO also maintains cash imprest funds for use in daily operations. The status of these funds as of September 30, 2007 and 2006, is as follows:

Dollars in thousands

| | 2007 | 2006 |
|---|------------------------|------------------------|
| Unobligated balance | | |
| Available | \$3,168 | \$1,087 |
| Unavailable | 6,840 | 7,592 |
| Obligated balances not yet disbursed | <u>53,616</u> | <u>55,238</u> |
| Total funds with U.S. Treasury | 63,624 | 63,917 |
| Cash | <u>2</u> | <u>2</u> |
| Total funds with U.S. Treasury and cash | <u><u>\$63,626</u></u> | <u><u>\$63,919</u></u> |

Note 4. Property and Equipment, Net

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

Dollars in thousands

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

The composition of property and equipment as of September 30, 2006, is as follows:

Dollars in thousands

| Classes of property and equipment | Acquisition value | Accumulated depreciation | Book value |
|---|--------------------------|---------------------------------|------------------------|
| Building | \$15,664 | \$11,278 | \$4,386 |
| Land | 1,191 | – | 1,191 |
| Building improvements | 115,048 | 98,246 | 16,802 |
| Computer and other equipment and software | 34,791 | 24,502 | 10,289 |
| Leasehold improvements | 6,237 | 5,432 | 805 |
| Assets under capital lease | <u>23,014</u> | <u>16,194</u> | <u>6,820</u> |
| Total property and equipment | <u><u>\$195,945</u></u> | <u><u>\$155,652</u></u> | <u><u>\$40,293</u></u> |

Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's Balance Sheets as of September 30, 2007 and 2006 include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2007 and 2006, is as follows:

Dollars in thousands

| | 2007 | 2006 |
|---|-----------------|-----------------|
| Intragovernmental liabilities—Workers' compensation | \$2,364 | \$2,337 |
| Salaries and benefits—Comptrollers' General retirement plan | 3,113 | 2,982 |
| Accrued annual leave and other | 29,572 | 30,299 |
| Workers' compensation | 16,368 | 15,910 |
| Capital leases | 4,542 | 6,872 |
| Note payable | 3,779 | — |
| Total liabilities not covered by budgetary resources | <u>\$59,738</u> | <u>\$58,400</u> |

The majority of the note payable represents financing for telecommunications equipment purchased in fiscal year 2007 with an interest rate of 8.75 percent and future principle payments as follows: fiscal year 2008, \$786,000; fiscal year 2009, \$858,000; fiscal year 2010, \$936,000; fiscal year 2011, \$1,021,000.

Note 6. Federal Employee Benefits

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

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

Amounts owed to OPM and Treasury as of September 30, 2007 and 2006, are \$2,968,000 and \$2,379,000, respectively, for FEHBP, FEGLIP, FICA, FERS, and CSRS contributions and are shown on the Balance Sheet as an employee benefits liability.

Details of the major components of GAO's federal employee benefit costs for the years ended September 30, 2007 and 2006, are as follows:

Dollars in thousands

| Federal Employee Benefits Costs | 2007 | 2006 |
|---|-----------------|-----------------|
| Federal employee retirement benefit costs paid by OPM and imputed to GAO: | | |
| Estimated future pension costs (CSRS/FERS) | \$9,115 | \$10,369 |
| Estimated future postretirement health and life insurance (FEHBP/FEGLIP) | 15,631 | 14,755 |
| Total | <u>\$24,746</u> | <u>\$25,124</u> |
| Pension expenses (CSRS/FERS) | \$29,895 | \$29,145 |
| Health and life insurance expenses (FEHBP/FEGLIP) | \$16,100 | \$15,765 |
| FICA payment made by GAO | \$16,581 | \$15,882 |
| Thrift Savings Plan – matching contribution by GAO | \$9,596 | \$8,836 |

Comptrollers General and their surviving beneficiaries who qualify and so elect to participate are paid retirement benefits by GAO under a separate retirement plan. These benefits are paid from current year appropriations. Because GAO is responsible for future payments under this plan, the estimated present value of accumulated plan benefits of \$3,113,000 as of September 30, 2007, and \$2,982,000 as of September 30, 2006, is included as a component of salary and benefit liabilities on GAO's Balance Sheet.

Note 7. Workers' Compensation

GAO utilizes the services of an independent actuarial firm to calculate its FECA liability. GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2007 and 2006, which is expected to be paid in future periods. This estimated liability of \$16,368,000 and \$15,910,000 as of September 30, 2007 and 2006, respectively, is reported on GAO's Balance Sheet. GAO also recorded a liability for amounts paid to claimants by Labor as of September 30, 2007 and 2006, of \$2,364,000 and \$2,337,000, respectively, but not yet reimbursed to Labor by GAO. The amount owed to Labor is reported on GAO's Balance Sheet as an intragovernmental liability.

Note 8. Building Lease Revenue

In fiscal year 2000 the U.S. Army Corps of Engineers (USACE) entered into an agreement with GAO to lease the entire third floor of the GAO building. USACE provided all funding for the third floor renovation. Occupancy began August 3, 2000, for an initial period of 3 years, with options to renew on an annual basis for 7 additional years. Total rental revenue to GAO includes a base rent, which remains constant for the entire 10-year period, plus operating expense

reimbursements at a fixed amount for the first 3 years, with escalation clauses from year 4 through year 10 if the option years are exercised. Beginning in fiscal year 2002, USACE leased additional space on the sixth floor with occupancy lasting through the original lease term.

Rent received by GAO for fiscal year 2007 and 2006 was \$4,978,000 and \$4,916,000, respectively. These amounts are included in reimbursable services shown on the Statement of Net Costs. Total rental revenue for the remaining period of the 10-year lease is as follows:

Dollars in thousands

| Fiscal year ending September 30 | Total rental revenue* |
|--|------------------------------|
| 2008 | \$5,045 |
| 2009 | 5,111 |
| 2010 | <u>5,179</u> |
| Total | <u>\$15,335</u> |

* If option years are exercised.

Note 9. Leases

Capital Leases

GAO has entered into capital leases for office equipment and computer equipment under which the ownership of the equipment covered under the leases transfers to GAO when the leases expire. When GAO enters into these leases, the present value of the future lease payments is capitalized, net of imputed interest, and recorded as a liability. The acquisition value and accumulated depreciation of GAO's capital leases are shown in [Note 4, Property and Equipment, Net](#). As of September 30, 2007 and 2006, the capital lease liability was \$4,542,000 and \$6,872,000, respectively.

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

Dollars in thousands

| Fiscal year ending September 30 | Total |
|--|-----------------------|
| 2008 | \$2,755 |
| 2009 | 1,361 |
| 2010 | 776 |
| 2011 | 186 |
| 2012 | <u>2</u> |
| Total estimated future lease payments | 5,080 |
| Less: imputed interest | <u>(538)</u> |
| Net capital lease liability | <u><u>\$4,542</u></u> |

Operating Leases

GAO leases office space, predominately for field offices, from the General Services Administration and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal year 2007 and fiscal year 2006 amounted to approximately \$13,629,000 and \$11,477,000, respectively. Leases for equipment under operating leases are generally less than 1 year, therefore there are no associated future minimum lease payments. Estimated future minimum lease payments for field office space under the terms of the leases are as follows:

Dollars in thousands

| Fiscal year ending September 30 | Total |
|--|------------------------|
| 2008 | \$6,073 |
| 2009 | 3,818 |
| 2010 | 3,819 |
| 2011 | 3,176 |
| 2012 | 2,916 |
| 2013 and thereafter | <u>4,787</u> |
| Total estimated future lease payments | <u><u>\$24,589</u></u> |

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

Note 10. Net Cost of Operations

Expenses for salaries and related benefits for fiscal year 2007 and fiscal year 2006 amounted to \$402,772,000 and \$405,199,000, respectively, which were about 81 percent of GAO's annual net cost of operations in fiscal year 2007 and 79 percent in fiscal year 2006. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$24,746,000 in fiscal year 2007 and \$25,124,000 in fiscal year 2006.

Revenues from reimbursable services are shown as an offset against the full cost of the goal to arrive at its net cost. Earned revenues that are insignificant or cannot be associated with a major goal are shown in total, the largest component of which is rental revenue from the lease of space in the GAO building. Revenues from reimbursable services for fiscal year 2007 and fiscal year 2006 amounted to \$8,121,000 and \$8,705,000, respectively. Further details of the intragovernmental components are provided in [Note 2](#).

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

Note 11. Budgetary Resources

Budgetary resources made available to GAO include current appropriations, spending authority from budget transfers, prior years' unobligated appropriations, and reimbursements arising from both revenues earned by GAO from providing goods and services to other federal entities for a price (reimbursable services) and cost-sharing and pass-through contract arrangements with other federal entities. Reimbursements from cost-sharing and pass-through contract arrangements consisted primarily of collections from other federal entities 1) for the support of Federal Accounting Standards Advisory Board and 2) to utilize GAO contracts to obtain services. The costs and reimbursements for these activities are not included in the Statement of Net Cost.

For fiscal year 2006, budget transfer consisted of budget authority transferred from USAID for the analysis of U.S.-funded international basics education programs. There were no transfers of budgetary authority for fiscal year 2007.

Comparison of GAO's fiscal year 2006 Statement of Budgetary Resources with the corresponding information presented in the 2008 President's Budget is as follows:

Dollars in thousands

| | Budgetary Resources | Obligations Incurred |
|---|----------------------------|-----------------------------|
| Fiscal year 2006 Statement of Budgetary Resources | \$497,228 | \$488,547 |
| Expired unobligated balances | (5,489) | — |
| Unobligated balances apportioned for future periods | (1,627) | — |
| Rounding differences | <u>(112)</u> | <u>(547)</u> |
| 2008 President's Budget – Fiscal year 2006 Actual | <u>\$490,000</u> | <u>\$488,000</u> |

As the fiscal year 2009 President's Budget will not be published until February 2008, a comparison between the fiscal year 2007 data reflected on the Statement of Budgetary Resources and fiscal year 2007 data in the President's Budget cannot be performed, though we expect similar differences will exist. The fiscal year 2009 President's Budget will be available on OMB's Web site and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal years 2007 and 2006 totaled \$20,550,000 and \$17,459,000, respectively. GAO's apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2007 and 2006 are as follows:

Dollars in thousands

| Fiscal year ending September 30 | 2007 | 2006 |
|--|------------------|------------------|
| Direct – Category A | \$480,731 | \$479,842 |
| Reimbursable – Category A | <u>8,121</u> | <u>8,705</u> |
| Total obligations incurred | <u>\$488,852</u> | <u>\$488,547</u> |

Note 12. Reconciliation of Net Costs of Operations to Budget

In fiscal year 2006 this reconciliation was presented as a fifth statement, the statement of financing. In accordance with OMB Circular A-136, revised June 2007, presentation requirement for this information is now a footnote disclosure. Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ending September 30 are as follows:

Dollars in thousands

| Fiscal year ending September 30 | 2007 | 2006 |
|---|-------------------------|-------------------------|
| Resources Used to Finance Activities | | |
| Budgetary Resources Obligated | | |
| Obligation incurred | \$488,852 | \$488,547 |
| Less: Reimbursable services | (8,121) | (8,705) |
| Cost Sharing and pass-through contract reimbursements | <u>(2,577)</u> | <u>(2,225)</u> |
| Net obligations | <u>478,154</u> | <u>477,617</u> |
| Non-budgetary Resources | | |
| Intragovernmental transfer of property and equipment | (27) | (61) |
| Federal employee retirement benefit costs paid by OPM imputed to GAO | <u>24,746</u> | <u>25,124</u> |
| Net non-budgetary resources used to finance activities | <u>24,719</u> | <u>25,063</u> |
| Total resources used to finance activities | <u>502,873</u> | <u>502,680</u> |
| Resources used that do not fund Net Cost of Operations | | |
| Net increase in unliquidated obligations | (3,091) | (1,536) |
| Assets capitalized | <u>(14,631)</u> | <u>(8,939)</u> |
| Total resources that do not fund Net Cost of Operations | <u>(17,722)</u> | <u>(10,475)</u> |
| Total resources used to finance Net Cost of Operations | <u>485,151</u> | <u>492,205</u> |
| Components of Net Costs that Require Resources in Future Periods | | |
| Increase in workers' compensation | 485 | 5,770 |
| (Decrease)/Increase in accrued annual leave | (340) | 119 |
| Increase/(Decrease) in other liabilities | <u>101</u> | <u>(125)</u> |
| Total Components of Net Cost that require budgetary resources in future periods | <u>246</u> | <u>5,764</u> |
| Costs that do not Require Resources | | |
| Depreciation | <u>14,309</u> | <u>13,510</u> |
| Net Cost of Operations | <u><u>\$499,706</u></u> | <u><u>\$511,479</u></u> |

Note 13. Net Position

Net position on the Balance Sheets comprises unexpended appropriations and cumulative results of operations. Unexpended appropriations is the sum of the total unobligated appropriations and undelivered goods and services. Cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of GAO's cumulative results of operations for the years ended September 30, 2007 and 2006, are as follows:

Dollars in thousands

| | 2007 | 2006 |
|--|-------------------|-------------------|
| Investment in property and equipment, net | \$41,566 | \$40,293 |
| Other – supplies inventory | 219 | 216 |
| Liabilities not covered by budgetary resources | <u>(59,738)</u> | <u>(58,400)</u> |
| Cumulative results of operations | <u>(\$17,953)</u> | <u>(\$17,891)</u> |

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

Note 14. Davis-Bacon Act Trust Function

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act receipts and payments and publishes separate, audited financial statements for this fund. GAO maintains this fund to pay claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Under these acts, Labor investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If Labor concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the employee. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets under GAO's administration as of September 30, 2007 and 2006, totaled approximately \$4,151,000 and \$4,485,000, respectively. These assets are not the assets of GAO nor the federal government and are held for distribution to appropriate claimants. During fiscal years 2007 and 2006, receipts in the trust amounted to \$373,000 and \$774,000 and disbursements amounted to \$708,000 and \$954,000, respectively. Because the trust assets and related liabilities are not assets and liabilities of GAO, they are not included in the accompanying financial statements.

Serving the Congress and the Nation



PART IV

From the Inspector General

Source: See Image Sources.

From the Inspector General



Memorandum

Date: October 26, 2007

To: Comptroller General

From: Inspector General – Frances Garcia 

Subject: GAO Management Challenges and Performance Measures

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

During fiscal year 2007, we reviewed all accomplishment reports of \$500 million or more, which totaled 74 percent of the total dollar value reported. Based on our reviews, we believe that GAO had a reasonable basis for claiming these benefits. In addition, we assessed GAO's fiscal year 2006 performance measures for how well its internal administrative services help employees get their jobs done and improve the quality of their work life. Overall, we found that these measures were reasonable and that methods used to measure performance were appropriate, but we also made recommendations to help improve their objectivity and reliability.

Serving the Congress and the Nation



PART V

Appendixes

Source: See Image Sources.

1. Accomplishments and Contributions

In pursuing our strategic goals during fiscal year 2007, we recorded hundreds of accomplishments and made numerous other contributions. This appendix provides details on the most significant of these. In reporting financial benefits, nonfinancial benefits, and contributions (designated by an F, N, or C in the item number below), we are holding ourselves accountable for the resources we received to implement our strategic plan.

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

recommendations, realize benefits, and record them. The other contributions, which often refer to work completed in fiscal year 2007, describe instances in which we provided information or recommendations that aided congressional decision making or informed the public debate to a significant degree. At the end of each accomplishment and contribution summary, we list the reference numbers for products associated with the work discussed. In the online PDF version of this document, readers can link directly to these products if they want additional information.

Strategic Goal 1

Provide timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people

Source: See Image Sources.

The health needs of an aging and diverse population

1.01.F. Avoiding an Increase in Medicare Payment for Skilled Nursing Facilities (SNF):

In 2000, the Congress increased the nursing portion of Medicare's daily rate for SNFs by 16.66 percent for 2 years, and also directed us to assess the impact of the increase on nursing staff ratios and recommend whether it should continue. Our analysis of available data showed that, in aggregate, SNFs' nurse staffing ratios changed little after the payment increase took effect. We suggested in November 2002 that the Congress consider our finding that the payment increase was not effective in raising nurse staffing when determining whether the increase should continue. Our work influenced the Congress in its 2003 decision not to include an increase in subsequent legislation, despite strong opposition from the nursing facility industry. In 2007, Medicare reduced its costs by an estimated \$1 billion by avoiding this increase in the SNF payment rate. (GAO-03-176)

1.02.F. Avoiding Making a Permanent Add-on to Medicare Payment for SNFs:

The Congress required the Centers for Medicare & Medicaid Services (CMS) to temporarily raise Medicare payment rates for SNFs by 4 percent from October 1, 2000, through September 30, 2002. Prior to and after the expiration of this add-on, provider representatives argued that it should be made permanent, citing payment shortfalls from other payers. However, our 2002 report on payment adequacy found that

most freestanding SNFs had payments that exceeded their costs of caring for Medicare beneficiaries, leaving them with a Medicare margin of almost 19 percent in 2000. Our work contributed to the congressional decision in 2003 not to make the 4 percent payment increase permanent. This allowed Medicare to reduce its costs by an estimated \$600 million in 2007. (GAO-03-183)

1.03.F. Limiting States Claiming of Medicaid Matching Funds for Targeted Case Management:

In 2005, we reported that there were risks associated with Medicaid's provision of targeted case management—a service to help beneficiaries gain access to needed medical, social, educational, and other services. We highlighted instances where states were using targeted case management services to inappropriately increase federal reimbursement by claiming services that should not be paid by Medicaid funds and made a recommendation to establish and clarify federal policy on payment for these services. Based in part on information we provided, the Deficit Reduction Act of 2005 clarified the definition of targeted case management services and specified when federal funding could be used for them. Based on a Congressional Budget Office (CBO) estimate, these provisions will result in financial benefits of \$768.6 million in the first 5 years of implementation. (GAO-05-748, GAO-05-836T)

1.04.C. Identifying Options for Changes in Medicare Physician Payment Methods:

Since 2002, we have conducted a substantial body of work to identify options for the

Congress to consider in improving Medicare's fee-for-service physician payment system. Some of our work has focused on technical issues, such as adjusting payments for geographic variations in the cost of running a medical practice and the amounts paid for specific types of care, such as therapy and imaging services. We have also focused more broadly on Medicare's system of updating payments for physician services and on Medicare beneficiary access to, and utilization of, such services. Most recently, our report and testimonies on profiling physician practices to improve the efficiency of Medicare have received considerable attention by the Congress and may become a part of legislated changes currently being debated by the committees with jurisdiction over Medicare. (GAO-07-862T, GAO-07-307, GAO-06-1008T, GAO-05-119, GAO-05-326T)

1.05.C. Assisting the Congress with Information to Reauthorize the Food and Drug Administration (FDA) Legislation:

We conducted a body of work, including reports and testimonies, that assisted the Congress in developing a bill to reauthorize industry user fees for FDA and reform many FDA activities. For example, our reports identified deficiencies in FDA's oversight of marketed drugs and in FDA's monitoring of direct-to-consumer advertising of prescription drugs, discussed barriers to the development of new drugs, reported that the Best Pharmaceuticals for Children Act has led to improved labeling for pediatric drugs, and found that there are barriers to the use of accredited organizations outside of FDA to conduct inspections of medical device manufacturing facilities. The Food and Drug Administration Amendments Act of 2007 (Pub. L. No. 110-85), which became law on September 27, 2007, addresses many of the concerns we raised. For example, the law gives FDA the authority to require pharmaceutical firms to conduct studies of their marketed drugs when FDA identifies the need for information about a possible

safety issue. The law also directs that funds from user fees be used to improve the monitoring of drug advertisements, requires establishment of a foundation to help modernize the development of new drugs, and reauthorizes the act. (GAO-06-402, GAO-07-54, GAO-07-49, GAO-07-157, GAO-07-557)

1.06.C. Improving Care for Veterans Transitioning from Military Service:

We rapidly responded to congressional concerns about unsanitary living conditions at Walter Reed Medical Center by testifying twice on a body of work showing that servicemembers injured in combat face an array of significant medical and financial challenges as they begin their recovery process in the Departments of Defense's (DOD) and Veterans Affairs' (VA) care systems. For example, we identified DOD's and VA's inability to electronically share medical records for severely injured servicemembers—those with traumatic brain injuries or other complex trauma, such as missing limbs—that were transferred from DOD to one of four VA polytrauma facilities. We found during visits to polytrauma facilities in 2005 that none of the facilities had real-time access to the injured servicemembers' DOD electronic medical records, which is needed to determine whether servicemembers are medically stable enough to participate in vigorous rehabilitation activities. Subsequent to that report, in May 2007, VA reported that three of the four polytrauma facilities now have access to DOD's electronic medical records. Our January 2005 report found that servicemembers whose disabilities are definitely or likely to result in military separation may not be able to benefit from early intervention for rehabilitation by VA health care because DOD and VA sometimes worked at cross purposes. For example, DOD was concerned that VA's outreach to provide early intervention rehabilitation services to wounded servicemembers who had not yet

been discharged conflicted with the military's retention goals. Finally, we reported in May 2006 that despite DOD's efforts, it cannot provide reasonable assurance that servicemembers who need referrals for mental health examinations receive them. (GAO-07-589T, GAO-07-606T, GAO-06-794R, GAO-05-167, GAO-06-397)

1.07.C. Enrolling Dual-Eligible Beneficiaries in Medicare Prescription Drug Plans: In a series of reports and testimonies, we identified shortcomings in CMS's process and policy for enrolling dual-eligible beneficiaries before and since the implementation of the Medicare drug benefit on January 1, 2006. Our 2005 report cautioned that potential problems may leave some dual-eligible beneficiaries facing difficulties in immediately obtaining necessary drugs. We noted that some individuals may not be identified for automatic enrollment in a drug plan due to potential inaccuracies in state or federal data, and that beneficiaries' prescription drugs may not be on their assigned drug plan's formulary. We alerted CMS that its contingency plans to address potential transition problems may not be effective. In our 2007 report, we reported that CMS's enrollment procedures and implementation of its Part D coverage policy generate challenges for some dual-eligible beneficiaries, pharmacies, and the Medicare program. Medicare pays drug plans to provide these beneficiaries with several months of retroactive coverage, but until March 2007, CMS did not inform beneficiaries of their right to be reimbursed for drug costs incurred during these periods. We estimated that Medicare paid plans millions of dollars in 2006 for coverage during periods for which dual-eligible beneficiaries may not have sought reimbursement for their drug costs. In response to our recommendation, CMS has added language to enrollment notices indicating that beneficiaries may be eligible for reimbursement of some drug costs. (GAO-07-272, GAO-07-1022T, GAO-07-824T, GAO-06-278R)

