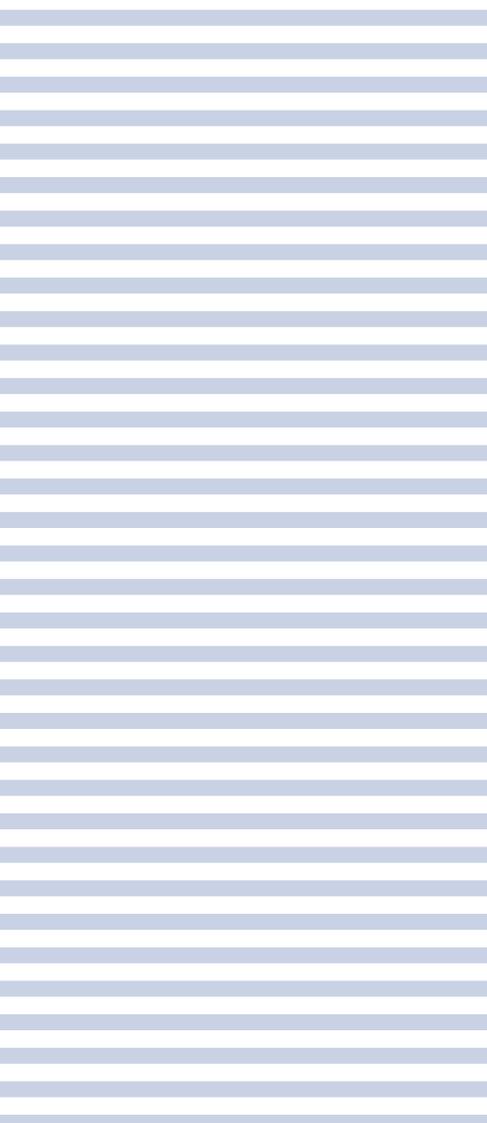


GAO

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE  
SERVING THE CONGRESS AND THE NATION



**Performance &  
Accountability**  
Report

Fiscal Year  
**2005**



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

## GAO's MISSION

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



## 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; performance, financial, and management audits; policy analyses; legal opinions; bid protest adjudications; and investigations.



## CORE VALUES

### 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 reputation, and the GAO approach to work ensures both.

### 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.

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# Abbreviations

BPA	Bonneville Power Administration	HUD	Department of Housing and Urban Development
CAO	Chief Administrative Office	IG	Office of Inspector General
CMS	Centers for Medicare & Medicaid Services	INTOSAI	International Organization of Supreme Audit Institutions
CSRS	Civil Service Retirement System	IRS	Internal Revenue Service
DHS	Department of Homeland Security	IT	information technology
DISA	Defense Information Systems Agency	MFO	multinational force observer
DOD	Department of Defense	NASA	National Aeronautics and Space Administration
DOE	Department of Energy	NFC	National Finance Center
DOL	Department of Labor	NHTSA	National Highway Transportation Safety Administration
EPA	Environmental Protection Agency	NIH	National Institutes of Health
FAA	Federal Aviation Administration	OMB	Office of Management and Budget
FECA	Federal Employees' Compensation Act	OOI	Office of Opportunity and Inclusiveness
FEGLIP	Federal Employees' Group Life Insurance Program	OPM	Office of Personnel Management
FEHBP	Federal Employees Health Benefits Program	PART	Program Assessment Rating Tool
FEMA	Federal Emergency Management Agency	QCI	Quality and Continuous Improvement
FERS	Federal Employees Retirement System	SBA	Small Business Administration
FFMIA	Federal Financial Management Improvement Act	SEC	Securities and Exchange Commission
FHA	Federal Housing Administration	SSA	Social Security Administration
FICA	Federal Insurance Contributions Act	TSA	Transportation Security Administration
FISMA	Federal Information Security Management Act	UNHCR	United Nations High Commissioner for Refugees
FTE	full-time equivalent	USACE	U.S. Army Corps of Engineers
GAO	Government Accountability Office	USAID	U.S. Agency for International Development
GSA	General Services Administration	USCIS	U.S. Citizenship and Immigration Services
HCTC	Health Coverage Tax Credit	USDA	U.S. Department of Agriculture
HHS	Department of Health and Human Services	US-VISIT	United States Visitor and Immigrant Status Indicator Technology
HIPAA	Health Insurance Portability and Accountability Act	VA	Department of Veterans Affairs

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# *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 2005. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan 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**

Look here for the letter from the Comptroller General and a statement attesting to the completeness and accuracy of the data in this report. Also, look here for a discussion of our mission, organizational structure, strategic planning process, and process for assessing our performance.

## ■ **Management's Discussion and Analysis**

Look here for our agencywide performance results and use of resources in fiscal year 2005. Look here also for information on the strategies we use to achieve our goals and the management challenges and external factors that affect our performance.

## ■ **Performance Information**

Look here for details on our performance results by strategic goal in fiscal year 2005 and the targets we are aiming for in fiscal year 2006. Look here also for an explanation of how we ensure the completeness and reliability of the performance data used in this report.

## ■ **Financial Information**

Look here for details on our finances in fiscal year 2005, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and audit advisory committee. Look here also for information on our internal controls and for an explanation of the kind of information each of our financial statements conveys.

## ■ **Appendixes**

Look here for detailed write-ups about our most significant accomplishments and contributions recorded in fiscal year 2005, for our Inspector General's assessment of our agency's management challenges, and for information on certain human capital management flexibilities and on information security reform efforts.



## *Introduction*

*“The government  
being the people’s  
business, it necessarily  
follows that its  
operations should be at  
all times open to the  
public view.”*

*- William Jennings Bryan*



Source: See Image Sources.

November 15, 2005

By nearly every measure, GAO has once again produced excellent results in serving the Congress and the American people and, through this performance and accountability report, I am proud to share with you our assessment of how well we performed during fiscal year 2005. Our business involves helping to improve performance and ensure accountability in connection with a broad range of federal programs, policies, and activities. Simply put, we try to help improve the way the federal government works for the benefit of all of our nation's citizens both now and in the future. To determine our success, we set performance targets and follow financial management and quality control practices that help ensure that we are making the best use of the federal funds invested in us. In addition, I am very pleased to report that we received clean opinions from external, independent auditors on our financial statements and on our performance audit and financial audit quality assurance systems. We also identified a broad range of issues that could seriously affect the stability and prosperity of the nation in the years to come. The following paragraphs highlight our performance in each of these areas.

With respect to our performance measures, I am especially pleased to report that we met or exceeded targets for 10 of our 14 performance measures, while setting or matching all-time records for 3 measures. We documented \$39.6 billion in financial benefits—a return of \$83 for every dollar we spent—and over 1,400 nonfinancial benefits—a record for us. The work we did to produce these benefits helped to shape important legislation, such as the Intelligence Reform and Terrorism Prevention Act of 2004 (Pub. L. No. 108-458), and increase the efficiency of various federal programs, thus improving the lives of millions of Americans. In addition, the rate at which our recommendations were implemented by the Congress or federal agencies rose to 85 percent in fiscal year 2005, and the percentage of our fiscal year 2005 products con-

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taining recommendations increased to 63 percent—exceeding the targets we set for both of these measures this year. Our performance in these two areas also set an all-time record for recommendations implemented and matched the record we set in fiscal year 2004 for the percentage of new products with recommendations. We delivered 179 testimonies, slightly missing our target of 185. We also just missed our target of providing 98 percent of our products to the Congress when promised. In addition, in the first year that we are reporting our progress on our 8 new measures related to our people, we met or exceeded the targets for 6 of them related to retention and employee satisfaction. We came close to, but did not achieve, the targeted performance related to our new hire rate—the ratio of the number of people hired to the number of people we planned to hire—and the percentage of people that accepted our employment offers.

As in past years, during fiscal year 2005, our work covered a number of major topics of concern to the nation and, in some cases, the world. For example, we reported on the nation's long-term fiscal challenges, the financial condition of the airline industry, spending and reconstruction activities related to Iraq and Afghanistan, and strengthening the visa process as an antiterrorism tool. As the war in Iraq continued, we examined how the Department of Defense supplied vehicles, body armor, and other materiel to the troops in the field. We also examined the Department of Defense's transformation challenges, base realignment and closure issues, increasing the strategic focus of federal acquisitions, protecting against identity theft, the oversight of electricity markets, zero down payment mortgages, and immigration enforcement. We testified many times before the Congress, contributing to the public debate on a variety of topics that included Social Security reform, wildland fire management, gasoline prices, the flu vaccine, veterans' health care, benefits for members of the Reserves and National Guard, digital broadcast television, long-term health care financing, passport fraud detection, reducing the tax gap, information security, and a range of financial management and accountability issues. These and other topics on which we testified are listed on [page 36](#) of this report.

The American people benefited this year as federal agencies took a wide range of actions based on our analyses and recommendations, while our efforts also heightened the visibility of issues needing attention. For example, adoption of our recommendations helped improve home health care performance standards, increase the collection of delinquent taxes, and improve the efficiency of federal acquisitions. It is important for our nation and citizens not only that these issues are made visible, but also that the nation's leaders address them. We feel fortunate and honored that in a significant majority of cases, our clients and federal agencies listen to what we have to say and act on our recommendations. Furthermore, virtually all of our reports are published and available on our Web site (<http://www.gao.gov>), keeping us accountable to the American people.

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Once again we have received a clean audit opinion on our financial statements, and in part III of this report we have included the external auditor's report stating that we presented our financial statements fairly and maintained effective internal control processes. The auditors also reported no instances of noncompliance with applicable laws and regulations. Additionally, I am most pleased to report the results of the first ever review of our quality assurance system used to conduct our performance audits, which involves work performed in virtually all parts of GAO. This review—which was performed by an international team of auditors from seven countries led by the Office of the Auditor General of Canada—assessed whether our quality assurance policies and procedures were suitably designed and operating effectively; the review resulted in a clean opinion. Their April 2005 audit report also cited a number of exemplary practices at GAO, such as our strategic planning process, proactive working relationship with the Congress, quality assurance framework, and audit risk assessment process, and offered us some suggestions for improvement, including streamlining certain requirements for low-risk assignments, a suggestion that we are already working to implement. Similarly, we received a clean opinion resulting from a separate audit of our quality assurance system for our financial audits. This opinion was in line with previous such audits that have been conducted every 3 years. The auditors concluded that our system of quality control for the accounting and auditing practice was designed to meet applicable quality control standards and was complied with for the period reviewed, providing us reasonable assurance of conforming to applicable professional standards.

In fiscal year 2005, we issued two products that will assist the Congress as it addresses a broad range of future challenges. Our report entitled *21st Century Challenges: Reexamining the Base of the Federal Government* provides a series of illustrative questions related to 12 areas of federal activity as well as our perspective on various strategies and approaches that should be considered as a possible means to address the issues and questions raised in the report. Drawing on our institutional knowledge and extensive program evaluation and performance assessment work for the Congress, we presented over 200 specific 21st century questions illustrating the types of hard choices our nation needs to face as it reexamines what the federal government should do, how it should do it, and how it should be financed. (see p. 42 for more information about our 21st century challenges report.) We also issued our *High-Risk Series: An Update*, which identifies federal areas and programs at risk of fraud, waste, abuse, and mismanagement and those in need of broad-based transformations. The issues affecting many of these areas and programs may take years to address, and the report will serve as a useful guide for the Congress's future programmatic deliberations and oversight activities. The current administration has looked to our high-risk program in shaping governmentwide initiatives such as the President's Management Agenda, which has at its base many of the areas we had previously identified as high risk. The Office of Management and Budget, in consultation with

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us, is currently working to ensure that agencies develop detailed action plans to address high-risk areas, with the ultimate objective, over time, of seeing these items removed from our high-risk list.

This year we also continued to take steps internally to be a model federal agency and a world-class professional services organization. These steps helped us to address our three major management challenges—human capital, physical security, and information security. Through the GAO Human Capital Reform Act of 2004, the Congress granted GAO several additional human capital flexibilities that will allow us, among other things, to move to an even more performance-oriented and market-based compensation system. Our most valuable asset continues to be our people, and the flexibilities granted in this act will help us to continue to modernize our people-related policies and strategies, which, in turn, will help to ensure that we are well equipped to serve the Congress and the American people in the years to come. As a result, we are continuing to take a range of actions designed to modernize our human capital policies and practices. In fiscal year 2005, we adopted a broad pay band approach and a more performance-oriented pay system for our administrative staff. We also made considerable progress in moving to a more market-based and skills-, knowledge-, and performance-oriented classification and pay system for all of our employees.

In today's world, we should partner for progress with other key players. We believe strongly in doing so in order to maximize our value and mitigate risk within current and expected resource levels. Fiscal year 2005 included several major milestones in GAO's outreach efforts. Most notably, we led the adoption of the first-ever strategic plans for the International Organization of Supreme Audit Institutions (INTOSAI) and the National Intergovernmental Audit Forum.

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In short, fiscal year 2005 was a very successful year for us. This report describes our many contributions toward improving the government, and I am confident that the performance data and financial information in this report are complete and reliable, as noted in the statement of assurance that appears just after this letter. I believe that GAO remained true to its core values of accountability, integrity, and reliability throughout the year and that those who read this report will agree that the taxpayers received an excellent return on their investment in us.

A handwritten signature in black 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

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# *Financial Reporting Assurance Statements*

November 15, 2005

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.

On the basis of GAO's comprehensive management control program, we are pleased to certify, with reasonable assurance, that

- Our financial reporting is reliable—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- GAO is in compliance with all applicable laws and regulations—transactions are executed in accordance with (1) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements and (2) any other laws, regulations, and governmentwide policies applicable to GAO.
- 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 in accordance with the criteria stated by GAO's management.

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We also believe these same systems of accounting and internal controls provide reasonable assurance that GAO is in compliance with the spirit of 31 U.S.C. 3512 (commonly referred to as the Federal

Managers' Financial Integrity Act). This is an objective that we set for ourselves even though, as part of the legislative branch of the federal government, we are not technically required to do so.



David M. Walker  
Comptroller General  
of the United States



Gene L. Dodaro  
Chief Operating Officer



Sallyanne Harper  
Chief Financial Officer



Anthony H. Gamboa  
General Counsel

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## 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: See Image Sources.

GAO is an independent, nonpartisan, professional services agency in the legislative branch of the federal government. Commonly known as the “audit and investigative arm of the Congress” or the “congressional watchdog,” we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including 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.<sup>1</sup> Accordingly, this performance and accountability report for fiscal year 2005 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.

### 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, which is in the legislative branch of the federal government, had begun to perform the type of work we are noted for today—program evaluation—which examines whether government programs are meeting their objectives. Our name—the U.S. Government Accountability Office—reflects our people, our work, and our reputation.

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<sup>1</sup>The 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 an accountability system 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.

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## 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 work is primarily aligned under the first three strategic goals, which span issues that are both domestic and international, affect the lives of all Americans, and influence the extent to which the federal government serves the nation's current and future interests. The fourth goal is our only internal one and is aimed at maximizing our productivity through such efforts as investing steadily in information technology (IT) to support our work; ensuring the safety and security of our people, information, and assets; pursuing human capital transformation; and leveraging our knowledge and experience. [Figure 2](#) lists by goal some examples of our work during fiscal year 2005; this work relates to a variety of specific strategic objectives. We revisit the focus and appropriateness of these four strategic goals each time that we update our strategic plan.

**Figure 2: Examples of How GAO Assisted the Nation**

GAO strategic goal	Description	In fiscal year 2005, GAO provided information that helped to...
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"> <li>■ Improve the transition from active duty to civilian status for veterans with serious war-related injuries</li> <li>■ Address long-term health care financing pressures on state and local government budgets</li> <li>■ Identify challenges with transferring the Medicare appeals process from the Social Security Administration (SSA) and the Department of Health and Human Services (HHS)</li> <li>■ Improve patient safety at Department of Veterans Affairs hospitals</li> <li>■ Improve the security of Social Security numbers</li> <li>■ Address the challenges of pension reform</li> <li>■ Strengthen the security screening process for passengers and checked baggage at the nation's airports</li> <li>■ Improve the oversight of Federal Housing Administration single-family and multifamily lenders</li> <li>■ Improve the oversight of electricity markets by the Federal Energy Regulatory Commission</li> <li>■ Identify challenges associated with the Department of Energy's (DOE) nuclear facility designs</li> <li>■ Monitor the growth in the digital television market</li> <li>■ Analyze issues contributing to the declining financial condition of the airline industry</li> </ul>
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"> <li>■ Improve the management of funds for the Global War on Terrorism</li> <li>■ Increase the security of cargo containers to prevent terrorist activity</li> <li>■ Alert the Congress to issues affecting the Department of Defense's (DOD) major weapon systems</li> <li>■ Analyze funding options for a new federal foreign assistance program—the Millennium Challenge Account</li> <li>■ Promote government efforts to address threats to the security of the nation's information systems</li> <li>■ Strengthen the visa process as an antiterrorism tool</li> <li>■ Improve management of the U.S. Coast Guard's Deepwater program</li> <li>■ Shape the debate on improving military pay and benefits</li> <li>■ Strengthen the U.S. strategic export control system</li> <li>■ Identify improvements needed to secure the telecommunications and information systems used by U.S. financial markets</li> </ul>
3	Help transform the federal government's role and how it does business to meet 21st century challenges.	<ul style="list-style-type: none"> <li>■ Increase the public's understanding of the federal government's long-term fiscal challenges</li> <li>■ Implement governmentwide civil service reforms</li> <li>■ Oversee federal tax policy</li> <li>■ Increase debts collected from criminals</li> <li>■ Decrease improper payments made by the U.S. Department of Agriculture's (USDA) Food Stamp Program and other federal agencies</li> <li>■ Manage multibillion-dollar IT modernizations and investments at the Department of Homeland Security (DHS) and Office of Personnel Management</li> <li>■ Improve agencies' strategic purchasing practices</li> <li>■ Examine changes in key areas of federal activity that could affect the federal government's fiscal future</li> <li>■ Enhance the knowledge base on comprehensive national indicators</li> </ul>
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"> <li>■ Foster among other federal agencies GAO's innovative human capital practices, such as broad pay bands; performance-based compensation; and workforce planning and staffing strategies, policies, and processes</li> <li>■ Share GAO's model business and management processes with counterpart organizations in the United States and abroad</li> </ul>

Source: GAO.

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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 the [next page](#). This framework not only shows the relationship between our strategic goals and strategic objectives, but also shows major themes that could potentially affect our work.

### **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 Secure Retirement for Older Americans

**Performance Goal:** Identify Opportunities to Improve the Ability of Government Agencies to Administer and Protect Workers' Retirement Benefits

**Key Efforts:**

- Evaluate pension, pension insurance, and tax oversight programs to determine whether workers' private pension retirement benefits are effectively protected
- Evaluate SSA's service-delivery systems and program operations to determine whether they are being implemented fairly, effectively, efficiently, and securely
- Assess the adequacy and management of public service retirement systems, including the federal, state, and local government employee systems, in serving participants and in protecting and providing benefits

Complete descriptions of the steps in our strategic planning and management process are included in our strategic plan for fiscal years 2004 through 2009, 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 plans and staffing structure so that we can respond readily to the Congress's changing priorities. When we revise our plans 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>). For example, we issued our performance plan for fiscal year 2006 in June 2005.

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. However, 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 fourth consecutive year its Certificate of Excellence in Accountability Reporting for our fiscal year 2004 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. (See p. 14.)





Source: See Image Sources.

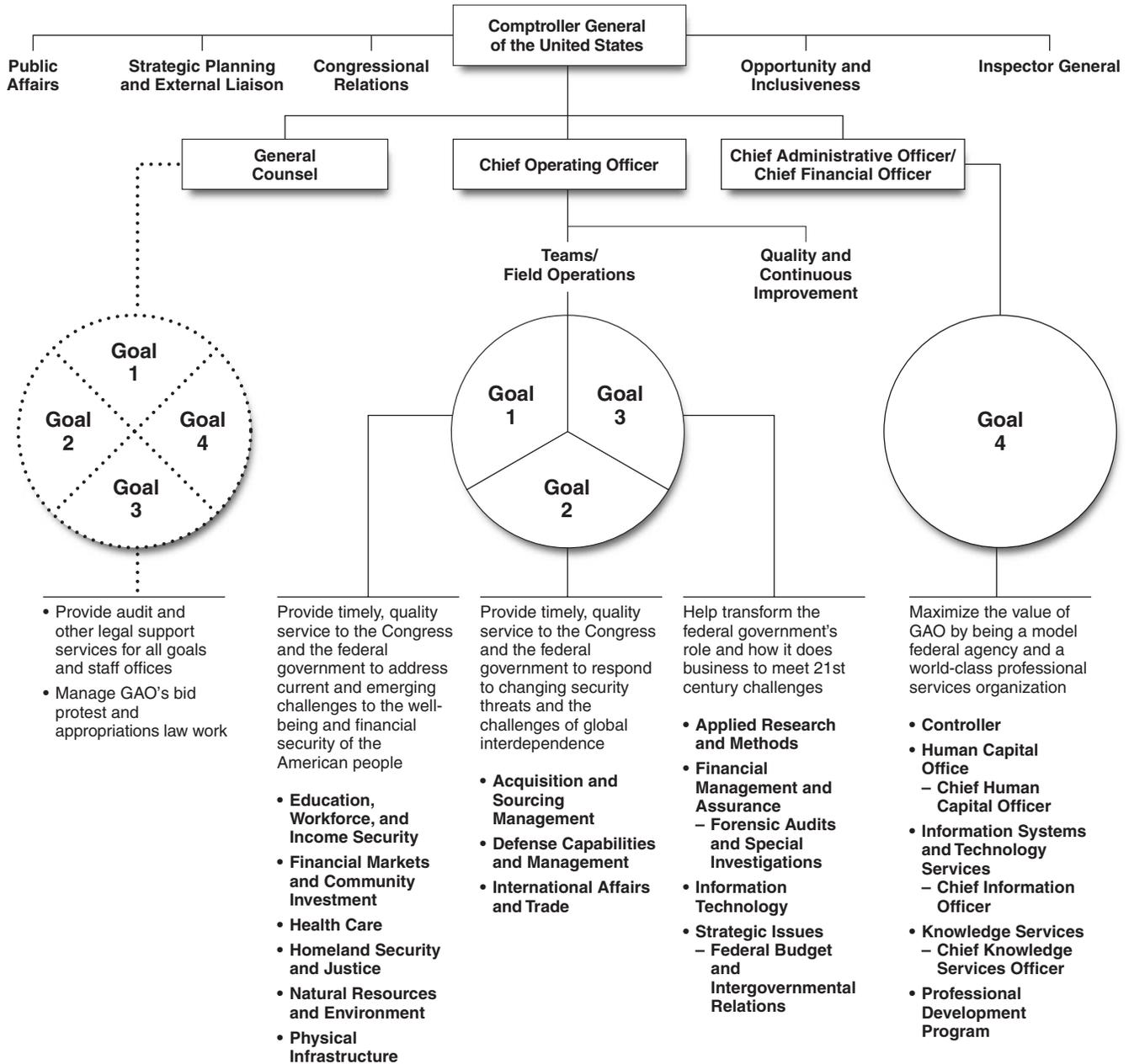
## Organizational Structure

As the Comptroller General of the United States, David M. Walker is the head of GAO and is serving a 15-year term that began in November 1998. Three other executives join Comptroller General Walker to form GAO's Executive Committee, which is the top policymaking body within GAO. These executives are Chief Operating Officer Gene L. Dodaro, Chief

Administrative Officer/Chief Financial Officer Sallyanne Harper, and General Counsel Anthony H. Gamboa.

To achieve our strategic goals, our staff is organized as shown in [figure 3](#). For the most part, our 13 research, audit, and evaluation teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal.

