

GAO

Testimony

Before the Subcommittee on Legislative
Branch, Committee on Appropriations,
U.S. Senate

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FISCAL YEAR 2011
BUDGET REQUEST

U.S. Government
Accountability Office

Statement of Gene L. Dodaro
Acting Comptroller General of the United States



Mr. Chairman, Ranking Member Murkowski, and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss the U.S. Government Accountability Office's (GAO) budget request for fiscal year 2011. At the outset, I want to thank all the members of the subcommittee for your continued support of GAO. With your support of our fiscal years 2009 and 2010 funding levels, we have been able to address the steady decline in staffing that GAO had experienced since fiscal year 2003 and begin to reverse this trend by restoring our staffing capacity.

This has put us in a better position to assist the Congress in confronting the many difficult challenges facing the nation. In fiscal year 2009, GAO supported congressional decision making and oversight on a range of critical issues, including the government's efforts to help stabilize financial markets and address the most severe recession since World War II. In addition to providing oversight for the 2008 Economic Stabilization Act and the American Recovery and Reinvestment Act of 2009 (Recovery Act), we continued to provide the Congress updates on programs that are at high risk for waste, fraud, abuse, and mismanagement or are in need of broad reform, and delivered advice and analyses on a broad array of pressing domestic and international issues that demand urgent attention and continuing oversight. These include modernizing the regulatory structure for financial institutions and markets to meet 21st century demands; controlling escalating health care costs and providing more effective oversight of medical products; restructuring the U.S. Postal Service to ensure its financial stability; and improving the Department of Defense's management approaches to issues ranging from weapons system acquisitions to accounting for weapons provided to Afghan security forces. Overall, we responded to requests from every standing committee of the Senate and the House and over 70 percent of their subcommittees.

As a knowledge-based organization, our ability to timely assist the Congress as it addresses the nation's challenges depends on our ability to sustain our current staffing levels. We are submitting for your consideration a prudent request for \$601 million for fiscal year 2011, which will allow us to maintain our capacity to assist the Congress in addressing a range of financial, social, economic, and security challenges going forward. This amount represents a 4.1 percent increase (\$22.6 million) to maintain our fiscal year 2010 staffing level for "base operations," cover mandatory pay and uncontrollable costs, and reinvest savings from nonrecurring costs and efficiencies to further enhance our productivity

The Nation's Challenges Shape GAO's Fiscal Year 2011 Expected Workload

and effectiveness. We have also requested a 3.8 percent increase (\$21.6 million) to maintain the current staffing level of 144 FTEs to continue mandated Recovery Act oversight beyond the expiration of the funding we received to help offset the cost of this new responsibility. The total requested increase of 7.9 percent will allow us to continue to be responsive in supporting congressional mandates and requests.

GAO stands ready to continue assisting the Congress as it tackles the wide array of challenges facing the nation. Our past performance is evidence of the critical role our dedicated staff play in helping the Congress and the American people better understand issues, both as they arise and over the long term. These include:

- Assessing the government's continuing response to the **current economic situation**, including
 - assessing the effectiveness of **financial and regulatory reform** efforts and plans to **ensure the stability of the overall banking, housing, and financial markets**;
 - conducting oversight of proposed programs to boost the economy, including **job expansion** and investments in **infrastructure**; and
 - continuing to perform our responsibilities under the **Recovery Act**, including bimonthly reviews of how selected states and localities use the funds provided and quarterly reviews of recipient reports on job creation.
- Reviewing the government's efforts to **identify and act on credible threats to homeland and border security**, including to commercial aviation and seaports as well as those involving biological, chemical, and nuclear dimensions.
- Reviewing U.S. efforts related to **Afghanistan, Iraq and other regions in conflict**, including reviewing the effect of drawing down resources in Iraq, providing more resources to Afghanistan, and retooling operations in Pakistan.
- Supporting **health care financing and reform efforts** through analyses of Medicare, Medicaid, and other health programs.
- Identifying elements to help address **the nation's financial challenges** including **Social Security, tax reform, retirement, and**

disability programs; opportunities to reduce spending; and reducing the gap between taxes owed and taxes collected.

- Performing specialized studies and **technology assessments** of a wide range of science and technology issues, such as **climate change**, the challenges of developing **sophisticated space and defense systems**, and **green energy**.
- Focusing on major areas that are at **high-risk**, including the **U. S. Postal Service's financial condition, oversight of food and drug safety, and cybersecurity** efforts.