1.08.C. Reauthorizing the State Children's Health Insurance Program (SCHIP): In November and December of 2006, we conducted discussions with staff members of the Senate Committee on Finance regarding the reauthorization of SCHIP. In particular, the committee was interested in having us conduct a review of SCHIP over its 10-year period and testify on issues facing the Congress as it considers reauthorization. We delivered testimony before the Senate Committee on Finance and then subsequently before the Subcommittee on Health, Committee on Energy and Commerce. Our testimony focused on the growth in enrollment and program spending, the current design of states' programs, and issues identified for consideration during SCHIP reauthorization. Both testimonies helped set the stage for the reauthorization debate and raised key issues that required resolution among Members of the Congress. In particular, our work on adult coverage, states' eligibility levels for children, and spending trends raised issues that were important to provide an informed basis for the debate and final SCHIP legislation. (GAO-07-447T, GAO-07-501T, GAO-07-558T)

Lifelong learning to enhance U.S. competitiveness

1.09.N. Enhancing Oversight of Head Start Grantees: We found weaknesses in the Program Review Instrument for Systems Monitoring (PRISM) system for assessing Head Start grantees, which is administered by the Department of Health and Human Services' Administration for Children and Families (ACF). ACF had no process in place to ensure that its reviewers consistently followed on-site review standards, so we recommended that it develop a way to assess the results of PRISM reviews and ensure consistent treatment of grantees with similar problems. ACF corroborated our findings and implemented a standardized

set of performance indicators and a uniform review protocol. Although ACF began training staff for PRISM reviews, we found that it was unclear whether training on the PRISM process alone would adequately equip reviewers to assess the management of Head Start grantees and recommended that ACF ensure that training and certification is provided for all PRISM reviewers. ACF subsequently offered additional training for its PRISM reviewers and implemented a certification process to verify credentials and ensure the quality of reviewers. Finally, we identified concerns with the independence and credibility of PRISM review team leaders who reviewed grantees within their home regions. ACF changed its process to ensure that leaders only review grantees outside of their home regions. (GAO-06-167)

1.10.N. Improving Services to Students with Limited English Proficiency: In a review of services for students with limited English proficiency (LEP), we found that state academic assessments may not produce valid and reliable results for these students and that some states may need more technical assistance to develop valid tests for them. We recommended that the Department of Education (Education) determine what additional technical assistance states need to assess the academic knowledge of LEP students in a valid manner and provide the identified additional assistance. We also determined that while most states offer some accommodations to LEP students to improve assessment results in elementary and secondary grades, there was a lack of research on what specific accommodations are appropriate for LEP students and their effectiveness in improving the validity of assessment results. We recommended that the agency support additional research in this area and disseminate the results to states. Addressing these concerns, Education announced an LEP Partnership initiative to provide technical assistance to help states develop more valid and reliable assessments

for these students. The agency and the partnership launched several technical assistance projects, such as developing guides for simplified assessments and conducting translations of them. They are also preparing a handbook on appropriate accommodations for LEP students. In addition, an Education-funded study on accommodations for LEP students was published in October 2006, which is available as a resource on Education's Web site. (GAO-06-815)

1.11.N. Increasing Supplemental Education Services to Students: The No Child Left Behind Act requires districts with Title I-funded schools that have not met state performance goals for 3 consecutive years to offer their low-income students supplemental educational services, such as tutoring. States and districts share responsibility for providing these services through a state-approved provider. In August 2006, we reported that states and districts sought the flexibility to use Education's pilot program that allowed districts in need of improvement to act as providers of these services. Having districts serve as providers could increase access to students in rural districts and increase participation by lowering costs. We recommended that Education consider expanding this pilot. After we provided our findings and recommendations to Education, the agency announced the expansion of the pilot to include additional districts and the continuation of the pilot for other districts. As a result, more students are likely to receive supplemental education services. (GAO-06-758)

Benefits and protections for workers, families, and children

1.12.F. Denying Benefits to Fugitive Felons: We determined the scope of the Social Security Administration's (SSA) authority to deny benefits to fugitive felons

and to release information about Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) beneficiaries who are fugitive felons. Although fugitive felons are ineligible for Supplemental Security Income (SSI) benefits, it was not clear whether SSA also had the authority to deny other benefits. SSA will, upon request, provide law enforcement agencies with the current addresses and Social Security numbers (SSN) of fugitive felons who are SSI recipients. We concluded that SSA did not have the authority to deny OASI and DI benefits to fugitive felons and that the Congress would have to amend Title II of the Social Security Act to explicitly disqualify fugitive felons from receiving these benefits. In the Social Security Protection Act of 2004 (Public Law 108-203), the Congress subsequently amended the Social Security Act to deny these benefits to fugitive felons. Payment of these benefits was prohibited as of January 1, 2005, resulting in a savings over the fiscal year 2005-2007 period of over \$180 million. (GAO-02-459R)

1.13.N. Meeting the Needs of Reserves and National Guard Members: We found that members of the Reserves and National Guard returning from active duty got less help with transitioning to new jobs than other separating military personnel due to the time constraints of demobilization. Though many reservists and guard members have jobs before they leave for active duty, their employers may not hold their jobs for them until they return as regulated by law or their companies may have gone out of business or into bankruptcy in their absence. Moreover, other reservists and guard members who are self-employed or desire better jobs when they return to civilian life may also need job assistance. We recommended that the DOD work with its partners to explore options to enhance their participation in the transition assistance program (TAP). DOD reported to the Congress in May 2006 that it would address these issues. In 2007, DOD launched a new Web site, accessible even after

demobilization, that provides information covered by TAP and allows members to create individualized plans that are accessible for their lifetimes, translate their military skills into civilian language, develop résumés, and conduct job searches in their local areas. In addition, we found that VA had no data on the participation of separating military personnel in its disabled transition assistance program and TAP briefings and no data on the number and location of the program sessions it provided. After we recommended that VA develop a tracking system, VA implemented a new reporting system to provide such data, including participation by military service and by status as full-time active duty personnel or by Reserves or National Guard members on active duty. (GAO-05-544)

1.14.N. Improving Disability Programs: Our many reports and testimonies on disability programs had a significant impact on congressional policy making, helped frame the current debate surrounding disability services and benefits for veterans and injured servicemembers, and prompted agencies to take action. In the Congress, members relied on our many VA testimonies, citing our recommendations for improving VA and DOD disability systems in support of future appropriations and proposed legislation. We briefed congressional committees and participated in a national roundtable on disability issues, including VA's inability to process veterans' claims for disability benefits in a timely, accurate, and consistent manner. The President's Commission on Care for America's Returning Wounded Warriors took our briefing and recommendations into account when developing its own plan for improving DOD and VA disability systems. In addition, in response to our recommendations, SSA improved its disability review and evaluation processes and took steps to enhance the cost-effectiveness and integrity of continuing disability reviews. Finally, we convened a

Comptroller General's forum to address some of the key issues related to modernizing federal disability policy. Forum participants, including federal officials, researchers, employers, and advocate groups, suggested a number of steps that could be taken by stakeholders to inform the debate and to help move current policy toward achieving a 21st century disability policy. (GAO-07-906R, GAO-07-98, GAO-07-562T, GAO-07-934SP, GAO-07-512T)

1.15.N. Establishing a Child Locator Center for Disasters: After hurricanes Katrina and Rita, we found that the National Center for Missing and Exploited Children (NCMEC) faced problems getting access to American Red Cross and Federal Emergency Management Agency (FEMA) data because of these organizations' concerns about privacy. We determined that agreements for data sharing between NCMEC and the American Red Cross and FEMA can help locate missing persons more quickly in disasters. We expressed our concerns and as a result legislation was introduced and later enacted in 2006 as part of the Department of Homeland Security Appropriations Act of 2007 (Pub. L. No. 109-295). This legislation provides for a National Emergency Child Locator Center to be established within NCMEC. According to the act, the FEMA Administrator will establish procedures to make all relevant information available to the center in a timely manner to facilitate the expeditious identification and reunification of children with their families. The law also requires that the center enter into cooperative agreements with federal and state agencies and organizations, such as the American Red Cross, to implement its mission. (GAO-06-680R)

Financial security for an aging population

1.16.F. Reforming the Pension System: Our reports and testimonies on pension reform had an impact on pension reform legislation and saved billions of dollars. We recommended that the Congress consider pension reform as a way to improve the financial viability of the Pension Benefit Guaranty Corporation's (PBGC) single-employer program—a program that we designated as high risk in 2003. Specifically, we suggested that PBGC's premium structure should be reexamined to see whether premiums could better reflect the risk posed by various plans to the pension system. We also suggested increasing the flat-rate premium—the per-participant premium paid by sponsors of PBGC-insured plans—and restructuring the variable rate premium—the premium paid by sponsors of certain underfunded plans. The Deficit Reduction Act, enacted in 2006 (Pub. L. No. 109-171), included provisions to increase the flat-rate premium and index it to wage growth starting in 2007. CBO estimated that this would increase premium payments by \$5.8 billion from 2006 to 2015. The Pension Protection Act of 2006 (PPA) (Pub. L. No. 109-280) changed the variable rate premium structure so that PBGC's variable rate premiums are now paid on 100 percent of a plan's underfunding. Previously, certain plans that were 90 percent funded could be exempted from variable rate premiums. PPA also changed the variable rate premium for small employers with plan underfunding. The combined effects of these variable rate premium changes, as estimated by CBO, will increase PBGC's premium collections by \$5 billion over the 2007-2016 period. We estimate that the federal government will realize a financial benefit of \$756 million for fiscal years 2006 and 2007 as a result of our work on these two pension reform laws. (GAO-07-794T, GAO-06-429, GAO-05-578SP, GAO-05-360T, GAO-04-90)

1.17.N. Enhancing the Security of the Thrift Savings Plan (TSP) Web Site:

During a review of customer service provided by TSP, including service provided through its Web site, we identified a lack of key security features typically used by financial services firms. For example, the Web site included the use of SSNs as account numbers, four-character numeric personal identification numbers (PIN), and no lock-out feature to lock participants' accounts after a certain number of unsuccessful login attempts. After we reported this to TSP officials, a lock-out feature was added, a longer alphanumeric PIN was implemented, and TSP switched to non-SSN-based user names. SSNs are no longer used on the TSP Web site. (GAO-05-38)

1.18.N. Improving Disclosure of Pension Plan Information to Plan Participants:

Our reports and testimonies on pensions identified ways to improve the transparency of pension plan information. We recommended requiring that all plan participants receive information about plan investments and the minimum benefit amount that PBGC guarantees, if their plans are terminated. We also recommended that the Congress consider proposals to restructure program guarantees for shutdown benefits. PPA (Pub. L. No. 109-280) addressed these concerns. It provides for qualified advisers to offer investment advice to participants in defined contribution plans and added new disclosure requirements. For instance, the act expanded the annual funding notice requirement to include multiemployer plans, not just single-employer plans, and required single-employer plans to include a summary of the PBGC rules governing plan termination. More plan information must be provided by both multiemployer and single-employer plans, such as information on the plan's funding and asset allocation policy, any plan amendment, and how to obtain a copy of the plan's annual report. The act speeds up the time when notices must be provided.

It limits the ability of certain plans to make lump-sum payments or to increase benefits, requires certain plans to freeze normal benefit increases, and prohibits plans from paying benefits for unpredictable contingent events, such as shutdown benefits to workers in facilities that are closed. Further, shutdown benefits must now be treated like other plan amendments with phase-in 5 years before termination. (GAO-06-285, GAO-04-90)

A responsive, fair, and effective system of justice

1.19.N. Addressing Federal Law Enforcement Coordination and Management:

In 2007 we reported on several federal law enforcement coordination and management issues. We reported that the Departments of Homeland Security, Justice, Commerce, and State were not effectively coordinating with each other to enforce export control laws and regulations. In response to our recommendation, the Department of Justice (Justice) began providing the Departments of Commerce (Commerce) and State (State) quarterly reports on the outcomes of criminal cases for export control violations. We also reported that to combat human trafficking crimes, the Department of Homeland Security (DHS) and Justice needed to expand collaboration and develop and implement a strategic framework to coordinate efforts to investigate and prosecute these crimes. In addition, in response to our recommendations regarding management concerns, the Director of the Federal Bureau of Investigation (FBI) announced the creation of the Associate Deputy Director position to oversee key management functions, which is comparable to the Chief Operating Officer/Chief Management Officer position we recommended in 2002, and began addressing strategic human capital needs for managing the FBI's information technology

programs, particularly the FBI's Sentinel intelligence analysis and investigative support modernization program. (GAO-07-19, GAO-07-265, GAO-07-915)

1.20.N. Addressing Federal Law Enforcement Training Needs: In 2007, we reported the results of our surveys of 105 federal civilian law enforcement agencies on their specific authorities to carry out certain functions and on their mandatory basic training programs; 81 agencies reported using the Federal Law Enforcement Training Center. We had reported in 2003 that the center faced an increasing demand for its facilities in the post-9/11 security environment and recommended it address capacity constraints and planning challenges. By 2007 the center had developed contingency planning, an approach for estimating future construction needs, and an automated scheduling system. (GAO-07-121, GAO-07-815)

The promotion of viable communities

1.21.C. Improving the Small Business Administration's (SBA) Capacity to Provide Timely Disaster Assistance: In a February 2007 report, we found that SBA engaged in limited disaster planning prior to the Gulf Coast hurricanes, such as Hurricane Katrina, which likely contributed to the initial challenges that the agency faced in processing the related surge in disaster loan applications on a timely basis. We recommended that SBA take several steps to enhance its disaster planning process, such as assessing whether the use of disaster simulations or catastrophe models would enhance its disaster planning process. We also recommended that SBA establish time frames for completing key elements of its disaster plan, such as cross training agency staff not typically involved in disaster relief efforts to provide backup support and a

long-term strategy for acquiring adequate office space in case of an emergency. SBA agreed to implement these recommendations, which should enhance the agency's capacity to provide critical disaster assistance on a timely basis in a future disaster. (GAO-07-114)

1.22.C. Evaluating the Role and Modernization of the Federal Housing Administration (FHA): In two June 2007 reports and a series of testimonies, we examined trends in the use of FHA-insured mortgages, FHA's risk management, and the implications of a legislative proposal to overhaul the agency's products and processes. Our analysis showed that FHA's share of the market for home purchase mortgages dropped sharply from 1996 through 2005, most significantly among minority borrowers who accounted for a growing share of subprime loans in that period. While noting that FHA could be a vehicle to provide lower-cost and more sustainable mortgage options to some subprime borrowers, we also emphasized the need for continued improvements in risk management to ensure that FHA operates in a financially sound manner in the face of potential program changes. Additionally, we analyzed how the proposed changes could affect the demand for FHA-insured loans, the cost and availability of insurance to borrowers, and the budgetary costs of the insurance program. Our reports and testimonies informed congressional debate on the benefits and risks of FHA modernization legislation under consideration by this Congress. (GAO-07-645, GAO-07-708, GAO-07-1109T, GAO-07-1033T, GAO-07-615T)

1.23.C. Improving the Preservation of Affordable Housing: In light of the pressing need for rental housing affordable to low-income households and concerns that the Department of Housing and Urban Development (HUD) may not be committed to maintaining its housing stock, in April

2007 we recommended that HUD modify its one-for-one replacement policy for project-based Section 8 units and address property owners' concerns about operating cost reimbursements in high-cost areas. We found that although the majority of owners leave the program for economic or market reasons, growing owner frustration could upset the balance, causing more owners to consider opting out even when economic conditions could be overcome or mitigated. HUD generally agreed with our recommendations and stated that it would be considering a more flexible policy to better accommodate market demand and would be working with the industry to improve its preservation efforts. In addition, the 2008 House Appropriations Committee Report stated that it encouraged HUD to implement the reforms we suggested and that the committee was looking forward to discussing the reforms with HUD. (GAO-07-290)

1.24.C. Assessing the Housing Needs of Low-Income Veterans: Through a first-ever analysis of combined data from the U.S. Census Bureau, VA, and HUD, we provided comprehensive data on low-income military veterans who rent. Our analysis showed that over half of veteran renter households, representing an estimated 2.3 million such households, were low income in 2005 (their household incomes were 80 percent or less of their areas' median household incomes). Further, an estimated 1.3 million of these low-income veteran households had housing affordability problems—that is, their rental costs exceeded 30 percent of their incomes—but only a small percentage lived in overcrowded or inadequate housing. By some measures better off than their nonveteran counterparts, veteran low-income households were less likely to receive HUD rental assistance. Factors potentially contributing to this low level of assistance included differences in the extent of housing needs among veteran and other households

and preferences that are used by public housing authorities and property owners that administer the programs. Our work provided important data to inform debate on proposed legislation to provide additional rental housing benefits to veterans. (GAO-07-1012)

Responsible stewardship of natural resources and the environment

1.25.F. Reducing Food Stamp Fraud and Abuse: Since 1994, we repeatedly reported and testified on reducing fraud and abuse in the Department of Agriculture's (USDA) Food Stamp Program by reducing the trafficking of benefits. In our 1994 and 1995 reports, we found that USDA's reliance on paper coupons to provide food stamp benefits had resulted in fraud and abuse through trafficking, counterfeiting, and mail theft. To reduce this fraud and abuse, we supported the use of electronic benefit transfer (EBT) systems to replace the coupon-based system that states were using. EBT cards require users to enter PINs to authorize transactions. This makes it more difficult to traffic in food stamp coupons and provides a wealth of electronic data that helps USDA's Food and Nutrition Service detect suspicious patterns of transactions by users and retailers. In response, the Congress passed legislation that required that each state implement EBT for the Food Stamp Program's by October 1, 2002, unless the Secretary of Agriculture granted a waiver. USDA reported in December 2006 that the Food Stamp Program's integrity had substantially improved, estimating that trafficking had diverted only about \$241 million per year from 2002 to 2005—or about 1 cent of each food stamp dollar—compared with an estimated \$660 million per year—or about 3-1/2 cents of each food stamp dollar—diverted from 1996 to 1998. USDA found that the decline in Food

Stamp trafficking corresponded with the increased use of EBT. This will result in an estimated \$3.4 billion in cumulative financial benefits from fiscal years 2005 to 2009. Also, in fiscal year 2007 we recommended that USDA use its electronic data to perform risk assessments of retailers most likely to traffic in food stamp benefits and develop a strategy to increase penalties for this offense. USDA responded by proposing new penalties and expedited processes. (GAO-07-422T, GAO-07-53, GAO-02-332, GAO/RCED-00-61, GAO/OGC-95-1, GAO/T-RCED-94-125)

1.26.N. Restoring the Chesapeake Bay: In response to concerns about the deterioration of the Chesapeake Bay, the nation's largest estuary, in 1983 the Congress established the Chesapeake Bay Program (bay program) within the Environmental Protection Agency (EPA) to direct and conduct the restoration of the bay. In October 2005, we reported that deficiencies in the bay program's strategies for assessing, reporting, and managing restoration progress were undermining the success of the restoration effort. Acting on our findings, in its reports on the Department of the Interior, Environment, and Related Agencies for fiscal year 2007 and 2008, the Senate Appropriations Committee directed the Bay Program to immediately implement all of the recommendations contained in our report. In response to our recommendations, the bay program (1) has adopted an initial integrated approach for assessing bay health and management actions taken to restore the bay, (2) has developed a new reporting format that describes the bay's current health and the progress made in implementing management actions, (3) has instituted an independent review process to ensure the scientific integrity of its reports, (4) has adopted a funding priority framework, and (5) is developing a strategic implementation plan that will integrate and unify all its various planning documents and work plans. When complete, the bay program will be

better able to move the restoration forward in a more strategic and well-coordinated manner. (GAO-06-96)

1.27.C. Improving Management of Federal Oil and Natural Gas Royalty Revenue: In response to congressional concerns about the amount of oil and natural gas royalties collected by the federal government during a period of high energy prices and industry profits, we reported and testified on royalties management, the costs of royalty relief, and the share of revenue received by the federal government for oil and natural gas production. We testified regarding the Minerals Management Service's inadequacies in negotiating price thresholds with lessees, implementing internal controls for the royalty in-kind program, and accurately collecting royalty data. We also updated previous work on the provisions for royalty relief for leases issued under the Outer Continental Shelf Deep Water Royalty Relief Act of 1995, concluding that these provisions could cost the government over \$10 billion. Further, because the final costs have yet to be determined, we recommended that the service report future forgone royalties to the Congress. The Congress is now actively considering changing and clarifying those royalty relief provisions so that these significant royalty revenues are collected in the future. In addition, we provided the Congress with information indicating that the total revenue received by the federal government from industry for the rights to develop oil and gas on federal lands and within federal waters is among the lowest in the world. The Congress is also using information from this report as it considers new oil and gas tax legislation. (GAO-07-369T, GAO-07-590R, GAO-07-682T)

1.28.C. Bringing Needed Attention to the Federal Oversight of Food Safety: While this nation enjoys a plentiful and varied food supply that is generally considered to be safe, we have found over the past decade

that the federal oversight of food safety is fragmented, with 15 agencies collectively administering at least 30 laws related to food safety. Recent outbreaks of E. coli in spinach and salmonella in peanut butter, along with contamination in pet food, have highlighted the risks posed by accidental food contamination. In January 2007, we designated the federal oversight of food safety as a high-risk area because of the need to transform this system to reduce risks to public health as well as the economy. In addition, in February 2007 and April 2007, we testified on the fragmented federal food safety system and on the limitations in the government's food recall programs, respectively. In our testimonies, we reported that USDA and FDA could do a better job carrying out their food recall programs so that they can quickly remove potentially unsafe food from the marketplace. As a result of our work, the Office of Management and Budget (OMB) has recently asked us to help it, USDA, and FDA develop action plans that will address shortcomings in the federal oversight of food safety. (GAO-07-785T, GAO-07-449T, GAO-07-310)

1.29.C. Informing Congressional Oversight of Federal Wildland Fire Management Activities: Since 1999, we have reported on the need for federal agencies to develop a cohesive, long-term strategy to address costly and destructive wildland fires. In response to our past recommendations, in 2006 the Subcommittee on Interior, House Committee on Appropriations, directed the Forest Service and Department of the Interior to develop such a cohesive, long-term strategy. Congressional interest and involvement in this issue remained strong and, during fiscal year 2007, we reported and testified on this and other issues before a number of congressional committees associated with federal agencies' management of wildland fires, such as cost containment and prioritizing hazardous fuel reduction

funds. In its fiscal year 2008 report, the Subcommittee on Interior, House Committee on Appropriations, citing preliminary findings from our review of the agencies' allocation of hazardous fuel reduction funds and selection of fuel reduction projects, directed federal agencies to take actions to improve their processes for allocating their hazardous fuel reduction funds. (GAO-07-427T, GAO-07-655, GAO-07-1017T, GAO-06-671R, GAO-05-147)

1.30.C. Improving Planning and Financial Management Practices at the U.S.