**Figure 3: 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.

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Senior executives in charge of the teams manage a mix of engagements to ensure that the Congress's need for information on quickly emerging issues is met as we also continue longer term work efforts that flow from our strategic plan. To effectively serve the Congress with a finite set of resources, senior managers consult with our congressional clients and determine the timing and priority of engagements for which they are responsible. In fiscal year 2005, we formed a new unit—Forensic Audits and Special Investigations—within our Financial Management and Assurance team. This unit was designed to provide the Congress with high-quality forensic audits;<sup>2</sup> investigations of fraud, waste, and abuse; and evaluations of security vulnerabilities and other appropriate investigative services as part of its own assignments or in support of other teams. This unit follows up on engagements and referrals from our other teams when its special services are required to help determine whether legislative or administrative actions are necessary. The unit is composed of investigators and staff from our former Office of Special Investigations; auditors from the Financial Management and Assurance team who have experience with forensic audits; and staff in General Counsel who worked with Fraud-Net—our online system designed to facilitate the reporting of allegations of fraud, waste, abuse, or mismanagement of federal funds.

As described below, General Counsel supports the work of all of our teams. In addition, the Applied Research and Methods team assists the other teams on matters requiring expertise in areas such as economics, research design, and statistical analysis. And staff in many offices such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness (OOI), Quality and Continuous Improvement (QCI), Public Affairs, and the Chief Administrative Office (CAO) support the efforts of the teams. This collaborative process,

which we refer to as matrixing, increases our effectiveness, flexibility, and efficiency in using our expertise and resources to meet congressional needs on complex issues.

General Counsel is structured organizationally along subject matter lines to facilitate the delivery of legal services. This structure allows General Counsel to (1) provide legal support to GAO and its audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the Goal 1, Goal 2, and Goal 3 groups in General Counsel are organized to provide each of the audit teams with a corresponding team of attorneys dedicated to supporting each team's needs for legal services. In addition, these groups prepare advisory opinions to committees and members of the Congress on agency adherence to laws applicable to their programs and activities. General Counsel's Legal Services group provides in-house support to GAO's management on a wide array of human capital matters and initiatives and on information 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 CAO 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, OOI, QCI, and Public Affairs. In addition, attorneys in General Counsel, primarily in the Legal Services group, provide legal support for goal 4 efforts.

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<sup>2</sup>Forensic audits are reviews that are designed to highlight system vulnerabilities and identify potential instances of fraud, waste, and abuse. Such audits often involve data mining of agencies' information systems and developing examples or case studies to illustrate systemic problems. As with our performance and financial audits, we coordinate this work, when appropriate, with the agencies' Offices of Inspectors General (IG).

Throughout GAO, we maintain a workforce of highly trained professionals with degrees in many academic disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our approximately 3,200 employees are based at our headquarters in Washington, D.C.; the rest are

#### GAO Field Locations

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

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.

## How We Measure Our Performance

We measure our performance using annual quantitative measures and multiyear qualitative performance goals. 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.

### Annual Performance Measures

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. Recently, we expanded our focus to include a more balanced set of performance measures that focus on three key areas—results, clients, and peo-

ple.<sup>3</sup> Fiscal year 2005 is the first year that we report how well we performed against the targets we set for our people measures. 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.
- **Clients.** 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. 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.
- **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.

Beginning with fiscal year 2006, we will add internal operations measures to the list of measures on which we report. 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 or improve employees' quality of work life. Examples of surveyed services include providing secure Internet access and voice

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<sup>3</sup>In 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. The Building Partnerships and Strategies for Achieving Our Goals sections in this report provide additional information on the partnerships we have established.

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communication systems, performance management, and benefits information and assistance. (For more information about these measures, [see p. 41.](#))

To establish targets for these measures, we examine what we have been able to achieve in the past (e.g., by looking at our 4-year rolling averages for our client measures and most of our results measures, [see p. 24](#)) and the external factors that influence our work ([see p. 58](#)). 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.<sup>4</sup> 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 the changes. 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 p. 82](#)).

### **Measuring the Results of Our Work**

We use four of our annual measures—financial benefits, other benefits, the percentage of past recommendations implemented, and the percentage of new products with recommendations—to assess our efforts to provide the kind of information and recommendations that will lead to benefits for the American people. Financial benefits and other benefits provide quantitative and qualitative information, respectively, on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred 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 or other benefits.

For financial benefits and other 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 rec-

ommendations 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.

### **Multiyear Performance Goals**

We use two elements in our strategic planning hierarchy—performance goals and key efforts—as qualitative indicators of our performance. We ask senior managers to determine whether the performance goals established in our strategic plan have been met over a multiyear period. To do this, these managers examine the amount of work conducted and recommendations made for each key effort supporting each performance goal. Senior managers also consider any other assistance provided to the client or customer that is related to these efforts. These managers then judge whether the work completed collectively for all key efforts actually achieved the performance goal, and we include the results of those assessments in our performance and accountability reports.

For all four strategic goals, the multiyear, qualitative performance goals included in our current strategic plan describe specific areas of work that we had planned to complete by the end of fiscal year 2005. We assess our progress toward these multiyear, qualitative performance goals in part II of this report. However, during fiscal year 2004, we decided to revise our strategic plan every 3 years, rather than on a 2-year cycle, which means that we will not set new multiyear performance goals until 2007. To accommodate this change, for fiscal year 2006, we plan to continue to use the current performance goals as a basis for aligning our work with our strategic goals, and will describe the work we did in support of these multiyear performance goals at the end of fiscal year 2006. In preparing our fiscal year 2006 budget submission, we made minor revisions that apply to fiscal year 2006 for some of these performance goals, mainly in the homeland security

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<sup>4</sup>Our most recent performance plan is available on our Web site at <http://www.gao.gov/cgi-bin/getrpt?gao-05-776sp>.

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and justice areas. These revisions were discussed in our fiscal year 2006 performance plan. In our next strategic plan update, which will cover fiscal years 2007 through 2012, we will establish revised performance goals and key efforts that cover fiscal years 2007 through 2009.

### **Measuring Client Service**

We use two performance measures—the number of testimonies and the timeliness of our products—as indicators of how well we are meeting our clients' needs.

We consider requests to present testimony as an indicator that our clients believe our work can add value to the congressional decision-making process. 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 also believe that our ability to provide products by the agreed-upon date means that we have met the clients' needs for providing information in time for it to be of value to them. We set agencywide targets for timeliness because we want our perfor-

mance on these measures to be consistent across goals. However, we track our progress on this measure at the team level so that we can 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.

### **Measuring the Management of Our People**

Our most important asset is our people, and they determine our capacity to perform. Therefore, we hold our managers accountable for attracting and retaining our human resources and determine how well we are performing in these areas through our new hire rate, acceptance rate, and retention rate. We also hold our managers accountable for investing in and leading our human resources. To assess our success in these areas, we track our performance using the following measures: staff development, staff utilization, leadership, and organizational development. We set targets for all of these measures at the agencywide level.

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On the pages that follow, we assess our performance for fiscal year 2005 against our previously established performance targets. We also present our financial statements, the independent auditor's report, and a statement from GAO's Inspector General.

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# Part I



## *Management's Discussion and Analysis*

*"Government is a trust, and the officers of the government are trustees; and both the trust and the trustees are created for the benefit of the people."*

*- Henry Clay*

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## *Providing Information That Improves Federal Programs Now and in the Future*

In fiscal year 2005, the Congress focused its attention on a broad array of challenging issues affecting the safety, health, and well-being of Americans here and abroad, and we were able to provide the objective, fact-based information these decision makers needed to stimulate debate, change laws, and improve federal programs for the betterment of the nation. For example, as the war in Iraq continued, we examined how DOD supplied vehicles, body armor, and other materiel to the troops in the field; contributed to the debate on military compensation; and highlighted the need to improve health, vocational rehabilitation, and employment services for seriously injured soldiers transitioning from the battlefield to civilian life. We also kept pace with the Congress's information needs about ways to better protect America from terrorism by issuing products and delivering testimonies that addressed issues such as security gaps in the nation's passport operations that threaten public safety and federal efforts needed to improve the security of checked baggage at airports and cargo containers coming through U.S. ports. We explored the financial crisis that weakened the airline industry and the impact of this situation on the traveling public and airline employees' pensions.

In addition, we helped to focus the attention of the Congress and the public on issues affecting the fiscal security and economic stability of the nation in the long term. In the second quarter of fiscal year 2005, we issued two products that will assist the Congress as it addresses future challenges. Our report entitled *21st Century Challenges: Reexamining the Base of the Federal Government* provides a series of illustrative questions related to 12 areas of federal activity as well as our perspective on various strategies and approaches that should be considered as a possible means to address the issues and questions raised in the report. Drawing on our institutional knowledge and extensive program evaluation and performance assessment work for the

Congress, we presented over 200 specific 21st century questions illustrating the types of hard choices our nation needs to face as it reexamines what the federal government does and how it does it. We also issued our *High-Risk Series: An Update*, which identifies federal areas and programs at risk of fraud, waste, abuse, and mismanagement and those in need of broad-based transformations. The issues affecting many areas and programs discussed in these two products may take years to address, and these products will serve as a useful guide for the Congress's future programmatic deliberations and oversight activities. (see pp. 42 and 43 for more information about our 21st century challenges and high-risk reports, respectively.) We performed all this work and more in accordance with our strategic plan, guided by our core values, and consistent with our professional standards.

As we assisted the Congress in fiscal year 2005, we monitored our performance using 14 annual performance measures that capture the results of our work; the assistance we provided to our client—the Congress; and our ability to attract, retain, develop, and lead a highly professional workforce (see table 1). These measures indicate that we had an impressive year—we met or exceeded our performance targets for 10 of our 14 measures. Two of our results measures—financial benefits and other benefits—illustrate the outcomes of our work and our value to the nation because they track federal dollars saved or better used and programmatic improvements implemented as a result of our work. Two additional results measures track recommendations implemented and new products with recommendations that help us to achieve financial and other benefits. Our client measures—testimonies and timeliness—indicate how well we, as an information provider, serve the Congress, and our people measures reflect how well we manage our staff to achieve the results that we do.

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

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005		Met/ not met	2006 target
					Target	Actual		
<b>Results</b>								
Financial benefits (dollars in billions)	\$26.4	\$37.7	\$35.4	\$44.0	\$37.5	\$39.6	Met	\$39.0
Other benefits	799	906	1,043	1,197	1,000	1,409	Met	1,050
Past recommendations implemented	79%	79%	82%	83%	80%	85%	Met	80%
New products with recommendations	44%	53%	55%	63%	55%	63%	Met	60%
<b>Client</b>								
Testimonies	151	216	189	217	185	179	Not met	210
Timeliness	95%	96%	97%	97%	98%	97%	Not met	98%
<b>People</b>								
New hire rate	N/A	96%	98%	98%	97%	94%	Not met	97%
Acceptance rate	N/A	81%	72%	72%	75%	71%	Not met	75%
Retention rate								
With retirements	91%	91%	92%	90%	90%	90%	Met	90%
Without retirements	95%	97%	96%	95%	94%	94%	Met	94%
Staff development	N/A	71%	67%	70%	72%	72%	Met	74%
Staff utilization	N/A	67%	71%	72%	74%	75%	Met	75%
Leadership	N/A	75%	78%	79%	80%	80%	Met	80%
Organizational climate	N/A	67%	71%	74%	75%	76%	Met	75%

Source: GAO.

Notes: N/A indicates the information is not available or the target is not applicable. Our fiscal year 2006 target for the percentage of products with recommendations differs from the target we reported for this measure in our fiscal year 2006 performance plan posted on our Web page in June 2005. On the basis of our performance in fiscal year 2005, we increased this target by 5 percentage points.

In fiscal year 2005, we accomplished real results for the nation, surpassing our financial benefits target for the year and exceeding our annual target and all-time record for other (nonfinancial) benefits. Our financial benefits of \$39.6 billion represents an \$83 return on every dollar invested in us, and the more than 1,400 other 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 5 percentage points and 8 percentage points, respectively.

We did not achieve the targets we set for testimonies and timeliness. Several testimonies we had scheduled were postponed or canceled so that the Congress could turn its attention to the Supreme Court nominations, and during the last months of the fiscal year, to Hurricane Katrina and its aftermath. However, we believe we served the Congress very well during fiscal year 2005. Based on feedback through an electronic survey completed by a sample of our congressional clients who requested our testimonies and significant products, 96 percent of the responses concerning their overall satisfaction with our products were favorable. These

respondents were pleased with various aspects of our written products and testimony statements, such as the professional manner in which we conducted our work and responded orally to questions at congressional hearings, respectively. We discuss the client feedback survey in detail on [p. 37](#) of this report.

Concerning our eight people measures, which we began to hold managers accountable for in fiscal year 2005, we are happy to report that we met or exceeded our annual targets for all but two of them—new hire rate and acceptance rate. Our performance in this area indicates that we did a very good job developing, productively using, and managing our staff, but need to improve our recruiting and hiring processes a little more, which we have taken steps to do. We discuss these actions in appendix 1 of this report ([see p. 185](#)).

To help us examine trends over time, we also look at 4-year averages for all of 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. 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 2001 through fiscal year 2005 financial and other benefits increased steadily along with the percentage of new products with recommendations. The average number of testimonies, on the other hand, declined from fiscal years 2003 through fiscal year 2004, but has increased in fiscal year 2005. Our ability to provide timely products leveled off after fiscal year 2002 and fiscal year 2004 at 96 percent, but increased slightly by 1 percentage point in fiscal year 2005.

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

Performance measure	2001	2002	2003	2004	2005
<b>Results</b>					
Financial benefits (dollars in billions)	\$22.4	\$26.9	\$30.7	\$35.9	\$39.2
Other benefits	683	775	884	986	1,139
New products with recommendations	37%	42%	48%	54%	58%
<b>Client</b>					
Testimonies	225	215	205	193	200
Timeliness	95%	96%	96%	96%	97%

Source: GAO.

Regarding our qualitative multiyear performance goals, at the close of fiscal year 2005 (the end of our multiyear performance cycle) we met 96 of our 99 performance goals. In part II of this report, we present detailed information about the multiyear performance goals developed to measure our progress toward achieving each of our four strategic goals.

## *Focusing on Results*

Focusing on outcomes and the efficiency of the processes needed to achieve them is fundamental to accomplishing our mission. The following five annual measures indicate that we have fulfilled our mission and delivered results that benefit the nation.

### **Financial and Other Benefits**

We describe many of the benefits produced by our work as either financial or other (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 2005 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.

### *Financial Benefits*

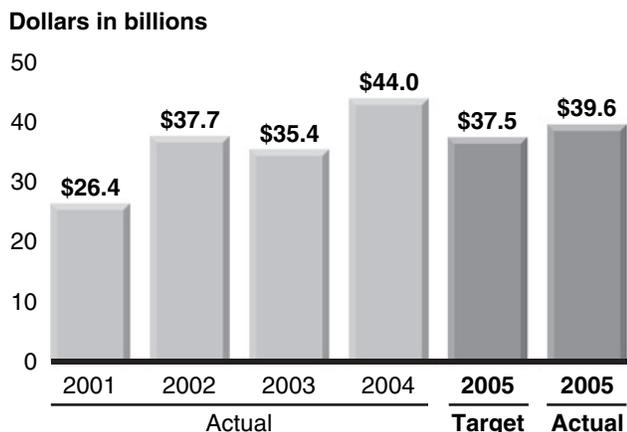
Our findings and recommendations produce measurable financial benefits for the federal government when the Congress or agencies act on them and the funds are made available to reduce government expenditures or are reallocated to other areas. The monetary effect realized can be the result of changes in

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

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

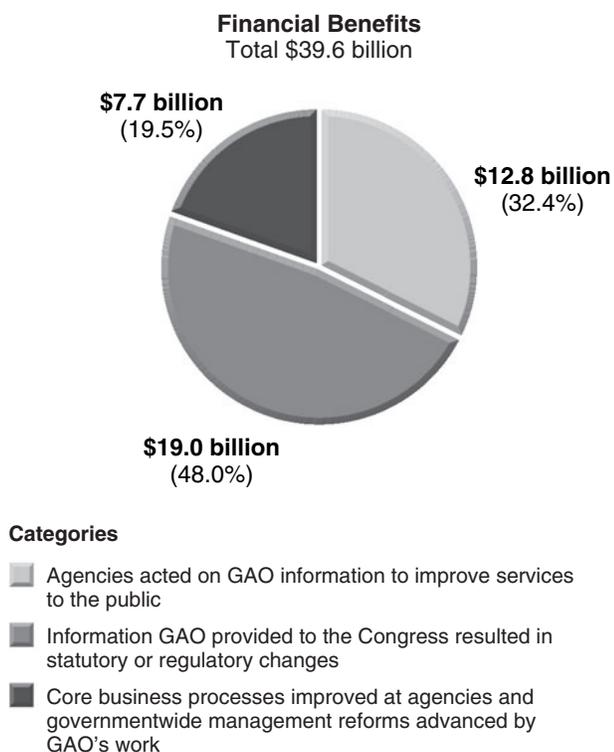
In fiscal year 2005, our work generated \$39.6 billion in financial benefits (see fig. 4). Of this amount, \$19 billion (or approximately 48 percent) resulted from changes in laws or regulations (see fig. 5).

**Figure 4: Financial Benefits GAO Recorded in Fiscal Year 2005**



Source: GAO.

**Figure 5: Types of Financial Benefits Recorded in Fiscal Year 2005 from Our Work**



Source: GAO.

Note: Percentages and amounts do not add due to rounding.

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. 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 and are reduced by any identifiable offsetting costs. 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, QCI, reviews all financial benefits and approves benefits of \$100 million or more, which amounted to 94 percent of the total dollar value of benefits recorded in fiscal year 2005. Additionally, our IG performs an independent review of all accomplishment reports claiming benefits of \$500 million or more, which represented about 78 percent in fiscal year 2005.

Figure 6 lists several of our major financial benefits reported in fiscal year 2005 and briefly describes some of our work contributing to financial benefits.

**Figure 6: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2005**

Source: See Image Sources.

Description	Amount
<p><b>Reduced funding for a missile defense system.</b> In an April 2003 report, we stated that to successfully develop an effective and suitable missile defense system, the Missile Defense Agency must be willing to adopt knowledge-based acquisition practices that have made other developers successful. Our report acknowledged that the agency's development strategy for the Kinetic Energy Interceptor program included knowledge-based practices, but concluded that the agency had not implemented two important practices: (1) using well-developed technologies during system integration and (2) fully testing a system before fielding it. In response, the Missile Defense Agency is scaling back development of the Kinetic Energy Interceptor program until technologies are mature. Over a 5-year period—from fiscal year 2005 through fiscal year 2009—program funding will be reduced by about \$5.2 billion, which has a net present value of about \$4.7 billion. (Goal 2)</p>	\$4.7
<p><b>Avoided higher costs associated with a nuclear waste disposal process.</b> In a June 2003 report, we recommended that DOE pursue legislative clarification from the Congress because of a legal challenge that threatened DOE's ability to proceed with its less costly strategy for treating and disposing of radioactive tank wastes with lower concentrations of radioactivity. DOE estimated that pursuing a more expensive treatment and disposal strategy suitable for wastes with higher concentrations of radioactivity would increase waste treatment disposal costs by \$55 billion to \$60 billion at its Savannah River Site. The Fiscal Year 2005 National Defense Authorization Act contained a provision that clarified DOE's authority to follow its planned treatment and disposal strategy thus avoiding a more costly process. We calculated that the net present value of the cost avoidance for fiscal years 2005 through 2009 was about \$4.5 billion. (Goal 1)</p>	\$4.5
<p><b>Improved the Army's force structure.</b> In a report examining the Army's force structure, we recommended that the Army establish mission criteria to provide a firmer basis for its Strategic Reserve, Domestic Support, and Homeland Defense force requirements. Such criteria would help to ensure that the Army had the right number and types of soldiers available for these purposes. Rather than request additional end strength, the Army reconfigured its existing force's structure. In April 2003, DOD reported that the Army had included force structure changes in its fiscal year 2004 budget, which supported increased units for military police; military intelligence; special forces; and chemical, civil affairs, and psychological operations. Based on this action, the Army has been able to rebalance its force structure to create needed units with minimal increases in authorized end strength. The amount shown represents the net present value of the force structure changes over a 5-year period (fiscal years 2004 through 2008). (Goal 2)</p>	\$3.4
<p><b>Reduced the cost of federally subsidized housing projects.</b> We determined that the Department of Housing and Urban Development (HUD) had not developed the systems it needed to track the status of unexpended balances in its project-based Section 8 housing program and therefore could not use this information to help manage the program and formulate budget requests for it. As a result of our work, the Congress required HUD to better enforce the legislative provisions requiring the recapture of capital funds not being utilized by public housing authorities. In fiscal year 2005, we documented—using HUD data—that a financial benefit of about \$2.7 billion in current dollars resulted from HUD's recapture of about \$2.5 billion of fiscal year 2003 dollars. (Goal 1)</p>	\$2.7
<p><b>Avoided costs associated with higher payment rates at skilled nursing homes.</b> In 2002, we assessed the impact of a 16.6 percent increase in Medicare's daily rate for skilled nursing facilities on nurse staffing ratios. Our analysis showed that nurse staffing ratios changed little from April 1, 2001, through September 30, 2002—the period during which the rate increase was in effect. In fiscal year 2003, the cost to the federal government of reinstating the payment rate increase was approximately \$1 billion per year. Since we issued our report, the Congress has considered reinstating the rate increase, but it has chosen not to, largely on the basis of our analysis. The net present value of the annual cost avoidance for fiscal years 2004 and 2005 is \$2 billion. (Goal 1)</p>	\$2.0

**Increased tax revenues.** We reported that the Internal Revenue Service (IRS) did not have systems or procedures in place to allow it to identify and actively pursue unpaid tax cases that may have some collection potential. Based on our work, IRS has taken action to better assess the potential for collecting unpaid tax assessment cases and has used that information to better target its collection efforts. Specifically, in 2004 IRS began implementing a sophisticated modeling technology to identify productive and less productive cases to ensure that its resources are devoted to cases with a higher likelihood of collection and to help prevent premature suspension of collection efforts. IRS's analysis of the yield on collection cases after employing this modeling in fiscal year 2004 shows that this yield increased by about \$1.8 billion (in current year dollars), or 8.4 percent from the previous year (fiscal year 2003), without significant staffing level increases. (Goal 3) \$1.8

**Ensuring continued investment in the General Services Administration's (GSA) online purchasing system.** As of 2003, GSA had spent \$84 million to develop, implement, and maintain Advantage, a system for ordering products and services online. However, 5 years after the system was launched, only 35 percent of all government-contracted vendors participated in the program, and agencies were largely using the system to compare pricing. To ensure GSA's level of investment matched customer needs, we recommended that the agency develop a business case for a system such as Advantage, and in January 2005, GSA selected a new business strategy that would significantly enhance the system's capabilities to serve as a broker between buyers and suppliers and provide agencies with an automated tool for formulating acquisition requirements and developing requests for quotes. GSA projects over \$1.5 billion in financial benefits to result from electronic transactions, spend analysis (analysis of expenditures that shows how money is spent on goods and services), a searchable procurement data repository, and competitive pricing. This financial benefit has a net present value of just over \$1.3 billion. (Goal 3) \$1.3

**Reduced Navy and Air Force appropriations.** DOD policy requires the Defense Working Capital Fund to maintain cash levels to cover 7 to 10 days of operational cash and 6 months of capital asset disbursements. Our analysis showed that the January 2004 reported actual cash balance for the Air Force Working Capital Fund exceeded the 10-day cash requirement by about \$1.5 billion, and the Navy's Working Capital Fund reported actual cash balance exceeded the budgeted cash balance by \$659 million and \$408 million at the end of fiscal years 2002 and 2003, respectively. The Congress reduced the Navy and Air Force fiscal year 2005 Operation and Maintenance appropriations by just under \$1.3 billion due to excessive cash amounts. (Goal 3) \$1.3

**Eliminated the National Aeronautics and Space Administration's (NASA) Prometheus 1 project.** We issued a report questioning whether NASA had established the initial justification for its investment in the Prometheus 1 project and how the agency planned to ensure that critical nuclear power and propulsion system technologies were sufficiently developed to support deep space probes like the Jupiter Icy Moons Orbiter. We also reported that the approved Prometheus 1 funding profile was inadequate to support the planned mission—a launch to Jupiter's Icy Moons in 2015. NASA has subsequently deferred the Jupiter Icy Moons Orbiter mission indefinitely, reducing the agency's funding needs by about \$1.22 billion through fiscal year 2009; the net present value of this reduction is over \$1.1 billion. (Goal 3) \$1.1

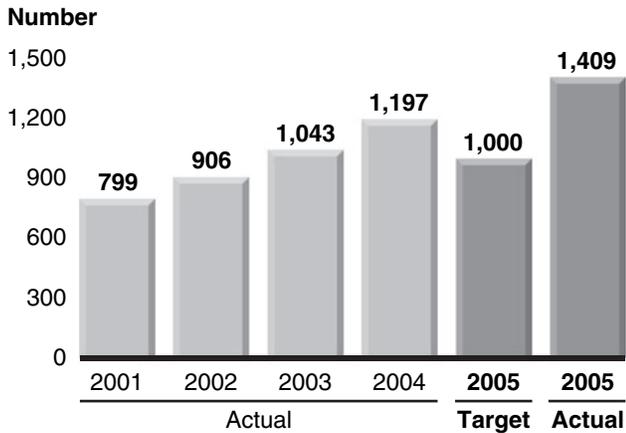
**Reduced the budget request for a new foreign assistance program.** In March and June 2004, we provided the Congress with information to help it assess the President's \$2.5 billion fiscal year 2005 budget request for the Millennium Challenge Account—a new foreign assistance program intended to provide economic assistance to countries that demonstrate a commitment to ruling justly, investing in people, and encouraging economic freedom. Our work provided the Congress with a framework for identifying relationships and tradeoffs between funding levels, compact length, and number of compacts (i.e., agreements). Our analysis indicated that by reducing assistance target levels, the length of compacts or both with participating countries, the program could operate at a lower funding level. We also estimated the effect of funding compacts partly from future appropriations. Our work facilitated the Congress's decision to reduce the appropriation for the Millennium Challenge Account in fiscal year 2005 to \$1.5 billion. (Goal 2) \$1.0

Source: GAO.