GAO is uniquely positioned to support the Congress. For instance, pressures to reduce the federal deficit following an economic recovery will require a greater need for the type of analyses that are a hallmark of GAO. We recently were tasked by statute to provide an annual report addressing overlap and duplication among federal programs. Also, through our long-standing focus on high-risk programs and other activities, we can identify for policymakers the agencies and programs that require priority attention. These include helping focus on ways to help reduce improper federal payments, estimated at \$98.7 billion in fiscal year 2009, and the \$290 billion estimated tax gap. In addition, our dedicated and multidisciplinary staff have substantive agency and program expertise, as well as expertise in conducting financial and performance audits, program evaluations, policy analyses, and technology assessments.

In March 2010, GAO issued an exposure draft of our 2010–2015 Strategic Plan for serving the Congress, which describes our proposed goals and strategies for supporting the Congress and the nation as the United States undergoes a period of transformation, daunting challenges, and opportunities. Our framework is attached as appendix I.

GAO Continues to Be an Employer of Choice

Recognizing that GAO's accomplishments are a direct result of our dedicated workforce, management continuously strives to maintain a work environment that promotes employee well-being and productivity, and to be a world-class professional services organization. In both 2007 and 2009, GAO ranked second in the "Best Places to Work" rankings sponsored by the Partnership for Public Service. We are also proud of the current results from our 2009 annual employee feedback survey which indicate that employee satisfaction continues to increase. Importantly, the results of the 2009 annual employee feedback survey—the highest scores to date—provided GAO management with valuable information on how we can continue to attract and retain top talent.

GAO regularly seeks and values the input we receive from our employee organizations: the Diversity Advisory Council, Employee Advisory Council, and GAO Employees Union, International Federation of Professional & Technical Engineers, Local 1921 (the Union). Collaboration with these organizations has resulted in a number of improvements in GAO processes, including improved field-office working conditions; enhanced quality-control documentation that help staff ensure that our practices follow GAO policy and generally accepted government auditing standards; and new demographic questions on the annual GAO employee feedback survey that allow GAO management to track the views of certain employee populations. Also, GAO and the Union have made significant progress toward developing a master collective bargaining agreement.

GAO continues to make progress toward our goal to create a more inclusive work environment. The most recent data show that representation of minority groups in our workforce equals or exceeds the representation in the relevant civilian labor force. As of April 2009, minorities represented about 30 percent of GAO's total workforce and women constituted nearly 60 percent. By comparison, in the civilian labor force minorities represented about 27 percent and women about 47 percent. With our approach to continuous improvement, several areas merit continued attention, such as increasing the representation of Hispanics and the disabled in the total workforce. Looking forward, our action plan focuses on three areas: recruitment and hiring, staff development, and efforts to create a more inclusive work environment. We will continue to consult with the Union and all employee groups as we implement this action plan.

Our fiscal year 2011 budget provides funds to continue to strengthen employee development and benefits programs. We have also identified savings and efficiencies within our budget and plan to reinvest these resources to implement enabling technologies, such as energy improvements.

GAO's Fiscal Year 2011 Budget Request

As a people-intensive organization, about 80 percent of GAO's budget funds compensation and benefits for over 3,300 employees, with the balance funding mandatory operating expenses, such as rent for field office locations, security services, and other critical infrastructure services required for ongoing operations.

GAO is requesting an increase of \$22.6 million to maintain our current capacity to provide timely, high-quality responses to congressional requests for assistance, and \$21.6 million to support staff currently

working on mandated Recovery Act oversight. About 90 percent of the requested increase supports mandatory compensation and benefits.

A summary of our fiscal year 2011 request is shown in the following table and explained in further detail below.

Fiscal Year 2011 Summary of Requested Changes

(Dollars in thousands)

Budget category	FTEs	Amount	Cumulative percentage of change from FY 2010 to FY 2011
FY 2009 actual costs	3,141	\$529,526	
FY 2010 enacted level	3,221	556,849	
Changes to the base			
Maintaining staff capacity	49	20,444	3.7
Nonpay inflation and annualization		6,420	4.8
Change in offsetting collections/reimbursements		(4,225)	4.1
Efficiencies/savings and nonrecurring costs		(8,032)	2.3
Resource reinvestment		8,030	4.1
Subtotal – changes to the base	49	\$22,637	4.1
Recovery Act (to maintain existing staff) ^a	144	21,631	7.9
Total appropriation – salaries and expenses	3,414	\$601,117	7.9

Source: GAO.