Army Corps of Engineers (the Corps): The Corps has traditionally managed its nearly \$4 billion civil works budget using a "just-in-time" strategy where it allocated and moved funds among projects based on perceived need rather than on a set of formal, standardized criteria and priorities. As a result, we found that the Corps was moving billions of dollars among hundreds of projects each year, sometimes unnecessarily. This approach for managing its civil works appropriations had become the Corps' substitute for an effective and fiscally prudent planning and financial management system. Also, the way that the Corps categorized the movement of funds among projects limited congressional oversight of some projects. In September 2005, we recommended that the Corps place greater emphasis on the use of financial planning approaches and priority-setting mechanisms for managing its civil works projects. We also recommended that the Corps establish guidance on what actions would be subject to congressional oversight, change the way that it allocates funds from an annual basis to a more frequent basis to reflect actual project needs, periodically review project schedules and performance and revise project allocations as needed, and establish priorities for when the movement of funds among projects is warranted. Based on our work, the Congress provided new guidance to the Corps on when and how it could move funds among civil works projects

and, in December 2005, the Corps issued a new engineering circular for managing its civil works program that incorporated the congressional direction and implemented our recommendations. (GAO-05-946)

1.31.C. Identifying Financial Risks to the Federal Government Caused by a Changing Climate: Our March 2007 report, *Climate Change: Financial Risks to Federal and Private Insurers in Coming Decades Are Potentially Significant*, raised awareness among the Congress and the administration that while climate change is now widely accepted as a serious environmental threat, it also poses extraordinary fiscal challenges to federal insurance programs and the insurance industry. After our testimony before key congressional committees and discussions with FEMA and USDA—the key federal agencies with potentially multibillion-dollar insurance liabilities associated with future climate change impacts—the two agencies provided assurances that they will implement our recommendation that they analyze and report to the Congress on (1) potential climate change-related losses to their key insurance programs (FEMA’s National Flood Insurance Program and USDA’s Federal Crop Insurance Corporation) and (2) alternative mitigation options they may use to reduce their exposure to loss. (GAO-07-285, GAO-07-760T)

1.32.C. Reducing Risks Posed by Toxic Substances: In response to congressional concerns about EPA’s ability to identify and control risks to human health and the environment from chemicals, we provided a series of reports to the Congress over the past several years that identified potential revisions to the Toxic Substances Control Act (TSCA) in order to make the act more effective. EPA is currently acting on a series of recommendations we made to improve the agency’s ability to protect human health and the environment from chemical

risks through its efforts to (1) prioritize chemicals produced at high volumes for further review, (2) initiate actions to require chemical companies to more fully justify their claims of confidentiality concerning information on the chemicals they produce, and (3) evaluate and improve regulatory environmental models used to identify harmful health and environmental effects of chemicals used in commerce. In addition, our most recent report on chemical regulation provides congressional leaders, who are currently considering potential changes to TSCA, with a comparative analysis of TSCA and the European Union’s recently enacted chemical control legislation—highlighting areas in which the European approach would address some of the long-term problems that we have identified in implementing TSCA. (GAO-07-825, GAO-06-217R, GAO-06-1032T, GAO-05-458)

1.33.C. Reducing Improper Farm Program Payments: Farmers receive about \$20 billion annually in federal farm program payments for crop subsidies, conservation practices, and disasters. In July 2007, we reported that USDA is not conducting annual eligibility determinations of estates of deceased individuals receiving farm program payments, as required by its regulations. The determinations are either not done or not done thoroughly. As a result, USDA cannot be assured that the payments made to these estates are proper. In addition, we reported that USDA made \$1.1 billion in farm program payments to 172,801 deceased individuals from 1999 through 2005. Of this \$1.1 billion, 40 percent was made to individuals deceased for 3 or more years and 19 percent to individuals deceased for 7 or more years. Because USDA lacks adequate management controls, such as cross-matching its payment data with SSA’s Death Master File, USDA was unaware that it was making payments to deceased individuals. We testified on these issues in July 2007. We recommended that USDA conduct all required annual eligibility

determinations, cross-match its data with the Death Master File, and if improper payments were made, recover the appropriate amounts. In response, USDA directed its field offices to review all estates open for more than 2 years that will receive 2007 program payments. It also is working with SSA to obtain access to its Death Master File. USDA plans to cross-match its data with this file annually. (GAO-07-818, GAO-07-1137T)

A safe, secure, and effective national physical infrastructure

1.34.N. Identifying Weaknesses in Telecommunications Data: In a series of reports issued in 2006, we identified weaknesses in data-gathering efforts at the Federal Communications Commission (FCC). These data-gathering weaknesses hinder the ability of the government to adequately assess the impact of federal policies and programs and to target federal assistance. We found these weaknesses in a variety of commission efforts, including deployment of broadband service, competition for dedicated-access services, and telecommunications services for Native Americans on tribal lands. As a result, we recommended that FCC determine what data are necessary and the costs and burdens associated with gathering those data. In February 2007, FCC adopted a Notice of Proposed Rule-making that invoked our report and recommendation that it assess its efforts at gathering data on broadband deployment. In the notice, which sought comments about how it could acquire the data that it needs to assess broadband service, the commission noted that broadband service is critical to the nation's present and future prosperity and acknowledged that broadband data are essential for it to assess the success of its policies. (GAO-07-80, GAO-06-189, GAO-06-426)

1.35.N. Helping People Make More Informed Decisions When They Move Their Household Goods: In 2001, we found that the Federal Motor Carrier Safety Administration—the federal regulator for the interstate household goods moving industry—had done little to stem the growth of consumer problems in the industry. Among other things, we recommended that the agency make general information on the number and the nature of consumer complaints against individual moving companies available to the public so that the public could better protect itself, particularly against unscrupulous moving companies. In July 2007, the Federal Motor Carrier Safety Administration included on its Web site complaint data about individual household goods movers that are prominent, easily accessible, and searchable by consumers. This action, as a result of our work, directly touches Americans who are looking to safeguard their cherished personal possessions and improves their chances of doing so. (GAO-01-318)

1.36.N. Enacting Comprehensive Postal Reform Legislation: In April 2001, we designated the U.S. Postal Service's (USPS) transformation and long-term outlook as a high-risk area because the Service's financial outlook had deteriorated significantly and it had no comprehensive plan to address its financial, operational, or human capital challenges. We concluded that the need for a comprehensive transformation of USPS was more urgent than ever and called for the Congress to act on comprehensive postal reform legislation. Since then, USPS has developed a transformation plan to guide its ongoing efforts related to implementing initiatives included in its plan. Further, in December 2006, the Congress enacted comprehensive postal reform legislation to provide a framework for modernizing USPS's rate-setting processes and strengthening regulatory oversight and financial transparency. Thus, in January 2007,

we removed USPS's transformation and long-term outlook from our high-risk list. (GAO-07-684T, GAO-07-685T, GAO-04-108T, GAO-01-598T)

1.37.C. Addressing Congestion in the National Airspace System: According to the Federal Aviation Administration (FAA), by 2015 the national airspace system will need to accommodate 1 billion passengers per year—260 million more than in 2006. FAA also predicts that 10,000 traditional business jets, turboprops, and very light jets will be added to the fleet by 2017. In a series of testimonies, we reported on FAA's efforts to plan and begin implementing the Next Generation Air Transportation System (NextGen), which is intended to make use of new technologies and procedures to meet these increasing demands for system capacity. We informed the Congress that although much progress has been made in planning NextGen, a number of important issues remain unresolved. For example, we recommended that FAA explore the extent to which its staff possesses the necessary technical and contract management expertise to implement NextGen. In response to our recommendation, FAA has contracted with the National Academy of Public Administration to conduct an independent assessment of FAA's skill sets. Other unresolved issues include identifying the precise content and associated costs of NextGen infrastructure and determining which entities will fund and conduct some of the necessary research, development, demonstration projects, and training that will be needed to achieve certain NextGen capabilities. (GAO-07-25, GAO-07-693T, GAO-07-784T)

1.38.C. Improving the Effectiveness of the Emergency Alert System (EAS): Effective emergency warnings via various telecommunications modes allow people to take actions that save lives, reduce damage, and reduce human suffering. Hurricane

Katrina and the terrorist attacks of September 11, 2001, highlighted the need for timely, accurate emergency information and underscored the vulnerability of America's emergency response infrastructure. While a wide-reaching public alert system is critical to the public safety, in March 2007, we reported that the current EAS faces a range of technical, cultural, and other challenges, such as interfacing with newer communications technologies and issuing alerts in multiple languages. Further, we identified a lack of ongoing testing of the distribution system used to disseminate national-level emergency alerts. Additionally, we found challenges to the development of an integrated alert system, including gaining collaboration among EAS stakeholders to ensure that all elements of the system can work together and providing adequate training for EAS participants. We recommended that FEMA and FCC develop and implement a plan to verify the dependability and effectiveness of the distribution system and establish a forum to discuss emerging and other issues related to the implementation of an integrated public alert and warning system. DHS concurred with the intent of our recommendations, and FCC is taking steps to improve EAS capabilities and coordination. These actions will help ensure that EAS is capable of operating as intended and that coordination with a variety of stakeholders on the implementation of an integrated public alert and warning system exists. (GAO-07-411)

1.39.C. Improving Access to Transportation for Disadvantaged Communities: We identified needed improvements to federal efforts to provide access to transportation for disadvantaged communities. For example, we testified that the Department of Transportation (DOT) should examine the results of its grants to increase air service to small communities to improve aviation programs' ability to connect small communities to the national

air system. In other work we found that gaps in federal evacuation assistance to state and local governments hindered many local governments' ability to evacuate transportation-disadvantaged populations in the face of disasters like Hurricane Katrina. As we recommended, DHS is updating its National Response Plan to clarify the roles and responsibilities of cognizant agencies and taking other steps give greater consideration to the needs of transportation-disadvantaged populations. Finally, we reviewed the Federal Transit Administration's (FTA) Job Access and Reverse Commute program that improves mobility of low-income persons seeking work and recommended that FTA update its oversight processes to help it evaluate and oversee the program. By the time we completed our work, FTA officials indicated that they were already taking steps to incorporate the program in their existing review processes. (GAO-07-793T, GAO-07-44, GAO-07-43)

1.40.C. Improving Transportation Efficiency: We continue to study ways to improve the efficiency of our nation's transportation system. Intermodal transportation, which enables freight and passengers to cross different modes of transportation, can improve mobility, reduce congestion, and cut costs. We identified actions DOT could take to address barriers to intermodal transportation—including increasing collaboration between operating administrations. DOT officials stated that our work provided a starting point for constructive discussions between the executive branch and the Congress on innovative solutions to intermodal challenges. We also identified techniques to efficiently use existing infrastructure—such as improving operations—and ways to fund infrastructure refinements and monitor efficiency, such as user fees and performance measures, respectively. Finally, we identified ways to reduce fuel use. For example, we found that raising current

fuel economy standards for cars and light trucks, reforming the program, or both could increase fuel savings. This work is informing the current national debate about how to reduce fuel use. Based on work done by the Transportation Research Board, the Department of Energy estimated that underinflated tires negatively affect safety and increase fuel use—about 1.2 billion gallons by cars and light trucks in 2005. We reviewed federal policies on tire inflation and identified a number of technologies used to reduce tire underinflation that have the potential to increase safety and fuel economy when used properly. The federal government is addressing this inefficiency by providing information for both the public and federal fleet managers. (GAO-07-921, GAO-07-246R, GAO-07-718, GAO-07-920)

1.41.C. Improving Knowledge Sharing on Older Driver Safety Issues Among States: Older drivers are more likely to suffer injuries or die in crashes than drivers in most other age groups. Older driver safety will become an increasingly significant safety issue as our population ages—by 2030 the number of licensed drivers aged 65 and older is expected to nearly double to about 57 million. In April 2007, we reported that (1) states have, to varying degrees, adopted federally recommended road design and construction practices to make roadways easier for older drivers to navigate; (2) while more than half of the states have implemented licensing requirements for older drivers that are more stringent than requirements for younger drivers, states' assessment practices are not comprehensive; and (3) although some states have implemented key practices to improve older driver safety, knowledge sharing among states is limited. Consequently, we recommended that DOT establish a communication mechanism to share information that would help states improve older driver safety, including information on the effectiveness of road design and construction practices to improve the driving

environment, comprehensive practices to assess driver fitness, and leading practices implemented by states. In response, the department is enhancing existing Web sites and communication methods to provide more comprehensive and up-to-date information on both federal and state efforts to improve older driver safety. (GAO-07-413)

1.42.C. Influencing Legislation to

Reauthorize the Funding Structure for

FAA: The administration proposed sweeping change to FAA's funding structure that would change it from one based largely on excise taxes and a General Fund contribution to one based on user fees. We testified that although the viability of the funding structure would be influenced by such factors as the availability of the General Fund contribution, structural changes in the aviation industry, and certain policy choices, the current funding structure could potentially fund planned FAA operations. Our testimonies were major factors in the decisions of the Senate and House authorizing committees to propose legislation to largely maintain the current funding structure for FAA. (GAO-07-25, GAO-07-885, GAO-07-625T, GAO-07-636T, GAO-07-1163T)

1.43.C. Improving Motor Carrier Safety:

About 5,500 people are killed and another 160,000 are injured each year in crashes involving large commercial trucks and buses.

While the Federal Motor Carrier Safety Administration does a good job in identifying interstate commercial carriers that pose high crash risks, we identified ways that it can improve. The agency employs a decision model that uses its expert judgment to weight carriers' crashes and safety violations for the purposes of identifying high-risk carriers. We found that the agency could easily improve the identification by 9 percent (identifying carriers that experienced about twice as many crashes) if it employed a statistical regression model approach. We also found that the agency could identify more high-risk crashes using its current model if it gives more attention to carriers that experienced crashes because our work showed that the incidence of past crashes is the strongest predictor of whether a carrier will have crashes in the future. In response to these reports, the Federal Motor Carrier Safety Administration noted that our report provided useful insights and offered a potential avenue for further improving the effectiveness of its efforts to reduce crashes involving motor carriers. Adopting either of these approaches should allow the Federal Motor Carrier Safety Administration to better target its enforcement efforts to improve safety and reduce crashes that can lead to deaths and injuries, which is especially important because it can only review about 2 percent of the nation's motor carriers each year. (GAO-07-585, GAO-07-584)

Strategic Goal 2

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

Source: See Image Sources.

Protect and secure the homeland from threats and disasters

2.01.N. Assessing Security Vulnerabilities in the Nuclear Regulatory Commission's (NRC) Nuclear Materials Licensing Program: In 2003, we reported that weaknesses in the NRC licensing program could allow terrorists to obtain radioactive materials that could be used in "dirty bombs." NRC issued new licensing guidance in December 2006. However, our 2007 covert investigation demonstrated that the new guidance was ineffective. Specifically, our investigators were able to obtain a license to obtain radioactive materials from NRC by using a bogus company whose address was a rented post office box. Once we received the NRC license, we sought to purchase radioactive material and could have acquired enough to reach a level that NRC considers to be dangerous. When notified of our operation, NRC immediately suspended its licensing program and within days issued supplemental interim licensing guidance. The new guidance generally requires that NRC conduct a site visit or face-to-face meeting prior to issuing a new license—making it more difficult for someone with malevolent intentions to obtain an NRC radioactive materials license. We also recommended additional actions to further strengthen controls in this area in our July 2007 testimony. ([GAO-07-1038T](#), [GAO-03-804](#))

2.02.N. Improving Homeland Defense:

As a result of prior work, we are seeing improvements in homeland defense, particularly in the protection of U.S. airspace. Our 2005 testimony and classified report on the interagency management of violations to restricted airspace prompted the June 2006 requirement in national security and homeland security presidential directives—NSPD-47 and HSPD-16—for a national strategy for aviation security. The national strategy was issued on March 26, 2007, and called for interagency collaboration to develop several supporting plans to address specific threats and challenges identified in the presidential directives. Since our testimony and report were issued, the agencies have also implemented most of our recommendations, resulting in significant changes in how the interagency community manages the protection of restricted airspace and leading to improvements in interagency information sharing and national-level planning for protection of all U.S. restricted airspace. For example, FAA is now sharing vital information from its pilot deviations database with DOD, and common definitions between the several agencies that participate in the protection of U.S. airspace are facilitating the coordination and communication vital to protecting U.S. airspace. The interagency participants have also established information-sharing requirements and protocols, addressed security clearance issues, and reviewed interagency command and control processes that are followed during a violation of restricted airspace. ([GAO-05-928T](#))

2.03.N. Reducing Risks Associated with a Component of the Secure Border Initiative (SBI): DHS's SBI is a multiyear, multibillion-dollar program to secure U.S. borders. One element of SBI is *SBI_{net}*—the U.S. Customs and Border Protection program responsible for developing a comprehensive border protection system through a mix of technology, infrastructure, and personnel. In fiscal year 2007, the Congress appropriated \$1.2 billion for the program and asked us to review the *SBI_{net}* expenditure plan. As part of our review, we identified a significant risk to the program's schedule and costs because of its reliance on concurrent and interdependent tasks. We found that DHS planned to install *SBI_{net}* technology in multiple sectors along the southwest border before lessons could be learned from the pilot deployment project. We pointed out that the greater the degree of concurrency, the greater a program's exposure to cost, schedule, and performance risks. Among other things, we recommended that DHS reexamine the level of concurrency and appropriately adjust the acquisition strategy. In March 2007, DHS submitted a revised *SBI_{net}* expenditure plan for fiscal year 2007 to the Congress. In response to our recommendation, the new plan delayed some technology deployment and, in its place, accelerated tactical infrastructure construction, thus reducing the risk of program inefficiencies and consequent cost escalation and schedule delays. (GAO-07-309)

2.04.C. Enhancing Federal Homeland Security Information Sharing with States and Localities: In an April 2007 report and a May 2007 testimony, we highlighted information-sharing and duplication of effort risks that DHS faced in developing its primary information-sharing information technology (IT) application, the Homeland Security Information Network. Our work showed that DHS had not worked effectively with a key state and local information-sharing program

that is operated and managed by state and local officials nationwide with the goal of providing homeland security and related information services to law enforcement, emergency responders, and other public safety officials. In particular, we found that DHS had not coordinated with this program to fully develop joint strategies and policies, procedures, and other means to operate across agency boundaries, which are key practices for effective coordination and collaboration and a means to enhance information sharing and avoid duplication of effort. One major consequence of DHS not fully adhering to these practices has been that the network and the state and local program are duplicative in that they target similar user groups, such as emergency management agencies, and have similar features, such as electronic bulletin boards, collaboration tools, and document libraries. We made several recommendations to help DHS ensure that the network is effectively coordinated with all key state and local information-sharing initiatives and that duplicative efforts are avoided. DHS agreed with all of our recommendations and has actions planned and under way to implement them. (GAO-07-455, GAO-07-822T)

2.05.C. Promoting Government Efforts to Secure Sensitive Systems and Information: Our continued work in fiscal year 2007 helped agencies identify needed information security (IS) improvements and helped to inform the public debate on the need for the federal government to effectively protect personally identifiable information. We testified that despite agencies' reported progress in implementing IS requirements, recently reported incidents involving data loss or theft, computer intrusions, and privacy breaches underscore the need for further improvements. Our work highlighted the need to effectively implement IS at numerous agencies—including DHS, the FBI, the Internal Revenue Service (IRS), the Securities and Exchange Commission (SEC),

and VA—and offered recommendations to improve security over government programs, such as correcting security weaknesses at DHS that affect the program to manage the entry and exit of foreign nationals and at the FBI that affect critical networks transmitting sensitive law enforcement information. We also emphasized the need to strengthen governmentwide guidance and reporting on agencies' periodic testing of security controls, so that agencies are aware of weaknesses in their systems. Based on our prior recommendations, agencies—including IRS, SEC, the Federal Reserve, and USDA—took action to strengthen security that included improvements to agencies' IS programs that aid in understanding risks and selecting and properly implementing needed controls, access controls that limit access to information to authorized individuals only, and service continuity controls that protect computer-dependent operations from disruptions. (GAO-07-65, GAO-07-368, GAO-07-870, GAO-07-751T, GAO-07-1264T)

2.06.C. Improving Tanker Security: In fiscal year 2007, we identified challenges the federal government faced in securing the transportation of energy commodities by tankers from terrorist attacks. These challenges exist throughout the supply chain, from where the tankers load their cargo, through their ocean voyages, and into the ports where they unload. Because the government has its greatest ability to reduce risks to tankers in U.S. waters and ports, we paid particular attention to governmental activity in these locations. We found that to meet these challenges federal agencies, and particularly the U.S. Coast Guard, had taken significant actions. For example, the Coast Guard had set security standards to guide local Coast Guard units and enlisted the help of state and local governments in its efforts. However, given the Coast Guard's inability to meet its own security requirements in some locations, increases in liquified natural gas shipments to the United

States, and the potential consequences of a terrorists attack on liquified natural gas tankers, we recommended that the Secretary of Homeland Security direct the Coast Guard to develop a resource allocation plan that balances the need to meet new liquified natural gas security responsibilities with other existing security responsibilities and other Coast Guard missions. DHS agreed with our recommendation, and since the report was issued DHS has continued to recognize the need to identify the resources necessary to manage risk in the maritime environment. (GAO-07-316, GAO-07-840T, and a sensitive but unclassified report also issued in fiscal year 2007. The public version of this document will be available shortly.)