*Other Benefits*

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2005, we recorded a total of 1,409 other benefits (see fig. 7).

**Figure 7: Other Benefits GAO Recorded in Fiscal Year 2005**

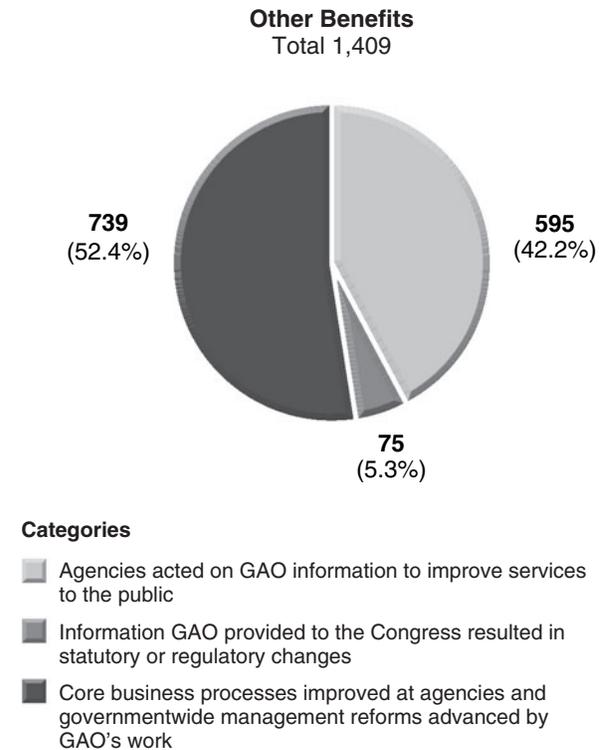


Source: GAO.

We documented 75 instances where the information we provided to the Congress resulted in statutory or regulatory changes, 595 instances where federal agencies used our information to improve services to the public, and 739 instances where agencies improved core business processes or government-wide reforms as a result of our work. (See fig. 8.) These actions spanned the full spectrum of issues, from identifying that some soldiers had not been reimbursed for military-related travel costs they personally incurred to highlighting weaknesses in SSA's

policies for verifying birth certificates when issuing replacement Social Security cards. In figure 9 we provide examples of some of the other benefits we claimed as accomplishments in fiscal year 2005. The laws that we cite in the first section of this figure were passed in fiscal year 2005.

**Figure 8: Types of Other Benefits Recorded in Fiscal Year 2005 from Our Work**



Source: GAO.

Note: Percentages do not add due to rounding.

**Figure 9: GAO's Selected Other (Nonfinancial) Benefits Reported in Fiscal Year 2005**

## *Other Benefits*

Source: See Image Sources.

### *Other benefits that helped to change laws*

#### **Intelligence Reform and Terrorism Prevention Act of 2004 (Pub. L. No. 108-458)**

Our work is reflected in this law in different ways.

In our May 2004 testimony on the use of biometrics for aviation security, we reported on the need to identify how biometrics will be used to improve aviation security prior to making a decision to design, develop, and implement biometrics. Using information from our statement, the House introduced a bill on July 22, 2004, directing the Transportation Security Administration (TSA) to establish system requirements and performance standards for using biometrics, and to establish processes (1) to prevent individuals from using assumed identities to enroll in a biometric system and (2) to resolve errors. These provisions were later included in an overall aviation security bill and were eventually included in the Intelligence Reform and Terrorism Prevention Act of 2004, enacted in December 2004. (Goal 2)

We conducted a body of work assessing the physical screening of airport passengers and their checked baggage. We found that the installation of systems that are in line with airport baggage conveyor systems may result in financial benefits according to TSA estimates for nine airports. We also found that the effectiveness of the advance passenger screening under the process known as Secure Flight was not certain. TSA agreed to take corrective actions in these areas, and the Congress required TSA in the Intelligence Reform and Terrorism Protection Act to prepare a plan and guidelines for installing in-line baggage screening systems, and enacted measures to promote Secure Flight's development and implementation. (Goal 1)

#### **Real ID Act of 2005 (Pub. L. No. 109-13)**

We reported on the verification of identity documents for drivers' licenses, noting that visual inspection of key documents lent itself to possible identity fraud. To demonstrate this, our investigators were able to obtain licenses in two states using counterfeit documents and the Social Security numbers of deceased persons. The Congress established federal identification standards for state drivers' licenses and other such documents and mandated third-party verification of identity documents presented to apply for a driver's license. (Goal 1)

#### **Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Pub. L. No. 108-375)**

We assisted the Congress in crafting major improvements to a program intended to compensate individuals who worked in DOE facilities and developed illnesses related to radiation and hazardous materials exposure. In a 2004 report, we identified features of the originally enacted program that would likely lead to inconsistent benefit outcomes for claimants, in part because the program depended on the varying state workers compensation systems to provide some benefits. We also presented several options for improving the consistency of benefit outcomes and a framework for assessing these options. When the Congress enacted the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, it revamped this energy employees benefit program. Among other changes, this law federalized the payment of worker compensation benefits for eligible energy contractor employees and provided a schedule of uniform benefit payments. (Goal 1)

**Federal Lands  
Recreation  
Enhancement Act (Pub.  
L. No. 108-447)**

Our work over the past several years has helped the Congress to establish and assess the impacts of the recreational fee demonstration program. Under this trial program, the Congress authorized the National Park Service, the Fish and Wildlife Service, the Bureau of Land Management, and the Forest Service to charge fees to visitors to, among other things, reduce the maintenance backlog at federal parks and historic places and protect these lands from visitor impacts. Since the program's inception in 1996, we have identified issues that needed to be addressed to improve the program's effectiveness that included providing (1) a more permanent source of funds to enhance stability, since the current program had to be reauthorized every 2 years; (2) the participating agencies with greater flexibility in how and where they apply fee revenues; and (3) improvements in interagency coordination in the collection and use of revenue fees to better serve visitors by making the payment of fees more convenient and equitable and reducing visitor confusion about similar or multiple fees being charged at nearby or adjacent federal recreational sites. As a result of this body of work, the Congress addressed these issues by passing the Federal Lands Recreation Enhancement Act in December 2004. This act permits federal land management agencies to continue charging fees at campgrounds, rental cabins, high-impact recreation areas, and day-use sites that have certain facilities. The act also provides for a nationally consistent interagency program, more on-the-ground improvements at recreation sites across the nation, enhanced visitor services, a new national pass for use across interagency federal recreation sites and services, and public involvement in the program. (Goal 1)

**Consolidated  
Appropriations Act,  
2005 (Pub. L. No. 108-  
447)**

Our work is reflected in this law in different ways.

At the time of our August 2003 report, the original 1999 expiration date for the franchise fund pilots operating at the Departments of Commerce, Veterans Affairs, Health and Human Services, the Interior, and the Treasury and at the Environmental Protection Agency had been extended three times. These franchise funds, authorized by the Government Management Reform Act of 1994, are part of a group of 34 intragovernmental revolving funds that were created to provide common administrative support services required by many federal agencies. For example, the Commerce Franchise Fund's business line provides IT infrastructure support services to the agency. We concluded that increasing the period of authorization would help ease concerns of current and potential clients about franchise fund stability and might allow franchise funds to add new business lines, and we suggested that the authorizations be extended for longer periods. The Congress provided permanent authority to the Treasury franchise fund in the Consolidated Appropriations Act, 2005, passed on December 8, 2004. (Goal3)

In 2003, we reported that most agencies could not retain the proceeds from the sale of unneeded property and this acted as a disincentive to disposing of unneeded property. We stated in our high-risk report on federal real property that it may make sense to permit agencies to retain proceeds for reinvestment in real property where a need exists. Subsequently, in the Consolidated Appropriations Act, 2005, the Congress authorized the Administrator of GSA to retain the net proceeds from the conveyance of real and related personal property. These proceeds are to be deposited into the Federal Buildings Fund and are to be used as authorized for GSA's real property capital needs. (Goal 1)

In December 2003, we reported that 184 out of 213 Alaska Native villages are affected, to some extent, by flooding and erosion. However, these villages often have difficulty qualifying for federal assistance to combat their flooding and erosion problems. In our report, we recommended that the Denali Commission adopt a policy to guide investment decisions and project designs in villages affected by flooding and erosion. In this legislation, the Congress provided the Secretary of the Army authority to carry out "structural and non-structural projects for storm damage prevention and reduction, coastal erosion, and ice and glacial damage in Alaska, including relocation of affected communities and construction of replacement facilities." (Goal 1)

To improve the federal government's ability to collect billions of dollars of outstanding criminal debt, we recommended in a 2001 report, that the Department of Justice work with other agencies involved in criminal debt collection, including the Administrative Office of the U.S. Courts, the Department of the Treasury (Treasury), and the Office of Management and Budget (OMB), to develop a strategic plan that would improve interagency processes and coordination with regard to criminal debt collection activities. The conference report that accompanied the Consolidated Appropriations Act, 2005, directed the Attorney General to assemble an interagency task force for the purpose of better managing, accounting for, reporting, and collecting criminal debt. (Goal 3)

### ***Other benefits that helped to improve services to the public***

**Encouraged improvements in the process for ensuring states' compliance with education laws for the disabled**

Our report found that the Department of Education's (Education) system for resolving noncompliance with the Individuals with Disabilities in Education Act is protracted. We found that resolution of noncompliance cases often takes several years, in part because Education took a year on average from the time it identified noncompliance to issue a report citing the noncompliance. We therefore recommended that Education improve its system of resolving noncompliance by shortening the amount of time it takes to issue a report of noncompliance and by tracking changes in response times under the new monitoring process. In response to our recommendation, Education has instituted an improved process for managing and tracking the various phases of the monitoring process, which includes the creation of a database to facilitate this tracking. This new tracking system will enable Education to better monitor the status of existing noncompliance, and thus enable the department to take appropriate action when states fail to come into compliance in a timely manner. (Goal 1)

**Identified a weakness in Medicare's telephone assistance service**

In 2004, we found that the 24-hour 1-800-MEDICARE help line, operated by the Centers for Medicare & Medicaid Services (CMS), did not answer 10 percent of the calls we placed to test its accuracy, often because it automatically transferred some calls to claims administration contractors that were not open for business at the time of the call. This call transfer process prohibited callers from accessing information during nonbusiness hours, even though 1-800-MEDICARE operates 24-hours a day. As a result, we recommended that CMS revise the routing procedures of 1-800-MEDICARE to ensure that calls are not transferred or referred to claims administration contractors' help lines during nonbusiness hours. In response, CMS finished converting its call routing procedures. As a result, calls placed after normal business hours will be routed to the main 1-800-MEDICARE help line for assistance. (Goal 1)

**Highlighted the need for increased security at a federal disease research facility**

USDA scientists at the Plum Island Animal Disease Center research contagious animal diseases that have been found in other countries. The mission of the facility, now administered by DHS, is to develop strategies for protecting the nation's animal industries and exports from these foreign animal diseases. In our September 2003 report, *Combating Bioterrorism: Actions Needed to Improve Security at Plum Island Animal Disease Center*, we made several recommendations to improve security at the facility and reduce vulnerability to terrorist attacks. Among other things, we recommended that the Secretary of Homeland Security, in consultation with the Secretary of Agriculture, enhance incident response capability by increasing the size of the guard force. DHS has informed us that this has been completed. According to the Director of Plum Island, DHS has more than doubled the number of guards assigned on each shift on Plum Island. (Goal 1)

### ***Other benefits that helped to promote sound agency and governmentwide management***

**Recommended a process to increase the efficiency of DOD procurements**

DOD spending on service contracts approaches \$100 billion annually, but DOD's management of services procurement is inefficient and ineffective and the dollars are not always well spent. Many private companies have changed management practices based on analyzing spending patterns and coordinating procurement efforts in order to achieve major savings. We recommended that DOD adopt the effective spend analysis processes used by these leading companies and use technology to automate spend analysis to make it repeatable. In response, DOD is developing new technology to do that. According to DOD and contractor project managers, one phase of the project was completed in December 2004. In March 2005, DOD approved a business case analysis to seek follow-on funding for developing a DOD-wide spend analysis system. (Goal 2)

### Improved the Air Force's oversight of purchase card transactions

As part of our audit of Air Force purchase card controls, we identified transactions that Air Force officials acknowledged to be fraudulent as well as potentially fraudulent transactions that the Air Force had not identified. To improve Air Force oversight of purchase card activity and facilitate the identification of systemic weaknesses and deficiencies in existing internal control and the development of additional control activities, we recommended that the Air Force establish an agencywide database of known purchase card fraud cases. In lieu of establishing a separate agencywide database, during fiscal year 2003, the Air Force Office of Special Investigations initiated quarterly reporting on its purchase card investigations to the DOD IG for macro-level analysis of systemic weaknesses in the program. Our ongoing collaboration with the DOD IG on DOD's purchase card program confirmed that the Air Force's Office of Special Investigations is working effectively with DOD's IG on data-mining techniques for detection of potentially improper and fraudulent purchase card transactions. As a result of our work, the Air Force has taken action to reduce the financial risk associated with undetected fraud and abuse in its purchase card program. (Goal 3)

### Encouraged the Census Bureau to produce training materials in other languages

For the 2000 Census, the United States Census Bureau (Bureau) printed material used to train census workers only in English, except in Puerto Rico where training materials were available in Spanish. However, to better prepare census workers—some of whom speak Spanish as their first language—to locate migrant farm workers and other hard-to-count groups, we recommended that the Bureau consider providing training materials in languages other than English to targeted areas. In response to our recommendation, the Bureau is researching foreign-language data collection methods as part of its preparations for the 2006 Census test and, more generally, plans to identify areas and operations that will require in-language training materials for areas with very large, new migrant populations where it will not be possible to hire bilinguals. Moreover, the Bureau's June 2005 request for proposals for a Field Data Collection Automation System includes a requirement for the contractor to provide training applications and materials in English and Spanish for the handheld computers enumerators are to use to count nonrespondents. (Goal 3)

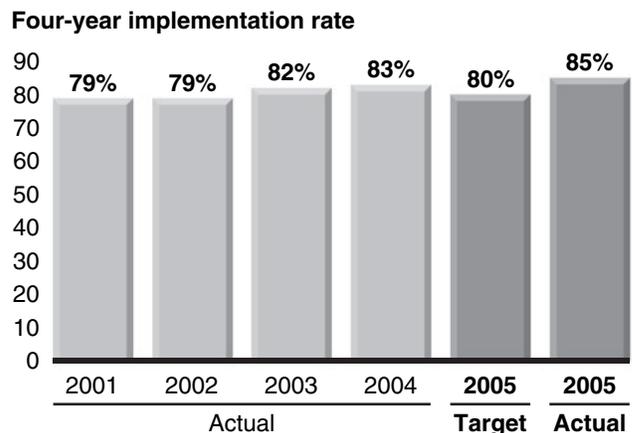
Source: GAO.

In addition to the financial and other benefits claimed in fiscal year 2005 from our work, we also achieved the following results.

### 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 2005, 85 percent of the recommendations we made in fiscal year 2001 had been implemented (see fig. 10), primarily by executive branch agencies. Putting these recommendations into practice will generate tangible benefits for the nation in the years ahead.

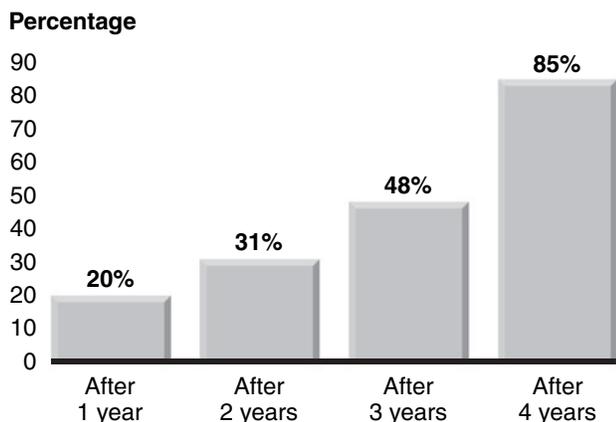
**Figure 10: Percentage of Past Recommendations Implemented**



Source: GAO.

The 85 percent implementation rate for fiscal year 2005 exceeded our target for the year by 5 percentage points as well as our actual performance for the last 4 years. As figure 11 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 11: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2001**

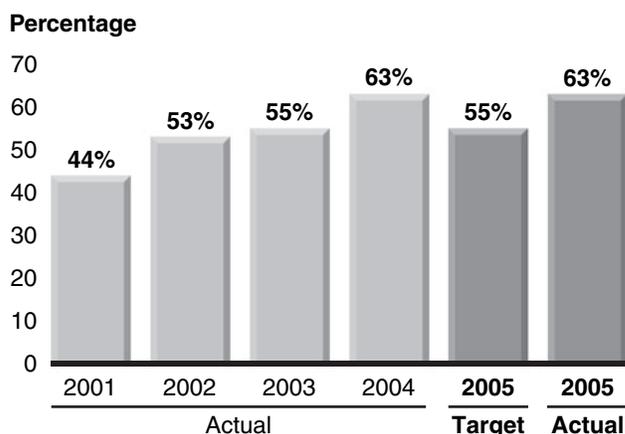


Source: GAO.

### New Products Containing Recommendations

This year, about 63 percent of the 637 written products we issued (excluding testimonies) contained recommendations. (See fig. 12.) 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 other benefits for the nation. However, by setting our target at 55 percent, 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 other benefits. Hence, this measure allows us ample leeway to respond to requests that result in reports without recommendations.

**Figure 12: Percentage of New Products with Recommendations**



Source: GAO.

### Multiyear Performance Goals

In addition to our annual measures, we track our progress on 99 multiyear performance goals. At the end of fiscal year 2005, we met all but 3 of our performance goals. Our performance goals measure the extent to which we did the work we had planned to do to support the Congress during fiscal years 2004 and 2005. Our senior managers developed these performance goals at the beginning of the assessment cycle (fiscal year 2004) based on their knowledge of specific subject areas and in consultation with our clients and customers. However, because congressional or GAO priorities can change over the period covered by these performance goals, we may not be able to meet some of them because resources had to be shifted away from planned work to address new or more urgent priorities. In such circumstances, we do not necessarily view an unmet performance goal as a problem. Rather, we believe it shows that we are responsive in carrying out our mission of serving the Congress and the nation and devoting our resources to efforts of critical importance. We consider these performance goals qualitative rather than quantitative because our senior managers determine whether enough work (i.e., key efforts) has been performed to achieve a performance goal. In Part II of this report, we list by strategic goal the multiyear qualitative performance goals supporting each strategic objective and indicate whether the performance goal was met.

## Focusing on Our Clients

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 clients. Our performance this year indicates that we assisted our clients—the Congress—well, though we missed our target on both the number of hearings we participated in and our ability to deliver products on time.

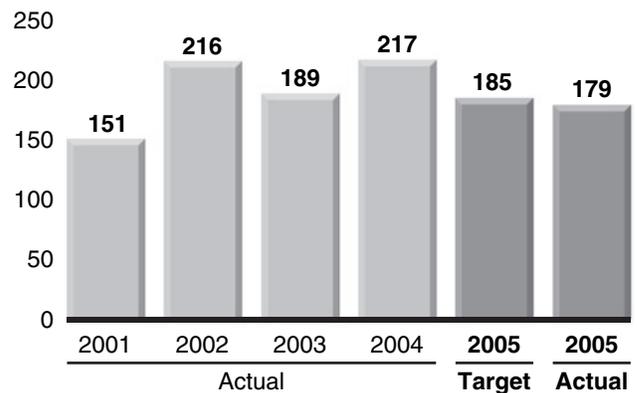
### Testimonies

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 2005, experts from our staff testified at 179 congressional hearings covering a wide range of complex issues (see [fig. 13](#)). For example, our senior executives testified on improving the security of nuclear material, federal oversight of mutual funds, and the management and control of DOD's excess property. (See [p. 36](#) for a summary of issues we testified on by strategic goal in fiscal year 2005.) Over 70 of our testimonies were related to high-risk areas and programs, which are discussed on [page 43](#).

However, in spite of our willingness to testify for our clients, we did not meet our fiscal year 2005 target of 185 testimonies, primarily because congressional committees either canceled or postponed several hearings at which our senior executives were scheduled to testify to focus instead on the Supreme Court nominations and Hurricane Katrina.

**Figure 13: Testimonies**

#### Hearings at which GAO testified



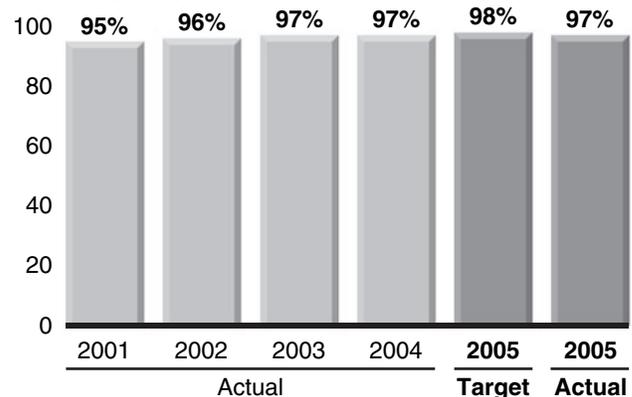
Source: GAO.

### Timeliness

We track the percentage of our products that are delivered on or before the day we agreed to with our clients because it is critical that our work be done on time for it to be used by policymakers. As shown in [figure 14](#), in fiscal year 2005 we missed our target of providing 98 percent of them by the promised date.

**Figure 14: Timeliness**

#### Percentage of products on time



Source: GAO.