^a These staff are funded in FY 2010 by Recovery Act resources provided to GAO to help offset costs for mandated oversight. While the oversight continues, the funds expire at the end of FY 2010.

Maintaining staff capacity includes \$20.4 million to maintain our projected fiscal year 2010 onboard staff at a full-time equivalent (FTE) level of 3,270 FTEs to enable GAO to continue to meet our increased responsibilities in a timely manner. The requested increase primarily includes

- the full-year cost to maintain the workforce in fiscal year 2011 resulting from fiscal year 2010 hiring and pay actions,
- mandatory January 2011 pay increase at 1.4 percent based on Office of Management and Budget guidance, and

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- performance-based pay increases in lieu of executive branch General Schedule within-grade increases.

Nonpay inflation and annualization includes \$6.4 million to maintain purchasing power, sustain fiscal year 2010 operating levels, and cover projected inflationary increases in common carrier transportation costs, travel per diem rates, training, supplies and materials, and other essential mission-support services based on negotiated contracts, vendor notification, or historical trend data.

Change in offsetting collections/reimbursements reflects an increase of \$4.2 million in rental income and reimbursement from financial audits that reduces our request for appropriated funds.

Efficiencies and nonrecurring costs reflect \$8 million of efficiencies and nonrecurring fiscal year 2010 costs resulting from

- technology consolidations, such as our new core human capital system and integrated E-Gov travel solution, and
- enhanced building operations, including the installation of a gas- and solar-powered water boiler to improve energy efficiency.

Resource reinvestment reinvests \$8 million of nonrecurring fiscal year 2010 costs and operational efficiencies to

- further enhance our information technology programs to enhance productivity and effectiveness;
- continue to address management challenges through increased information and physical security, enhanced appraisal systems, and retention incentives;
- continue cyclical building maintenance and repairs and enhance energy efficiency; and
- bolster support for audit engagements and technology assessments.

Recovery Act includes funds to continue the 144 FTEs necessary to help offset the cost to conduct the mandated oversight of the use of the funds provided in the Recovery Act to help ensure transparency and accountability. No new staff would be hired.

Concluding Remarks

With the strong support of the Congress and this subcommittee, in fiscal years 2009 and 2010 GAO increased our staff capacity. Our fiscal year 2011

budget request is prudent and essential to ensure that we can maintain this capacity and continue to provide timely, high-quality assistance to the Congress in confronting the critical economic, financial and security challenges facing the nation.

We have a proven track record of helping the Congress evaluate critical issues of national importance and improving the transparency and accountability of government for the American people. For example, our work in the banking sector provided a framework that can be used to help reform the financial regulatory system and to evaluate proposals to ensure that any new regulatory system is sufficiently comprehensive, addresses risks, and adequately protects consumers. Over the past 2 fiscal years our work yielded significant results. For example, during this period we delivered expert testimony on average at about 250 congressional hearings. We also documented on average over 1,300 actions taken by agencies and the Congress in response to our recommendations for improvements in government services and operations and changes to law. In addition, we recorded on average about \$50 billion in financial benefits, resulting in a return on investment in fiscal year 2009 of \$80 for every dollar the Congress invested in us.¹

We remain committed to providing accurate, objective, nonpartisan, and constructive information to the Congress to help it conduct effective oversight and fulfill its constitutional responsibilities. I appreciate, as always, your careful consideration of our submission and look forward to discussing our proposal with you.

Mr. Chairman, Ranking Member Murkowski, this concludes my prepared statement. We would be pleased to respond to any questions that you or other members of the subcommittee might have.

¹For additional information on GAO's fiscal year 2009 accomplishments, see GAO's *Performance & Accountability Report, Fiscal Year 2009*, and *Summary of GAO's Performance and Financial Information, Fiscal Year 2009*, available at <http://www.gao.gov/about/strategic.html>. Examples of how GAO assisted the nation and selected issues on which senior GAO officials testified at congressional hearings in fiscal year 2009 are included in appendixes II and III.