2.07.C. Strengthening Security at Airport Passenger Screening Checkpoints:

In a series of reports, testimonies, and briefings to the Congress, we reported on the Transportation Security Administration's (TSA) passenger checkpoint screening procedures, which have been scrutinized and questioned by the traveling public and the Congress in recent years. For example, in December 2005, TSA allowed passengers to carry small scissors and small tools onto aircraft, resulting in concern among Members of the Congressional and industry representatives. In addition, following the alleged August 2006 liquid explosives terrorist plot, TSA modified passenger screening procedures several times in an effort to defend against the threat of terrorists' use of liquid explosives onboard commercial aircraft. We determined that TSA implemented a reasonable approach to modifying passenger checkpoint screening procedures, in part by making efforts to balance security, efficiency, and customer concerns. We made recommendations for improving documentation and evaluation of proposed changes to passenger screening procedures. TSA officials generally agreed with our recommendations and have taken actions to improve the documentation for

substantive proposed procedural changes and to strengthen the agency's evaluation of proposed procedures. These actions, when fully implemented will enable TSA to better justify its passenger screening procedure modifications to the Congress and the traveling public. (GAO-07-634, GAO-07-623R, GAO-07-448T, GAO-07-375, GAO-06-371T)

2.08.C. Assessing Federal and Private Sector Efforts to Develop Infrastructure Protection Plans:

Through a series of reports, testimonies, and member briefings, we provided the Congress with a look at collaboration efforts between DHS and other federal agencies with private sector infrastructure owners and operators to ensure that the nation's most critical infrastructure assets and key resources are protected from terrorists and natural disasters. We called attention to the disparity in the progress infrastructure sectors had made in developing plans designed to protect key infrastructure, as well as the comprehensiveness of the plans. As a result, the Congress has asked us to launch several engagements to further explore these issues. (GAO-07-1075T, GAO-07-706R, GAO-07-626T, GAO-07-39)

2.09.C. Assessing DHS's Methodology for Using Risk Assessments to Allocate Homeland Security Grant Funds:

For the second successive year, in response to a congressional mandate, we analyzed DHS's methodology for considering and applying risk assessments in allocating over \$1.7 billion in fiscal 2007 homeland security grant funds. We provided multiple briefings to Members of the Congress and congressional staff on the methodology, the changes in the methodology from 2006 to 2007, and the potential impact of changes in specific variables used to assess the risk from terrorism for potential grant applicants, such as urban areas within the United States. Our work was also the focus of a House Appropriations Committee hearing, and

the Senate-passed version of the fiscal year 2008 appropriations bill for DHS includes a mandate for us to assess the methodology to be used for the 2008 grant allocation process. Our work has enhanced congressional oversight by providing clear, objective information on and analysis of DHS's methodology for 2006 and 2007 and provided information DHS could use to maximize the efficiency and effectiveness of the grant program and make the most of increasingly limited homeland security funds. Partly as the result of our work, DHS is undertaking a more detailed analysis of the impact of changes in the use of specific variables. (GAO-07-381R)

2.10.C. Identifying Shortcomings in DHS's Operation of the United States Visitor and Immigrant Status Indicator Technology (US-VISIT) at Land Ports of Entry:

We identified continuing challenges to the effective implementation of the US-VISIT program at land ports of entry, for both incoming and exiting persons required to participate in US-VISIT, which involves biometric identification of foreign visitors using digital fingerprints and photographs. Although intended to record both the entry and subsequent exit of foreign visitors—and to highlight those who overstayed their visas—we found that there was no current technology that would provide a timely and reliable method by which to record the exit of all visitors at land ports of entry. In response, DHS subsequently suspended its plans to implement an exit component until a viable capability can be deployed at land ports of entry. However, DHS has yet to explain how US-VISIT is to (1) establish a comprehensive biometric identification system to record individuals' arrival and departure at land ports and identify those who have overstayed their visas and (2) strategically align with other border security initiatives that are intended to enhance border security and prevent illegal immigration. Also, with regard to entry, our work showed that US-VISIT had

improved DHS's ability to process visitors and verify identities, but management controls in place to identify computer processing problems and evaluate operations were insufficient and inconsistently administered. As a result, DHS was not in the best position to identify and quantify problems, evaluate alternatives, allocate resources, track progress, and learn from any mistakes that may have been made while deploying and operating US-VISIT at land ports of entry. (GAO-07-248, GAO-07-378T)

2.11.C. Analyzing DHS Budget

Justifications for Fiscal Year 2007:

We provided technical assistance to the Congress in reviewing the President's justification for requests for funds. This work was done to provide the Congress with information to evaluate the support for and adequacy of the President's justification for requests. For example, our prior work had shown that within the aviation security area, programs such as Secure Flight—which is to match passenger information against terrorist watch lists—had experienced implementation challenges that raised questions about the program future funding needs. We suggested that the committees consider restricting the Secure Flight budget request until TSA provides an expenditure plan that includes detailed descriptions of key goals, objectives, requirements, and milestones. We also suggested that funds be restricted for the Science & Technology Directorate because of serious financial management deficiencies, among other things. The Congress, in the DHS appropriations bill for fiscal year 2007 and the accompanying conference report, adopted a number of our suggested budget actions resulting in reductions and restrictions of about \$1 billion to help ensure that homeland security investments are appropriately focused. (No product issued.)

2.12.C. Improving the Deepwater

Program: In a series of testimonies and a report, we identified the key challenges affecting (1) new Deepwater asset deployment and (2) management of the Deepwater program and the Coast Guard's efforts to address these challenges. We reported that while the Coast Guard has made progress with the design, acquisition, and delivery of some Deepwater assets, ongoing problems with other assets raise questions about the Coast Guard's ability to maintain a system-of-systems approach in which the retirement of legacy assets is to be synchronized with the introduction of new Deepwater assets. We also noted that as problems are encountered and delivery dates for new Deepwater assets slip, the overall operational capabilities of Deepwater assets and the system-of-systems could be reduced, especially in the short term. Further, we reported that because of problems with program management, contractor accountability, and cost controls, the Coast Guard has taken on more direct responsibility for the acquisition management and support for key Deepwater assets. However, we noted that until the Coast Guard has sufficient staff with the requisite skills and abilities to carry out these expanding responsibilities, the Deepwater program will remain at risk in terms of getting what is needed on time and at a fair price. Our work provided the Congress with timely information on the status of the program at a time when it was increasing its oversight of the cost, schedule, and performance of the program. (GAO-07-874, GAO-07-575T, GAO-07-460T, GAO-07-446T, GAO-07-453T)

2.13.C. Assessing the Federal Response

to In-flight Security Threats: We reported on the procedures that more than 15 federal agencies and entities follow to coordinate their responses to security threats that occur onboard commercial aircraft in flight. We identified the nature and extent of each agency's involvement in addressing

different types of threats (i.e., high-risk or suspicious passengers, etc.), the tools they use to communicate about the threats, and a four-stage process that they follow to resolve incidents, including identifying the threat, sharing pertinent information to collaboratively assess its severity, deciding on and implementing the appropriate in-flight response, and if necessary, completing the law enforcement response. No comprehensive summary or assessment of these procedures existed prior to the completion of our work, and articulating these procedures has allowed agencies to better understand each others' roles and responsibilities and coordinate their responses to identified threats. We recommended that (1) the involved agencies develop a concept of operations plan that outlines the general interagency coordination strategy and delineates lines of communication among them, (2) each involved agency document its internal standard operating procedures and establish mechanisms for sharing these procedures with other agencies, and (3) key agencies involved in interagency exercises fully document and disseminate the results of the exercises to ensure that follow-up action items are addressed as appropriate. (GAO-07-891R)

2.14.C. Assessing DHS's Mission and Management Progress Its First 4 Years:

In response to a bipartisan and bicameral request, we assessed DHS's progress by identifying a total of 171 performance expectations within 14 mission and management areas (e.g., border security and immigration enforcement or financial and acquisition management). Analyzing our and the DHS Office of Inspector General's prior work and updated information provided by DHS, we determined the extent to which DHS has taken actions to generally achieve each performance expectation. Using these analyses, we then assessed whether DHS has made limited, modest, moderate, or substantial progress in each area. We

found that after 4 years, DHS has attained some level of progress in all of its major mission and management areas but the rate of progress among these areas varies. For example, progress in surface and aviation transportation security has been moderate while IT and human capital management progress has been limited. Our work shows that it will be essential for the department to address how key underlying themes have affected DHS's implementation efforts—agency transformation, strategic planning and results management, risk management, information sharing, and partnerships and coordination—as it moves forward. By comprehensively summarizing and updating 4 years of our work, our report provides congressional and other stakeholders with a broad view of DHS's progress, and highlights areas for future oversight and review. (GAO-07-454)

Ensure military capabilities and readiness

2.15.F. Transforming Defense Forces by Better Allocating Resources to Fund New Capabilities: In a November 2002 report, we asked the Congress to consider extending the deadline for the submission of DOD's Quadrennial Defense Review (QDR) in order to provide additional time for DOD to align its upcoming budget request with its newest strategic thinking as reflected in the QDR. In our view, this extra time would allow DOD to take full advantage of QDR results and shift resources where they would be needed most, that is, provide for a better allocation of resources, and avoid unnecessary costs of lower priority programs. The Congress adopted our suggestion, and DOD's 2006 QDR is the first to benefit from the extended deadline and better allocation of defense resources to implement DOD's new strategic plan. As a result, DOD's fiscal year 2007 budget shifts resources into new programs advocated

by the QDR, to include a \$1 billion special operations initiative to help fight the war on terrorism, rather than having to wait until the fiscal year 2008 budget cycle. To pay for these initiatives, OMB stated that DOD had shaved billions of dollars from other lower priority programs. The DOD Comptroller's office has confirmed that final congressional action on DOD's proposal was to provide a \$1.2 billion increase in funding for Special Operations Forces in fiscal year 2007. (GAO-03-13)

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

We reviewed the reasonableness of DOD's fiscal year 2007 budget request and identified billions of dollars in potential costs that could be avoided and opportunities for DOD to improve its internal oversight of the use and tracking of funds. Overall, our work contributed to multiple actions that resulted in total financial benefits of about \$3.2 billion. The Congress used our analyses of unobligated balances; operations and maintenance execution trends; and active, reserve, and civilian personnel expenditures for fiscal year 2006 to reduce the fiscal year 2007 budget. We also reported on ways for DOD to improve its cost reporting for the global war on terrorism. As a result of our report and briefings, DOD adjusted its cost reports, revised cost reporting procedures to expand reporting categories, and implemented steps intended to improve reliability. (GAO-07-76)

2.17.F. Reducing Cost, Schedule, and Performance Risks for the Army's Future Combat System (FCS):

The Army's FCS is a program characterized by bold goals and innovative concepts—transformational capabilities, a system-of-systems approach, new technologies, a first-of-a-kind information network, and a total investment cost of more than \$200 billion. As such, the program is considered high risk and in need of special oversight and review. Since 2004, we have pointed out that the Army

has far less knowledge about FCS and its potential for success than is needed to fulfill the basic elements of a business case. For example, the Army has yet to fully define FCS requirements, mature key technologies, and fully estimate costs. In response to our recommendations, the Congress has acted to reduce risk and increase oversight for FCS. For example, the Congress has directed DOD to conduct and report on the results of a milestone "go/no-go" review of the FCS program, following its preliminary design review with the aim of ensuring that there is a business case for continuing the program. In addition, citing risks that we reported and the need for DOD to preserve its ability to change course, the House Committee on Armed Services recommended a budget cut of \$325.8 million in fiscal year 2007. Ultimately, the conference committee cut the FCS budget request by \$254 million. In response to our recommendations, the Army has also made several adjustments to the program, including revising production rates to more affordable levels. (GAO-06-367, GAO-06-478T, GAO-06-564T)

2.18.N. Strengthening Security of Forces and Military Presence Restructuring:

Our evaluations of DOD's antiterrorism program and global posture strategy have resulted in actions that can lead to more a more effective application of force protection resources at military installations and facilitate congressional oversight responsibilities. We reported that service headquarters and commands did not use a comprehensive results-oriented management framework to guide their efforts to improve the security of forces at military installations. Therefore, DOD and the Congress would not be able to determine if the billions being invested to improve force protection at installations were being applied efficiently and effectively. In 2005, each military service responded to our recommendations and developed strategic planning and program implementation tools

to guide their efforts and prioritize funding requirements. In September 2006, we also reported on DOD's strategy to restructure the size and location of U.S. military forces overseas, and identified several challenges DOD faces in implementing this strategy that add to the uncertainty of the costs and potential outcomes of DOD's efforts. We concluded that Congress may not have a clear understanding of the extent to which objectives are being achieved or whether resources are being efficiently and effectively applied, and recommended that the Congress require DOD to periodically report on its progress. As a result of the issues raised in our work, the Senate Committee on Appropriations directed DOD to provide an updated report on the Global Posture Initiative to better inform the Congress of its efforts. ([GAO-06-852](#), [GAO-03-14](#))

2.19.N. Improving Transparency over Military Compensation Costs: Our work has shed light on how rapidly military compensation costs have been growing, providing decision makers better information about the total costs of personnel and the implications of adding deferred benefits. Active duty and reserve compensation costs grew 32 percent and 47 percent, respectively, from fiscal years 2000 to 2006. However, we found that military compensation costs were scattered across multiple federal agencies, so a true picture of total costs was not available. Consistent with our recommendations, the President's budget request for fiscal 2007 contained an exhibit that depicted total active duty compensation costs and their allocation to cash, noncash, and deferred benefits—an important first step in improving transparency. ([GAO-07-828](#), [GAO-05-798](#))

2.20.N. Enhancing DOD's Evaluation of Its National Security Personnel System (NSPS): In June 2005, we evaluated DOD's efforts to design and implement its new civilian personnel management system—

NSPS. We determined that evaluating the impact of NSPS would be an ongoing challenge for DOD. We recommended that the NSPS Program Executive Office (PEO) develop procedures for evaluating NSPS that contain results-oriented performance measures and reporting requirements. These evaluation procedures could be broadly modeled on the evaluation requirements of the Office of Personnel Management (OPM) demonstration projects. In response to our recommendation, the NSPS PEO developed an NSPS evaluation plan that provides documentation of the nature, rigor, and intent of the evaluation. The plan also includes measurable goals or objectives; expected results or outcomes; a description of the procedures, methods, and techniques that will be used to show whether the objectives have been achieved; and a description of the data collection and analysis procedures to be used to assess the program's success or failure from a qualitative and quantitative standpoint. This action will improve the department's visibility and oversight needed to benchmark progress, make system improvements, and provide the Congress with the assessments needed to determine whether NSPS is truly the model for governmentwide transformation in human capital management. ([GAO-07-851](#))

2.21.N. Improving Oversight of Contractors on the Battlefield: We have issued a series of reports focused on contract management and the oversight challenges faced by DOD as it increases its dependence on contractors on the battlefield. Among the challenges DOD faced was the lack of visibility over the number of contractors supporting deployed forces and the services the contractors provide and a lack of senior leadership to resolve the challenges. Our December 2006 report made recommendations to address these challenges and DOD has implemented them. For example, in January 2007, DOD implemented a system designed to provide

commanders with greater visibility over the number of contractors supporting deployed forces and the services being provided by the contractors. Additionally, in response to our recommendation that the Secretary of Defense appoint a focal point dedicated to leading DOD's efforts to improve contract management and oversight, the Office of the Assistant Secretary of Defense (Program Support) was established to act as the focal point. The Congress has also used our work to direct the department to make managing contractors who support deployed forces a higher priority at DOD. For example, the House Appropriations Committee withheld 15 percent of the fiscal year 2007 DOD supplemental operation and maintenance appropriations until DOD was able to provide information on the number and types of contractors in Iraq and Afghanistan. This provision was included in the legislation after we testified before the House Appropriations Committee's Subcommittee on Defense that DOD did not know the number of contractors in Iraq. (GAO-07-145, GAO-07-525T)

2.22.C. Supporting the Congress in Oversight of Intelligence Acquisitions:

Our support to the Congress this past year helped to expand and strengthen its oversight of intelligence acquisitions. For example, we briefed committees on findings related to the development of a new satellite system equipped with radar sensors. We found that while the program was attempting to adopt best practices for technology development, important agreements on requirements, funding, and system usage had not been worked out, and it was questionable whether the system—which is projected to be one of the most expensive satellite development efforts ever—was affordable. Our work supported the decisions made by the Senate Select Committees on Intelligence and the Senate Committee on Armed Services to make dramatic cuts to the program so that investments could be more focused on necessary technology development. Our work

was also used by the Senate Intelligence Committees in drafting legislation aimed at reforming acquisition processes and requiring the intelligence community to institute more disciplined management and oversight controls. In addition, we were requested to brief committees on the results of our work on the use of risky contracting techniques by intelligence agencies. (GAO-07-273, GAO-07-559, GAO-07-1029R)

2.23.C. Improving DOD's Management Approach to Major Weapon Systems Acquisitions:

Over the next several years, DOD plans to invest \$1.4 trillion in major weapons programs. Although DOD produces the best weapons in the world, it fails to deliver weapon systems on time, within budget, and with desired capabilities. This year, we reported that leading commercial companies achieve success in product development by using an integrated portfolio management approach to prioritize market needs and allocate resources through a strong governance structure. Through portfolio management, all of a company's product investments are addressed collectively from an enterprise level, rather than as independent and unrelated initiatives. In contrast, DOD approves proposed programs with much less consideration of its overall portfolio and commits to them earlier and with less knowledge of cost and feasibility. While DOD has taken steps to identify warfighting needs through a joint requirements process, its service-centric structure and fragmented decision-making processes do not allow for the portfolio management approach used by successful commercial companies. We recommended that DOD establish such an approach to ensure delivery of a balanced mix of weapon system programs at the right time and right cost and establish a single point of accountability for determining which acquisition programs are allowed in the portfolio. As a result, the Congress has required DOD to address

our recommendations for improvements in its portfolio management process and has urged DOD to expand its use of portfolio management initiatives already under way to include additional portfolios. ([GAO-07-388](#))

2.24.C. Improving Transparency, Accountability, and Oversight of Ballistic Missile Defense:

Over the next 5 years, DOD plans to invest an additional \$49 billion, or 13 percent of its research and development budget, to develop and field the Ballistic Missile Defense System (BMDS). The Missile Defense Agency (MDA) began developing the BMDS in 2002 in 2-year blocks, with each block increasing the number of fielded assets and enhancing the existing system. To field the BMDS quickly, DOD granted MDA authority to defer entry of the BMDS into DOD's acquisition cycle until management of the system is handed over to a military service. Therefore, the BMDS never formally entered the acquisition phase that triggers compliance with certain acquisition laws that provide transparency into program progress and decisions. In annual missile defense reports, we have pointed out that because MDA is not required to seek higher-level approval of its program goals or have program cost or system operational effectiveness and suitability independently verified, the agency has operated with considerable autonomy to change goals and plans. This has made it difficult to reconcile program outcomes with original expectations and to determine the actual cost of each block of individual BMDS assets. Based on our reporting of these issues, MDA is implementing a new acquisition strategy that includes setting firm program goals for each block, reporting variances against those goals, and accounting for cost in a manner that ensures each block's full cost is transparent to decision makers. ([GAO-07-387](#), [GAO-06-327](#))

2.25.C. Transforming Defense Forces by Improving Reserves' Mission Capabilities:

Our work on the changing roles and missions of the National Guard supported the work of the Commission on the National Guard and Reserves as well as congressional oversight. We reported on the changing roles of the reserves, the negative effects of the heavy use of the reserve components for their future missions, and the lack of validated requirements for the National Guard's civil support missions. The Congress created the commission in 2005 to conduct a comprehensive examination of roles of the Guard and Reserves and to recommend any needed changes in laws and policies governing the National Guard and Reserves. We testified twice before the commission, highlighting the need to align the Reserves' business model with their 21st century roles and other issues, including reserve component equipment and personnel readiness, DOD's initiatives to improve reserve readiness, recruiting and retention challenges, and reserve pay and compensation. The commission based several key recommendations to the Congress in its March 2007 report on our reports and testimonies. In addition, the House Armed Services Committee included a requirement in its 2008 defense authorization bill that would require DOD to report on National Guard readiness for its civil support missions. ([GAO-07-397T](#), [GAO-07-709](#), [GAO-07-984](#))

2.26.C. Creating a Chief Management Officer at DOD to Guide Business Transformation Efforts:

During fiscal year 2007, we recommended that DOD develop a planning process that results in a comprehensive, integrated, enterprisewide plan or set of plans to guide DOD's business transformation efforts. We also suggested that the Congress consider enacting legislation to establish a separate, full-time Chief Management Officer position at DOD with significant authority, experience, and

a sufficient term to provide focused and sustained leadership over the department's business transformation efforts. At a time of increasing military operations and growing fiscal constraints, billions of dollars have been wasted annually because of the lack of adequate transparency and appropriate accountability across DOD's business areas. DOD's lack of a comprehensive enterprisewide business transformation plan linked with performance goals, objectives, and rewards for all key business areas has been a continuing weakness. DOD also continues to lack the sustained leadership at the right level to achieve successful and lasting transformation. In addition, as of October 2007, both the House and Senate Armed Services Committees had proposed language in their respective versions of the National Defense Authorization Act for Fiscal Year 2008 that calls for the Secretary of Defense to either assign responsibilities to a high-level official to address management issues within the department (House version) or to establish a Chief Management Officer (Senate version). As a result of our work, DOD is taking steps to improve its planning process. (GAO-07-1072, GAO-07-310, GAO-07-229T)

2.27.C. Providing Oversight of Military Operations in Iraq and Afghanistan:

Our continued work in evaluating U.S. military operations in Iraq and Afghanistan has led to key congressional actions to provide enhanced oversight and helped frame significant issues for congressional and public debate. Our work has included numerous reports and testimonies on such topics as DOD's ability to provide trained and ready forces for ongoing operations and timely force protection solutions to support deployed troops, to secure Iraqi munitions storage sites, and to help train and develop the logistics capabilities of Iraq's security forces. Specifically, the Congress has used our ongoing work reviewing the department's efforts to defeat improvised explosive

devices (IED) in directing actions, through legislation, to improve strategic planning and operations at the newly established Joint IED Defeat Organization. Our work and testimony examining logistics capabilities of Iraq's security forces has also enhanced congressional oversight and, along with work on U.S. military trainers, supported the House Armed Services Committee's efforts to prepare its own public report on the status of Iraq's security forces. Our work on the department's efforts to repair and replace equipment used in current operations raised the Congress's awareness that its oversight of reset programs may be limited because the Army and Marine Corps are not fully capturing and reporting how they are investing reset funds, totaling about \$49 billion since fiscal year 2002. Our work has also prompted the Congress to take legislative action to require DOD to address readiness issues. (GAO-07-503R, GAO-07-582T, GAO-07-439T)

2.28.C. Improving the Army's Management of Its Pre-Positioned Equipment:

Our work in evaluating the status, readiness, and employment of the Army's pre-positioned equipment sets around the world has identified significant pre-positioned equipment shortages, readiness concerns, management challenges, and maintenance problems. Our work has also identified significant corrosion issues that have adversely affected the readiness and usability of pre-positioned equipment assets in storage. More recently, our ongoing work has identified that the Army has downloaded and issued to units much of its afloat and ground-based pre-positioned equipment, which has resulted in low fill rates among the pre-positioned equipment sets and concerns within the Congress and DOD regarding the lack of availability of pre-positioned equipment for potential future contingencies. As a result of our work in this area, the Congress has enacted several pieces of legislation designed to improve the

management, readiness, employment, and future accessibility of Army pre-positioned equipment. (GAO-07-144, GAO-06-709)

Advance and protect U.S. international interests

2.29.F. Streamlining the U.S. Overseas Presence through Embassy Rightsizing:

In June 2002, we developed a rightsizing methodology for linking overseas staffing needs to the security, mission, and operating costs of U.S. embassies and consulates. In April 2003, we reported that the size and construction costs for embassy and consulate construction projects are directly related to the number of staff who would use those facilities and that the process for developing such staffing projections lacked a systematic approach or comprehensive rightsizing analysis; thus, the U.S. government risks building new embassy compounds designed for the wrong number of staff. We recommended that State develop a formal, standard, and comprehensive process for establishing staffing projections for new embassy compounds. In June 2003, State implemented a new process for projecting long-term staffing needs when planning and designing new embassy compounds, which included a mandatory rightsizing analysis, along with procedures for documenting, vetting, and approving the projections. From June 2006 through February 2007, State reported that comprehensive rightsizing reviews significantly reduced the project scopes and construction costs of 25 new facilities, resulting, overall, in the reduction of more than 1,300 positions, as well as a \$93.8 million savings in capital construction costs, \$170.4 million savings in annual operating costs, \$1.3 million annual savings from reduced maintenance requirements, and \$21 million in other annual savings derived from a reduction in Capital Security Cost Sharing fees for State and other agencies. (GAO-03-411, GAO-02-780)

2.30.F. Reducing the Fiscal Year 2007 Appropriation for the Millennium Challenge Corporation (MCC):

Our work contributed to the Congress's appropriating \$1.77 billion for MCC for fiscal year 2007—\$1.23 billion less than the President requested. MCC oversees a foreign assistance program intended to provide economic assistance to countries demonstrating a commitment to ruling justly, investing in people, and encouraging economic freedom. MCC is authorized to provide assistance to countries that enter into public compacts with the United States. In February 2006, to assist in the fiscal year 2007 budget deliberations, we published correspondence providing estimates of future MCC obligations under two illustrative scenarios. In a constrained budget environment, our work provided a framework for identifying the trade-offs between different funding levels and the numbers and sizes of compacts that MCC could support, and showed that MCC could operate with a smaller fiscal year 2007 appropriation than requested because it would most likely not obligate the balance of its prior years' appropriations until late in fiscal year 2007. Our work informed and supported the appropriations, budget, and authorizing committees' decisions about MCC funding for fiscal year 2007. For example, the House and Senate authorizing committees cited our report in their views and estimates to the House and Senate budget committees for the fiscal year 2007 budget request for foreign operations. In addition, MCC officials said our analysis was used by corporation officials and congressional appropriators to frame key discussions about the potential impact of various appropriations levels on compact assistance. (GAO-06-466R)

2.31.N. Improving Strategic Planning of U.S. Public Diplomacy Efforts:

Since 2003, we have issued a series of reports on U.S. public diplomacy efforts that are led by State and supported by the communication activities of other key agencies such as the

U.S. Agency for International Development (USAID), DOD, and the Broadcasting Board of Governors. We have reported, among other things, that government communication efforts are not supported by an interagency strategy and face a number of practical challenges, including insufficient resources and staff, shortfalls in foreign language capabilities, burdensome administrative requirements, security concerns that limit embassy staff's ability to interact with local populations, and a general absence of in-depth research. We have made recommendations in each of these areas and actions have been taken. Most notably, in June 2007, an interagency policy coordinating committee, headed by State, released a U.S. National Strategy for Public Diplomacy and Communication. The release of this strategy addresses our concern that the lack of an interagency strategy complicated the task of conveying consistent messages, increased the risk of communication mistakes, and lessened the likelihood that the United States would achieve mutually reinforcing benefits from the communication activities of involved agencies. (GAO-07-904, GAO-05-323, GAO-03-951)

2.32.N. Depositing Antidumping and Countervailing Duties in the U.S.