# Selected Testimony Issues

## Fiscal Year 2005

### **GOAL 1:**

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

- Head Start grants management
- Preparing for an influenza pandemic
- Overseeing the U.S. food supply
- Retirement options for seniors
- Long-term health care costs and government budgets
- Energy demand in the 21st century
- Postal service reform legislation
- Veterans' disability claims
- Social Security reform
- Wildland fire management
- Medicaid financing issues
- Meeting the future demand for energy in the United States
- National air traffic system
- Amtrak's Acela train
- Protecting nuclear material handled at science and environmental sites
- Providing services to seriously injured veterans
- Rural housing service
- Federal real property
- Endangered Species Act
- Federal oversight of the E-rate program

### **GOAL 2:**

#### **Respond to Changing Security Threats and the Challenges of Globalization**

- Army's modular forces
- U.S. passport fraud
- Cargo security strategies
- Acquisition challenges facing the Navy's DD(X) destroyer program
- Tactical aircraft modernization
- DOD security clearances
- Oil for Food program
- Unmanned aerial vehicles
- Condition of Coast Guard aircraft and ships used in deep waters
- Managing violations of restricted air space
- Federal oversight of mutual funds to ensure investor security
- Port security
- Protecting U.S. officials overseas from terrorist attacks
- DOD's business transformation
- Transportation security issues
- Implementing laws that protect the security of information
- DOD's national security personnel system
- Acquisition challenges facing the Army's future combat systems

### **GOAL 3:**

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

- Long-term fiscal issues affecting the federal government
- Gaps in military pay and benefits
- 21st century challenges for the federal government
- Air Force procurement protests
- Human capital transformation at DHS
- Preparing for emergencies at federal agencies
- Space shuttle workforce issues
- Reducing the tax gap
- U.S. government financial statements
- Management and control of DOD's excess property
- Pricing federal multiple award contracts
- Performance budgeting
- High-risk federal programs
- Army National Guard travel reimbursement issues
- Space acquisitions and investment planning
- Improper Payments Information Act
- Agencies' continuity of operations plans
- DHS's Student and Exchange Visitor Information System

As part of its periodic review of our performance measures, the IG independently examined our process for calculating product timeliness and found evidence that some staff may be inconsistently applying the policy for changing a committed issue date, which ultimately affects the reliability of this measure. The IG also noted that the internal reporting approach may not adequately represent the most complete assessment of the requesters' satisfaction with our ability to deliver products when our clients need them. The IG recommended that GAO management strengthen the guidance for determining timeliness and consider developing an alternative, more independent measure to gauge performance in this area.

Therefore, beginning in fiscal year 2006, we will use the results of our client feedback survey as a barometer for how well we are getting our products to the Congress when it needs them. We will use this survey as the primary data source for our external timeliness measure because the responses come directly from our clients and are free from significant input by our staff. However, we will continue to use as a supplemental check to the survey our current process for determining timeliness and have already taken steps to clarify the guidance related to our process for changing committed issue dates. Both indicators will help to ensure that teams supporting strategic goals 1 through 3 continue to complete engagements on the date mutually agreed to with our clients.

Since March 2002, we have been pilot testing an e-mail survey that we send to a portion of our clients for direct, independent feedback from them on their satisfaction with the quality and timeliness of our work and their interactions with our staff. We tally responses from the survey we send to key staff working for the requesters of our testimony statements and our more significant written products (e.g., engagements assigned a risk level of "high" by our senior management<sup>5</sup> and those requiring an investment of 500 staff days or more). Each survey asks the client whether the product was delivered on time. Because our products often have multiple requesters, we survey more than one congressional

staff person per product. In fiscal year 2005, we sought feedback on 42 percent of the products we issued that year and had a 30 percent response rate from the congressional staff surveyed. Overall, 93 percent of those responding to the survey either strongly or generally agreed that our products were delivered on time.

## *Focusing on Our People*

We could not have performed as well as we did in fiscal year 2005 without the support and commitment of our highly professional, multidisciplinary staff. Our ability to hire, develop, retain, and lead staff is critical to fulfilling our mission of serving the Congress and the American people.

Since 2002, we have refined our processes for measuring how well we manage our human capital and have benchmarked our performance in this area. Fiscal year 2005 was the first year we held our managers accountable for our eight people measures, and we met six of them—slightly missing our targets for new hire rate and acceptance rate by only a few percentage points. These 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 in part II 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 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 the 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

<sup>5</sup>As part of our risk-based, engagement management process, we identify a new engagement as high risk 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.

necessary, to reflect changing needs and conditions. In fiscal year 2005, our adjusted plan was to hire 281 staff. However, we were only able to bring on board 263 staff by year-end. Our acceptance rate measure is a proxy for GAO's 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 missed the targets we set for new hire rate and acceptance rate by 3 percentage points and 4 percentage points, respectively. Our calculations for each of these measures do not include offers extended to applicants for fiscal year 2005 vacancies that were accepted but for which applicants will not report for duty until the first quarter of fiscal year 2006. In addition, we were unable to fill by year-end critical positions for accountants/auditors due to market competition.

To more effectively anticipate and acquire the human resources we need now and in the future, we took steps to improve our recruitment strategy by expanding the focus of our student employment program. Rather than targeting our recruitment efforts solely at graduate students who are available to work with us during the summer, we expanded the program to include undergraduate students, and we will offer both groups employment opportunities in the fall and spring as well as during the summer. Our fiscal year 2006 recruitment strategy, developed in fiscal year 2005, includes (1) using targeted recruiting for special skill sets and hard-to-fill positions with an emphasis on diversity and (2) implementing year-round internships, cooperative education agreements with five local universities, and governmentwide flexibility for noncompetitive appointments into our Professional Development Program. We also launched a pilot program that offers employment to a limited number of undergraduate cooperative education program participants in September 2005.

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

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005	
					Target	Actual
New hire rate	N/A	96%	98%	98%	97%	94%
Acceptance rate	N/A	81%	72%	72%	75%	71%

Source: GAO.

Note: N/A indicates the data are not available.

### 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 of the on-board strength 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 we met each of our retention rate targets in fiscal year 2005. With the exception of fiscal year 2002 and 2003, our actual retention rate excluding and including retirements, respectively, has been relatively flat over the last 5 years.

**Table 4: Actual Performance and Targets Related to Our Retention Rate Measures**

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005	
					Target	Actual
Retention rate						
with retirements	91%	91%	92%	90%	90%	90%
Without retirements	95%	97%	96%	95%	94%	94%

Source: GAO.

### Staff Development, Staff 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 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.

In fiscal year 2005, 80 percent of our employees completed the survey, and we met or slightly exceeded our targets for all four measures (see table 5). We first conducted this survey in fiscal year 2002 and since then favorable responses to questions related to these measures have increased each year. Our scores this year averaged 8.5 percent higher than the latest Office of Personnel Management governmentwide survey and 5.25 percent higher than the latest private industry survey. In fiscal year 2005, we also added questions to assess employees' satisfaction with us. The results of the responses to these questions were used by the Partnership for Public Service (Partnership) to determine our standing in the annual Best Places to Work in the Federal Government rankings. In September 2005, we received an award from the Partnership for our fourth place ranking.

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

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005	
					Target	Actual
Staff development	N/A	71%	67%	70%	72%	72%
Staff utilization	N/A	67%	71%	72%	74%	75%
Leadership	N/A	75%	78%	79%	80%	80%
Organizational climate	N/A	67%	71%	74%	75%	76%

Source: GAO.

Note: N/A indicates the data are not available.

## Focusing on Our Internal Operations

Our mission and people are supported by our internal administrative services, including information management, building management, knowledge services, human capital, financial management, and other services. Beginning in fiscal year 2006, we will begin using two new performance measures 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. These measures are directly related to our goal 4 strategic objectives of continuously enhancing GAO's business and management processes and becoming a professional services employer of choice. We will 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. The first measure encompasses 21 services that help employees get their jobs done, such as Internet access, desktop computer equipment, and voice and video communication systems. The second measure encompasses another 10 services that affect quality of work life, such as assistance related to pay and benefits, building security, 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	2000 actual	2001 actual	2002 actual	2003 actual	2004 actual	2005 actual	2006 target
<b>Internal operations</b>							
Help get job done	N/A	N/A	N/A	3.98	4.01	N/A	4.0
Quality of work life	N/A	N/A	N/A	3.86	3.96	N/A	4.0

Source: GAO.

Notes: We will report actual data for fiscal year 2005 once the data from our November 2005 internal operations survey have been analyzed. N/A indicates that the data are not available yet or not applicable because we did not collect the data during this period.

## 21st Century Challenges

We have long had a statutory responsibility for monitoring the condition of the nation's finances. Recently, in our role as the auditor of the U.S. government's consolidated financial statements, we included an emphasis paragraph in our audit report for the fiscal year ended September 30, 2004, expressing our concern that the fiscal policies in place today will—absent unprecedented changes in tax policies, spending policies, or both—result in large, escalating, and persistent deficits that are economically unsustainable over the long term. This conclusion is based on the results of our long-term budget model, which the agency has used since 1992.

Over the long term, the nation's growing fiscal imbalance stems primarily from the aging of the population, rising health care costs, and lower federal revenues as a percentage of the economy. These trends are compounded by the presence of near-term deficits arising from new discretionary and mandatory spending as well as lower revenues as a share of the economy. Absent significant changes on the spending side, the revenue side, or both of the budget, these long-term deficits will encumber a growing share of federal resources and test the capacity of current and future generations to afford both today's and tomorrow's commitments. Continuing on this unsustainable path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.

Addressing the nation's long-term fiscal imbalances constitutes a major transformational challenge that may take a generation to resolve. Given the size of our projected deficit, we will not be able to grow our way out of this problem—tough choices will be required. In addition, traditional incremental approaches to budgeting will need to give way to more fundamental and periodic reexaminations of the base of government, ultimately covering discretionary and mandatory programs as well as the revenue side of the budget. The nature and magnitude of the fiscal, security, economic, and other adjustments that need to be considered are not amenable

to “quick fixes”; rather they will likely require an iterative, thoughtful process of disciplined changes and reforms over many years.

We produced the 21st century challenges report to help the Congress review and reconsider the base of federal spending and tax programs.<sup>6</sup> It is intended as one input among many that the Congress will receive as it decides what its agenda will be for oversight and program review. We have framed the issues presented as illustrative questions for policymakers to consider as a supplement to their own efforts. The questions are drawn from our issued work, our strategic plan prepared in consultation with the Congress, input from several inspectors general, and the institutional knowledge of our staff. They cover discretionary spending; mandatory spending, including entitlements; as well as tax policies and programs. While answers to these questions may draw on our work and that of others, only elected officials can and should decide which questions to address as well as how and when to address them.

Having identified the major fiscal challenge facing the nation, and given our role in supporting the Congress, we believe that we also have an obligation to provide policymakers with support in identifying issues and options that could help to address these fiscal pressures. In our 21st century challenges report, we built on our past and pending work—90 percent of which was requested by the Congress or required by law—to provide policymakers with a comprehensive compendium of those areas throughout government that could be ripe for reexamination and review. The report is consistent with our other products, such as our high-risk reports (discussed below), in that it pulls together our insights and previous work for the Congress to help with its budget and programmatic deliberations and oversight activities.

In developing the 21st century questions, we reflected on the inventory of future forces working to reshape American society, our place in the world, and the various roles and responsibilities of the federal government that were presented in our *Strategic Plan for Serving the Congress and the Nation*

<sup>6</sup>GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

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(2004-2009). The specific questions raised for each area were informed by a set of generic evaluation criteria that are useful in evaluating any government program, policy, function, or activity. The criteria are framed as questions and are designed to address the legislative basis for the program, its purpose and continued relevance, its effectiveness in achieving goals and outcomes, its efficiency and targeting, its affordability, its sustainability, and its management. We used these criteria to generate specific 21st century questions about those programs and priorities already identified. The 21st century questions illustrate the kinds of issues that a reexamination and review initiative needs to address.

Copies of this report are available upon request. In addition, this document is available at no charge on our Web site at <http://www.gao.gov>.

## *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 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 report, released in January 2005,<sup>7</sup> highlights 25 troubled areas across government. Many of these areas involve critical public service providers, such as the U.S. Postal Service and IRS, and services provided to Medicare and Medicaid recipients through CMS. [Table 7](#) lists each high-risk area, the year it was placed on the high-risk list, and the strategic goal under which our work related to each high-risk area is generally performed.

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<sup>7</sup>GAO, *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005).

**Table 7: GAO's 2005 High-Risk List**

2005 high-risk area	Year designated high risk	GAO's strategic goal
<b>Addressing challenges in broad-based transformations</b>		
Strategic Human Capital Management <sup>a</sup>	2001	3
U.S. Postal Service Transformation Efforts and Long-Term Outlook <sup>a</sup>	2001	1
Managing Federal Real Property <sup>a</sup>	2003	1
Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	1997	3
Implementing and Transforming the Department of Homeland Security	2003	2
Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005	3
DOD Approach to Business Transformation <sup>a</sup>	2005	2
DOD Business Systems Modernization	1995	3
DOD Personnel Security Clearance Program	2005	2
DOD Support Infrastructure Management	1997	2
DOD Financial Management	1995	3
DOD Supply Chain Management (formerly Inventory Management)	1990	2
DOD Weapon Systems Acquisition	1990	2
<b>Managing federal contracting more effectively</b>		
DOD Contract Management	1992	2
DOE Contract Management	1990	1
NASA Contract Management	1990	2
Management of Interagency Contracting	2005	2
<b>Assessing the efficiency and effectiveness of tax law administration</b>		
Enforcement of Tax Laws <sup>a, b</sup>	1990	3
IRS Business Systems Modernization <sup>c</sup>	1995	3
<b>Modernizing and safeguarding insurance and benefit programs</b>		
Modernizing Federal Disability Programs <sup>a</sup>	2003	1
Pension Benefit Guaranty Corporation Single-Employer Insurance Program <sup>a</sup>	2003	1
Medicare Program <sup>a</sup>	1990	1
Medicaid Program <sup>a</sup>	2003	1
HUD Single-Family Mortgage Insurance and Rental Housing Assistance Programs	1994	1
<b>Other</b>		
Federal Aviation Administration (FAA) Air Traffic Control Modernization	1995	3

Source: GAO.

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

<sup>b</sup>Two high-risk areas—collection of unpaid taxes and earned income credit noncompliance—have been consolidated to make this area.

<sup>c</sup>The IRS financial management high-risk area has been incorporated into this high-risk area.

Issued to coincide with the start of each new Congress, our high-risk update has 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 government-wide 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. Of the 43 areas that have appeared on our high-risk list since 1990, 16 have improved enough to be removed from the list and 2 have been consolidated with other areas. We also continue to identify other areas that require attention and should be added to the list. Further, the current administration has looked to our high-risk program in shaping governmentwide initiatives such as the President's Management Agenda, which has at its base many of the areas we had previously identified as high risk. OMB, in consultation with us, is currently working to ensure that agencies develop detailed action plans to address high-risk areas, with the ultimate objective, over time, of seeing these items removed from our high-risk list.

Our high-risk program includes four high-risk areas added in 2005

- establishing appropriate and effective information-sharing mechanisms to improve homeland security,
- DOD approach to business transformation,
- DOD personnel security clearance program, and
- management of interagency contracting.

One organization-related high-risk area that exemplifies the program's increasing focus on transformation is DOD's approach to business transformation. As an organization that spends billions of dollars supporting the warfighter here and abroad, DOD requires transformation to meet current and emerging mission and organizational challenges. DOD has initiated various efforts to transform business operations; however, current

business processes continue to result in reduced effectiveness and efficiencies at a time when DOD is challenged to maintain a high level of operations while competing for resources in a fiscally constrained environment. The Secretary of Defense estimates that improving business operations could save 5 percent of DOD's annual budget, which would represent a savings of about \$22 billion a year.<sup>8</sup> Business transformation requires long-term cultural change and business process reengineering and a commitment from the executive and legislative branches of government. Sound strategic planning is the foundation on which to build, but DOD has not yet developed a clear strategic and integrated plan for business reform. For these reasons, we designated—for the first time—DOD's lack of a strategic and integrated planning approach to its business transformation as high risk.

In addition, we consolidated four high-risk areas involving IRS into two. First, we combined the collection of unpaid taxes area and earned income credit noncompliance area into a single area called enforcement of tax laws. We determined that while IRS collection efforts and compliance with the provisions of the earned income credit remain important issues, other aspects of tax law compliance are also significant. We concluded that the challenge facing IRS in enforcing the nation's tax laws is better understood in this broader context. Second, we incorporated the IRS financial management high-risk area into the IRS business systems modernization area. We found that the main financial management-related challenge still facing IRS is the modernization of its outmoded financial management controls and processes and that IRS's efforts in this regard are closely intertwined with its business systems modernization project.

In fiscal year 2005, we also removed the high-risk designation from three areas: Education's student financial aid programs, FAA's financial management, and USDA's Forest Service financial management.

In fiscal year 2005, excluding our high-risk update report and its companion testimony, we issued 183 reports and delivered 75 testimonies related to our high-risk areas and documented financial benefits totaling about \$26 billion. For example, we exam-

<sup>8</sup>This figure is based on DOD's reported fiscal year 2004 budget.

ined challenges in the implementation and transformation of DHS, such as strengthening internal controls and addressing weaknesses in financial systems, fully establishing and institutionalizing a departmentwide strategic framework for managing information, and addressing systematic problems in human capital and acquisition systems, resulting in 19 reports and 11 testimonies. We also evaluated the Medicare program and found weaknesses in program management and oversight of patient safety and care, inefficient payment policies, and areas vulnerable to fraud and abuse. Our work in this area resulted in approximately \$3.9 billion in financial benefits for fiscal year 2005. Our efforts continue to bring attention to areas in urgent need of improvement and to help the Congress and federal government institute reforms to address these high-risk areas.

To learn more about our work on the high-risk areas or to download the high-risk update in full, go to <http://www.gao.gov/docsearch/featured/high-risk.html>.

## *Building Partnerships*

In fiscal year 2005, we continued to explore indicators that could help us measure how well we develop mutually beneficial relationships with other accountability organizations. Such partnerships are important because they create opportunities for collaboration that help all organizations involved address common challenges and enhance their ability to improve government operations and service to the public. Moreover, these partnerships allow us and other organizations to make meaningful changes in our internal accountability processes and policies as well as leverage available resources.

We performed an extensive literature review to identify indicators that other agencies and organizations in the United States and overseas are using to measure the success of their partnership efforts. We collected information on partnership activities at several federal agencies, such as DOE and HUD and at a social services agency in Australia and a public works cooperative in England. Though we found no U.S. agencies that have developed indicators for measuring the health or effectiveness of

partnerships, the foreign organizations articulated the following qualitative indicators for assessing the performance of these relationships:

- commitment (e.g., time and resources devoted to the partnership effort and sustained participation by the same individuals),
- clear definition of roles and responsibilities,
- contribution to outcomes,
- success of the activity or project being supported by the partnership, and
- value for resources spent or effective use of resources.

Teams and units supporting all four of our strategic goals have established key partnerships with a variety of organizations. For example, our partnership with the International Organization of Supreme Audit Institutions (INTOSAI) has been a long-standing relationship—cultivated primarily through goal 4's external liaison activities—that has resulted in tangible benefits for both organizations. In fiscal year 2005, we actively worked on several INTOSAI committees, gleaned valuable insights from the experiences of our counterpart audit institutions. We also helped INTOSAI produce various publications that help to promote auditing standards for use around the world. Through forums and roundtable discussions, we also partnered with the Concord Coalition—a nonpartisan organization dedicated to informing the public about the need for responsible fiscal policy—to support its work in educating the public about financial literacy and the government's long-term fiscal challenges. Our external liaison activities also helped to sustain partnerships with organizations such as the Intergovernmental Audit Forums, the Governmental Accounting Standards Advisory Committee, the Partnership for Public Service (which now includes the Private Sector Council), the Council for Excellence in Government, and the Woodrow Wilson International Center for Scholars; professional associations, such as the Association of Government Accountants; and various GAO advisory groups. (For more information about these partnerships, see *Strategies for Achieving Our Goals* later in this section of the report.) Finally, teams supporting goals 1 through 3 established or maintained partnerships with organizations that helped them to exchange information about issues related to our performance goals and

key efforts in these areas. For example, several teams continued their ongoing partnerships with the National Academies of Science, sharing, for example, information on issues such as drinking water security, environmental indicators, and wind power development. One team also supported the National Academies of Science and the Organisation for Economic Cooperation and Development—a group of 30 member countries that helps to foster good governance in public service and corporate activity—in their efforts to advance the development of national performance indicators. In addition, another team worked collaboratively on a wide range of emerging transportation issues with the Eno Transportation Foundation, whose mission is to cultivate creative and visionary leadership for all modes of transportation.

In the coming years, we will attempt to describe these and other partnerships that our teams and units participate in and describe the outcomes and benefits derived from them to help us assess our performance in this area.

## Managing Our Resources

### Resources Used to Achieve Our Fiscal Year 2005 Performance Goals

Our financial statements for fiscal year 2005 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. 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 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 2005	Fiscal year 2004
Total budgetary resources <sup>a</sup>	\$493.8	\$487.5
Total outlays <sup>a</sup>	\$478.7	\$469.0
Net cost of operations		
Goal 1: Well-being and financial security of the American people	\$197.7	\$194.7
Goal 2: Changing security threats and challenges of globalization	144.2	131.7
Goal 3: Transforming the federal government's role	147.3	145.8
Goal 4: Maximizing the value of GAO	22.0	23.4
Less reimbursable services not attributable to goals	(5.4)	(5.5)
Total net cost of operations <sup>a</sup>	\$505.8	\$490.1
Actual full-time equivalents	3,189	3,224

Source: GAO

<sup>a</sup>The 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 (which include current and prior year carryover authority) or total outlays.

Our budget consists of an annual appropriation covering salaries and expenses and revenue from reimbursable audit work and rental income. For fiscal year 2005, our total budgetary resources increased by \$6.3 million from fiscal year 2004. This increase consists of funds needed to cover mandatory and uncontrollable costs and a one time transfer of budgetary authority from DHS for a review of TSA's calendar year 2000 costs for screening passengers and property.

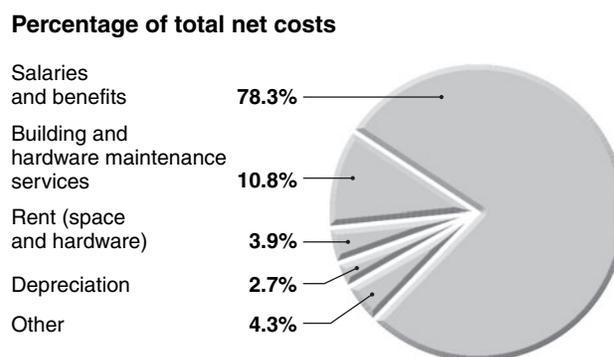
Our total assets were \$114.4 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. The largest dollar change in our assets was in the net value of property and equipment, which decreased in fiscal year 2005 as a result of normal depreciation amounts being greater than asset purchases. Total liabilities of \$94.9 million were composed largely of employees' accrued annual leave, amounts owed to other government agencies, accounts payable, and employees' salaries and benefits. The greatest changes in the liabilities were increases in intragovernmental accounts payable and capital lease liabilities. The increase in intragovernmental accounts payable relates to amounts due to GSA accrued at the end of the year. The increase in capital lease liability during fiscal year 2005 is primarily the result of entering into new leases for the replacement of substantially all the notebook computers and copiers at GAO headquarters.

The net cost of operating GAO during fiscal year 2005 and fiscal year 2004 was approximately \$506 million and \$490 million, respectively. Expenses for salaries and related benefits accounted for 78 and 79 percent of our net cost of operations

in fiscal years 2005 and 2004, respectively. [Figure 15](#) shows how our fiscal year 2005 costs break down by category.