Appendix I: GAO's Strategic Plan Framework



**Serving the Congress and the Nation
GAO's Strategic Plan Framework**

MISSION

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

TRENDS

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

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

CORE VALUES

Accountability	Integrity	Reliability
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Source: GAO

GAO Strategic Plan 2010–2015

Appendix II: How GAO Assisted the Nation, Fiscal Year 2009

How GAO ASSISTED THE NATION • FISCAL YEAR 2009

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	<ul style="list-style-type: none">▪ Highlighted weaknesses in the Food and Drug Administration's oversight of medical devices▪ Helped to improve the health care provided wounded soldiers returning home▪ Investigated the death and abuse of children at public and private schools▪ Recommended additional oversight and controls of voluntary workplace safety and health programs administered by some companies▪ Enhanced management at the Pension Benefit Guaranty Corporation▪ Enhanced federal efforts to combat drug trafficking▪ Identified ways the Department of Housing and Urban Development could promote energy efficiency and green building in federal public housing programs▪ Informed the debate on hardrock mining reform▪ Reported on the Environmental Protection Agency's reforms of its toxic chemical assessment process▪ Informed the Congress about the U.S. Postal Service's deteriorating financial situation
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	<ul style="list-style-type: none">▪ Recommended actions to improve the Department of Defense's (DOD) management of contractors in Iraq and Afghanistan▪ Helped the Congress assess DOD's ability to provide trained and ready forces for military operations▪ Recommended that the State Department develop outcome measures for its capacity-building program in Iraq▪ Helped to improve DOD's accounting of weapons provided to Afghan security forces▪ Helped to strengthen aviation security through improved passenger watch-list matching▪ Developed a framework to help the Congress evaluate proposals for revamping the U.S. financial regulatory system▪ Helped to assess the implementation of TARP▪ Informed the Congress about weaknesses in lender data that limit regulators'ability to identify financial institutions at higher risk of discriminatory lending practices
Strategic Goal 3 Help transform the federal government's role and how it does business to meet 21st century challenges	<ul style="list-style-type: none">▪ Helped to track how states and localities are using Recovery Act funds▪ Strengthened federal planning and preparedness efforts for the influenza pandemic▪ Helped DOD and the Department of Veterans Affairs better share electronic health records▪ Identified shortcomings in the Department of Homeland Security's management of major acquisitions▪ Tested the adequacy of the complaint intake process at the Department of Labor's Wage and Hour Division▪ Helped to reduce governmentwide improper payments▪ Recommended ways to reduce tax noncompliance
Strategic Goal 4 Maximize the value of GAO by being a model federal agency and a world-class professional services organization	<ul style="list-style-type: none">▪ Mobilized staff quickly to conduct mandated oversight work and ensure accountability of the federal assistance available through the Recovery Act▪ Contributed to enhancing the ability of the domestic accountability community to prevent fraud, waste, and abuse of federal funds▪ Helped enhance international accountability organizations' capacity to implement strong professional standards by sponsoring training and participating in international forums

Source: GAO.

Appendix III: Selected Testimony Issues, Fiscal Year 2009

SELECTED TESTIMONY ISSUES • FISCAL YEAR 2009



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

- Auto industry bailout
- Nonprime home loans and rising foreclosures
- Pension Benefit Guaranty Corporation financial challenges
- Social Security Administration challenges with disability claims processing
- Wildland fire management
- Mental health services for Hurricane Katrina's youngest victims
- Clean water trust fund

- Department of Veterans Affairs (VA) health care for women veterans
- Corporate crime and deferred prosecutions
- D.C. public school reform efforts
- Limiting United States Postal Service losses
- Reverse mortgages
- Crime victims' rights
- Federal Protective Service

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

- U.S. strategies and plans in Iraq, Afghanistan, and Pakistan
- Reforming U.S. defense acquisitions
- Planning future army combat systems
- DOD's business transformation
- Financial regulators' oversight of large financial institutions
- Security and Exchange Commission enforcement resources

- TARP
- U.S. cybersecurity strategy
- Screening air cargo on passenger aircraft
- Post-Katrina Emergency Management Reform Act
- Climate change trade measures
- Small Business Administration Disaster Loan Program reforms

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

- Recovery Act
- Influenza pandemic
- Health IT
- Management of DOD contractors
- Key National Aeronautics and Space Administration challenges
- U.S. government financial statements
- 2010 Census preparations

- Improper federal payments to suspended businesses
- Offshore financial activity and tax enforcement
- VA and DOD electronic health records
- Illegal export of military technology

Source: FEMA News Photo.

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GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

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