Treasury: In 2005, we reported on the Continued Dumping and Subsidy Offset Act (the Byrd Amendment), which provided funding from import duties to U.S. companies deemed injured by unfair trade. In the program's first 4 years, Customs and Border Protection (CBP) disbursed about \$1 billion to U.S. producers injured by unfairly traded (dumped or subsidized) imports, with just five of these producers receiving about half the total amount. After an active debate in which our report figured prominently in congressional remarks, the Congress passed and the President signed legislation in early 2006 to phase out the amendment so that antidumping and countervailing duties collected would go to the U.S. Treasury. The

phaseout began on September 30, 2007. Also, following our report's recommendations, CBP has taken steps to improve program management and accountability for disbursements. (GAO-05-979)

2.33.C. Improving the Efficiency and Effectiveness of U.S. Food Aid: Our work contributed significantly to the Congress's dialogue on its reauthorization of the food aid provisions of the 2007 Farm Bill. Since 2002, the Congress has appropriated an average of \$2 billion per year for U.S. food aid programs to needy countries, which delivered an average of 4 million metric tons of agricultural commodities per year. Despite growing demand for food aid, delivery requires an average of 4 to 6 months, and rising business and transportation costs have contributed to a 43 percent decline in average tonnages delivered over the last 5 years. For the largest U.S. food aid program, these costs represent approximately 65 percent of total food aid expenditures. We found that multiple challenges hinder the efficiency and effective use of U.S. food aid, and U.S. agencies do not adequately monitor food aid programs. As a result, the programs are vulnerable to not getting the right food to the right people at the right time. To improve efficiency of food aid delivery, we made several recommendations in areas such as logistical planning, transportation contracting, food quality, and monetization. The Administrator of USAID and the Secretary of Transportation generally agreed with our recommendations and are addressing our concerns. We also recommended improving the effective use food aid by enhancing the monitoring of programs, the reliability and use of needs assessments, the use of nonfood resources, and interagency coordination in updating food products and specifications. The Administrator of USAID generally agreed with our recommendations and is working to address them. (GAO-07-560, GAO-07-616T, GAO-07-905T)

2.34.C. Identifying Key Issues for Oversight of U.S. Efforts to Stabilize and Rebuild Iraq: Our work informed the Congress about the challenges faced in stabilizing and rebuilding Iraq. Our January 2007 compendium identified oversight issues and recommendations from our recent reports. We recommended that the United States develop a national strategy to address the political, security, and economic challenges it faces in Iraq and to identify U.S. costs. We found that DOD does not provide the Congress with information on the readiness of each Iraqi unit, which hinders congressional oversight. Our May 2007 report described challenges faced in rebuilding Iraq's oil and electricity sectors and recommended that the United States work with those ministries to craft a strategic plan to restore the sectors. We recommended installing a metering system to improve accountability in Iraq's oil sector and developing comprehensive hydrocarbon legislation to improve Iraq's legal environment and attract investment. We also reported that DOD could not account for thousands of weapons provided to the Iraqi security forces. DOD endorsed our recommendations to determine what accountability procedures apply to the equipment distributed and to ensure that staff and resources meet the new requirements. Our September 2007 benchmark report found that the Iraqi government had not met most of its 18 key legislative, security, and economic benchmarks. State and DOD agreed with our recommendations to improve the quality of information provided to the Congress on the progress being made in meeting these benchmarks. (GAO-07-426T, GAO-07-612T, GAO-07-637T, GAO-07-677, GAO-07-711)

2.35.C. Reforming Procurement and Oversight at the United Nations (UN): In 2006 and 2007 we issued several reports and testified before the Congress on the UN's vulnerability to fraud, waste, abuse, and

mismanagement due to weaknesses in oversight and procurement practices. We found that UN funding arrangements constrained the ability of the Secretariat's internal oversight unit to operate independently and direct resources toward high-risk areas as needed. The UN Secretariat has taken actions that address some of our recommendations on oversight and have been reported to the General Assembly, including establishing an Independent Audit Advisory Committee that is expected to be operational in early 2008. We also reviewed the internal oversight functions at six other UN organizations and found that their internal audit and evaluation offices had not fully implemented international auditing or UN evaluation standards. Three of the six UN organizations we reviewed have endorsed our recommendations to improve oversight and consider establishing independent audit committees accountable to their governing bodies. For procurement, we found serious weaknesses in internal controls. Specifically, the UN lacks an effective organizational structure for managing procurement, has not demonstrated a commitment to improving its procurement workforce, and has not adopted specific ethics guidance. State endorsed our recommendation that it work with member states to address UN procurement weaknesses, and the UN subsequently announced actions to address some of these weaknesses, including efforts to ensure proper accountability and training of all involved in procurement. (GAO-07-597, GAO-07-14, GAO-06-577, GAO-06-575, GAO-06-226T)

2.36.C. Strengthening Anti-Human Trafficking Interventions: Our first report on human trafficking drew attention to several key concerns, including that (1) the estimates of the number of trafficking victims are questionable and (2) State's annual report assessing foreign governments' compliance with minimum standards to eliminate human trafficking has incomplete explanations about its ranking decisions and is not used consistently to develop

antitrafficking programs. Baseline estimates of the number of trafficking victims provide benchmarks for measuring the impact of certain antitrafficking interventions. The lack of such reliable baseline estimates has made it difficult to ensure that organizations fund antitrafficking interventions with the greatest impact. Our follow-up review on human trafficking found that governments, international organizations, and nongovernmental organizations must overcome challenges that have impeded collaboration in the past for their efforts to be successful. It also found that U.S. government-funded antitrafficking projects often lack important elements that allow projects to be monitored, and little is known about project impact due to difficulties in conducting evaluations. In addition, we convened a panel of experts who identified and discussed ways to address the factors that make it difficult to monitor and evaluate antitrafficking projects; their suggestions included improving information on the nature and severity of human trafficking and addressing monitoring and evaluation weaknesses in the design of antitrafficking projects. (GAO-07-1034)

2.37.C. Highlighting Afghanistan

Oversight Issues for the Congress: In 2007 the United States accelerated its efforts to secure, stabilize, and rebuild Afghanistan. In May 2007 we provided to the Congress a compendium of key oversight issues. This product was based on our continuing and prior work on Afghanistan, which, since 2003, has addressed food and agricultural assistance, reconstruction assistance, efforts to establish Afghan national security forces, and drug control programs. Through this work we identified needed programmatic improvements and obstacles that have limited success. For most U.S. efforts, we identified the need for improved planning, including the development of strategic plans that have measurable goals, specific time frames, cost estimates, and identification

of external factors that could significantly affect efforts. Some additional needed improvements we identified included better coordination among the United States and other donor nations, more flexible options for program implementation, and timelier project implementation. We also concluded that several obstacles, especially deteriorating security and the limited institutional capacity of the Afghan government, challenged the effectiveness of U.S. efforts. In this compendium, we suggested that the Congress review a number of issues. (GAO-07-801SP)

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

2.38.C. Preventing Identify Theft:

In a June 2007 report on data breaches and identity theft, we provided the Congress with information to help assess the need for a federal statutory requirement to notify individuals whose personal information has been breached. We found that according to information from government agencies, trade associations, and news media, breaches of sensitive personal data by companies, government agencies, and a wide variety of other organizations have occurred frequently in recent years. Additionally, we found that it is not well known how often such breaches have led to identity theft, but available data indicated that most breaches had not resulted in detected incidents of identity theft. We reported that requiring affected consumers to be notified of a data breach may encourage better security practices and help prevent or mitigate identity theft, but would also pose certain costs and challenges, such as expenses to develop incident response plans and identify and notify affected individuals. We concluded that should the Congress choose to enact a federal notification requirement, a risk-based notification standard—designed

to alert consumers only when a risk of harm exists—could avoid undue burden on organizations and unnecessary and counterproductive notifications of breaches that present little risk. (GAO-07-737)

2.39.C. Raising Awareness of Vulnerabilities in the Export Control System:

For over a decade, we have identified weaknesses in the effectiveness and efficiency of the export control system and other government programs designed to protect technologies critical to national security—prompting us to designate this as a new high-risk area. In 2006, our reports revealed newly identified shortcomings in the export control system’s ability to protect the export of controlled information. Specifically, we determined that State and Commerce, which regulate defense-related exports, had less oversight of exports of controlled information than they did of controlled goods. Our work further determined that the departments had not fully assessed the risks associated with the variety of means, such as e-mails and foreign participation in research efforts, used to transfer controlled information to foreign nationals at both companies and universities. This vulnerability is exacerbated in an era of rapid advances in communication and increased globalization. Our past and ongoing work has laid out a framework for addressing weaknesses and reexamining the fundamentals of the export control system. Recently, this work formed the basis for a congressional hearing in July 2007, attracted international press coverage, and prompted calls for fundamental reform of the system. (GAO-07-1135T, GAO-07-69, GAO-07-70)

2.40.C. Improving Americans’ Financial Literacy:

In a December 2006 report, we found that the federal National Strategy for Financial Literacy lacked certain key elements needed for it to play a meaningful role in guiding federal efforts to improve Americans’ financial literacy.

We recommended that the Financial Literacy and Education Commission modify this strategy to, among other things, incorporate specific goals and benchmarks and concretely define financial literacy. We also identified opportunities for ensuring that the commission’s Web site best served consumers, as well as for ensuring that the commission’s reviews of federal financial literacy activities were meaningful and independent. In response to our work, the commission’s April 2007 report to the Congress provided a concrete definition of financial literacy to guide its work. The commission also said that by 2009 it would follow our recommendations to conduct usability testing and measure customer satisfaction with its Web site. Further, the commission began taking measures recommended in our report to ensure that its reviews of federal financial literacy activities are conducted by an independent third party. (GAO-07-100, GAO-07-777T)

2.41.C. Improving Financial Supervision of Holding Companies:

Responding to the dramatic changes in the financial services industry, the Federal Reserve, the Office of Thrift Supervision, and SEC oversee the risk management practices of holding companies on a consolidated basis. Consolidated supervision recognizes the increased importance of enterprise risk management by large, complex financial services firms, and enables supervisors to oversee the risks of financial services firms on the same level that the firms manage those risks. In response to our report, SEC restructured its consolidated supervision program to strengthen the prudential goals of the program. SEC is also implementing our recommendation that it develop and make publicly available a description of the program in order to foster greater transparency. Also following our report, the office proposed changes in its consolidated supervision framework to more explicitly and transparently focus its supervision of holding

company risk-management strategies. We had recommended such changes to facilitate consistency with other supervisory agencies as well as consistent treatment of the office diverse population of holding companies. (GAO-07-154)

2.42.C. Improving the Transparency of the Regulatory Process for the Basel II Framework: In a February 2007 report, we identified numerous challenges that banking regulators and banks were facing in moving to implement the new Basel II capital framework. We determined that increased transparency going forward could help reduce ambiguity and respond to questions and concerns among banks and industry stakeholders about how the rules will be applied, their ultimate impact on capital, and the regulators' ability to oversee their implementation. We concluded that with safeguards in place, it was appropriate for U.S. banking regulators to proceed with finalizing Basel II and begin the transition period, but we identified ways to help reduce the uncertainty about the impact of Basel II on required levels of regulatory capital, improve the transparency of the process, and address the impediments regulators were facing. Consistent with our recommendations, the regulators have developed a process to assess the performance of proposed rules, which they believe will provide a structured and prudent framework for managing the implementation of Basel II in the United States. (GAO-07-253)

2.43.C. Improving Consumer Protections When Purchasing Title Insurance: In an April 2007 report, we identified characteristics of the current title insurance market—including weaknesses in state and federal regulatory efforts and alleged illegal kickbacks paid by title agents to realtors, builders, and mortgage brokers—that raised questions about the prices paid by consumers for title insurance, which is a required part of almost all home purchases

or mortgage refinancings. We reported that in order to better protect consumers and increase their ability to comparison shop for title insurance, HUD and state insurance regulators should strengthen their oversight of title agents, especially those owned by realtors or mortgage brokers that have a financial interest in referring consumers to a particular title agent. In response to the issues identified by our work, HUD has made plans to improve its consumer education efforts, and state insurance regulators and title industry officials have begun planning ways to better detect and deter illegal kickbacks as well as to promote price competition beneficial to consumers. (GAO-07-401)

2.44.C. Improving SEC Enforcement Operations: We found that while SEC's Division of Enforcement (Enforcement) is planning improvements to its investigation management processes and information systems, these planned changes may not address all existing limitations. For example, Enforcement has not established written processes and criteria for its new centralized approach for reviewing and approving new investigations, which could limit the effectiveness of this new approach. Additionally, Enforcement has not taken sufficient steps to ensure the reliability of data that will be entered into a new investigation management system. We also found that Enforcement's decentralized approach to managing the Fair Fund program, under which funds are returned to investors who suffered losses due to violations of securities laws or regulations, had contributed to distribution delays. We recommended that SEC and Enforcement take several actions to improve Enforcement's capacity to manage the investigative process and the Fair Fund program, which SEC has agreed to implement. As a result, Enforcement should be better positioned to identify and punish violations of the securities laws and regulations and compensate investors for their losses. (GAO-07-830)

Strategic Goal 3

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

Source: See Image Sources.

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

3.01.F. Developing Common Cross-Agency Grant Reporting Systems: In our 2005 report, we found that efforts toward common electronic systems for reporting financial and performance information for financial assistance (primarily grants) had not been developed, although they were required under Pub. L. No. 106-107, the Federal Financial Assistance Management Improvement Act. The report concluded that the lack of continuity toward meeting Pub. L. No. 106-107's requirement to develop a common reporting system for similar programs could prevent agencies from reaching the act's goals. We recommended that OMB ensure that efforts to develop common grant-reporting systems are undertaken on a schedule that would result in significant progress by the time Pub. L. No. 106-107 sunsets in November 2007. The co-chair of the cross-agency team established by OMB to oversee the reforms said that the report raised the issue to the team's attention and helped it focus on what needed to be done and make faster progress. Following the report's release, it was discussed in several forums, and those working on the initiative drafted a detailed business case that included plans for implementation. The updated 2007 business plan estimated the net present value of cumulative financial benefits after deducting the system costs through fiscal year 2008 to be \$127.4 million

from eliminating or reducing the costs associated with multiple agencies developing and maintaining grants management systems and financial benefits through fiscal year 2015 of \$3.4 billion (with a net present value of \$1.5 billion). ([GAO-06-566](#), [GAO-05-335](#))

3.02.C. Rebuilding the Gulf Coast in the Aftermath of Hurricanes Katrina and Rita: Our work on Gulf Coast rebuilding has informed the Congress on the status of recovery and rebuilding efforts in the wake of hurricanes Katrina and Rita, and has helped to provide a framework for congressional oversight in this area. We have testified on challenges facing the rebuilding effort, as well as potential financial implications for the federal government. Our work has also focused on identifying good practices and potential reforms to assist the nation in responding to, and rebuilding from, future catastrophic disasters. For example, we reported on the use of state-to-state emergency management compacts and developed several recommendations to help federal agencies better leverage state and local resources in the future. The Congress, the media, policy and research institutions, community planning groups, and the senior leadership of DHS's Office of the Federal Coordinator for Gulf Coast Rebuilding have all made use of our work to better understand the scope of the resources needed and to improve coordination and cooperation between the government and nongovernmental organizations involved in the ongoing rebuilding effort. ([GAO-07-1079T](#), [GAO-07-809R](#), [GAO-07-854](#), [GAO-07-574T](#))

3.03.C. Enhancing National Preparedness for a Potential Influenza Pandemic:

Our work helped inform the Congress and highlighted opportunities for federal agencies to improve the nation's preparedness for and response to a potential influenza pandemic. Agencies have agreed to follow our recommendations in several areas. DHS and the Department of Health and Human Services agreed to develop rigorous testing, training, and exercises for pandemic influenza to ensure that federal leadership roles and responsibilities are clearly defined, understood, and work effectively. FEMA plans to work with OPM to formally define the role of federal executive boards (which are interagency coordinating groups designed to strengthen management and intergovernmental relations) in emergency planning and response. USDA agreed to develop a response plan that identifies critical tasks and related capabilities, develop standard criteria for state response plans; work with states on how to overcome potential problems, and determine the amount of antiviral medications needed and how to supply them to workers responding to an outbreak of highly pathogenic avian influenza among poultry. DHS and USDA agreed that further clarification of the roles during certain emergencies is needed. DOD agreed to take steps to clarify roles and responsibilities within the department and with the combatant commands, better communicate with its own personnel, improve planning, link funding and performance measures with goals, and identify the resources that combatant commands need. Financial market regulators have set dates by which organizations critical to the operation of the securities markets should complete their pandemic response plans. (GAO-07-781, GAO-07-696, GAO-07-652, GAO-07-604, GAO-07-515)

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

3.04.F. Monitoring the Development and Operation of the 2010 Census:

Through a series of testimonies and reports, we have continued to monitor the development and operation of the 2010 Census for our congressional clients. Specifically, we recommended that the U.S. Census Bureau (Bureau) thoroughly test the second or replacement questionnaire mailing to recipients who did not return the initial census form. The second mailing would boost the mail-back response rate by several percentage points, which in turn would reduce the number of costly personal visits enumerators would need to make to collect the information in person from each nonresponding household. Bureau officials agreed, tested the replacement mailing in 2006, and have told us that they are firmly committed to including the replacement mailing in the 2010 Census. On a net present value basis, the use of a replacement mailing should reduce the cost of the decennial census by about \$436 million. (GAO-05-9, GAO-07-1132T, GAO-07-1106T, GAO-07-1063T, GAO-07-361)

3.05.F. Realizing Financial Benefits from Implementing IT Management Practices:

In response to our recommendations and best practices guides, federal agencies such as DOD, DOT, the National Aeronautics and Space Administration (NASA), VA, and USDA have taken steps to enhance their capability to oversee IT investments and improve IT investment decision making. For example, USDA has improved its capability to (1) align and coordinate the responsibilities of the department's various IT investment management boards for decision making related to IT investments, including crosscutting investments; (2) ensure that proposed IT investments

support work processes that have been simplified or redesigned to reduce costs and improve effectiveness, and make maximum use of commercial-off-the-shelf software; and (3) structure information systems investments into manageable projects as narrow in scope and brief in duration as practicable to reduce risk, promote flexibility and interoperability, increase accountability, and better correlate mission need with current technology and market conditions. Taking these and similar steps to implement a more robust IT investment management process and more effective IT investment decision making helped to enable USDA and the other agencies to reduce a total of more than \$1.3 billion in planned IT expenditures from their annual IT portfolios. (GAO-04-49, GAO/AIMD-10.1.13)

3.06.F. Improving Federal Agency Modernization Blueprints: Over the last several years, we have reported on efforts across the federal government to advance the state of department and agency modernization blueprints, or enterprise architectures, and have made a range of recommendations. This work has continued to result in improvements to both enterprise architecture content and use in federal department's and agencies. Specifically, in 2007, we reported that DOD's departments corporate Business Enterprise Architecture (BEA) had addressed the core elements in our Enterprise Architecture Management Maturity Framework, better positioning the department to realize the transformational value of its BEA, and that DHS had continued to evolve its enterprise architecture, including making progress in addressing our recommendations. Among other things, DHS's efforts have resulted in a cost avoidance of \$93.1 million from using its enterprise architecture to consolidate multiple existing geospatial programs. (GAO-07-564, GAO-07-733, GAO-06-831, GAO-04-777)