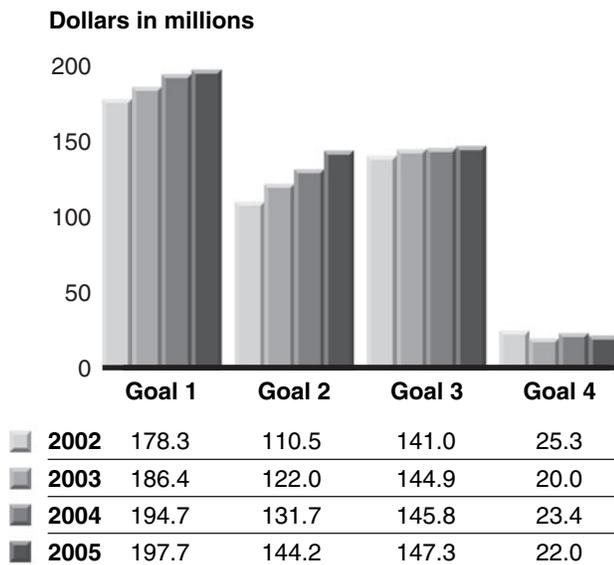
We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Goal 2 accounted for the greatest dollar increase in our net cost of operations from fiscal year 2004 through fiscal year 2005. The increase is due to the continued efforts in homeland security. Costs in goal 4 decreased in fiscal year 2005 as a result of several goal 4 key efforts being completed during fiscal year 2004, the first year of the 2-year strategic plan period. Examples include the implementation of the Travel Manager System completed in fiscal year 2004 as well as the development phase efforts for both the performance-based compensation system and the competency-based appraisal system.

**Figure 15: Use of Fiscal Year 2005 Funds by Category**

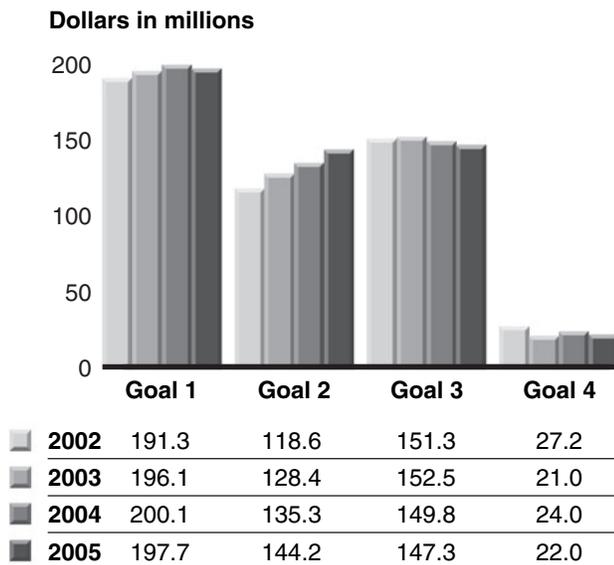


Source: GAO.

[Figures 16](#) and [17](#) show our net costs by goal for fiscal year 2002 through fiscal year 2005. [Figure 16](#) shows costs unadjusted for inflation, while [figure 17](#) shows the same costs in 2005 dollars, that is, adjusted for inflation.

**Figure 16: Net Cost by Goal, Unadjusted for Inflation**

Source: GAO.

**Figure 17: Net Cost by Goal, Adjusted for Inflation**

Source: GAO.

**Audit Advisory Committee**

Assisting the Comptroller General in overseeing the effectiveness of GAO's financial operations is a three-member external Audit Advisory Committee. The committee's report for fiscal year 2005 appears after our financial statements and accompanying notes. Current members of the committee are

- Sheldon S. Cohen (Chairman), CPA and practicing attorney in Washington, D.C., former Commissioner and Chief Counsel of the Internal Revenue Service, and Senior Fellow of the National Academy of Public Administration.
- Edward J. Mazur, CPA, member of the Governmental Accounting Standards Board, former State Comptroller of Virginia, and former Controller of the Office of Federal Financial Management in OMB.
- Charles O. Rossotti, Senior Advisor at The Carlyle Group; former Commissioner of Internal Revenue; and founder and former Chief Executive Officer and Chairman of American Management Systems, Inc., an international business and IT consulting firm.

**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 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 2006 Performance Goals**

GAO's resources include budget authority of \$490 million for fiscal year 2006 to maintain current operations for serving the Congress as outlined in our strategic plan and allow us to continue to enhance our productivity, and maintain the progress we have made in technology and other transformation areas (see table 9). This funding level supports 3,217 full-time equivalent (FTE) per-

sonnel. Our resources include \$483 million in direct appropriations and estimated revenue of \$7 million from reimbursable audit work and rental income. Our fiscal year 2006 resources represent a modest 3 percent increase over fiscal year 2005 resources—primarily to fund mandatory pay and uncontrollable costs. Following the catastrophic events of Hurri-

canes Katrina and Rita, the Congress is considering governmentwide across-the-board funding reductions that might reduce fiscal year 2006 spending levels, and this could affect our resources. The nature and extent of any potential funding reduction is unknown.

**Table 9: Fiscal Year 2006 Budgetary Resources by Strategic Goal**

Strategic goal	FTEs	Amount <sup>a</sup> (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.	1,286	\$194
Goal 2		
Provide timely, quality service to the Congress and the federal government to respond to changing threats and the challenges of global interdependence.	941	141
Goal 3		
Help transform the federal government's role and how it does business to meet 21st century challenges.	850	129
Goal 4		
Maximize the value of GAO by being a model federal agency and a world-class professional services organization.	140	26
<b>Total</b>	<b>3,217</b>	<b>\$490</b>

Source: GAO.

<sup>a</sup>These amounts exclude prior year carryover authority.

Our resources support three broad program areas: human capital, mission operations, and critical infrastructure. We will also continue to address our major management challenges, which are human capital, information security, and physical security. For example, on the human capital front, to ensure our ability to attract and retain a highly qualified, high-performing, and diverse workforce, our fiscal year 2006 recruitment strategy enhances or expands existing programs for internships and professional development, and provides targeted recruiting for special skill sets and hard-to-fill positions, and to enhance the agency's diversity recruiting.

In fiscal year 2006, we plan to implement recommendations resulting from an assessment of our compensation system being conducted by a well-regarded consulting firm, to ensure that our compensation is fair and equitable and aligned with competitive labor markets.

On the information security front, to address the increasing threats due to compromised information or information systems, we will complete an audit of network servers and refine monitoring techniques. To extend our ability to securely access and transmit classified data and information, we completed installation of security features in seven of our field offices and plan to continue installation at the remaining field offices in fiscal year 2006.

On the physical security front, we are working to enhance our communication with external agencies, improve our internal communications and operations, and strengthen the technical and physical aspects of our emergency preparedness efforts.

## *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, our strategies primarily emphasize providing information from our work to the Congress and the public in a variety of forms and continuing and strengthening our internal operations. For all four strategic goals, the multiyear, qualitative performance goals included in our cur-

rent strategic plan describe specific areas of work that we planned to complete by the end of fiscal year 2005.

Our strategies also emphasize the importance of two overarching approaches: (1) working with other organizations on crosscutting issues and (2) effectively addressing the challenges to achieving our agency's goals and recognizing the internal and external factors that could impair our performance. Through these strategies, which have proven successful for us for a number of years, we plan to achieve the level of performance that is needed to meet our annual performance measures and our multiyear performance goals and that 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

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

- providing 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 2005, we devoted 87 percent of our engagement resources to work requested or mandated by the Congress. We initiated the remaining 13 percent of the engagement work under the Comptroller General's authority; much of this work was related to government programs and operations that we have identified as high risk for fraud, abuse, and mismanagement; reviews of agencies' budget requests; and various emerging challenges that are of broad-based interest to the Congress, such as the cost of the Global War on Terrorism and the status of the reconstruction efforts in Iraq.<sup>9</sup> 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 gathering all the relevant data and following high standards for documenting and supporting the information we collect and analyze. This information is, more often than not, 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. We generally issue around 1,200 to 1,300 products each year, either electronically or in printed format. Our products include the following:

- letter reports and chapter reports that when printed, are issued with our traditional blue cover;
- correspondence, which is a written letter that does not have a blue cover;

- 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; and
- oral briefings, which are usually given directly to congressional staff members.

We also produce special publications on specific issues of general interest to all Americans, such as our primer on motor fuels that we prepared to help improve public understanding of the major factors that influence the U.S. price of gasoline and our guide on Social Security that answers concisely some basic questions about how the program works and why it needs to be reformed.<sup>10</sup> Collectively, our products always contain information and often conclusions and recommendations that allow us to achieve our external strategic goals.

Another means of ensuring that we are achieving our goals is to examine the impact of our past work and use that information to shape our future work. Consequently, we evaluate actions taken by federal agencies and the Congress in response to our past recommendations. The results of these evaluations are reported in terms of the financial benefits and other 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 will use our biennial high-risk report, most recently issued in January 2005, to provide a status report on major government operations that we consider high risk because they are vulnerable to waste, fraud, abuse, and mismanagement or are in need of broad-based transformation. And we will 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.

<sup>9</sup>In fiscal years 2003 and 2004, the work performed under the Comptroller General's authority represented 8 percent and 10 percent, respectively, of our engagement efforts.

<sup>10</sup>GAO, *Motor Fuels: Understanding the Factors That Influence the Retail Price of Gasoline*, GAO-05-525SP (Washington, D.C.: May 2005), and *Social Security Reform: Answers to Key Questions*, GAO-05-193SP (Washington, D.C.: May 2005).

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 the five related objectives, we conduct surveys of our congressional clients and internal customers to obtain feedback on our products, processes, and services, and perform studies and evaluations to identify ways in which to improve them.

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
- initiate and support collaborative national and international audit, technical assistance, and other knowledge-sharing efforts.

These two types of strategic working relationships allow us to extend our institutional knowledge and experience; to 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 a series of forums, advisory boards, and panels; periodic environmental scans; and our speakers' series, we gather information and perspectives for our strategic and annual planning efforts. In fiscal year 2005, the Comptroller General convened various experts from the public, private, and nonprofit sectors in a series of forums and panels intended to enhance our understanding of emerging issues and to identify opportunities for action.

- In December 2004, we hosted a forum on long-term fiscal challenges and issued a report summarizing the discussion in February 2005.

- In February 2005, we convened a forum on defined benefits pension plans, the results of which were reported in June 2005.
- In March 2005, we convened a roundtable involving the accountability community on long-term fiscal challenges, the results of which were summarized and shared with the participants.
- Throughout 2005, we held five sessions of our speakers' series Conversations on 21st Century Challenges, wherein prominent leaders discuss emerging themes and their implications for public policy. In 2005, we also initiated the Auditors General Speakers' Series that provides unique international perspectives in support of our work; speakers included the auditors general of China, Ireland, South Korea, and Saudi Arabia.

Advisory boards and panels also support our strategic and annual work planning for 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 and seek opportunities to collaborate.

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 ensured that the revised standards would be generally accepted and feasible.

- 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.
- 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. This plan has provided the foundation for the Governing Board to engage member institutions in advancing professional audit standards and promoting knowledge sharing.

### **Collaborating with Others**

By collaborating with others, 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 committee and we are an active member of INTOSAI's auditing standards, internal control and accounting standards, and other technical committees. We publish INTOSAI's quarterly *International Journal of Government Auditing* in five languages to foster global understanding of standards, best practices, and technical issues. 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 the national audit offices around the world, we conduct an international audit fellows program for mid- to senior-level staff from other countries. In 2005, 20 audit fellows from Africa, Asia, Europe, Latin America, and the Middle East spent about 4 months at GAO 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 and the U.S. Agency for International Development—to identify or support relevant capacity-building projects in fellows' institutions. Six current and seven former auditors general as well as several deputy auditors general, including the current chair of INTOSAI, are graduates of this program.

Other collaborative activities undertaken by our staff during 2005 included the following:

- Conferring with the Partnership for Public Service (Partnership), a nonprofit, nonpartisan public service organization committed to making the government an employer of choice for talented, dedicated Americans through educational outreach, research, legislative advocacy, and hands-on partnerships with agencies on workforce management issues. In late 2004, the Partnership merged with the Private Sector Council, another external partner organization dedicated to helping the federal government improve its efficiency, management, and productivity through the cooperative sharing of knowledge. During 2005, the Partnership has collaborated with us on a human capital symposium focused on performance management best practices and assisted us on a number of engagements.
- Actively participating in four other Domestic Working Group collaborative efforts of federal, state, and local audit officials to address issues regarding access to records, grants management, long-term fiscal challenges, and governance. 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 a cooperative working relationship with the state auditors on over a dozen engagements.

- Implementing the National Intergovernmental Audit Forum (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 have begun organizing to implement the plan, which seeks to maximize the Forum's effectiveness in promoting good government and accountability at all levels of government. In addition, 21 regional Forum meetings were held, which brought together auditors at all government levels.

### 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 accountability 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 addressed comments and suggestions received from the Association of Government Accountants and other reviewers. In short, we involved virtually every part of GAO and used our internal expertise in our planning and reporting efforts.

## Addressing Management Challenges 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 app. 2 for the IG's assessment.)

For fiscal year 2005, we continued to address three management challenges—human capital, information security, and physical security. We anticipate that we may need to continue to address these management challenges in future years because they are evolving and will require us to continuously identify ways to adapt and improve. We revisit the challenges each year and refine them when appropriate, and when we believe we have sufficiently addressed these challenges we will remove them from our list. 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.

### The Human Capital Challenge

Given our role as a key provider of professional and objective information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. We spend about 80 percent of our resources on our people, but without excellent human capital policies and management practices, we could run the risk of being unable to lead by example and meet the expectations of the Congress and the American people. Our ability to meet the needs of the nation could also be impaired if we do not receive the

funding that we need to adequately staff the agency, invest in our people, and reward our top performers—a mitigating external factor that we discuss along with others beginning on [page 58](#) in this report.

To recruit, reward, and retain a highly qualified, high-performing, and diverse workforce remains one of our most important challenges. We employed a number of strategies to improve our recruitment efforts and support our workforce plan, including increasing the use of short-term and time-limited appointments and direct-hire authorities and implementing a pilot program for undergraduate cooperative education program participants. We also developed our fiscal year 2006 recruitment strategy to more directly support the agency's workforce plan. The strategy includes enhancements or expansions of existing programs, such as the capability to offer internships in the fall and spring as well as the summer; fully implementing a cooperative education program; implementing government-wide flexibility for noncompetitive appointments into the Professional Development Program—our system for exposing new, entry-level staff to a variety of engagements, teams, and developmental opportunities during their first 2 years of employment; and using special teams to employ targeted recruiting for special skill sets, hard-to-fill positions, and diversity recruiting.

We continued to enhance our performance management and compensation systems through new and enhanced policies and processes. To improve our Performance-Based Compensation System, with the help of a well-regarded consulting firm, we implemented a revised process for determining performance-based compensation that more directly links individuals' performance, as reflected by their appraisal, with his or her compensation. In June 2005, our administrative and professional support staff completed their first year under a broadband pay system and a competency-based performance system. To ensure that these staff understood the new process and to foster staff acceptance, we employed an aggressive communication strategy that included meetings with staff as well as Web-based guides and questions and answers. To design a competitive, fair, and equitable compensation program aligned with competitive labor markets in which we compete for talent, we worked with the same consulting firm to perform a market-based

compensation study. Based on the results of the market-based compensation survey, we have invested significantly in restructuring our analyst and analyst-related specialist Band II pay band into two pay levels to better align individual staff with our institutional compensation policies. We expect all compensation system changes to be implemented in fiscal year 2006. To ensure that our managers' needs for support and guidance concerning their responsibilities in the performance management process are met, we established an organizational and performance consulting service designed to help managers interpret and address feedback they receive from our annual employee feedback survey, developed an e-learning course on designated performance managers' roles and responsibilities, and developed and began issuing a report for managers and our Employee Advisory Council evaluating the performance management assessment cycle with recommendations for improvements. We also improved the accuracy and user-friendliness of our performance management Web site.

Finally, we continued providing our staff with courses and opportunities to develop their knowledge and expertise, build their competency, and strengthen their leadership skills. We designed and delivered 13 new competency-building courses and implemented an adjunct faculty program to increase the number of our subject matter experts available to develop content for new courses, expand the range of courses available, and provide training throughout the year. We also established a group of analysts-in-charge representing various teams supporting goals 1 through 3 to discuss best practices related to managing engagements; challenges for new analysts-in-charge; and techniques for motivating, directing, and coaching staff. In addition, we upgraded our learning content management system to make it available on demand any time, anywhere, and provide improved tracking and reporting capabilities, and developed resource guides for our administrative professional and support staff that describe learning opportunities by competency and aid in creating individual development plans for professional growth. To deliver required core courses to Band I analyst staff in field offices, we redistributed and realigned course delivery among three learning hubs rather than centralizing course delivery in headquarters. We estimate that this decision will result in a cost avoidance of \$500,000 in travel and per diem, as well as other benefits, such

as networking among and across teams, a sustained focus on learning, larger classes that make more effective use of adjunct faculty time, and the opportunity to strengthen matrixed work relationships through shared learning experiences.

We continued to strengthen our strategic human capital management by realigning our Human Capital Office during fiscal year 2005 to better meet the needs of our internal customers. By consolidating our services under four centers of excellence, we will improve our customer focus, clarify lines of delegated authorities, standardize guidance across the Human Capital Office, and dedicate more of our resources to direct customer support.

While we have made progress in addressing the human capital challenge, more work remains to be done. Some of the largest efforts planned in this area for fiscal year 2006 include

- implementing the market-based compensation ranges for our analyst and analyst-related staff,
- determining the market-based compensation ranges for our administrative professional and support staff,
- implementing changes necessary to restructure our analyst Band II staff,
- continuing to strengthen our recruiting processes to better meet the needs of the agency and support our strategic goals,
- obtaining a better understanding of the retention factors affecting GAO, and
- identifying an appropriate methodology to successfully implement the Comptroller General's authority to determine the amount of annual pay adjustments.

### **The Information Security Challenge**

Information system security is a critical activity in ensuring our information system assets are safe and free from compromise. To address the increasing threats due to compromised information or information systems, we implemented a wide range of initiatives to strengthen and protect the security of our information systems and data.

We enhanced the security of our users' workstations by installing personal firewall software to prevent download of viruses, anti-spyware to identify and eliminate malicious programs, and automatic activation of the screensaver. We also locked the GAO intranet home page as the default home page to prevent spyware from hijacking the default home page and downloading more spyware.

In support of the requirements in the Federal Information Security Management Act, we completed remediation of several key weaknesses and vulnerabilities during fiscal year 2005. These included, ensuring that risk assessments, system security plans, reviews performed under National Institute of Standards and Technology special publication 800-26, and letters for authorization to operate were in place and that system test and evaluation reviews and certifications and accreditations were developed and completed as necessary.

To extend our ability to securely access and transmit classified data and information, we completed installation of the Secret Internet Protocol Router Network in seven of our field offices. 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.

Finally, we continued to implement initiatives and improvements to our Disaster Recovery Program. Our most significant accomplishment was the completion of our vision of the Disaster Recovery Program/Continuity of Operations, which was approved and signed by the Comptroller General and the Chief Administrative Officer on May 31, 2005. In support of the program we also developed Emergency Preparedness training video material for headquarters staff and installed an emergency voice and text notification system on the network.

We anticipate that information security will continue to be one of our management challenges in the future. In fiscal year 2006, we will further address that challenge by completing implementation of centralized auditing of network servers and devices to better secure our computing assets within GAO,

refining our network monitoring procedures to include the use of correlation products to automate the detection of potentially harmful threats to our network, implementing improvements to our disaster recovery operations, and improving our ability to respond and recover in the event of a disruption by implementing additional technologies to lessen our risks.

### **The Physical Security Challenge**

The challenge to provide a safe and secure work environment for employees remains a constant in light of domestic and international events that can have a profound impact on the way we conduct business in the United States and around the world. Protecting our people and our assets is paramount to agency operations. In fiscal year 2005, we initiated actions to enhance our communication with external agencies, improve our internal communications and operations, and strengthen the technical and physical aspects of our emergency preparedness efforts.

Externally, we established or enhanced contacts and procedures with local agencies to enable us to receive detailed intelligence that would not necessarily be provided through normal communication channels and to ensure coordination with the legislative branch in case of emergency. For example, we established emergency notification procedures with the Federal Bureau of Investigation Joint Terrorism Task Force; enhanced relocation procedures and improved relations with the U.S. Capitol Police, the House Sergeant of Arms, and the Emergency Preparedness Office; and made arrangements with the District of Columbia government to receive up-to-date emergency notifications. We are also an active member of the Legislative Branch Continuity of Operations Plan Working Group, and we coordinated and participated in a legislative branch table-top exercise involving a simulation of a crisis requiring the House of Representatives to vacate and relocate elsewhere.

Internally, we took several steps to support our goal of providing a safe and secure work environment. To ensure that our staff know what to do in case of an emergency, we conducted our first shelter in place drill for headquarters, and distributed shelter in place plans for the majority of our field offices and an emergency preparedness brochure for all staff. To reduce the agency's security risk, we

installed an electronic fingerprint system that improves the speed with which we can obtain screening through the Federal Bureau of Investigation, including immediate reports if prints are not acceptable. In addition, we are now requiring National Crime Information Center checks for contractors, including fingerprints, which bring our security requirements and procedures for contractors more in line with those for our own employees.

To help ensure continued operations, we have completed initiatives in the areas of technical and physical security. We increased our network access potential through installing and reactivating additional local area network ports. This will provide for efficient and effective use of space in the event that congressional staff need to relocate to our headquarters building in an emergency. Our physical security was improved this year with the completion of the perimeter security phase of our security plans. Projects completed include installation of high-speed rollup doors in the garage, placement of guard booths at our vehicle entrances, installation of undervehicle cameras and pop-up barriers, and construction of a perimeter plinth wall.

We plan to continue to assess our security operations to ensure our ability to meet ever-changing challenges to our security posture. In fiscal year 2006 we will be completing work on the Integrated Electronic Security System, which includes installation of turnstiles at headquarters, implementation of smart card technology, and upgrading access control and intrusion detection systems for headquarters and the field offices. Other efforts to meet this continuing challenge include procurement of an emergency notification system, and designing and disseminating a more robust security education and awareness program for headquarters and the field offices.

### *Mitigating External Factors That Could Affect Our Performance*

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 various national and international developments. Limitations

imposed on our work by other organizations or limitations on the ability of other federal agencies to make the improvements we recommend are additional factors that could affect the achievement of our goals.

The external factors that could have the most significant adverse affect on us are the constrained budget environment in which we currently work and the uncertain budget future we face. We are experiencing heavy demand from the Congress for work in a number of subject areas, especially in disaster recovery and preparedness in the aftermath of Hurricanes Katrina and Rita and in health care. Given the across-the-board funding reductions that the Congress is considering for fiscal year 2006, large current federal budget deficits, and the nation's long-range fiscal imbalance, the Congress is likely to place an 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 us. In addition, because almost 80 percent of our budget is composed of people-related costs, any serious budget situation will have an adverse impact on our human capital policies and practices. This, in turn, will have an adverse impact on our ability to serve the Congress and meet our performance targets. While, as we noted above, the nature and extent of any such budget constraints cannot be determined at the present time, our executive team is prudently engaged in a range of related planning activities that will help us to manage small reductions in our funding levels and still perform the high-quality work for the Congress that we are known for. We sincerely strive to lead by example, and are hopeful that our modest budget requests supported by our sound business case and proven performance results will encourage the Congress to provide additional resources to us and other high-performing entities like ours. 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. However, employing an across-the-board cut or other nontar-

geted approaches would greatly impede our ability to do our work and may create perverse incentives for those agencies who are trying to model our priorities and practices.

A growing area for us also involves our work on bid protests. As required by law, General Counsel prepares Comptroller General procurement law decisions that resolve protests filed by disappointed bidders. These bidders challenge the way individual federal procurements are being conducted or how the contracts were awarded. In recent years, we have experienced an increase in the number of bid protests that have been filed. There is a possibility of a further increase if the executive branch undertakes a significant number of public or private competitions under OMB Circular A-76, particularly if statutory changes allow representatives of employees to protest when the private sector wins these competitions. 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.

In addition to current and future budget constraints, 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 in a timely manner 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.

As the Congress focuses on unpredictable events—such as natural disasters, possible public health pandemics, and the global threat posed by sophisti-

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cated terrorist networks—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 2005, we

- stayed abreast of current events (such as the airline industry's financial crisis and gasoline prices) 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., on the cost and recovery efforts related to Hurricane Katrina) so that we could deal with major changes as they occur;

- 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 research under the Comptroller General's authority on a limited number of selected topics, such as U.S. tsunami detection and preparedness efforts, the status of Iraq's reconstruction, and our 21st century challenges and high-risk work.

Our ability to effectively manage the demands on our resources could have an impact on our ability to meet our performance targets. However, we will continue to manage the congressional requests we receive and the work we do under the Comptroller General's authority in order to minimize any negative impact it may have on our ability to meet the needs of the Congress and the American people.

# Part II



## *Performance Information*

*“The effect of a good government is to make life more valuable; of a bad one, to make it less valuable.”*

- Henry David Thoreau

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## *Performance Information by Strategic Goal*

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2005 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. In addition, for all four strategic goals, we assess our progress on our qualitative, multiyear performance goals.

## 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 2004-2009) strategic objectives under this goal are to provide information that will help address

- the health needs of an aging and diverse population;
- the education and protection of the nation's children;
- the promotion of work opportunities and the protection of workers;
- a secure retirement for older Americans;
- an 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 staff in the following teams: Education, Workforce, and Income Security; Financial Markets and Community Investment; Health Care; Homeland Security and Justice; Natural Resources and Environment; and Physical Infrastructure.

### Selected Work under Goal 1

#### **Improving the oversight and monitoring of Head Start grantees:**

We assisted the Congress and the Department of Health and Human Services (HHS) in identifying major risk areas in the Head Start program and crafting solutions to address those risks. For example, we noted the lack of reliable data on enrollment in Head Start centers nationwide and highlighted gaps in Head Start's oversight framework that put federal funds at risk and can reduce the quality or amount of services provided. HHS is now taking steps to address these and other gaps we identified. (See app. 1, item 1.36.C.)

#### **Addressing the challenges of pension reform:**

We urged the Congress to enact comprehensive pension reform that would reduce the financial risks to the Pension Benefit Guaranty Corporation and the taxpayer, as well as to put the defined benefit system on a more stable financial footing. The Congress subsequently included in draft legislation the key elements that we suggested. (See app. 1, item 1.47.C.)

#### **Redefining rural:**

In assessing how a change in the definition of rural would impact USDA's Rural Housing Service in meeting rural housing needs, we suggested that the Congress consider changing to a density-based system as a basis for making more equitable rural housing program eligibility determinations. (See app. 1, item 1.55.C.)

#### **Improving security at drinking water and wastewater plants:**

We identified key activities that can help the Environmental Protection Agency improve security for the water sector. Because of this work, the agency established common protocols for monitoring threats; provided simulation exercises to improve local, state, and regional collaboration; and significantly expanded training opportunities related to security by sponsoring several security workshops and seminars on topics such as wastewater system security, drinking water system preparedness, and emergency response. (See app. 1, item 1.67.C.)

To accomplish our work under these strategic objectives, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies and developed reports and testimonies on the efficacy and soundness of those programs.

As shown in [table 10](#), we did not meet our fiscal year 2005 performance target for financial benefits for goal 1, but we exceeded our targets for other benefits and testimonies.

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

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005 target	2005 actual	Met/not met	2006 target
Financial benefits (dollars in billions)	\$8.9	\$24.1	\$23.6	\$26.6	\$19.6	\$15.6	Not met	\$18.7 <sup>a</sup>
Other benefits	210	226	217	252	240	277	Met	242 <sup>a</sup>
Testimonies	73	111	80	85	78	88	Met	89

Source: GAO.

<sup>a</sup>Our fiscal year 2006 targets for financial benefits and other benefits differ from the targets we reported for these measures in our fiscal year 2006 performance plan. On the basis of our performance in fiscal year 2005, we lowered these targets from \$19.5 billion in financial benefits and 255 in other benefits, because we anticipate that these benefits during fiscal year 2006 are more likely to stem from work performed under goal 2. We did not change the agencywide targets for these measures, but we made corresponding changes to targets for goals 2 and 3.

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 11](#). This table indicates that financial and other benefits have generally risen over time, while the number of testimonies has generally declined for goal 1 since fiscal year 2001.

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

Performance measure	2001	2002	2003	2004	2005
Financial benefits (dollars in billions)	\$11.9	\$15.2	\$17.7	\$20.8	\$22.5
Other benefits	177	190	209	226	243
Testimonies	114	110	99	87	91

Source: GAO.

The following sections describe our performance in goal 1 for each of these three quantitative performance measures and describe the targets for fiscal year 2006. This analysis is followed by a discussion of our multiyear qualitative performance measures.

## Financial Benefits

The financial benefits reported for this goal in fiscal year 2005 totaled \$15.6 billion, falling short of the target of \$19.6 billion. This shortfall resulted, in part, because our work focused on nonfinancial rather

than financial benefits. The largest of the financial benefits for this goal arose from our recommendation that DOE take actions to avoid costs associated with a nuclear waste disposal process. Other financial benefits resulting from our work under goal 1 stemmed from HUD recapturing funds not being used by public housing authorities, HHS avoiding costs in the Medicare program, and the National

Financial benefits valued at \$4.5 billion arose from costs avoided after the implementation of our recommendation that DOE seek legislation to allow more economical disposal of certain nuclear wastes. (See [app. 1, item 1.60.A.](#))

Park Service increasing revenues. We describe these and other 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 2006 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 decline. We, therefore, have set the target for fiscal year 2006 at \$18.7 billion, which is higher than what we achieved this year.

### *Other Benefits*

Other tangible, nonfinancial benefits reported for goal 1 in fiscal year 2005 included 254 actions taken by federal agencies to improve their services and operations in response to our work and another 23 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 277 other benefits exceeded our target of 240. We report some of our major accomplishments in detail in the goal 1 section of appendix 1. For fiscal year 2006, we have set a target of 242. While this target is lower than what we achieved this year, it is about the same as the 4-year average for the goal 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.

### *Testimonies*

Our witnesses testified at 88 congressional hearings related to this strategic goal, which exceeded the fiscal year 2005 target of 78 testimonies. Among the testimonies given were those on student loan programs, Social Security reform, Medicare spending, defense health care, farm program payments, and transportation security (see p. 36 for a list of testimony topics by goal). On the basis of our assess-

ment of the potential need to testify on issues under this goal, we have set a target of presenting testimony at 89 hearings during fiscal year 2006.

## *Multiyear Performance Goals*

As shown in table 12, at the close of fiscal year 2005, we met 39 of the 40 performance goals for this strategic goal. We did not meet the goal of assessing the administrative efficiency and effectiveness of the federal court and prison systems because we did not receive requests to perform work in this area and could not undertake self-initiated work because we needed resources for work requested by the Congress in other areas. For fiscal year 2006, we are replacing this performance goal with one for improving the administration of the nation's election system, a goal that better reflects the interests of our congressional clients.

#### **Examples of Goal 1's Other Benefits**

**Paying properly for power wheelchairs for Medicare beneficiaries:** On the basis of our finding that the information provided to Medicare contractors that process wheelchair claims—one of the program's most expensive items—provided insufficient detail, new requirements were established to make more information available. (See app. 1, item 1.9.A.)

**Monitoring states' inventories of childhood vaccines:** The Centers for Disease Control and Prevention implemented our recommendation to develop a strategic plan that includes steps to monitor childhood vaccine supplies in state depots, which should help ensure that adequate inventories are available. (See app. 1, item 1.17.A.)

**Estimating tobacco retailer violation rates:** Our work led HHS to increase oversight of states' monitoring of tobacco retailers; for example, HHS now visits states to help assess the accuracy and completeness of tobacco outlet lists and works with states to improve standardization of inspection protocols. (See app. 1, item 1.19.A.)

**Table 12: Strategic Goal 1's Qualitative Performance Goals, Fiscal Years 2004 and 2005**

<input checked="" type="checkbox"/> Met <input type="checkbox"/> Not met	Strategic objective/performance goal
<b>1.1. The health needs of an aging and diverse population</b>	
■	1.1.1. Evaluate Medicare reform, financing, and operations
■	1.1.2. Assess trends and issues in private health insurance coverage
■	1.1.3. Assess actions and options for improving the Department of Veterans Affairs and the Department of Defense's health care services
■	1.1.4. Evaluate the effectiveness of federal programs to promote and protect the public health
■	1.1.5. Evaluate the effectiveness of federal programs to improve the nation's preparedness for the public health and medical consequences of bioterrorism
■	1.1.6. Evaluate federal and state program strategies for financing and overseeing long-term health care
■	1.1.7. Assess state experiences in providing health insurance coverage for low-income populations
<b>1.2. The education and protection of the nation's children</b>	
■	1.2.1. Analyze the effectiveness and efficiency of early childhood education, care, and nutrition programs in serving their target populations
■	1.2.2. Assess options for federal programs to effectively address the educational and nutritional needs of elementary and secondary students
■	1.2.3. Determine the effectiveness and efficiency of child support enforcement and child welfare programs in serving their target populations
■	1.2.4. Identify opportunities to better manage postsecondary, vocational, and adult education programs and deliver more effective services
<b>1.3. The promotion of work opportunities and the protection of workers</b>	
■	1.3.1. Assess the effectiveness of federal efforts to help adults leave welfare for work and to assist other low-income individuals
■	1.3.2. Analyze the impact of programs designed to maintain a skilled workforce and ensure employers have the workers they need
■	1.3.3. Assess the success of various enforcement strategies to protect workers while minimizing employers' burden in the changing work environment
■	1.3.4. Identify ways to improve federal support for people with disabilities
<b>1.4. A secure retirement for older Americans</b>	
■	1.4.1. Assess the policy challenges facing the future of the Social Security system and the need for reform
■	1.4.2. Bolster retirement security by identifying opportunities to foster greater pension coverage, raise personal saving, and increase the employment earnings of seasoned workers
■	1.4.3. Identify opportunities to improve the ability of government agencies to administer and protect workers' retirement benefits
■	1.4.4. Assess the role of the Social Security number in improving government operations, minimizing fraud and abuse, and protecting citizens from identity theft and other illegal activity

Met  
 Not met     Strategic objective/performance goal

### 1.5. An effective system of justice

- 1.5.1. Identify ways to improve federal agencies' ability to prevent and respond to terrorism and other major crimes
- 1.5.2. Assess the effectiveness of federal programs to control illegal drug use
- 1.5.3. Assess federal efforts to enforce immigration and customs laws
- 1.5.4. Assess the administrative efficiency and effectiveness of the federal court and prison systems

### 1.6. The promotion of viable communities

- 1.6.1. Assess federal community and economic development assistance and its impact on communities
- 1.6.2. Assess the effectiveness of federal initiatives to assist small and minority-owned businesses
- 1.6.3. Assess how the federal government can balance the promotion of home ownership with financial risk
- 1.6.4. Assess federal efforts to enhance national preparedness and capacity to respond to and recover from natural and man-made disasters
- 1.6.5. Assess how well federal programs that support affordable housing meet objectives, manage financial risk, and improve recipient's well-being

### 1.7. Responsible stewardship of natural resources and the environment

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

### 1.8. A safe, secure, and effective national physical infrastructure

- 1.8.1. Assess strategies for identifying, evaluating, prioritizing, financing, and implementing integrated solutions to the nation's transportation infrastructure challenges
- 1.8.2. Assess the impact of transportation and telecommunications policies and practices on competition and consumers
- 1.8.3. Assess federal government's role in fostering and overseeing telecommunications in the public interest
- 1.8.4. Assess efforts to improve safety in moving people and goods across the nation's transportation system
- 1.8.5. Assess efforts to improve security in all transportation modes
- 1.8.6. Assess the U.S. Postal Service's transformation efforts to ensure its viability and accomplish its mission
- 1.8.7. Assess federal efforts to plan for, acquire, manage, maintain, secure, and dispose of the government's real property assets

Source: GAO.

Notes: In indicating whether we have met a performance goal, the responsible senior executive considers, for example, the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts has achieved the performance goal. To view the 153 key efforts for the 40 performance goals above, go to <http://www.gao.gov/sp.html>.

## 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 emerging 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 changing security threats and the challenges of global interdependence. Our multiyear (fiscal years 2004-2009) strategic objectives under this goal are to support the congressional and federal efforts to

- respond to emerging threats to security,
- 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 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 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to federal programs

### Selected Work under Goal 2

#### **Strengthening federal agency information security:**

In response to our identification of specific information security improvements needed at numerous agencies, some agencies strengthened their information security practices by, among other things, changing access controls to limit the ability to read, modify, or delete information to authorized individuals; implementing software change controls to allow only authorized software programs to operate; and using service continuity controls to protect computer-dependent operations from significant disruptions. (See app. 1, item 2.6.A.)

#### **Increasing security of cargo containers to prevent smuggling of weapons of mass destruction:**

In response to our recommendations, DHS agreed to improve its ability to assess security procedures of certain companies, identify high-risk containers, inspect containers with scanning equipment, and manage the programs overall to increase the security of cargo containers in order to prevent terrorists from using such containers to smuggle weapons of mass destruction into the United States. (See app. 1, item 2.11.C.)

#### **Identifying challenges to efforts to stabilize and rebuild Iraq:**

We identified the challenges to U.S. efforts to stabilize Iraq, reconstruct Iraq's essential infrastructure, and support its elections. Our work was widely reported in the national media, helped inform American taxpayers about U.S. efforts in Iraq, and provided the Congress with crucial oversight information as it considered legislative action. (See app. 1, item 2.49.C.)

#### **Bolstering efforts to prevent terrorists and criminals from obtaining U.S. passports:**

The Congress expressed grave concerns about the security gaps that we identified in U.S. passport operations and asked the Departments of State (State) and Justice to implement our recommendations correcting these and other systemic weaknesses in State's passport fraud detection efforts. The agencies have begun implementing actions to close these critical security gaps. (See app. 1, item 2.50.C.)

that took us across multiple continents, including Australia, 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 13](#), we exceeded our fiscal year 2005 performance targets for financial and other benefits, but did not meet the target for testimonies for this goal.

**Table 13: Strategic Goal 2's Annual Performance Results and Targets**

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005 target	2005 actual	Met/not met	2006 target
Financial benefits (dollars in billions)	\$10.5	\$8.4	\$7.1	\$9.7	\$9.4	\$13.0	Met	\$10.5 <sup>a</sup>
Other benefits	188	218	273	369	300	365	Met	282 <sup>a</sup>
Testimonies	34	38	48	70	52	42	Not met	58

Source: GAO.

<sup>a</sup>Our fiscal year 2006 targets for financial benefits and other benefits differ from the targets we reported for these measures in our fiscal year 2006 performance plan. On the basis of our performance in fiscal year 2005, we raised these targets from \$9.1 billion in financial benefits and 275 in other benefits. We did not change the agencywide targets for these measures, but we made corresponding changes to targets for goals 1 and 3.

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 14](#). This table indicates that financial and other benefits derived from our work have risen. At the same time, the number of testimonies for goal 2 has remained stable.

**Table 14: Four-Year Rolling Averages for Strategic Goal 2**

Performance measure	2001	2002	2003	2004	2005
Financial benefits (dollars in billions)	\$6.2	\$6.9	\$7.9	\$8.9	\$9.5
Other benefits	118	154	202	262	306
Testimonies	43	41	44	48	50

Source: GAO.

The following sections describe our performance in goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2006. This analysis is followed by a discussion of our multiyear qualitative performance measures.

## *Financial Benefits*

The financial benefits reported for this goal in fiscal year 2005 totaled \$13 billion, exceeding the target of \$9.4 billion. These accomplishments stemmed from engagements that recommended scaling back

a defense program until the required technology is mature, increasing efficiencies in the Army's force structure, reducing funding for the Millennium Challenge Account—an account established to support development in countries around the world—and for DOD's operations and maintenance, and avoiding costs associated with the return of excess Army

A financial benefit of about \$4.7 billion stemmed from our findings that the Missile Defense Agency could scale back its system development efforts until required technologies are more mature. (See [app. 1, item 2.17.A](#)).

material from Iraq. 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 goal 2's fiscal year 2006 target at \$10.5 billion based on its fiscal year 2005 4-year rolling average of \$9.5 billion and our assessment of the progress agencies are making in implementing our past recommendations that might yield financial benefits.

## Other Benefits

The other tangible benefits reported for goal 2 in fiscal year 2005 included 341 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 365 other benefits exceeded our target of 300. 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 2006 target at 282. This target is lower than our fiscal year 2005 actual performance and 4-year average for this measure because we want to encourage staff to identify significant and meaningful other benefits rather than numerous, narrowly focused ones that would easily ensure that we meet a higher target.

## Testimonies

Our witnesses testified at 42 congressional hearings related to this strategic goal, missing our target of presenting testimony at 52 hearings. Among other

things, we testified on U.S. passport fraud, DOD security clearances, the Oil for Food program, mutual funds, unmanned aerial vehicles, protecting U.S. officials overseas from terrorist attacks, and transportation security issues (see p. 36 for a list of testimony topics by goal). We have set our target for presenting testimony at hearings to 58 for fiscal year 2006. This should be a challenge for us as it is above both our fiscal year 2005 performance and 4-year average for this goal.

### Examples of Goal 2's Other Benefits

#### **Improving controls covering technology exports:**

We found that a gap in control regulations covering exports with both military and civilian applications could enable individuals in most countries to legally obtain these items without any U.S. government review and that these items could be used to help make a cruise missile or unmanned aerial vehicle. The Department of Commerce subsequently proposed modifications to its regulations to help close the regulatory gap. (See app. 1, item 2.1.A.)

#### **Strengthening the visa process as an antiterrorism tool:**

Using our work as a primary guide, State strengthened the visa process as an antiterrorism tool by, among other things, issuing guidance emphasizing national security as the department's first priority in the visa process; developing over 80 standard operating procedures to ensure that consular officers properly review visa applications and effectively fulfill their national security responsibilities; and developing and enhancing training on analytic interviewing techniques, fraud prevention, counterterrorism, and use of a name check system for passports and visa applications. (See app. 1, item 2.32.A.)

#### **Ensuring decisions to transfer U.S. weapons and technologies to foreign governments are adequately informed:**

We found that the National Disclosure Policy Committee—which approves or denies requests for exceptions to the criteria used to determine if classified weapons or technologies can be released to the requesting country—was operating with outdated Central Intelligence Agency risk assessments. Acting on our recommendations, the committee's Executive Secretariat requested that the Central Intelligence Agency provide updated risk assessments for 23 countries, and those assessments are under way. (See app. 1, item 2.55.A.)

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## *Multiyear Performance Goals*

As shown in [table 15](#), at the close of fiscal year 2004, we met 22 of our 23 performance goals for this strategic goal. We did not meet the performance goal of identifying opportunities to embed homeland security concepts in ongoing national initiatives because our homeland security resources were

needed for other work requested by the Congress and we did not have resources in the homeland security area to undertake self-initiated work related to this performance goal. For fiscal year 2006, we plan to drop this performance goal and concentrate our resources on the remaining homeland security efforts.

**Table 15: Strategic Goal 2's Qualitative Performance Goals, Fiscal Years 2004 and 2005**

■ Met	□ Not met	Strategic objective/performance goal
<b>2.1. Respond to emerging threats to security</b>		
■		2.1.1. Assess federal homeland security management, responsibility, effectiveness, and achievement of mission goals
■		2.1.2. Identify ways to strengthen strategies related to homeland security and their implementation
■		2.1.3. Evaluate homeland security resource priorities, costs, and approaches to stimulate desired investments
□		2.1.4. Identify opportunities to embed homeland security concepts in ongoing national initiatives
■		2.1.5. Evaluate ways to strengthen government information security and protect computer and telecommunications systems that support the nation's critical infrastructures
■		2.1.6. Assess the effectiveness of U.S. and international efforts to prevent the proliferation of nuclear, biological, chemical, and conventional weapons and sensitive technologies
<b>2.2. Ensure military capabilities and readiness</b>		
■		2.2.1. Assess DOD's ability to maintain adequate readiness levels while addressing the force structure changes needed in the 21st century
■		2.2.2. Assess overall human capital management practices to ensure a high-quality total force
■		2.2.3. Assess the ability of weapon system acquisition programs and processes to achieve desired outcomes
■		2.2.4. Identify ways to improve the economy, efficiency, and effectiveness of DOD's support infrastructure and business systems and processes
■		2.2.5. Assess the National Nuclear Security Administration's efforts to maintain a safe and reliable nuclear weapons stockpile
■		2.2.6. Assess whether DOD and the services have developed integrated systems, procedures, and doctrines to support joint and coalition forces on the battlefield safely and effectively
■		2.2.7. Analyze and support DOD's efforts to improve planning, programming, budgeting, execution, and program performance
<b>2.3. Advance and protect U.S. international interests</b>		
■		2.3.1. Analyze the plans, strategies, costs, and results of the United States and its allies in conflict interventions
■		2.3.2. Analyze the effectiveness and management of U.S. foreign aid and developmental and humanitarian programs and the tools used to implement them
■		2.3.3. Analyze the plans, costs, and outcomes of responding to challenges to U.S. strategic interests
■		2.3.4. Evaluate the extent to which U.S. interests are effectively served by U.S. participation in multilateral organizations
■		2.3.5. Assess the strategies and management practices for U.S. foreign affairs functions and activities

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

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- 2.4.1. Analyze how U.S. interests are served through trade agreements and U.S. programs
  - 2.4.2. Improve understanding of the effects of a global industrial base on U.S. national security interests
  - 2.4.3. Assess how the United States can influence improvements in the world financial system
  - 2.4.4. Assess the ability of the financial services industry and its regulators to maintain a stable and efficient financial system in the face of market change and innovation
  - 2.4.5. Assess the effectiveness of regulatory programs and policies in ensuring access to financial services and deterring fraud and abuse in financial markets
- 

Source: GAO.

Notes: In indicating whether we have met a performance goal, the responsible senior executive considers, for example, the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts has achieved the performance goal. To view the 88 key efforts for the 23 performance goals above, go to <http://www.gao.gov/sp.html>.

## 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 2004-2009) 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 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 fraud investigations, which are conducted by staff from the Forensic Audits and Special Investigations unit within the Financial Management and Assurance team.

### Selected Work under Goal 3

**Cost effectively managing a multibillion dollar IT investment:** DHS program managers who track cargo entering and leaving the United States implemented our recommendations related to developing and using enterprise architecture, following an incremental system acquisition approach, establishing system acquisition process controls, and ensuring the independence of DHS's function to oversee the program. (See app. 1, item 3.19.C.)

**Improving criminal debt collection:** Our efforts resulted in the Congress directing the Department of Justice to develop a strategic plan with the other involved federal agencies to improve the federal government's ability to collect billions of dollars of outstanding criminal debt. The department has begun to act on this directive. (See app. 1, item 3.20.C.)

**Improving governmentwide telecommunications acquisition:** Because of concerns that we raised regarding a governmentwide telecommunications contract known as Networx, GSA drafted measures to address each of the program's goals and is working to revise the draft measures based on our feedback. In addition, the Congress directed the agency to delay the release of its final request for proposals until information was available on the level of service contractors would be required to provide at each location. (See app. 1, item 3.21.C.)

**Raising awareness of selected technology used to block pornography:** We found that the filters offered by selected peer-to-peer file-sharing applications—which allow Internet users to find and exchange information, including images and videos—varied in their ability to block pornographic images. (See app. 1, item 3.29.C.)

**Conducting the first financial audit of the Securities and Exchange Commission (SEC):** Our audit of SEC for the fiscal year ended 2004—the first conducted at SEC—resulted in a clean opinion on its financial statements. Nevertheless, we identified material internal control weaknesses over financial statements and disclosures, recording and reporting disgorgements and civil penalties, and information security, which SEC is taking steps to address. (See app. 1, item 3.60.C.)