3.07.N. Strengthening the Link between Contract Incentives and Outcomes across Government: In December 2005 and January 2007, we reported that DOD and NASA structured monetary incentives in ways that led to significant disconnects between the fees paid to contractors and program outcomes. For instance, DOD paid an estimated \$8 billion in award fees on contracts regardless of outcomes. In both reports, we made recommendations aimed at strengthening the link between incentives and outcomes. The Comptroller General testified on this issue in April 2006 and we briefed multiple congressional committees. The result has been changes to award and incentive fee policies across several agencies, including DOD, NASA, and DHS. DOD and NASA have emphasized the need to link award fee criteria to acquisition outcomes. The Congress also enacted legislation incorporating most of our recommendations directed at DOD, and the emergency supplemental appropriation law for 2007 required all DHS award fees to be linked to successful acquisition outcomes. Further, legislation encouraging the Director of National Intelligence to make similar changes has been introduced in the Congress. Moving toward more outcome-based award fee criteria will give contractors an increased stake in helping agencies develop more realistic targets up front or risk receiving less fee when unrealistic cost, schedule, and performance targets are not met. Once these steps are implemented, the agencies have the potential to realize significant cost savings as a result of better acquisition outcomes or lower fee payments to contractors. (GAO-07-58, GAO-06-66, GAO-06-409T)

3.08.C. Providing a Road Map for Fundamental Procurement Reform in the District of Columbia: The District's history of procurement problems—which include poor planning, excessive use of sole-source contracts, and unauthorized personnel committing government resources—is

well documented. Our January 2007 report compared the District's procurement law, processes, and management and oversight practices to guiding principles of public procurement and to reform efforts of other cities faced with similar challenges. We found that the District's procurement contained numerous exceptions to its uniform procurement law and did not provide the right structure and authority to manage and oversee the entire acquisition function across all entities. To better ensure that every dollar of its more than \$1.8 billion procurement investment is well spent, we outlined a comprehensive road map with a number of recommendations to the Mayor and Chief Financial Officer (CFO) that included submitting a plan to the Congress to reform the procurement law and system to better promote transparency, accountability, and competition, and minimize fraud, waste, and abuse. We were called to testify before the City Council and, citing our report as the impetus for change, the Council committed to moving the District forward with procurement reform in line with our numerous recommendations. The Mayor has since submitted a plan to the Congress that reflects our recommendations, and has recently nominated a Chief Procurement Officer with extensive public procurement experience. The CFO is also revising a financial order to address our concerns about unauthorized commitments. (GAO-07-159)

3.09.C. Strengthening Oversight of Costly Yet Critical Environmental Satellite Programs: In recent years, we have provided assistance to the Congress by helping oversee the government's acquisition of major satellite programs: the \$12.5 billion National Polar-orbiting Operational Environmental Satellite System (NPOESS) program, which is to replace two existing polar-orbiting systems, and the planned \$7 billion Geostationary Operational Environmental Satellite-R series (GOES-R) program, which is to replace the

current series that will reach the end of its useful life in approximately 2014. Both are considered critical to the United States' ability to maintain the continuity of data required for weather forecasting and global climate monitoring through the years 2026 and 2028, respectively. Since 2002, we have issued multiple reports and testimonies identifying risks facing NPOESS and, more recently, GOES-R. Most recently, we reported on the NPOESS program's serious technical challenges and actions required for program success, and on the lessons the GOES-R program would have to learn to ensure its success—and recommended increasing and improving program management and mitigating serious risks on both programs. We testified in September 2006 on GOES-R, in June 2007 on NPOESS, and in July 2007 on both programs. Our work has helped focus congressional, agency, and public attention on these important programs and has led to ongoing changes in the management structure of the satellite program offices, more active oversight by high-level agency officials, and more awareness of the technical and managerial issues facing the programs by the Congress. (GAO-07-498, GAO-07-910T, GAO-07-1099T, GAO-06-993, GAO-06-1129T)

3.10.C. Strengthening DOD Business Systems Modernization Management: For decades, DOD has been challenged in modernizing its timeworn business systems. In 1995, we designated DOD's business systems modernization program as high risk, and we continue to designate it as such today. From May 2001 through May 2007, our body of work on DOD's institutional approach to modernizing its business systems, coupled with our reviews of specific business system investments, has produced recommendations that provide an impetus and framework for modernization success. The Congress has embraced these recommendations in legislative mandates to DOD, such as those in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and

the department has largely agreed and taken actions to implement them. To its credit, the department continues to make progress in establishing corporate management controls, such as its BEA, corporate investment structures and processes, and increased oversight and life management discipline on its largest business system investments. Key to success in going forward will be ensuring that these approaches and abilities are extended to and employed on component organizations' (military departments and defense agencies) business system modernization efforts. As in the past, our continued efforts to monitor DOD's progress on establishing and implementing the full range of system modernization and maintenance controls will be beneficial in helping the department make further positive strides on this highly important initiative. (GAO-07-229T, GAO-07-538, GAO-07-733, GAO-06-171, GAO-06-215)

3.11.C. Improving the Government's Approach to Interoperable Communications:

In reviewing a key e-government initiative intended to improve communications interoperability among first responders, we reported on progress with the over \$2 billion in federal grants awarded to states and localities and highlighted the need for DHS to take a more strategic approach to improving interoperable communications among federal, state, and local first responders. More recently, as mandated by the Congress, DHS has been working to develop a new office that is responsible for making such improvements across all levels of government. In addition, as a result of our report, the Senate Committee on Homeland Security and Governmental Affairs sent a letter to the Secretary of the Department of Homeland Security reinforcing the importance of the issues identified in our report and encouraging DHS to implement our recommendations. (GAO-07-301)

3.12.C. Ensuring Personal Privacy in the Face of Increasing Threats: We helped the Congress address increasing concerns that individuals' personal information could be inadequately protected by DHS and other federal agencies, potentially compromising individuals privacy rights or exposing their information to misuse, such as through identity theft. For example, in February 2007, we reported that DHS had not taken sufficient action to assess privacy risks before developing a sophisticated data-mining tool. Because of the prominence of our findings, a hearing was held to discuss the report, which also received significant media coverage. We also reported on the progress and accomplishments of the DHS Chief Privacy Officer, citing several areas for improvement that were subsequently discussed at a separate hearing. Beyond DHS, we analyzed lessons learned from the well-publicized data breaches at VA and other agencies to develop a key recommendation regarding assistance to individuals affected by data breaches at federal agencies. (GAO-07-293, GAO-07-630T, GAO-07-522, GAO-07-1024T, GAO-07-657)

3.13.C. Helping to Gauge Agency Progress in Implementing the Freedom of Information Act (FOIA): We assisted the Congress by analyzing FOIA request processing at major agencies and describing trends, which include a small but steady rise in reported requests pending at the end of each fiscal year. We also analyzed the FOIA improvement plans that these agencies developed in response to an executive order, comparing them with the major areas of focus in the order. We presented these results at a hearing in February 2007 and in a March report. As a result of our FOIA work, we were consulted on the development of several bills intended to strengthen FOIA, and our analysis provided a basis of discussion and debate for congressional decision makers. This work is part of our ongoing body of work on FOIA implementation and

improvement, on which both the Congress and the press have come to rely in gauging agencies' progress in this area. ([GAO-07-441](#), [GAO-07-491T](#))

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

3.14.F. Informing the Termination of the Space Launch Initiative: In a September 2002 report, we questioned NASA's overall acquisition strategy to develop a new generation of space transportation vehicles—the Space Launch Initiative (SLI). We reported that NASA faced considerable challenges defining basic requirements for SLI. We also noted that most of the key technologies under consideration by SLI were very immature and that management controls necessary to estimate cost and gauge progress were not in place. We concluded that NASA's goal of defining SLI requirements by the November 2002 time frame may not be realistic and that the agency must determine whether developing a second generation vehicle was still worthwhile given plans to extend the life of the Space Shuttle and reduce the capabilities of the International Space Station. We recommended that the NASA Administrator take several steps, including completing the reassessment of NASA's Integrated Space Transportation Plan, before moving forward with SLI. NASA concurred and, in November 2002, took action to delay decisions regarding future launch vehicles and refocused SLI on conducting basic research on advanced launch technologies and developing a vehicle to serve the International Space Station. Two years later, NASA finalized its decisions regarding new launch vehicles and adopted a new overarching strategy for all space

transportation, known as the Vision for Space Exploration. In 2005, NASA terminated the entire SLI program and redirected \$3.7 billion in funding originally programmed for SLI toward future exploration activities. ([GAO-02-1020](#))

3.15.F. Identifying Improper or Potentially Fraudulent Hurricane Disaster Assistance Payments: Our audit and investigative work related to FEMA's Individual and Households Program (IHP) estimated that it made from \$600 million to \$1.4 billion in improper or potentially fraudulent financial assistance payments following hurricanes Katrina and Rita. We referred over 22,000 potential fraud cases to the Katrina Fraud Task Force for appropriate criminal investigation. These cases included (1) duplicate payments to individuals who registered and received assistance twice using the same SSN and address of damaged property, (2) individuals who obtained IHP assistance using invalid SSNs (e.g., those belonging to deceased or other individuals), (3) individuals who received multiple emergency assistance payments (in violation of the Stafford Act), and (4) rental assistance payments to federal and state prisoners incarcerated at the time of the hurricanes. As of May 2007, FEMA reported that it had begun actions to recoup \$700 million—and collected \$16 million—in improper financial assistance payments. ([GAO-07-252T](#), [GAO-07-300](#), [GAO-07-418T](#), [GAO-06-655](#))

3.16.F. Funding USPS Postretirement Health Care Obligations: OPM analyzed the funding of USPS's retirement plans and reported in 2002 that the current level of pension fund contributions would result in a surplus of funds and that this surplus would adequately cover future pension benefit obligations. At the request of the Congress, we reviewed OPM's analysis and a proposal by the administration to change the funding formula. We emphasized to the Congress that even though USPS had a projected pension

surplus, at the time we conducted our review USPS had not yet funded \$40 billion to \$50 billion in postretirement health care benefits. In response, the Congress passed Pub. L. No. 108-18, the Postal Civil Service Retirement System Funding Reform Act of 2003, which, among other things, required that any savings accruing to USPS after fiscal year 2005 as a result of the enactment of the act be held in an escrow account until further legislation was enacted that would resolve the disposition of these funds. The Congress wanted the funds made available from any pension payment reductions to be used to address, among other things, USPS's unfunded postretirement health care obligations. USPS responded by raising postal rates effective January 2006 solely to fund the escrow requirement. In December 2006, the Congress passed Pub. L. No. 109-435, the Postal Accountability and Enhancement Act, that required USPS to make a series of 10 annual payments into the newly created Postal Service Retiree Health Benefits Fund for fiscal years 2007 through 2016 to help fund USPS's unfunded retiree health care obligations. The first of these payments totaled \$5.4 billion—a financial benefit to the federal government resulting from our work. (GAO-04-238, GAO-03-448R, GAO-02-170)

3.17.F. Reducing Federal Improper Payments: Since fiscal year 2000, our recommendations have been aimed at raising the level of attention given to improper payments and contributed to the Congress passing the Improper Payments Information Act of 2002. The provisions of this legislation coincide with our recommendations that agencies take actions to estimate, reduce, and publicly report improper payments. Fiscal year 2006 marked the third year that federal agencies governmentwide were required to report improper payment information under the act in their performance and accountability reports. For fiscal year 2006, 19 agencies

consisting of 60 programs reported improper payment estimates totaling about \$42 billion, including 15 newly reported programs or activities. Agencies also have made progress in reducing their improper payments. In fiscal year 2007, we estimated that our improper payments work resulted in a reduction of improper payments of about \$1 billion (present value) during fiscal year 2006. (GAO-07-635T, GAO-07-92, GAO-06-581T, GAO-05-245, GAO-02-749)

3.18.C. Exposing the Risks Posed by the Government's Increasing Reliance on Contractors: Commercial firms are playing an increasing role in performing Government work. For example, contractors are performing as system integrators for major development projects, like weapons and ships. In this role, a commercial firm performs a broader range of activities than a traditional contractor, including activities once performed by the government. Also, commercial services are being substituted for government labor. In DOD alone, contracts for such services have increased over 70 percent in the last 10 years. In the last year, we have reported and testified several times on the oversight risks posed by this increased reliance on contractors. Specifically, we reported that the large growth in service acquisitions by DOD had not been a managed outcome and that the department did not have a sense of where it wanted such acquisitions to be in the future. We reported concerns over the Coast Guard's management and oversight of its largest acquisition, the \$24 billion Deepwater program, in part due to its inability to effectively oversee and hold the system integrator accountable. We also reported that the Army's relationship with the contractor serving as system integrator for its \$200 billion FCS program posed risks for the Army's ability to provide oversight over the long term. As a result, H.R. 2722 contains restrictions on DHS's use of lead system integrators and H.R. 1585 prohibits DOD's

use of lead system integrators after October 1, 2011. (GAO-07-20, GAO-07-380, GAO-07-874, GAO-07-672T, GAO-07-359T)

3.19.C. Revising *Government Auditing Standards*: In 2007, we issued a major revision to the *Government Auditing Standards* that organizes, clarifies, and strengthens the standards for audits of government programs and entities. The 2007 revision achieves increased harmony of *Government Auditing Standards* with other U.S. and international standards, sets out fundamental ethical principles, strengthens the emphasis on audit quality, and highlights the importance of auditing in promoting public sector accountability and providing information for improving government operations. The 2007 revision also updates and clarifies chapters on financial audits, performance audits, and attestation engagements. Overall, our 2007 revision is aimed at helping government accountability professionals rise to the challenge of producing high-quality audits that lead to better government. Auditors in federal, state, and local governments, as well as certified public accountant (CPA) firms conducting audits of government programs, are currently implementing our revised standards. (GAO-07-731G)

3.20.C. Transforming the Accountability Profession: Throughout 2007, we joined with standard setters both domestically and internationally to promote a coordinated approach to transformation of the accountability profession to meet the rapid pace of technological advance and globalization, and the widespread influence of the Sarbanes-Oxley Act. With executives, managers, auditors, investigators, and others in the accountability process eager to stay up-to-date on *Government Auditing Standards* revisions and current accountability issues, we gave dozens of presentations across the country and

abroad to help educate and train a body of professionals who are informed on the issues and able to apply current standards effectively. We continued to work for stronger and more congruent standards through letters of comment to other standard setters and coordination with the three other principal standard setters that make up the Auditing Standards Coordinating Forum. We helped shape the accountability agenda through our participation in an advisory group for the Public Companies Accounting Oversight Board, presented our views on Sarbanes-Oxley guidance to SEC, and worked with the International Organization of Supreme Audit Institutions (INTOSAI) to draft international guidance to help public sector auditors ensure the accountability of government programs and financial management to the people they serve. (Based on presentations)

3.21.C. Identifying Potential Fraud in the Federal Transit Benefits Program: We conducted forensic audit and investigative work concerning the largest portion of the federal transit benefits program, the National Capital Region's \$140 million program. As a result of our work, we estimated that federal employees in the National Capital Region claimed at least \$17 million in potentially fraudulent transit benefits during 2006. We found instances in which National Capital Region federal employees improperly sold transit benefits on the Internet auction site eBay and the community Web site Craigslist and claimed benefits they did not need. Based on the potentially fraudulent activities uncovered by our work, on May 14, 2007, OMB issued a memorandum to the heads of departments and agencies requiring them to implement specific additional internal controls to better ensure that only qualified applicants receive federal transit benefits. In addition, we referred the cases we identified of potential federal employee fraud to the inspectors general for potential

criminal prosecution or other appropriate administrative disciplinary action. (GAO-07-724T)

Analyze the government's fiscal position and strengthen approaches for addressing the current and projected fiscal gap

3.22.F. Improving Collection of Federal Nontax and Criminal Debts: Over the past several years, we have rigorously promoted federal agencies' use of key debt collection processes and procedures to improve collections of delinquent federal nontax civil debts (most of which were over 6 months delinquent) and criminal debts owed to the federal government and victims of crime. In fiscal year 2006, reported delinquent federal nontax civil debts totaled about \$65 billion, and criminal debts totaled about \$35 billion. Education, Justice, and the Department of the Treasury (Treasury) have continued to take steps to improve collection of these debts based largely on our recommendations. In fiscal year 2007, we estimated that improved collections have added \$2.2 billion to a steady stream of debt recoveries. (GAO-04-338, GAO-02-313, GAO-01-664)

3.23.F. Improving IRS Methodology for Pursuing Delinquent Taxes: Our previous financial audit work determined that IRS did not have systems or procedures in place to allow it to identify and actively pursue cases with collection potential. We recommended that IRS improve its capacity to assess the collectibility of delinquent taxes as a way to better target debt collection resources. In 2004, IRS began implementing sophisticated modeling technology to differentiate between more and less productive cases in order to make better resource allocation decisions. In 2007, we reported that IRS's actions in response to our previous recommendations increased its collections of delinquent taxes using approximately the same level

of resources by about \$4.2 billion or almost 20 percent in fiscal year 2006 from fiscal year 2003 levels. (GAO-01-42)

3.24.F. Modifying Collection Due Process Appeals:

The Congress twice modified the Collection Due Process (CDP) program based on our October 2006 report. First, we found that on average businesses that requested a CDP appeal for failure to pay employment taxes were delinquent for nearly 1-1/2 years and had a median tax liability of more than \$30,000. Citing our report, the Senate Finance Committee proposed modifying CDP procedures for employment tax cases to deny a prelevy CDP hearing, authorize IRS to continue collection activity, and provide for a postlevy CDP hearing. The change was enacted in the Small Business and Work Opportunity Tax Act of 2007. The Joint Committee on Taxation estimated that the change will increase tax collections by about \$146.3 million (net present value) over a 5-year period. Second, we estimated that 5 percent of taxpayers who requested a CDP hearing raised frivolous arguments (arguments without a legal basis). IRS had repeatedly submitted proposals to increase the frivolous submissions penalty from \$500 to \$5,000. The increase was enacted in the Tax Relief and Health Care Act of 2006. Committee staff said our work confirmed the need for legislative action. The committee estimated that collections will increase by about \$13.7 million (net present value) over 5 years due to this change. (GAO-07-112)

3.25.F. Collecting Delinquent Taxes by Contracting with Private Collection Agencies (PCA):

We reviewed IRS's preparations to implement a proposal being considered by the Congress to authorize IRS to contract with PCAs to collect delinquent tax debts. Committee and conference reports on the proposed law referred to our report conclusion that "If Congress does authorize PCA use, IRS's planning and preparations to address the critical success factors for

PCA contracting provide greater assurance that the PCA program is heading in the right direction to meet its goals and achieve desired results.” The Congress subsequently enacted the law authorizing IRS to implement the program which, in fiscal years 2007 through 2011, is expected to yield about \$408 million (\$365 million in present value) in net revenue to the federal government. (GAO-04-492)

3.26.F. Increasing Tax Collections by Revising IRS’s Withholding Compliance Program:

In November 2003, we recommended that IRS assess the value of its Questionable Form W-4 program and determine whether the program should continue in its current form. An IRS task force acted on our recommendation and concluded that the program was not operating effectively. Subsequently, IRS eliminated the Questionable Form W-4 program and said it would enhance its withholding compliance program by making more effective use of information reported on the Form W-2 wage and tax statements to ensure that employees have enough federal income taxes withheld from their wages. The enhanced withholding compliance program has better ensured proper withholding from employees’ wages. Based on IRS’s data and assumptions, we conservatively estimated that the new program has resulted in the collection of \$423 million (net present value) in additional income taxes for fiscal years 2005 and 2006. (GAO-04-79R, GAO-03-913R)

3.27.N. Improving Federal Financial Reporting:

For the 10th consecutive year, we were unable to express an opinion on the U.S. government’s fiscal year 2006 consolidated financial statements because of ongoing material weaknesses in internal control and financial reporting issues. Nonetheless, through our continuing efforts as the principal auditor of the U.S. government’s consolidated financial statements, we were able to effect a number of significant

improvements to the understandability and utility of federal financial reporting during 2007. For example, because of our recommendations, Treasury took action to increase the understandability and utility of these statements by adding important contextual information in the Management’s Discussion and Analysis section of the U.S. government’s fiscal year 2006 financial report. In addition, Treasury improved compliance with generally accepted accounting principles and disclosure of required information in several areas, including the federal employee and veteran benefits payable; earmarked funds; and property, plant, and equipment. Further, our January 2007 special product, *Fiscal Stewardship: A Critical Challenge Facing Our Nation*, used the results of our financial statement audit work as a foundation for a high-level summary of the nation’s current financial condition, long-term fiscal outlook, and possible ways forward. (GAO-07-362SP)

3.28.N. Improving Research and Setting Goals to Reduce the Tax Gap:

In July 2005, we made various recommendations to IRS to improve its efforts to reduce the tax gap. One recommendation was that IRS develop plans to periodically measure tax compliance for areas of the tax gap that have been previously measured (e.g., individual taxpayers) and study ways to cost effectively measure compliance for other parts of the tax gap. IRS agreed with our recommendation and in June 2007 announced its plans to launch a new compliance study of individual taxpayers that will be part of a series of annual studies of such taxpayers. Another recommendation was that IRS set a long-term voluntary compliance goal to help measure the success of its compliance efforts and focus on achieving results. In its 2007 budget justification, IRS established a goal of 85 percent voluntary compliance by 2009. (GAO-05-753)

3.29.C. Addressing Our Nation’s Long-term Fiscal Challenge: We continued our effort in fiscal year 2007 to help members of the Congress and the public better understand the implications of current policies and the long-term fiscal challenges facing our nation. In particular, the Comptroller General continued and expanded GAO’s participation in the Fiscal Wake-Up Tour sponsored by the Concord Coalition. In this effort—which grew out of our forum on the long-term fiscal challenge—analysts from the Brookings Institution and the Heritage Foundation join the Concord Coalition and the Comptroller General in town hall meetings and forums around the nation. The focus of our education effort is simple: long-term simulations show ever-larger deficits resulting in a federal debt burden that ultimately spirals out of control—continuing on our current unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.

This message has also been reinforced in the Comptroller General’s testimonies, speeches, and presentations. Another contribution to the effort was publication of *Fiscal Stewardship: A Critical Challenge Facing Our Nation* in late January 2007; this publication was designed to present selected financial statement and budget information together in a manner accessible to the general public. The success of this public education effort in increasing public awareness of the nation’s fiscal challenges is evidenced by (1) increased media coverage, including a *60 Minutes* segment, an appearance by the Comptroller General on *The Colbert Report* television show, and editorials calling attention to this problem and the need for action, and (2) a large increase in requests for Fiscal Wake-Up Tour town hall meetings by members of the Congress and local community leaders. (GAO-07-1144T, GAO-07-1261R, GAO-07-389T, GAO-07-362SP, GAO-07-1164CG)

Strategic Goal 4

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

Source: See Image Sources.