To accomplish our work under these four objectives, we conducted audits, evaluations, and analyses in response to congressional requests and carried out work initiatives under the Comptroller General's authority. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 16](#), we exceeded our fiscal year 2005 performance targets for financial and other benefits for this goal, but did not meet the target for testimonies at the goal level.

**Table 16: Strategic Goal 3's Annual Performance Results and Targets**

Performance measure	2001 actual	2002 actual	2003 actual	2004 actual	2005 target	2005 actual	Met/not met	2006 target
Financial benefits (billions of dollars)	\$7.0	\$5.2	\$4.7	\$7.6	\$8.5	\$11.0	Met	\$9.8 <sup>a</sup>
Other benefits	401	462	553	576	460	767	Met	526 <sup>a</sup>
Testimonies	42	65	56	60	55	47	Not met	63

Source: GAO.

<sup>a</sup>Our fiscal year 2006 targets for financial benefits and other benefits differ from the targets we reported for these measures in our fiscal year 2006 performance plan. On the basis of our performance in fiscal year 2005, we lowered the financial benefit target from \$10.4 billion. We also raised the target for other benefits from 520. We did not change the agencywide targets for these measures, but we made corresponding changes to targets for goals 1 and 2.

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 17](#). This table indicates that documentation of financial and other benefits derived from our work under this goal have risen, while the number of testimonies for goal 3 has declined overall.

**Table 17: Four-Year Rolling Averages for Strategic Goal 3**

Performance measure	2001	2002	2003	2004	2005
Financial benefits (dollars in billions)	\$5.3	\$5.5	\$5.5	\$6.1	\$7.1
Other benefits	407	445	480	498	590
Testimonies	86	78	67	56	57

Source: GAO.

The following sections describe our performance in goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2006. This analysis is followed by a discussion of our qualitative performance measures.

## *Financial Benefits*

The financial benefits reported for this goal in fiscal year 2005 totaled \$11 billion, exceeding our target of \$8.5 billion. These efforts included increasing

revenues from IRS collections, avoiding costs by using streamlined federal acquisition strategies, reduced funding due to improved cash management processes in the Air Force's working capital fund and to postponement of NASA's Prometheus 1 project, and reducing costs associated with the 2010 Census. We describe these and other accomplishments in the goal 3 section of appendix 1.

A financial benefit of about \$1.8 billion stemmed from our findings that led IRS to increase revenue collections. (See [app. 1, item 3.51.A](#)).

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 \$9.8 billion for fiscal year 2006.

## Other Benefits

The other tangible benefits reported for goal 3 in fiscal year 2005 included 739 instances in which agencies' core business processes were improved or governmentwide management reforms were advanced because of our work. In addition, there were 28 instances in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 767 other benefits exceeded our target of 460. The larger number of other 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 2006 target of 526 other benefits for goal 3. We recognize that this target is lower than our fiscal year 2005 actual performance, but we set it at this level because we want to encourage staff to identify significant and meaningful other benefits rather than numerous, narrowly focused ones that would easily ensure that we meet a higher target.

## Testimonies

Our witnesses testified at 47 congressional hearings related to this strategic goal, falling short of the target of 55. Among the testimonies presented were those on Army Reserve and Army National Guard pay, tax system abuse by DOD contractors, diploma mills, federal purchase and travel cards, NASA's

shuttle program, and DOD contract management (see p. 36 for a list of testimony topics by goal). For fiscal year 2006, we have set a target of presenting testimony at 63 hearings because we expect the level of hearings to be higher than it was in fiscal year 2005; the anticipated increase stems from our work on bid protests and on contracting activities resulting from federal Hurricane Katrina cleanup and recovery efforts.

### Examples of Goal 3's Other Benefits

**Adding rigor to the Coast Guard's oversight of Deepwater program contractors:** We found that (1) the Coast Guard's evaluation of a contractor responsible for developing and delivering assets for the Deepwater Program—established to modernize the Coast Guards' aging fleet of ships and aircraft—lacked the necessary rigor to be effective and (2) two subcontractors were solely responsible for deciding whether to compete assets or make the assets themselves. Based on our recommendations, the Coast Guard improved the criteria for assessing the system integrator's performance and required the subcontractors to provide notification of decisions to make assets valued at \$10 million or more. (See app. 1, item 3.6.A.)

**Preventing improper sales of sensitive clothing and textile items:** On the basis of our findings that it improperly sold over the Internet excess clothing with reflectant properties that prevent detection with infrared technologies, DOD issued a more stringent policy, which determined that these items are of a sufficiently critical and sensitive nature to require total destruction—an action that should help prevent this sensitive technology from falling into the wrong hands. (See app. 1, item 3.31.A.)

**Improving accountability at the Department of Labor (DOL):** We recommended that OMB revise its audit guidance to require sufficient testing for auditors to be able to positively state whether agency financial management systems comply with requirements (positive assurance). DOL's IG advised us that it had followed our advice and became the first federal agency to provide positive assurance. (See app. 1, item 3.34.A.)

**Improving NASA's cost-estimating processes:** Acting on our recommendations, NASA has removed barriers to cost estimation—such as the lack of reliable financial and performance data and the lack of incentives to measure and monitor cost trends—and improved its cost-estimating practices. (See app. 1, item 3.37.A.)

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## *Multiyear Performance Goals*

As shown in [table 18](#), at the close of fiscal year 2005, we met all of the 19 performance goals for this strategic goal.

**Table 18: Strategic Goal 3's Qualitative Performance Goals, Fiscal Years 2004 and 2005**

<input checked="" type="checkbox"/> Met	<input type="checkbox"/> Not met	Strategic objective/performance goal
<b>3.1. Reexamine the federal government's role in achieving evolving national objectives</b>		
■		3.1.1. Examine emerging challenges and opportunities to position the federal government for the 21st century
■		3.1.2. Develop new resources and approaches that can be used to assess the nation's position and progress
■		3.1.3. Explore ways to evaluate the effectiveness of the entire set of policy tools that the federal government uses to achieve national objectives
■		3.1.4. Assess how involvement of state and local governments and nongovernmental organizations affects federal program implementation and achievement of national goals
<b>3.2. Support the transformation to results-oriented, high-performing government</b>		
■		3.2.1. Analyze and support efforts to improve the human capital infrastructure key to the successful transformation of the government
■		3.2.2. Assess and support efforts to improve results-oriented management across the government
■		3.2.3. Analyze efforts to build high-performing organizations
■		3.2.4. Identify ways to improve the collection, dissemination, and quality of federal information
■		3.2.5. Identify ways to improve financial management infrastructure capacity to provide useful information for managing results and costs day to day
■		3.2.6. Assess the government's planning, implementation, and use of information technology to improve performance and modernize federal programs and operations
■		3.2.7. Identify ways to improve how federal agencies acquire goods and services
<b>3.3. Support congressional oversight of key management challenges and program risks to improve federal operations and ensure accountability</b>		
■		3.3.1. Highlight the federal programs and operations at highest risk and the major performance and management challenges confronting agencies
■		3.3.2. Assess the management and results of the federal investment in science and technology and the effectiveness of efforts to protect intellectual property
■		3.3.3. Identify ways to strengthen accountability for the federal government's assets and operations
<b>3.4. Analyze the government's fiscal position and strengthen approaches for addressing the current and projected fiscal gap</b>		
■		3.4.1. Analyze the long-term fiscal position of the federal government
■		3.4.2. Analyze the structure and information for budgetary choices and explore alternatives for improvement
■		3.4.3. Contribute to congressional deliberations on tax policy
■		3.4.4. Support congressional oversight of federal tax administration
■		3.4.5. Assess the reliability of financial information on the government's fiscal position and financing sources

Source: GAO.

Notes: In indicating whether we have met a performance goal, the responsible senior executive considers, for example, the amount of work conducted and recommendations made for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts has achieved the performance goal. To view the 90 key efforts for the 19 performance goals above, go to <http://www.gao.gov/sp.html>.

## 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 GAO a model organization. For us, 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 2004-2009) strategic objectives under this goal are to

- continuously improve client and customer satisfaction and stakeholder relationships;
- lead strategically to achieve enhanced results;
- leverage GAO's institutional knowledge and experience;
- continuously enhance GAO's 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 CAO 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, OOI, QCI, and Public Affairs.

To accomplish our work under these five objectives, we plan to perform internal studies and complete projects that further the strategic goal.

### Selected Work under Goal 4

**Improving dissemination of GAO products:** We continued our pilot to produce and disseminate GAO reports in an electronic format, and, based on the positive client feedback we received on the products we provided in electronic format, we plan to make the use of electronic products routine. We also improved the process for creating and posting to our Web site the electronic supplements to our reports, enabling our staff to view all features of a supplement before it is posted on the Internet, easing navigation within the electronic supplement, and more readily identifying the product as a GAO product. (See app. 1, item 4.3.C.)

**Enhancing our classification and compensation systems:** We more directly linked the process for determining compensation to an individual's performance, as reflected on the appraisal, and used a market-based compensation study to design a competitive, fair, and equitable compensation program that is aligned with competitive labor markets in which we compete for talent. In addition, our administrative and professional support staff completed their first year under a broadband pay system and a competency-based performance system. (See app. 1, item 4.13.C.)

**Improving customer service through use of Web-based technology:** We upgraded our Web-based time and attendance system and our automated competency-based performance system, developed and implemented a Web-based request system for scheduling GAO vans that transport our staff to official meetings, redesigned the Web-based phone book, and deployed a major enhancement to our Web-based employee locator system. (See app. 1, item 4.27.C.)

**Ensuring our IT security:** To ensure our IT security we installed personal firewall software, implemented changes to ensure desktop security and foil spyware, and implemented an integrated security approach for our Web-based systems. (See app. 1, item 4.32.C.)

**Ensuring our physical security:** We enhanced our physical security by completing the perimeter security efforts, including installation of high speed rollup doors, guard booths, undervehicle cameras, pop-up barriers, and a perimeter plinth wall. (See app. 1, item 4.33.C.)

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## *Multiyear Performance Goals*

The annual measures used to assess our performance under our external strategic goals are not applicable to this internal strategic goal, but the multiyear qualitative performance goals do apply. As shown in [table 19](#), at the close of fiscal year 2005, we met 16 of the 17 performance goals for this strategic goal. We did not meet our performance goal of maximizing the collection, use, and

retention of essential organizational knowledge. While we completed substantial work for this performance goal, we will not complete this work until after fiscal year 2005. Specifically, our work has been slower than we anticipated because funding was rescinded in fiscal year 2004 and some essential steps—such as developing prototypes and conducting pilot tests—have taken longer than we initially anticipated. We now plan to complete efforts under this performance goal during fiscal year 2006.

**Table 19: Strategic Goal 4's Qualitative Performance Goals, Fiscal Years 2004 and 2005**

■ Met	□ Not met	Strategic objective/performance goal
<b>4.1. Continuously improve client and customer satisfaction and stakeholder relationships</b>		
■		4.1.1. Strengthen communication with congressional clients and more broadly measure their satisfaction with GAO's work
■		4.1.2. Assess internal customer satisfaction with GAO's services and processes and implement and measure improvement efforts
■		4.1.3. Strengthen relationships with GAO's stakeholders and increase the accessibility of GAO's products
<b>4.2. Lead strategically to achieve enhanced results</b>		
■		4.2.1. Integrate planning, budgeting, and performance measurement to achieve enhanced results
■		4.2.2. Strengthen GAO's strategic human capital management to achieve enhanced results
■		4.2.3. Ensure exemplary practices and systems in GAO's fiscal operations
■		4.2.4. Strengthen IT governance practices and processes to achieve strategic results
<b>4.3. Leverage GAO's institutional knowledge and experience</b>		
□		4.3.1. Maximize the collection, use, and retention of essential organizational knowledge
■		4.3.2. Increase GAO's knowledge-sharing capability
■		4.3.3. Enhance knowledge sharing with other national and international accountability and professional organizations
<b>4.4. Continuously enhance GAO's business and management processes</b>		
■		4.4.1. Improve engagement support services
■		4.4.2. Use enabling technology to improve GAO's crosscutting business processes
<b>4.5. Become a professional services employer of choice</b>		
■		4.5.1. Promote an environment that is fair and unbiased and that values opportunity and inclusiveness
■		4.5.2. Provide GAO staff with tools, technology, and a world-class working environment
■		4.5.3. Provide a safe and secure workplace
■		4.5.4. Enhance employee views about GAO
■		4.5.5. Improve the development and experiences of newly hired staff

Source: GAO.

Notes: In indicating whether we have met a performance goal, the responsible senior executive considers, for example, the amount of work conducted for each key effort under that performance goal, as well as other assistance provided to the client or customer that is related to these efforts. The senior executive then judges whether the work completed collectively for all key efforts has achieved the performance goal. To view the 80 key efforts for the 17 performance goals above, go to <http://www.gao.gov/sp.html>.

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# *Data Quality and Program Evaluation*

## *Verifying and Validating Performance Data*

Each year, we measure our performance by (1) evaluating our annual performance on measures that cover the outcomes and outputs related to our work results, client service, and management of our

people and (2) assessing our progress in performing work related to the multiyear qualitative performance goals. To assess our performance in fiscal year 2005, we used performance data that were complete and actual (rather than projected) for all of our performance measures. We believe the data to be reliable because we followed the criteria and 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 20](#).

**Table 20: How We Ensure Data Quality for Our Annual Performance Measures and Multiyear Performance Goals**

Results measures	
<b>Financial benefits</b>	
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 but can also result from information about questionable activities referred to us by agencies' IGs. 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 third parties. 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. 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 GAO's 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	<p>Our Accomplishment Reporting System provides the data for this measure. Teams use this Web-based data system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total financial benefits agencywide and by goal.</p>

**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 teams identify when a financial benefit has occurred as a result of our work. Teams develop estimates based on third-party sources, such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office, and file accomplishment reports based on those estimates. The estimates are reduced by any identifiable offsetting costs. Teams develop 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 unit 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 fiscal year 2005 accomplishment data. In fiscal year 2005, QCI approved accomplishment reports covering 94 percent of the dollar value of financial benefits we reported.

Every year, our IG reviews accomplishment reports that claim benefits of \$500 million or more. In addition, on a periodic basis, the IG independently tests compliance with our process for claiming financial benefits of less than \$500 million. The IG is currently completing a review of fiscal year 2005 financial benefits of less than \$500 million.

**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 third parties and are based on both objective and subjective data, and as a result, professional judgment is required in reviewing accomplishment reports. The IG is currently completing a review of financial benefits, including ensuring that our existing verification and validation steps are reasonable and adequately minimize any adverse impact from this limitation.

**Other benefits (nonfinancial)**

**Definition and background** Our work—including our findings and recommendations—may produce other benefits to the federal government that cannot 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. Other (nonfinancial) benefits generally result from work that we completed over the past several years.

Other benefits are linked to specific recommendations or other work that we completed over several years. To claim that other 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 agencywide and by goal.

Verification and validation	<p>Our policies and procedures require us to use the Accomplishment Reporting System to record the other benefits that result from our findings and recommendations. Staff in the teams file accomplishment reports to claim that benefits have resulted from their work. Teams develop 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.</p> <p>The team forwards the report to QCI, where it is reviewed for appropriateness. QCI provides summary data on other benefits to unit 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 other benefits. For example, the IG tested this process in fiscal year 2005 and found it to be reasonable. The IG also suggested actions to strengthen documentation of our other benefits and to encourage the timely processing of the supporting accomplishment reports. We are currently examining this performance measure and considering possible alternative methods for determining our impact in this area.</p>
Data limitations	<p>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.</p>

#### Percentage of products with recommendations

Definition and background	<p>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.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations 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 other benefits.</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. 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 2003, the IG tested and determined that our process for determining the percentage of written products with recommendations was reasonable. In fiscal year 2005, we used the same procedures to compute and report this measure.</p>
Data limitations	<p>This measure is a conservative estimate of the extent to which we assist the Congress and federal agencies because not all products and services we provide lead to recommendations. For example, the Congress may request information on federal programs that is purely descriptive or analytical and does not lend itself to recommendations.</p>

**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 other benefits, the Congress or other 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 2005 implementation rate is the percentage of recommendations made in fiscal year 2001 products that were implemented by the end of fiscal year 2005). 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 2001 that were implemented in the ensuing years is as follows: 20 percent by the end of the first year (fiscal year 2002), 31 percent by the end of the second year (fiscal year 2003), 48 percent by the end of the third year (fiscal year 2004), and 85 percent by the end of the fourth year (fiscal year 2005).</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 IG. 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 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 1999 products and implemented by the end of fiscal year 2003. In fiscal year 2005, we followed the same process for calculating the percentage of recommendations that had been made in fiscal year 2001 products and implemented by the end of fiscal year 2005.</p>
Data limitations	<p>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.</p>

**Client measures**

**Testimonies**

Definition and background	<p>The Congress may ask us to testify at hearings on various issues. 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.</p>
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Data sources	The data on hearings at which we testify are compiled in our congressional hearing system managed by staff in our Congressional Relations office.
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, our Congressional Relations office 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 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 2003 was reasonable. In fiscal year 2005, 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 workload 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.
<b>Timeliness</b>	
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 our products that are issued by the dates agreed to with our clients or, for our work performed under the Comptroller General's authority, by the dates agreed to internally. The "committed" issue date for a product can be changed for requester-related reasons and for other significant reasons beyond GAO's control. Managing directors approve extensions to committed issue dates for their teams' engagements, and the teams document in their workpapers the reasons for extensions and the managing directors' approval. In fiscal year 2005, we extended the issue date on about one-third of our products.
Data sources	The data supporting this measure are from our Mission and Assignment Tracking System, which is used to monitor our progress on our engagements.
Verification and validation	Our staff enter the data supporting this measure into our Mission and Assignment Tracking System. The data are then uploaded into our Engagement Reporting System, allowing the teams to monitor their performance on this measure on a daily basis, if necessary, and resolve any issues. When an assignment is completed, data on its target and completion dates are reported to the project manager, who reviews and signs the report to confirm its accuracy. Additionally, on a periodic basis, the IG independently examines our process for calculating product timeliness.
Data limitations	We do not measure the timeliness of all of our external products. Products such as staff studies, certain correspondence, and guidance are not part of our main product line and are excluded. To ensure that the data for this measure are sound, staff must follow the policy guidance as described above. However, based on the IG's 2005 review, there is evidence that some staff may be inconsistently applying the policy for changing a committed issue date, which ultimately affects the reliability of our measure. Also, our staff perform the process of changing a committed issue date, and thus the resulting data may not adequately represent an independent assessment of the requesters' satisfaction with our ability to deliver products when our clients need them. To mitigate these limitations, in fiscal year 2006 we will use our more direct client feedback survey as the primary indicator for our ability to deliver products on time to our clients.

**Multiyear qualitative performance goals**

Definition and background	<p>In addition to our other measures, we consult with our congressional clients and other outside experts in setting our multiyear qualitative performance goals. Thus, assessing the extent to which we achieve our performance goals helps focus our efforts on issues of critical importance and provides a tool for holding ourselves accountable for the resources the Congress provides. These goals measure the extent to which we did the work we had planned to do to support the Congress over a period of time. In this case, they cover fiscal years 2004 and 2005.</p> <p>For each performance goal, we identify the key efforts needed to achieve it. To determine whether a performance goal has been met, we assess the work completed under the goal's key efforts. In making this assessment, the responsible senior executives for strategic goals 1 through 3—our external goals—consider, for example, the number of products issued (such as reports and testimonies) and the recommendations made for each key effort as well as any other assistance provided to the Congress related to these efforts. Senior executives then judge whether the work completed collectively for all key efforts actually achieved the performance goal. For strategic goal 4—our internal goal—senior executives also judge whether the performance goals have been met based on the work done on the goals' key efforts.</p>
Data sources	<p>The data supporting senior executives' assessments come from our Engagement Reporting System for strategic goals 1 through 3 and from reports produced by the managers responsible for each key effort for strategic goal 4. Teams and units maintain the supporting data used.</p>
Verification and validation	<p>The assessment of each performance goal under strategic goals 1 through 3 is supported by documentation showing, for example, by key effort the number of reports issued and recommendations made during the assessment period. The assessment of the performance goals under strategic goal 4 is also supported by documentation showing the work completed under each key effort. Managing directors in all four goals sign this documentation.</p> <p>At the end of a multiyear assessment cycle, QCI reviews the assessments from each of the goals and checks supporting documentation for a sample of performance goals to ensure that criteria are consistently applied and that requirements are met. On a periodic basis, our IG independently tests our process for determining whether performance goals are met. The IG is currently completing its test of our multiyear performance goal process for fiscal year 2005.</p>
Data limitations	<p>The assessment data represent opinions in the form of qualitative, professional judgments that senior managers make about their own work performed under each performance goal. However, we feel that the verification and validation steps that we take minimize any adverse impact from this limitation.</p>

**People measures**

**New hire rate**

Definition and background	<p>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 the 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 Chief Administrative Officer. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.</p>
Data sources	<p>The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by CAO. 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.</p>

Verification and validation	CAO maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our CAO staff input workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, monthly reports are provided to the Chief Operating Officer and the Chief Administrative Officer to monitor progress by GAO units in achieving workforce plan hiring targets. CAO continuously monitors and reviews accessions maintained in the NFC data 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 suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
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.
<b>Acceptance rate</b>	
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 CAO staff maintain 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 CAO to ensure that each job offer made and its outcome (declination or acceptance) is noted in the database that is maintained by CAO's 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 suggested 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 suggestions.
Data limitations	See New hire rate, Data limitations.
<b>Retention rate</b>	
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 on-board 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 CAO database that contains some data from the NFC database, which handles payroll and personnel data for GAO and other agencies.
Verification and validation	CAO 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 suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.
Data limitations	See New hire rate, Data limitations.

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**Staff development**


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Definition and background	<p>One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO's overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions.</p> <p>This measure is based on staff's favorable responses to four 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 these four questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer".</p>
Data sources	<p>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) internal training, (2) computer-based training, (3) external training and conferences, and (4) on-the-job training have on their ability to do your job 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."</p>
Verification and validation	<p>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. We have historically achieved a high response rate (over 80 percent) to the survey, 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.</p> <p>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 suggested actions to improve the documentation of the process used to calculate this measure. We have implemented the IG's suggestions.</p>
Data limitations	<p>The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a Web-based survey for which respondents entered their answers directly into an electronic questionnaire. 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.</p>

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**Staff utilization**


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Definition and background	<p>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.)</p>
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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.
<b>Leadership</b>	
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. For example, we looked at the responses related to specific qualities of our managers, such as "My immediate supervisor gave me the opportunity to do what I do best" and "My immediate supervisor provided meaningful incentives for high performance." 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.
<b>Organizational climate</b>	
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.

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## Internal operations measures

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### Help get job done and Quality of work life

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Definition and background	<p>To measure satisfaction with GAO internal operations and solicit ideas on ways to improve them, we administer an annual web-based survey, known as our customer satisfaction survey, that asks employees to rate 31 administrative services, on a scale of 1 (low) to 5 (high), for those services that are important to them and that they have had experience with or used recently. For each selected service, employees are asked to indicate their level of satisfaction from 1 to 5, and provide a written reason for their rating and recommendations for improvement if desired. Based on the survey results, we calculate composite scores for two measures: one measure reflects the satisfaction with the 21 services that help employees get their job done and the second measure reflects satisfaction with another 10 services that affect quality of work life.</p> <p>Since 2003, we have collected baseline data from our internal customer satisfaction survey, but we will set targets and hold managers accountable for these two performance measures for the first time in 2006.</p>
Data sources	<p>To determine how satisfied GAO employees are with internal operations, we calculate composite scores for two measures. One measure reflects the satisfaction with the 21 services that help employees get their job 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).</p>
Verification and validation	<p>To ensure the security of the survey data, the survey is housed on a Web site maintained by an outside contractor and only the contractor has access to the password-protected results. We analyze the results by demographic representation (unit, tenure, location, band level, and job type) to ensure that its results are largely representative of the GAO population. In addition, each GAO unit responsible for internal operations conducts follow-on work, including analyzing the written comments to gain a better understanding of the information from the survey.</p>
Data limitations	<p>The information contained in the survey is self-contained. Therefore, there is no information to validate the views expressed by staff. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.</p>

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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 other 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 pub-

lic (<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 series to provide a status report on those major government operations considered high risk because of their vulnerabilities to waste, fraud, abuse, and mismanagement or the need for broad-based transformation. The series 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.