Improve client and customer satisfaction and stakeholder relationships

4.01.C. Strengthening Communication with Our Congressional Clients and Measuring Congressional Satisfaction with Our Work:

We explored and implemented technology solutions in several areas that facilitate our staff's ability to meet the clients' needs and enhance the quality and timeliness of client service. We continued our pilot of e-dissemination of our products to congressional clients to more fully understand the nuances involved in implementation on a larger scale. We avoided approximately \$48,800 in costs for the 51 reports issued during fiscal year 2007. Based on the cost-effectiveness of e-dissemination and the positive response from our clients, we recently have fully implemented E-dissemination for the vast majority of our products, both for our client and internally. The advantages include the following:

- Almost instant availability of a completed product to our client.
- Capability to search, excerpt, and forward the product to others electronically.
- Streamlining of our publication process due to elimination of printing time.
- Estimated annual savings of about \$300,000 in printing costs.

- Possibility for future electronic enhancements in information presentation such as color and multimedia elements and Internet-only presentation of Web-based survey results and tables that summarize information from databases.

To maximize our ability to gauge client satisfaction with our products and determine improvements needed, we implemented several strategies including the development of electronic surveys that can be responded to via Blackberry devices, alerting recipients of upcoming surveys by e-mail or telephone, and following up with nonrespondents by e-mail or telephone.

4.02.C. Assessing Internal Customer Satisfaction with Our Services and Processes and Implementing and Measuring Improvement Efforts:

The 4th annual GAO Customer Satisfaction Survey was conducted in November 2006 where 1,500 of our staff provided input on their satisfaction with our administrative services. We measured (1) 19 services that help employees get their jobs done (e.g., IT, report production, and travel) and (2) 10 services that improve employees' quality of work life (e.g., benefits and transit subsidies). For the first time we met or exceeded our target of 4.0 for both measures. The score for services that help employees get their jobs done remained the same at 4.1, and the score for services that affect quality of work life increased from 3.98 to 4.0. Chief Administrative Office units reviewed the results, developed action plans to address customer issues and

recommendations, and implemented several improvements. Examples include launching the Information Systems and Technology Services (ISTS) Solutions Center (described below); automating the distribution of transit benefits; upgrading Internet Protocol Television, a technology that allows video to be viewed over the Web, to provide direct broadcasts to all our field locations; redesigning the GAO Library Services Web site; and assigning office move responsibility to our Commercial Facilities Management contractor for better coordination and service to our customers.

In the IT services area—which was identified by our customers as the most important service in getting their jobs done and considered “Best-In-Class” in comparison to other professional services peer organizations—we developed and launched the ISTS Solutions Center, a searchable knowledge base for guidance, instruction, and tips regarding our computing environment; and an IT Service Metrics Dashboard to provide monthly update information on the status of our IT systems and service, such as outages, support calls, hardware/software security, remote access, and videoconferencing. As a result, we are providing more readily accessible, comprehensive information to our customer, saving time and increasing productivity for our customer and our ISTS staff; increasing transparency with our customers; and providing additional opportunity for customer feedback.

To supplement the GAO Customer Satisfaction Survey, we gathered additional customer feedback on our knowledge services through the Product Assistance Group Customer Satisfaction Survey, Shared Services Centers comment boxes, and Library Research Survey. We began and completed several initiatives to improve services and enhance customer knowledge, including

- increasing library training efforts on authenticating Internet resources, advanced Internet searching, and using various online databases;
- developing a new brochure to better explain the revised publishing process;
- improving customer service procedures and notification processes; and
- improving copier/printer availability for customers.

4.03.C. Strengthening Relationships

with our Stakeholders: We leveraged our resources to improve institutional capacity building and transform the accounting profession internationally through negotiations with State, the World Bank, and INTOSAI. An interagency agreement with State was signed to fund translation of the *Government Auditing Standards* into Arabic and provide training for our Iraqi counterparts. We also negotiated a memorandum of understanding with the World Bank and the INTOSAI Development Initiative to jointly sponsor the first Supreme Audit Institution Transformation Seminar.

Domestically, we held the second annual meeting with the inspectors general that brought together GAO, the President’s Council on Integrity and Efficiency, and the Executive Council on Integrity Efficiency and resulted in a consensus to meet annually as well as a proposal to improve collaboration, coordination, and communication between GAO and the inspectors general. We also developed an operations manual to guide teams in convening and reporting on the results of Comptroller General forums and roundtables.

Lead strategically to achieve enhanced results

To achieve our strategic goal of being a model federal agency, we must ensure that our strategic leadership is focused on achieving results. We continued to strengthen and further integrate our strategic planning and our performance, financial, and IT management to maximize results, manage risks, enhance responsiveness, and ensure exemplary practices and procedures. To accomplish this, we built on our established base of strong strategic planning, workforce and succession planning, sound financial management, and targeted performance measures.

4.04.C. Ensuring a Seamless Strategic Planning, Workforce Planning, and Budget Process to Maximize Results and Manage Risks with Current and Expected Resources: This fiscal year we issued an update to our *Strategic Plan for 2007-2012*. To facilitate the update, we engaged with our client, the Congress, and leveraged the Comptroller General's Advisory Board, the Domestic Working Group, and the Global Working Group to help determine global and national forces and trends shaping our work for the next 5 years, resulting in a substantially revised themes document.

During a very difficult budget year, we successfully demonstrated enhancements to our overall resources planning and decision making through continued integration of our budget, workforce planning, and human capital programs. Through integrated planning and sophisticated analysis and modeling, we identified budgetary options to maximize results and manage risks within current and expected resources, providing the Comptroller General and the Executive Committee with viable options to make

informed, complex, and timely decisions in the best interest of the organization and its people.

To better align staff learning and development with succession planning, we created a new feature in the workforce planning call for managing directors to indicate their interest and needs for unit-dedicated services from the Learning Center for their teams and offices in the upcoming year. These services include workshops on performance management issues, team-building activities, group facilitation assistance, assistance in creating Web-based tutorials or e-learning products, assistance in creating instructor-led learning or knowledge-sharing programs, assistance in identifying training resources for staff, supervisory training, and 360-degree and upward feedback assessments.

4.05.C. Achieving External Recognition: We received several notable external recognitions this year:

- For the sixth time, the Association of Government Accountants awarded our performance and accountability report the Certificate of Excellence in Accountability Reporting.
- The Federal Section of the International Public Management Association for Human Relations selected GAO to receive one of the two Leading Edge Awards it bestows each year, recognizing small and large federal organizations that have demonstrated progress toward effective alignment of their human capital strategies with agency mission and goals. Our award was in the small agency category and recognizes our work in addressing human capital challenges in our overall transformation efforts.

- We received a 2007 second place ranking among large agencies in the Best Places to Work Survey conducted by the Partnership for Public Service and the Institute for the Study of Public Policy Implementation at American University.
- We are again included in *CIO Magazine's* "CIO 100" list in recognition of our effective use of information technology innovation to meet critical business needs.
- Two of our products—the *2006 Performance and Accountability Highlights* (GAO-07-3SP, January 2007) and *Fiscal Stewardship: A Critical Challenge Facing the Nation* (GAO-07-362SP, January 2007)—were among the 800 documents selected from more than 4,000 national and international entries from the public and private sectors that received American Inhouse Design Awards.
- We received the 2007 Archivist's Award in Records Management this year for our Electronic Records Management System (ERMS), a system designed to enable us to use electronic records to conduct agency business and to comply with the Federal Records Act and records management regulations.

4.06.C. Strengthening Our Strategic Human Capital Management to Achieve Enhanced Results: Building on the work of a 2006 recruiting and hiring task team, we made great progress in our efforts to further enhance our recruiting and hiring processes. We implemented recommendations that resulted in

- enhanced communication and coordination with our service management team on hiring and staffing issues;
- a fully revised, competency-driven application form and process;
- an aggressive and diversified hiring strategy focused on year-round hiring;
- a more user-friendly and informative Web presence;
- a more coordinated and focused diversity outreach effort; and
- better coordination and understanding of Human Capital Office (HCO) services.

In performing its annual analysis of our performance appraisal data, our Office of Opportunity and Inclusiveness discovered a growing gap between performance rating averages for African American and Caucasian analysts. To address this gap we contracted with an external consultant to analyze African American and Caucasian performance appraisal data from 2002 through 2006 and make recommendations for reversing this trend.

We successfully implemented our Executive Exchange Program this year. As a result, we were able to leverage our resources and promote understanding of agency-level auditors' work and use of consistent approaches, enabling auditors to use the work of other CPAs. We hosted two private sector accounting firm executives for 4 months, having them work on projects relating to federal agency audits and agency financial statement issues and developing protocols for staff working on the consolidated financial audit. The participants were able to make a major contribution to our organization by developing protocols that will assist our staff in understanding the work of agency-level auditors and promote the use of consistent approaches so that auditors can use the work of other CPAs. Our management, the two executives, and their employer all felt this was a valuable experience and a way to gain perspectives on how GAO and the private sector operate.

Our market- and performance-based compensation system (PBC), which was fully implemented in 2006, was refined based on analysis and feedback from the fiscal year 2006 pay adjustments, and a series of fact sheets explaining all aspects of the system were developed and disseminated. The following modifications were made and implemented as of January 2007:

- All staff receive 100 percent of their PBC amount.
- The distribution of the PBC amount between a base pay increase and bonus requires that a minimum of 50 percent be provided as base pay up to the applicable competitive compensation limit of the Band with the actual percentage to be determined annually by the Comptroller General.
- The Band III speed bump was eliminated.
- A minimum bonus amount of \$100 was established.
- A communications analyst pay process was established that parallels the Professional Development Program and provides for appraisals and pay adjustments for Band I CAs every 26 weeks for the first 2 years of service.

4.07.C. Ensuring Sound Financial Practices and Robust Systems in Our Fiscal Operations: We had a very active, productive, and challenging year as we converted to a new financial management system. The new system will ensure that (1) our people and processes are enabled through technology and sound fiscal operations practices and systems and (2) our decision-making capabilities are enhanced. For a more in-depth discussion of the system, see “[From the Chief Financial Officer](#)” in part III, Financial Information.

We successfully completed our fiscal year 2007 OMB Circular No. A-123 and No. A-127 reviews, which resulted in no finding of material nonconformance. As a result, we reported an assurance statement on our internal control over financial reporting as of September 30, 2007.

We provided leadership in legislative branch agencies’ collaborative efforts on crosscutting technology and policy matters to improve the efficiency and effectiveness of government. Our efforts helped define standard budget formulation practices and processes, identify economy of scale opportunities through cross-servicing financial and business services in the legislative branch, and share internal control best practices.

We built on our successful launching last year of the Financial Audit System (FAS) by implementing several enhancements to integrate FAS with our ERMS. This enabled us to upload over 3,500 documents to ERMS in less than 15 minutes, eliminating the need for staff to inventory, pack, and ship to storage hard copy documents; saving the cost of off-site storage and retrieval; and freeing up physical storage space in headquarters used for storage of prior year audit documents.

Leverage our institutional knowledge and experience

4.08.C. Maximizing the Collection, Use, and Retention of Essential Organizational Knowledge: We further enhanced ERMS, a vital system for enabling our staff to use electronic records to conduct agency business and to comply with the Federal Records Act and records management regulations. We developed and disseminated protocols and guidance for organizing documents more easily, and

briefed and trained our staff, thus improving our staff's abilities to appropriately share documents through ERMS and increasing our knowledge-sharing capabilities.

We implemented several improvements to our primary internal communications process, the Notices weekly e-mail and archival and searchable Web site, thereby enhancing staff's ability to easily access accurate and complete information in a timely manner. We added capability to highlight communications from the Comptroller General, and to distinguish between notices geared to all staff or for headquarters staff only. We also reorganized the listing of notices on the intranet homepage to mirror the organization by category of the weekly Notices e-mail, and added a link at the end of each Notice to link users to related notices.

To further enhance our communications and address a need not covered by Notices, we developed a desktop electronic bulletin board for sharing information agencywide on a variety of activities or events not related to the official business of the agency but of interest and importance to our employees. We are currently testing and will be launching it early next fiscal year.

4.09.C. Increasing Our Knowledge-Sharing Capability: We redesigned the GAO Libraries Web site and portal this fiscal year to enhance information sharing and accessibility. We made available to all our staff an information portal that provides an access point for more than 200 databases, including Lexis.com. The portal more prominently features our libraries' catalog, making it easier to determine what books the libraries own and what journals, magazines, and newspapers our staff can access electronically and in print.

We launched a new intranet site for our Office of Opportunity and Inclusiveness that provides our employees convenient access to information about the office's services and policies. The site provides information and resources on diversity efforts, conflict resolution and mediation, the discrimination complaint process, sexual harassment, and interpreting services, as well as a link to the No FEAR Act that requires federal agencies, among other things, to inform their current, past, and prospective employees about their rights and protections under federal antidiscrimination and whistleblower protection laws.

Acting on recommendations from an independent review of our external Web site by the Nielsen Norman Group, we launched a new and improved version of the site, www.gao.gov, during the fourth quarter. This new version implements 40 of the 51 recommendations from the group, including improved navigation and searching, and incorporates the group's principles and methodology into our standards and processes. We will address the remaining 11 recommendations in the upcoming year.

4.10.C. Enhancing Knowledge Sharing with National and International Accountability and Professional Organizations:

To enhance knowledge sharing and capacity building among the members of INTOSAI and the wider accountability community, we launched a new Web site for the INTOSAI *International Journal of Government Auditing*. The Web site is user-friendly and provides ready access to more readers worldwide. In addition, it provides the platform for the next transformation phase, which will focus on best practices and benchmarking studies, and facilitate interaction among supreme audit institutions through discussion groups and communities of practice.

Enhance our business and management processes

4.11.C. Streamlining the Engagement Process and Improving Engagement Services:

To enhance our engagement services, we instituted clarifications to our quality assurance policies and procedures. These clarifications should better prepare us for an upcoming external peer review of our quality assurance policies and procedures related to government auditing standards and our compliance with these standards in conducting our work. Some of the clarifications included:

- updating our policy manual and clarifying other existing policies;
- assessing the needs of new hires and providing them with quality assurance and peer review training;
- implementing early critical sections of the revised Yellow Book; and
- developing and communicating a preparation strategy to leadership and assigned staff.

We also implemented several improvements to the annual inspection program that resulted in increased efficiency of the process, improved process documentation, and greater understanding across the GAO audit community. These changes included revising inspection terminology and doctrine to reflect audit community practice, refining the deliberative and analytic processes, and reducing the number of forms and required signatures.

We continued to advance our strategy enhancements in the economy and efficiency of our publishing and printing processes by implementing several changes, including

- negotiating and implementing a new digital printing contract, which enhances our move to e-dissemination and the capability to print only the quantity of our product needed for planned distribution to the requester and key recipients instead of the 150-copy minimum required when sent to an outside contract printer;
- implementing preflight and quality reviews earlier in the publication process to ensure file correctness and functionality far in advance of final processing, allow earlier quality assurance staff involvement, and reduce errors in products;
- revising our quality checklist forms used before the product goes to final production;
- successfully establishing a contract vehicle to utilize off-site contract editing support for peak periods, enabling the production department to meet critical editing needs when production levels are greater than existing resources can handle; and
- more clearly defining the publishing process by creating and posting on our intranet a publishing process chart, Product Assistance Group brochure, and standardized guidance for the use of management-tracking information.

We also implemented improvements for e-supplements and technical appendixes to our products that make them easier for staff to find and use. We issued guidance in the *Electronic Assistance Guide for Leading Engagements* so that staff have a single official location to obtain guidance on when and how to create e-supplements and technical appendixes. In addition, we created an efficient technology solution to make the results of non-Web-based surveys available as e-supplements, so that the presentation of results is consistent and clearer to the reader.

4.12.C. Improving our Administrative and Management Processes and Using Enabling Technology to Improve Crosscutting Processes:

We improved our administrative and management processes by streamlining, applying enabling technology, and implementing cost and program efficiencies. These efforts increased the efficiency, timeliness, and effectiveness of our services to our customers. These improvements included upgrades to Web-based applications and sites, a number of cost-saving measures, and enhancements to our performance management system and our suggestion program.

Through upgrades and additions to our Web-based applications and Web sites, we increased the efficiency and effectiveness of several mission support operations. Examples of these improvements include

- providing automatic self-certification for the Learning Center course evaluation;
- automatic routing of telework application e-mails to decision makers;
- developing a GAO-wide Honor Awards site for managers and staff to enter nominations and the honor awards screening committee to enter the committee's recommendations to the Executive Committee, and a site for GAO-wide Honor Award recipients to schedule photography appointments;
- creating new Web sites for
 - (1) the mentoring program,
 - (2) the staff and contractor exit system,
 - (3) external GAO Web site usability testing,
 - (4) staff applications to "Dine with Dave,"
 - (5) a location to address requests or inquiries from the general public as a security measure for our mission work site,
 - (6) the financial disclosure information and process, and
 - (7) the Program and Technical Development Program; and
- upgrading 100 Web sites with the latest versions of PHP, a scripting language that converts a static Web site into a dynamic one, and MySQL, an open source database, to support our Web surveys.

We instituted several cost-saving procedures/systems this fiscal year to improve the efficiency of our administrative systems:

- Installed a toll-free ISTS Help Desk telephone number, eliminating long-distance charges for staff teleworking or traveling outside the D.C. Metro area who need IT assistance.
- Modified the procedures for shipping supplies and IT equipment to the field offices, including direct shipment of ink cartridges, and use of UPS Next Day Air Saver services for shipment of IT equipment, for a 20 percent cost saving per shipment.
- Automated the van scheduling system, reducing the human resources required for the function and providing automatic verification and confirmation information to the requester.
- Awarded a no-cost contract to digitize the documents that constitute the legislative histories of 21,000 public laws from 1921 to 1995 in exchange for the contractor's exclusive right to market and sell access to the digitized versions of these histories, thus preserving the integrity of these files and improving the searchability of this valuable information resource.

To enhance our performance management system, we upgraded and enhanced the automated Individual Development Plan (IDP) based on feedback we received during the pilot. These changes reinforce our professional development requirement; facilitate all levels of IDP review; establish the capability to capture, review,

communicate, update an IDP throughout the appraisal cycle; link IDPs with appraisals; and provide reports to managers and HCO.

Become a Professional Services Employer of Choice

4.13.C. Promoting an Environment That Is Fair and Unbiased and That Values Opportunity and Inclusiveness: We inaugurated our first agencywide mentoring program in fiscal year 2007. The program crosses all bands and career tracks to provide facilitated career discussion, online learning resources, group mentoring, and one-to-one mentoring for staff. We have 75 individuals currently participating in the one-to-one mentoring, and another 80 participating in the seven mentoring groups that have been formed.

We significantly strengthened our summer intern program this year to ensure that interns experience a more structured and consistent program in terms of their team experience, training, and feedback. Specifically, we improved the program's operating guidance, enhanced training and responsibility for intern coordinators, revised the intern evaluation form, and implemented a structure for independent review of the interns' work experience and conversion process. Feedback from the interns has been very positive; the program changes will be fully evaluated after intern conversion offers are considered for fiscal year 2008 entry-level hiring, and additional improvements will be identified for the fiscal year 2008 intern cycle.

4.14.C. Providing Tools, Technology, and a World-class Working Environment: To provide an attractive and productive environment in our Atlanta, Denver, and Seattle field offices, we contracted for additional space. The space was used

to accommodate new staff, and provide additional conference and team rooms, secure rooms, and video conferencing rooms.

We successfully awarded a consolidated facilities management contract to ensure effective and efficient operations and maintenance of our headquarters building and provide support services to the legislative branch. We were able to consolidate other contracts into the consolidated facilities management contract to eliminate duplicative costs for administration and management of the contracts.

We completed the installation and configuration of a storage area network (SAN) in the GAO headquarters LAN Operations Center. Installation of the SAN has allowed us to reduce backup time, reduce the time it takes to put a file server into production, and improve system availability through less intrusive backup methods and storage availability, and has improved the speed of response to requests for data restores. In addition, the SAN upgrade has improved our disaster recovery and continuity capabilities and positioned us to support future infrastructure enhancements.

4.15.C. Providing a Safe and Secure Workplace: We piloted the OPM automated system for personnel security background investigations, eQIP, and implemented the system on October 1, 2007, at no cost to the agency, based on the pilot results showing an estimated 50 percent reduction in processing time. eQIP allows personnel security background investigation forms to be completed, encrypted, and transmitted to the OPM servers over the Internet. In addition, we began scanning field office fingerprint charts, reducing the number of rejections by OPM by an estimated 30 percent.

We made substantial progress in upgrading our security systems, and hence, our security posture. With our completion of Phase I of our Integrated Electronic Security System (IESS), we also established contingency planning alternatives in case of emergency and laid the groundwork for implementation of an agencywide automated entry control system and the integration of the field office security systems. Specific accomplishments include

- relocating the Security Operations Center to a more secure location,
- constructing a new Emergency Operations Center,
- upgrading the access control system,
- creating a GAO Security Local Area Network, and
- converting to an upgraded IESS server, database, and software.

To increase our employees' awareness of IS issues, we aggressively pursued initiatives to improve and better coordinate the IS awareness program, completing the following actions:

- developed an awareness briefing delivered to all staff by the Comptroller General,
- developed and offered computer-based training that consolidates information and IS awareness training requirements, and
- delivered customized security awareness briefings to nearly 1,800 employees directly involved in external engagements.

4.16.C. Enhancing Employee Views about GAO: Results from our Employee Feedback Survey show that our staff's satisfaction with the support supervisors provide for programs to balance work and personal life has continued to increase year after

year. This year, 87.2 percent of respondents strongly or generally agreed that their current supervisor supported these programs, up from 86.8 percent in fiscal year 2006.

We enhanced several of our work life programs and services to better meet the needs of our employees. Two noteworthy examples are

- increasing the capacity of the headquarters daycare center through expansion and
- providing more supportive and private accommodations for nursing mothers in field offices.

Our student loan repayment program, under which we will repay a portion of an eligible employee's student loan debt, is intended to help us retain highly qualified individuals with critical knowledge and skills, especially those recently hired. An employee or a candidate for employment must sign a service agreement under which the individual agrees to a specified period of employment with us of not less than 3 years in return for repayments toward a student loan previously obtained by the candidate or employee. The program continued to be an important and popular one for our staff. From fiscal year 2006 to fiscal year 2007 the number of applicants increased from 324 to 363, we increased our program budget from \$1.4 million to \$1.7 million, and the number of recipients increased from 285 to 320. The amounts provided were \$4,500 per employee for general category recipients and \$7,500 for special category recipients.

Our telework program also continues to be a valuable tool for both managers and employees in balancing work requirements and personal needs. In fiscal year 2007 there were 1,718 more telework agreements than in the previous year, a 200 percent increase. We had 2,370 employees participating in the

telework program on short-term, episodic, or continuing agreements. Currently more than 75 percent of our staff are enrolled in the telework program, far exceeding the estimated 39 percent enrollment for the entire federal government. In addition, we improved our telework program application process with implementation of a web-based application and approval system. We also conducted a survey on the telework program to determine customer satisfaction and possible improvement opportunities, and will identify opportunities for improvement in fiscal year 2008. The survey also showed that 97 percent of our employees consider telework to be extremely important or very important, and 98 percent of our employees would recommend it to other employees.

4.17.C. Improving the Development and Experiences of Newly Hired Staff:

We successfully launched a new professional development program for our entry-level program and technical specialists. The program was developed to maximize productivity, enhance job satisfaction, increase staff retention, and

serve as an effective recruitment tool.

This 2-year program helps newly hired or assigned specialists acquire or enhance job competencies and gain work experiences to help them succeed in our organization. This is particularly important from a succession planning perspective since 60 percent of our administrative professional and support staff managers and leaders are currently eligible or are within 5 years of being eligible to retire. The program, which is modeled after the analyst professional development program, provides orientation, targeted job experiences and assignments, enhanced guidance and supervision, almost 100 hours of required training, and progress and salary reviews every 26 weeks.

We also implemented a new approach to ensure that 100 percent of newly hired staff receive all their mandatory training in a timely and organized fashion. Under the learning hub concept, introduced last fall, cohorts of field-based Band I analysts travel to a specified field office where they receive their mandatory training during a series of 2-1/2- to-3-day “bundles.”

2. GAO's Report on Personnel Flexibilities

As required by section 11 of the GAO Human Capital Reform Act of 2004 (Pub. L. No. 108-271), GAO is reporting actions that have been taken in fiscal year 2007 under sections 2, 3, 4, 6, 7, 9, and 10.

Section 2 of this act made permanent GAO's authority to offer voluntary early retirement and voluntary separation incentive payments. During fiscal year 2007, 16 employees applied for voluntary early retirement, 13 of these applications were approved and 12 employees ultimately separated during the reporting period. Thirteen of the 16 applicants applied for voluntary early retirement during an agencywide opportunity, which was open for 36 days, from October 17, 2006, through November 22, 2006. Applicants were required to retire between November 28 and December 10, 2006. Of the 13 applications submitted during this agencywide opportunity, 10 were approved and 3 were denied; subsequently, 9 of the approved applicants separated. The additional 3 applicants retired under the provision in our implementing regulations allowing employees to request a voluntary early retirement outside of an announced opportunity. The use of this authority in this fiscal year and over the past several years has supported GAO's overall efforts to reshape our workforce to ensure that we have the appropriate numbers and levels of staff with those skills and knowledge that will allow us to accomplish our mission to support the Congress and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

As noted in prior reports, GAO has not authorized any voluntary separation incentive payments because of the high cost associated with the required contribution to the retirement fund. For each separation, GAO must pay the retirement fund at least 45 percent of the employee's final basic pay. This is simply too costly. GAO recently submitted draft legislation to the Congress that would eliminate this payment, which is not applicable to most executive branch agencies that have voluntary separation incentive authority.

Section 3 of the act authorizes the Comptroller General to determine the amount of annual pay adjustments for employees of GAO who are performing at a satisfactory level, and prescribes the factors to be considered in making those determinations. In fiscal year 2007, the Comptroller General authorized a 2.4 percent base pay increase effective February 18, 2007, for all employees covered by GAO's banded performance-based compensation (PBC) systems who were performing at a satisfactory level and who were paid within competitive compensation limits. In addition to this adjustment, employees were eligible for PBC using a budget factor of 2.15 percent.

For purposes of the annual adjustment, employees (with the exception of Band IIB analysts with salaries above the "speed bump") were considered to be performing at a satisfactory level if they were rated at meets expectations or higher on all competencies. Thirteen employees were rated below expectations on one or more

competencies and did not receive the annual adjustment. In the case of Band IIB analysts, in addition to meeting expectations on all competencies, Band IIB analysts were also required to have an appraisal average in the top 50 percent of their comparison groups if their salaries exceeded the Band IIB “speed bump” (i.e., \$121,600 in Washington, D.C.). Two Band IIB employees did not receive the annual adjustment because their appraisal averages were not in the top 50 percent, and another 4 received a partial adjustment.

Finally, 30 Band I employees and 106 Band IIA employees in the “transition range” had salaries in excess of competitive compensation limits and therefore did not receive annual adjustments.

As noted above, GAO employees were also eligible for PBC using a budget factor of 2.15 percent. GAO’s compensation regulations for the fiscal year 2006 appraisal cycle (paid in 2007) were modified from the prior year’s after notice and comment. Among other changes, the revised regulations allowed all employees, regardless of whether they were over the competitive compensation limit, to receive 100 percent of their PBC as an adjustment to their base pay up to the applicable cap with any remaining amounts provided as lump-sum bonuses. The Band III “speed bump” was also eliminated in fiscal year 2007.

Consistent with section 31 U.S.C. 732 (c)(3), the Comptroller General considered various data to determine the amount of GAO’s compensation adjustments, including

- salary planning data reported by the professional services, public administration and general industry organizations,
- the General Schedule adjustment,
- purchasing power indices,

- additional PBC amounts and the appropriate distribution of funds between these two components, and
- GAO’s funding levels.

As to GAO’s funding levels, GAO submitted its fiscal year 2007 budget request on January 13, 2006. In recognition of the fiscal constraints facing the federal government, GAO held its requested increase to 5 percent over fiscal year 2006. GAO requested funds to support an increase of 50 full time equivalents to help meet supply and demand imbalances in supporting congressional requests. The Comptroller General, in his oral remarks before the House Appropriations Committee in March 2006, requested the committee’s support for our request, considering our track record of accomplishments.

Our budget request estimated the January 2007 annual adjustment at 2.7 percent based on guidance from the Appropriations Committee and the Legislative Branch Financial Managers’ Council and assumed that pay parity between the military and civilian work-forces would be maintained. Our estimate for performance-based merit increases included a 1.65 percent budget factor and assumed a 65/35 split between base pay increases and cash bonuses, though not specifically stated in our budget request.

From October 2006 to February 2007, GAO and other agencies operated under a series of continuing resolutions, which provided funding at fiscal year 2006 levels. Language contained in the continuing resolutions, precluded agencies from using furloughs as an option to help manage funding constraints. On February 15, 2007, the Congress enacted a joint resolution, which provided funding for the balance of the fiscal year. The joint resolution provided GAO funding at a level slightly above fiscal year 2006 levels, that is, the

rescission-reduced fiscal year 2006 level plus 50 percent of the estimated cost of the January 2007 annual pay adjustment. GAO submitted its operating plan to the House and Senate Appropriations Committees on March 16, 2007, and estimated the annual pay adjustment at 2.4 percent and PBC increases, which GAO calculated using a budget factor of 2.15 percent, with 100 percent base pay increases up to the maximum.

During the period leading up to the enactment of the joint resolution, GAO prepared several impact statements for the House and Senate Appropriations Committees indicating the adverse consequences if GAO were required to operate in fiscal year 2007 at or near the rescission-reduced fiscal year 2006 funding level. In the fiscal year 2008 budget submitted on January 26, 2007, and related testimony, the Comptroller General reiterated the negative consequences of operating at these levels.

Thus, while most GAO employees received both an annual adjustment and PBC, budget considerations necessitated some action on the part of the Comptroller General, including deferring the increases for three pay periods until February 18, 2007. Although the 2.4 percent increase was less than the 2.64 percent provided to Washington, D.C., employees paid under the General Schedule, virtually all GAO employees were eligible for additional PBC that could greatly increase the amount of permanent pay provided them. By contrast, in the executive branch, while all employees receive an annual adjustment, many employees receive step increases only every 2 or 3 years and may in fact be capped with no opportunity for lump-sum bonuses. The average pay adjustment in February 2007 for analyst and attorney staff who were covered by the annual PBC process was slightly over 4 percent.

GAO's Senior Executive Service and senior level staff received the same 1.7 percent increase authorized for Senior Executive Service positions in the executive branch, although the date was deferred to February 18, 2007, as it was for other GAO staff. GAO, however, did not increase the maximum pay rate for Senior Executives and senior level staff in order not to have them paid in excess of the pay of a member of the Congress.

GAO's Personnel Appeals Board and student employees are paid by reference to the General Schedule (GS), and GAO's wage grade employees are paid by reference to the Federal Wage System (FWS) salary rates. These employees received the same percentage across-the-board adjustment on the same effective date as the increases authorized for GS and FWS employees. Likewise, the pay ranges for these employees incorporated the changes made to the comparable executive branch pay ranges.

There is one Administrative Professional and Support Staff (APSS) employee who is on pay retention under the GAO pay retention regulations established in January 2006 under the authority of section 4 of the act. This employee has been subject to pay retention provisions continuously since prior to passage of Pub L. No. 108-271.

Under section 6, certain key employees with less than 3 years service for purposes of leave accrual may be treated as if they had 3 years of federal service. Therefore, they would earn 160 hours on an annual basis instead of 104 hours. These key employees must be occupying positions that are difficult to fill or have unique or unusually high qualifications and would be difficult to recruit without additional incentives. Four employees received this benefit during fiscal year 2007.

Section 7 authorized GAO to establish an Executive Exchange Program. During fiscal year 2007, this authority was used to bring in two executives from private industry, each for a period of 4 months. At GAO, the executives worked on several special projects related to federal agency audits and agency financial statement issues. In addition to helping revise the *GAO/PCIE Financial Audit Manual*, they used their experience as auditors of agency financial statements to help develop protocols to help GAO interact with the agency-level auditors (inspectors general as well as public accounting firms) during GAO's audit of the U.S. government's consolidated financial statement. This program was considered a success from GAO's standpoint and it met the expectation of the private industry employer that was involved. It is anticipated that this authority will continue to be used on a sporadic basis.

Section 9 relates to GAO's performance management system and, among other things, requires a link between the performance management system and the agency's strategic plan, adequate training on the implementation and operation of the system, and a process for ensuring ongoing performance feedback. Even before the imposition of these requirements, GAO's performance management system was in conformity with the statutory requirements of section 9. GAO continues to comply with these requirements and conducts ongoing reviews and analysis of the performance appraisal system. An evaluation of the fiscal year 2006 appraisal and pay cycle was deferred pending the outcome of the then ongoing union election.

Section 10 requires the Comptroller General to consult with any interested groups or associations representing officers and employees of GAO before implementing any

changes under the act. During this reporting period, changes to GAO's compensation regulations were issued for notice and comment. However, even prior to the passage of the act, the Comptroller General and other relevant agency officials were meeting periodically with the Employee Advisory Council (EAC) to discuss current and emerging issues of mutual interest and concern, especially those in the human capital area. GAO also uses employee forums focus groups, and other mechanisms to obtain employee input on major proposals. GAO provides all employees with advance copies of draft orders concerning proposed policies and regulations for their comments prior to publication in final form. These steps were taken in regard to the promulgation of all policies and regulations implementing the provisions of the Human Capital Reform Act of 2004. The Executive Committee considered all input from EAC members and other GAO employees before implementing any changes.

In regard to human capital management at GAO, sections 2, 3, 4, 6, 7, 9, and 10 have provided GAO with valuable tools to reshape its workforce and acquire and retain the necessary talent to carry out its mission, meet its performance goals, and fulfill its strategic plan. These sections collectively are an important component of GAO's overall human capital management. These and other human capital tools and flexibilities support the achievement of GAO's strategic objective to be a world-class professional services organization and model federal agency. Without these provisions, GAO would have difficulty attracting and retaining top-flight talent in adequate numbers to properly support the Congress and serve the American people within current and expected resource levels.

3. GAO's FISMA Efforts

A significant effort for GAO is the protection of data and access to information. Although not obligated by law to comply with the Federal Information Security Management Act (FISMA) under the EGovernment Act of 2002, we have adopted FISMA requirements to strengthen our information security program and demonstrate our ongoing commitment to lead by example. The intentional and inadvertent threats to the security of IT systems and information assets have steadily increased requiring constant vigilance over the GAO network. In addition, the federal IT security policies and practices, as defined by the National Institute of Standards and Technology (NIST) 800 series guidance and in Federal Information Processing Standards (FIPS) publications, continue to evolve in response to this changing landscape of IT security. As existing NIST guidance has been updated and new guidance disseminated, we have adjusted our internal IT security policies and procedures, as well as expanded our efforts to effectively integrate these government-wide policies and practices into our IT processes.

During the past year, we continued our efforts to improve our information security program by implementing key requirements set forth in the recently published NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*. We have instituted a wide range of programs and processes to assess the status of our information security program on a recurring basis. These efforts include using the results of internal reviews by program offices, the GAO Inspector General, and security staff. For example, our Inspector General independently evaluates our information security program annually,

consistent with FISMA requirements, and identifies any weaknesses in our implementation of FISMA while offering additional recommendations to further strengthen our IT security program. As a consequence, we follow the standard practice of using a public accounting firm, as well as other external sources, to provide independent external evaluations and testing of IT controls on our major applications. And, in the last quarter of fiscal year 2007, we contracted for the system test of a select group of our information systems to further assess the effectiveness of our security policies and practices.

By putting into practice security requirements consistent with FISMA, we have substantially elevated information systems security consciousness at GAO through our efforts to:

- implement and refine an enterprisewide, risk-based security program;
- develop and update essential policies, procedures, and reporting mechanisms to ensure that our security program is integrated into every aspect of IT system life cycle planning and maintenance;
- provide recurring security training and awareness to all of our staff;
- integrate security into our Capital Planning and Investment Control and project management processes; and
- implement and refine an enterprise disaster recovery solution.

We have also defined security initiatives that focus on changes in our technology infrastructure, as well as on new security

tools and appliances. Among the projects undertaken during fiscal year 2007 that have significantly improved our information security program are the following:

- **Security Program Plan.** The dynamic nature of security threats requires that our Information Systems Security Group constantly monitor activities and adjust to thwart these challenges and meet the needs of GAO. Therefore, we have refined our Security Program Plan that provides the road map of activities over the next few years to improve both the program and technical components of our network security and to reflect new IT security requirements and challenges. We have conducted monthly IT security working group, users group, and remediation group sessions to effectively support security education and remediation activities. We established and held our third annual FISMA Month in August 2007 to focus staff on the annual FISMA assessment. And we continue to excel in our robust security awareness training program with over 98 percent completion for all GAO staff.
- **Enterprise FISMA support.** We have completed the upgrade of our automated tool to support our FISMA tracking efforts to reflect the controls required by NIST Special Publication 800-53. Using this tool, we now have an integrated source for managing audit findings and remediation efforts, for documenting annual assessments, and for tracking certification and accreditation progress. By integrating these tracking methods into a single program, the tool allows us to achieve consistency in monitoring risks and remediation efforts and improving security within and across our information systems.
- **Certification and accreditation of information systems.** We have implemented two key updates to our certification and accreditation process which include a comprehensive initial security assessment and a continuous monitoring process. The initial security assessment documents key aspects of an information system with respect to data classification, system boundaries and network interactions, privacy information, and associated risk to GAO. The initial security assessment is an integrated component of our IT project management process, serving as a check and balance for project advancement, and establishes the foundation for our processes to certify and accredit information systems that we support. In addition, we have updated the system security plan template to reflect the 17 families of security controls for information systems in NIST Special Publication 800-53. In implementing a continuous monitoring process, we have updated the annual reviews performed under NIST Special Publication 800-26, *Guide for Information Security Program Assessments* to meet the requirements of the NIST 800-53 system controls. Finally, we have updated our existing risk assessments and system security plans, accomplished system tests and evaluations to ensure that the appropriate security controls have been implemented, documented the continuous monitoring of each system and ensured that the system documentation is up-to-date supporting annual financial assessments.
- **Enterprise event correlation application.** A core component of our capability to monitor our diverse network traffic is the implementation of an event correlation engine. We have increased that vast amount of data being monitored with the upgrade to our internal network intrusion detection systems. This upgrade provides additional insight of the traffic

between our servers and applications by establishing a baseline of system communications. Integrating this tool with the event correlation engine provides an integration of security events that identify potential threats to our network environment. The event correlation engine enables the integration and automation of security event auditing, which in turn affords the effective use of limited resources, minimizing risk to GAO while vigilantly monitoring network activities.

- Enterprise workstation security. To enhance our enterprise workstation security solution, we have started adding desktop encryption as a means to protect data at the desktop and mobile media devices. Our previous solution standard included two-factor authentication, anti-spyware, anti-virus, and a personal firewall application as part of the standard desktop image. These enterprise applications provide the controls for access and remediation of security threats to the workstation while providing centralized policy management and control. They automatically monitor and remediate various types of threats to the workstation by preventing intrusion and monitoring programs, such as Adware and Trojan viruses, to prevent desktops from becoming infected with malware, and protect data from unauthorized access. The implementation of this integrated solution has significantly reduced risk to GAO.
- Enterprise Internet screening. Our requirements for access to information on the Internet are vast. Our pilot implementation of an Internet screening tool provides antivirus and antispyware protection to our Web-based services. This tool is capable of implementing GAO's Internet access policy by blocking non-business-related sites. It has already provided added security for our Internet access to Web sites and applications by improving the overall security posture for GAO's network.
- Vulnerability assessment. Consistent with the requirements cited in FISMA, we continue with a standard process using an enterprise assessment tool of scanning all network systems, devices, and workstations for vulnerabilities in order to ensure secure services and system standardization and to meet our updated network security guidelines. Weekly scans are conducted to verify weaknesses in our information systems and validate that security patches for known vulnerabilities have been applied to these systems and devices. The ISTS leadership is briefed on scan results with corrective actions identified and tracked.
- Application vulnerability assessment. As a standard process, we have integrated a vulnerability assessment tool into our Web application development process. This tool complements our overall network vulnerability process and ensures a process to validate potential risks in commercial off-the-shelf packages and in-house-developed applications. This application assessment process assists in validating the code and coding practices used in our applications and allows for remediation prior to deploying an application. Moreover, since implementing this security process into our current coding methodology, it has reduced the time needed to develop in-house applications by the development of secure coding practices that are reusable.
- Wired network protocol implementation. In an effort to limit access to the GAO network, we have implemented the Institute of Electrical and Electronics Engineers 802.1x protocol to restrict network access in our team and conference rooms to GAO notebooks only.

The validation process ensures computer equipment that connects to our network is, in fact, GAO equipment, removing the potential risk for non-GAO equipment to have uncontrolled access to our network resources. As the network infrastructure is updated, we will examine how to expand the use of this technology beyond conference rooms in fiscal year 2008.

- Classified processing upgrade. We completed the expansion of our Secret Internet Protocol Router Network, known as SIPRNet to 10 GAO field office sites, providing each site with a secure computing facility and new equipment and communications links to process classified information. This network allows our staff to obtain specific classified data directly from agency officials via secure e-mail, improves efficiency of our research through direct access to classified information, posts our classified reports for review and dissemination, electronically transmits our classified reports to agencies for comments, and reduces the necessity of using certified mail for classified

data. We completed the upgrades to the communications links to all field offices and headquarters, improving transmission capabilities to meet the increased demand for classified information.

- Disaster recovery. The successful implementation of our alternative computing facility hosted by the legislative branch is complete. The move has both improved our security posture and aligned our activities with those of our legislative branch counterparts, while reducing the cost of our operations. Last year, we enhanced our emergency notification system to improve communications support to GAO staff. This year, we continued to expand our capabilities at the facility by implementing a high speed connection between GAO headquarters and the facility to better enable us to provide critical IT services in the event of a disaster. The high speed link provides for failover connections between headquarters, field offices and the facility.

Image Sources

This section contains credit and copyright information for images and graphics in this product, as appropriate, when that information was not listed adjacent to the image or graphic.

Front cover and pages i, 1, 19, 63, 97, 125, and 127: GAO (flag, Capitol balcony), Corbis (Statue of Thomas Jefferson and Inscription of his Words at the Jefferson Memorial, Capitol dome interior, Contemplation of Justice statue)

Page 25: GAO (flag), PhotoDisc (bills)

Page 29: GAO (flag), PhotoDisc (cogs)

Page 35: PhotoDisc (bills), GAO (Capitol)

Page 65 and 129: GAO (flag), Corbis (statue of Thomas Jefferson and inscription of his words at the Jefferson Memorial)

Page 69 and 145: GAO (flag), Corbis (Contemplation of Justice statue)

Page 73 and 163: GAO (flag), Corbis (Capitol dome interior)

Page 77 and 174: GAO (flag, Capitol balcony)

Providing Comments on This Report

To provide comments for improving this report, please contact our Chief Quality Officer, who can be reached at (202) 512-6100, at qci@gao.gov, or at the following address:

U.S. Government Accountability Office
441 G Street NW, Room 6K17Q
Washington, D.C. 20548

Obtaining Copies of GAO Documents

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

However, you can also order GAO documents by mail or by phone. The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and MasterCard. Orders for 100 or more copies mailed to a single address are discounted 25 percent.

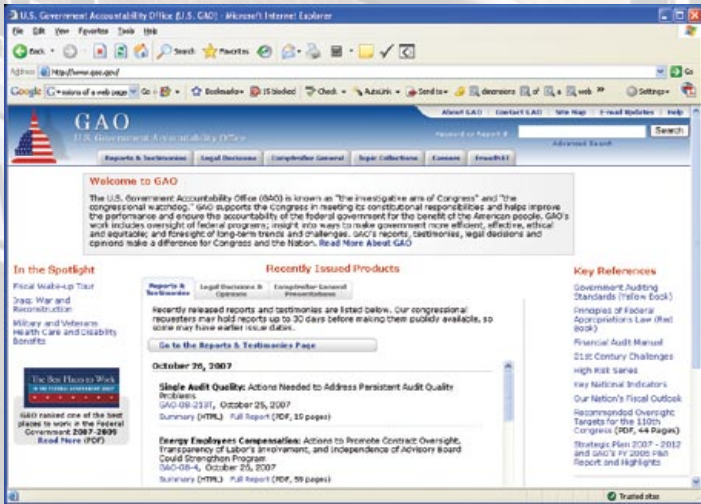
Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order documents by phone, call:

Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

Performance and Accountability Report and Highlights on the Web



This report and a compact highlights version of it will be available through our Web site at www.gao.gov/sp.html.

Also linked to that page are our strategic plan and our past performance and accountability publications.

Other Web pages of possible interest

Reports and testimonies

Download GAO's most recent products or search an extensive archive of past products to download those of interest
www.gao.gov/docsearch/repanptest.html

For the press

Check out the Reporter's Guide to GAO and other resources for the media
www.gao.gov/press.html

Fraud Net

Report allegations of fraud, waste, abuse, or mismanagement of federal funds
www.gao.gov/fraudnet/fraudnet.htm

Legal products

Download legal decisions and opinions about appropriations, bid protests, and major federal agency rules
www.gao.gov/legal.htm

Careers at GAO

Review current job openings, apply online and learn about GAO's teams and offices at
www.gao.gov/jobopp.htm

E-mail alerts

Get automatic updates on new GAO products
www.gao.gov/subtest/subscribe.html



<http://www.gao.gov/cgi-bin/getrpt?rptno=GAO-08-1SP>