To help ensure the quality of our work supporting strategic goals 1, 2, and 3, an external peer review was completed of the processes and practices we use to perform many of our engagements, specifically, performance audits. The review—conducted by an international team of auditors that was led by the Office of the Auditor General of Canada—assessed whether our quality assurance policies and procedures were suitably designed and operating effectively. The peer review team examined the design of our engagement quality control system and the audit documentation for a sample of our products. The reviewers found that we have designed and implemented an effective system of quality controls for our performance audits to ensure reasonable compliance with generally accepted government auditing standards. The review team issued its final report in April 2005. In addition, a team of external auditors reviewed our process and procedures for performing our financial audits of other agencies. In the comment letter accompanying the clean opinion report that resulted from the financial audit peer review, the auditor included a suggestion for clarifying our quality control policies and procedures. We have begun to implement this suggestion.

In addition, a team of independent auditors completed a review of our financial management and assurance procedures, which we contract for every 3 years. The auditors concluded that our system of quality control for the accounting and auditing practice was designed to meet applicable quality control standards and that we complied with this system for the period reviewed. Thus, the auditors were reasonably assured that our financial audits conformed with professional standards and gave us a clean opinion.

To help ensure the quality of our internal processes and systems supporting strategic goal 4, we conducted an evaluation that supported our strategic objectives under goal 4, in response to a mandate in the House report on the fiscal year 2005 legislative branch appropriation (H.R. Rep. No. 108-577). This mandate asked that we identify opportunities to reduce costs, outsource, and streamline our internal

operations. As a result of our review this year, we streamlined the travel document audit process of our travel function and have selected a service provider to provide accounts payable transaction processing services. Both of these actions will result in measurable cost savings in the future.

In addition, an organizational and performance consulting firm examined our three-tier pay band system for our analysts and other professional staff and compared the compensation we provide these two groups with the compensation received by employees performing comparable work in the U.S. marketplace. Based on the results of this study, we reassessed the roles and responsibilities of our midlevel (Band II) analysts and adjusted compensation levels for other professional staff. As a result of this study, we are restructuring our analyst and analyst-related specialist pay bands to better align compensation and responsibilities and adjust compensation levels for other professional staff.

We also completed a number of other studies and evaluations related to goal 4's strategic objectives. These studies resulted in internal products or briefings in fiscal year 2005 that are not available publicly.

■ **Financial management.** We conducted internal reviews of our compliance with requirements set forth in 31 U.S.C. 3512 (commonly referred to as the Federal Managers' Financial Integrity Act) and OMB Circular A-127, *Financial Management Systems*. The A-127 review covered consistency with the Standard General Ledger, adequacy of integration, reporting requirements, general ledger maintenance, and travel manager. The Financial Integrity Act review covered payroll testing; Financial Management System functions, including reporting; capitalized assets; budget administration controls; GAO mission and assignment tracking system; and internal controls for purchases, payments, and employee reimbursements. These reviews uncovered no problems and showed that we have the proper controls in place and that they are being followed.

■ **Observations on the performance assessment cycle.** The Executive Committee reviewed our 2004 annual performance management assessment data and requested that

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OOI make recommendations for improvements in the areas of staff feedback, communication, and training. OOI provided draft recommendations to the managing directors, the Employee Advisory Council, Blacks in Government, the Hispanic Liaison Group, the Gay and Lesbian Employee Association, the Asian-American Liaison Group, and an agency representative for veterans, and forwarded their comments to the Executive Committee.

- **Training for field office staff.** We studied how best to deliver core training courses to our Band I staff in our field offices and determined that the most cost-effective way was to use a “hub” approach. Specifically, we identified San Francisco, Denver, and Atlanta as our three learning hubs where staff from these and nearby offices will complete groups of courses in five sets of 1-week sessions. The study concluded that among other things, this approach would be significantly less costly than bringing all Band I staff to GAO headquarters and result in a cost avoidance of \$500,000 in travel and per diem expenditures.
- **Electronic records management.** In fiscal year 2005 we began pilot testing an electronic records management system that will store all of our workpapers, reports, and testimonies and make them available to all of our staff. We plan to conclude this pilot in fiscal year 2006.
- **Customer satisfaction with internal operations and services.** We conducted our second customer satisfaction survey to measure customer satisfaction with internal operational services, determine the impact of our improvement efforts launched as a result of our first survey, refine our targets, and make necessary adjustments to improve services and reduce the gaps between what our customers expect and the services available to them. We also used the information from this survey to refine our internal operations measures.
- **IT Security Program assessment.** We contracted for an audit of our security practices and controls based upon the Federal Information Security Management Act and National Institute of Standards and Technology guidance. This assessment was designed to analyze the effectiveness of our IT Security Program and assist management in determining how to best utilize resources to protect our information and information systems. It is a critical on-site examination and analysis of the program to ascertain the present program status, to identify deficiencies or excesses, to determine the protection needed, and to make recommendations for improvement.

# Part III



## *Financial Information*

*“Money is of no value; it cannot spend itself. All depends on the skill of the spender.”*

- Ralph Waldo Emerson



*From the  
Chief Financial Officer*

Source: See Image Sources.

November 15, 2005

I am pleased to report that in fiscal year 2005 the U.S. Government Accountability Office continued to set the standard for excellence in government financial management. For the 19th 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. In addition, for the fourth year in a row, the Association of Government Accountants awarded us a certificate of excellence in accountability reporting for our fiscal year 2004 annual performance and accountability report.

During fiscal year 2005 we continued to make strides toward our strategic goal of becoming a model federal agency and a world-class professional services organization. We are leading the way in performance management through new and enhanced policies and processes. With the help of a consultant, we analyzed and designed a competitive, fair, and equitable compensation program aligned with the labor markets in which GAO competes for talent. Further, we invested significantly in restructuring our analysts' and specialists' pay bands to better align compensation with responsibilities. In June, our administrative staff completed their first cycle under a similar competency-based system designed to establish a clear link between employee performance and GAO's mission, core values, and strategic goals and objectives. This system will enable fair, honest, and properly applied measures of performance based on standards that are reasonable, appropriate, and clear to employees. Having a consistent competency-based performance management system throughout the agency will help to ensure that the work of all our staff is aligned with our core values and strategic direction.

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This year, we performed an extensive review of agency operations for potential cost savings, outsourcing, streamlining, and other opportunities to increase operational efficiency and effectiveness, as the result of a mandate in House Report 108-577. We had previously decided to cease operations of our internal print plant as a result of a reduced demand for printed products. The closing of the print plant was completed in October 2004, and all our printing needs are now met through contracts. Another area affected by our streamlining efforts this fiscal year was our accounting branch within the Office of Financial Management. Aiming to focus our financial management staff on greater value-added input to GAO activities, we have begun to shift the efforts of our staff away from routine transaction processing and toward a greater role in strategic business decision analysis and support. This shift will occur through a combination of automation, reallocation of resources within GAO, and outsourcing some data entry functions. Last year's implementation of the Travel Manager system has enabled us to streamline the auditing of our travel vouchers and transfer the remaining efforts from financial management to field office staff, more efficiently using administrative resources available throughout the agency. We cross-serviced the accounts payable function to the Department of the Interior's National Business Center. This center performs invoice receipt, processing, and payment activities for a number of other agencies; by utilizing the center's services, we will realize savings through eliminating data entry positions and focusing the efforts of the remaining staff on higher end financial analysis and decision support.

To improve our operations through the use of new technology, we have embarked on an extensive effort to replace our current financial management system. Although our current system has served us well over the years, upgrades are no longer offered and technical support has become increasingly difficult to find. We have adopted, and are following, best practice processes to select and implement our next generation financial management system. This is part of a larger enterprise architecture effort that will improve integration of all our systems that interact with our financial data. We also improved our internal communications by implementing a new system for electronic dissemination and storage of agencywide communications, a new administrative services Web site, and a searchable administrative services directory.

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Looking forward to fiscal year 2006, we realize that there are many challenges ahead. In addition to our work on the new financial system, we continue to voluntarily implement the additional requirements of OMB's revised Circular A-123, which requires management to specifically document, assess, and attest to the effectiveness of internal controls over financial reporting beginning in fiscal year 2006. In addition to these efforts, we will continue to investigate and implement new approaches to improve the efficiency and effectiveness of our preparation of quality products for our clients in the Congress and the American people.

A handwritten signature in black ink that reads "Sallyanne Harper". The signature is written in a cursive style with a large, sweeping initial 'S'.

Sallyanne Harper  
Chief Financial Officer

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# Overview of Financial Statements

Our financial statements and accompanying notes begin on [page 107](#).<sup>4</sup> Our financial statements for the fiscal years ended September 30, 2005 and 2004, were audited by an independent auditor, Cotton & Co., LLP.

Cotton & Co., 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 (Improvement Act) of 1996 and found no reportable instances of noncompliance with selected provisions of laws and regulations. (For further information about this law, [see footnote 1 on page 9](#).) 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 are 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). (For further information about this law, [see footnote 1 on page 9](#).) 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.

Our management assesses compliance with these controls through a series of comprehensive internal reviews, applying the evaluation criteria in OMB's guidance for implementing the Integrity Act. The results of these reviews are discussed with our Audit Advisory Committee, and action is taken to correct deficiencies as they are identified.

We assessed our internal controls as of September 30, 2005, based on the criteria mentioned above for effective internal controls in the federal government. On the basis of this assessment, we believe that as of September 30, 2005, we have effective internal controls in place. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our evaluation, the auditor found no material internal control weaknesses.

In addition, we are committed to fulfilling the objectives of the Improvement Act, which is also covered within 31 U.S.C. 3512. Although we are 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, 2005. We made this assessment based on criteria established under the Improvement Act and guidance issued by OMB. Also, our auditor reported

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<sup>4</sup>[Note 14](#) to the financial statements describes our Davis Bacon Act trust function. For more detailed Davis Bacon Act financial information, contact our General Counsel.

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that we had substantially complied with the applicable requirements of the Improvement Act as of September 30, 2005.

GAO's 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 2005, the IG examined compliance with our policy and procedures for conflict-of-interest determinations, recruiting and hiring, performance evaluations, career advancement, professional development, continuing professional education, GAO's information security program and practices, performance-based compensation process for analysts and attorneys, and benefits for transit and parking. In addition, 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 83](#). No material weaknesses were reported by the IG. During fiscal year 2005, we completed actions related to 12 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 to ensure compliance with laws and regulations relevant to our financial operations.

As of September 30, 2005, the committee consisted of Sheldon S. Cohen (Chairman), Edward J. Mazur, and Charles O. Rossotti, whose relevant experience was described on [page 49](#) of this report. The committee's report and the report from our independent auditors are included on the following pages.

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# *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 has primary responsibility for the Performance and Accountability report. The Committee met two times 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 2005 Performance and Accountability Report.



Sheldon S. Cohen  
Chairman  
Audit Advisory Committee

# Independent Auditor's Report



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## INDEPENDENT AUDITOR'S REPORT

Comptroller General of the United States

Cotton & Company LLP audited the Government Accountability Office's (GAO) Balance Sheets as of September 30, 2005 and 2004, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the years then ended. We found:

- The financial statements referred to above are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- GAO maintained effective internal control over financial reporting (including safeguarding of 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), and
- No reportable noncompliance with laws and regulations we tested.

The following four sections discuss the above conclusions in more detail. Our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information appear below, under the caption Consistency of Other Information.

### Opinion on Financial Statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GAO as of September 30, 2005 and 2004, and its net costs, changes in net position, budgetary resources, and financing for the years then ended in conformity with U.S. generally accepted accounting principles.

### Opinion on Internal Control

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 2005, based on criteria established under the Federal Managers' Financial Integrity Act (FMFIA).

### Opinion on FFMA Compliance

In our opinion, GAO's financial management systems substantially complied with the three FFMA requirements: (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level, as of September 30, 2005.

### Compliance with Laws and Regulations

The objective of our audits was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion. However, our tests for compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under *Government Auditing Standards* or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

This conclusion is intended solely for the information and 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. However, this report is a matter of public record and its distribution is not limited.

### Consistency of Other Information

We conducted our audits for the purpose of forming an opinion on the fiscal year 2005 and 2004 financial statements taken as a whole. Certain portions of the Performance and Accountability Report are not a required part of the basic financial statements, but are required by OMB Circular No. 136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*.

There are two types of material within GAO's Performance and Accountability Report that are not a part of GAO's basic financial statements: MD&A and other accompanying information. MD&A describes GAO and its missions, activities, program and financial results, and financial condition. MD&A is required supplementary information. With respect to GAO's MD&A, we made certain inquiries of management and compared the information for consistency with GAO's audited financial statements and against other knowledge we obtained during our audits. Other accompanying information consists of the full Performance and Accountability Report except for the MD&A, the basic financial statements and notes to the financial statements, and this auditor's report. With respect to other accompanying information, we compared the information for consistency with the audited financial statements. Based on these limited procedures, we found no material inconsistencies between either the MD&A or the other accompanying information and the financial statements or notes. However, we did not audit the MD&A or the other accompanying information, and express no opinion on them.

### Management's Responsibility

Management is responsible for:

- Preparing the financial statements in conformity with U.S. generally accepted accounting principles,
- Establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met,
- Implementing, maintaining, and assessing financial management systems to provide reasonable assurance of substantial compliance with the requirements of FMFIA, and
- Complying with applicable laws and regulations.

### Auditor's Responsibility and Methodology

Cotton & Company LLP performed its audits and examinations in accordance with *Government Auditing Standards*, U.S. generally accepted auditing standards, the American Institute of Certified Public Accountants' (AICPA) attestation standards, and OMB Bulletin No. 01-02. We believe our audits and examinations provide a reasonable basis for our opinions.

We are responsible for planning and performing our audits 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 overall financial statement presentation.

We have examined management's assertion that GAO maintained effective control over financial reporting (including safeguarding of assets) and compliance with applicable laws and regulations as of September 30, 2005, based on internal GAO evaluations using criteria established in FMFIA. Our responsibility is to express an opinion on the effectiveness of internal control based on our examination. We conducted our examination in accordance with attestation standards established by the AICPA and *Government Auditing Standards* and, accordingly, obtained an understanding of internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations; tested and evaluated the design and operating effectiveness of internal control; and performed other procedures considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

With respect to internal control related to significant performance measures included in the MD&A, we obtained an understanding of the design of internal control relating to the existence and completeness assertions and determined whether they had been placed in operation, as required by OMB Bulletin No. 01-02. 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 internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate as the result of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have examined management's assertion that, as of September 30, 2005, GAO's financial management systems substantially complied with the three FFMI requirements: (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the SGL at the transaction level. Management's assertion was based on internal GAO evaluations using compliance indicators set forth in OMB guidance, dated January 4, 2001, *Revised Implementation Guidance for FFMI*, and criteria in OMB Circulars A-127, *Financial Management Systems*, and A-130, *Management of Federal Information Resources*. Our responsibility is to express an opinion on whether GAO's financial management systems substantially complied with the above-mentioned requirements, based on our examination. We conducted our examination in accordance with attestation standards established by the AICPA and *Government Auditing Standards* and, accordingly, 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 believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of GAO's financial management systems' compliance with specified requirements.

We are 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, 2005. We caution that noncompliance may occur and may not be detected by these tests, and that such testing may not be sufficient for other purposes.

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

COTTON & COMPANY LLP



Charles Hayward, CPA

Alexandria, Virginia  
November 1, 2005

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## *Purpose of Each Financial Statement*

- A 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).
- A 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.
- A statement of changes to 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.
- A 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.
- A statement of financing reconciles the resources available to us with the net cost of operating the agency.

**Financial Statements**

**U.S. Government Accountability Office**

**Balance Sheets**

**As of September 30, 2005 and 2004**

(Dollars in thousands)

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Intragovernmental		
Funds with the U.S. Treasury and cash (Note 2 and 3)	\$65,878	\$67,169
Accounts receivable (Note 2)	877	1,501
<b>Total Intragovernmental</b>	<u>66,755</u>	<u>68,670</u>
Property and equipment, net (Note 4)	47,291	49,180
Other	310	382
<b>Total Assets</b>	<u><u>\$114,356</u></u>	<u><u>\$118,232</u></u>
<b>Liabilities</b>		
Intragovernmental (Note 2)		
Accounts payable	\$11,805	\$7,359
Employee benefits (Note 6)	2,262	1,928
Workers' compensation (Note 7)	2,121	1,961
<b>Total Intragovernmental</b>	<u>16,188</u>	<u>11,248</u>
Accounts payable	12,121	12,749
Salaries and benefits (Note 6)	16,493	15,035
Accrued annual leave and other (Note 5)	30,093	29,958
Workers' compensation (Note 7)	10,357	9,819
Capital leases (Note 9)	9,657	5,934
<b>Total Liabilities</b>	<u>94,909</u>	<u>84,743</u>
<b>Net Position</b>		
Unexpended appropriations	27,003	34,621
Cumulative results of operations	(7,556)	(1,132)
<b>Total Net Position (Note 13)</b>	<u>19,447</u>	<u>33,489</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$114,356</u></u>	<u><u>\$118,232</u></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, 2005 and 2004**

(Dollars in thousands)

	<u>2005</u>	<u>2004</u>
<b>Net Costs by Goal</b>		
<b>Goal 1: Well-Being/Financial Security of American People</b>	\$197,761	\$194,733
Less: reimbursable services	(31)	(2)
<b>Net goal costs</b>	<u>197,730</u>	<u>194,731</u>
<b>Goal 2: Changing Security Threats/Challenges of Global Interdependence</b>	144,281	131,745
Less: reimbursable services	(81)	(85)
<b>Net goal costs</b>	<u>144,200</u>	<u>131,660</u>
<b>Goal 3: Transforming the Federal Government's Role</b>	150,196	148,196
Less: reimbursable services	(2,878)	(2,435)
<b>Net goal costs</b>	<u>147,318</u>	<u>145,761</u>
<b>Goal 4: Maximize the Value of GAO</b>	22,034	23,410
Less: reimbursable services	-	-
<b>Net goal costs</b>	<u>22,034</u>	<u>23,410</u>
<b>Less: reimbursable services not attributable to goals</b>	<u>(5,432)</u>	<u>(5,493)</u>
<b>Net Cost of Operations (Note 10)</b>	<u>\$505,850</u>	<u>\$490,069</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, 2005 and 2004**

(Dollars in thousands)

	2005		2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>Balances, Beginning of Fiscal Year</b>	(\$1,132)	\$34,621	\$2,338	\$40,327
<b>Budgetary Financing Sources</b>				
Current year appropriations	-	467,205	-	457,606
Appropriations transferred in		1,644		
Lapsed budget authority	-	(2,349)	-	(1,809)
Appropriations used	474,118	(474,118)	461,503	(461,503)
<b>Other Financing Sources</b>				
Intragovernmental transfer of property and equipment	(1)	-	(788)	-
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	25,309	-	25,884	-
<b>Total Financing Sources</b>	499,426	(7,618)	486,599	(5,706)
<b>Net Cost of Operations</b>	(505,850)	-	(490,069)	-
<b>Net Change</b>	(6,424)	(7,618)	(3,470)	(5,706)
<b>Balances, End of Fiscal Year</b>	(\$7,556)	\$27,003	(\$1,132)	\$34,621

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, 2005 and 2004**

(Dollars in thousands)

	<u>2005</u>	<u>2004</u>
<b>Budgetary Resources (Note 11)</b>		
Current year appropriations	\$467,205	\$457,606
Transfers of budget authority	1,644	-
Unobligated appropriations, beginning of fiscal year	14,066	18,895
Reimbursable services (Note 10)	8,422	8,015
Cost-sharing and pass-through CPA contract reimbursements	2,470	3,006
	<u>\$493,807</u>	<u>\$487,522</u>
<b>Total Budgetary Resources</b>		
<b>Status of Budgetary Resources</b>		
Obligations incurred	\$480,378	\$471,647
Unobligated appropriations, end of fiscal year	11,080	14,066
Lapsed budget authority	2,349	1,809
	<u>\$493,807</u>	<u>\$487,522</u>
<b>Total Status of Budgetary Resources</b>		
<b>Relationship of Obligations to Outlays</b>		
Obligations incurred	\$480,378	\$471,647
Obligated balance, net - beginning of fiscal year	53,103	50,487
Less: Obligated balance, net - end of fiscal year	(54,798)	(53,103)
	<u>478,683</u>	<u>469,031</u>
<b>Total Outlays</b>		
Less: Reimbursable services	(8,422)	(8,015)
Cost-sharing and pass-through CPA contract reimbursements	(2,470)	(3,006)
	<u>\$467,791</u>	<u>\$458,010</u>
<b>Net Outlays</b>		
<b>Outlays</b>		
Disbursements	\$478,683	\$469,031
Collections	(10,892)	(11,021)
	<u>\$467,791</u>	<u>\$458,010</u>
<b>Net Outlays</b>		

The accompanying notes are an integral part of these statements.

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**Financial Statements****U.S. Government Accountability Office****Statements of Financing****For Fiscal Years Ended September 30, 2005 and 2004**

(Dollars in thousands)

	<u>2005</u>	<u>2004</u>
<b>Resources Used to Finance Activities</b>		
<b>Budgetary Resources Obligated</b>		
Obligations incurred	\$480,378	\$471,647
Less: Reimbursable services (Note 10)	(8,422)	(8,015)
Cost-sharing and pass-through CPA contract reimbursements	(2,470)	(3,006)
Net obligations	469,486	460,626
<b>Other Resources</b>		
Intragovernmental transfer of property and equipment	(1)	(788)
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	25,309	25,884
Net other resources used to finance activities	25,308	25,096
<b>Total resources used to finance activities</b>	494,794	485,722
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations</b>		
Net decrease in unliquidated obligations	4,632	876
Costs capitalized on the balance sheet	(9,069)	(11,703)
<b>Total resources used to finance items not part of the net cost of operations</b>	(4,437)	(10,827)
<b>Total resources used to finance the net cost of operations</b>	490,357	474,895
<b>Components That Require/Generate Resources in Future Periods</b>		
Increase/(decrease) in Workers' Compensation, Accrued Annual Leave, and Other Liabilities (Note 12)	732	(1,630)
<b>Costs That Do Not Require Resources</b>		
Depreciation	14,761	16,804
<b>Net Cost of Operations</b>	<u>\$505,850</u>	<u>\$490,069</u>

The accompanying notes are an integral part of these statements.

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# Notes to Financial Statements

## Note 1. Summary of Significant Accounting Policies

### Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the U.S. 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 the Office of Personnel Management (OPM) and imputed to GAO, do not include the effects of centrally administered assets and liabilities related to the federal government as a whole, such as interest on the federal debt, which may in part be attributable to GAO; they also do not include activity related to GAO's trust function described in [Note 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 state-

ments were also prepared in conformity with Office of Management and Budget (OMB) Circular 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 composed 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 building qualifies as a multi-use heritage asset, is GAO's only heritage asset, and is reported with property and equipment on the balance sheet. The designation of multi-use 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. 16 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 fol-

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lows: 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 multi-use 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, services, and other expenses received but not yet paid.

#### *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).

GAO recognizes a current-period expense for the future cost of postretirement health benefits and life insurance for its employees while they are still

working. GAO accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and GAO do not make current contributions to fund these future benefits.

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

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

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

#### *Contingencies*

GAO has certain claims and lawsuits pending against it. Provision is included in GAO's financial statements for 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.

## *Note 2. Intragovernmental Assets, Liabilities, and Revenues*

Intragovernmental assets, liabilities, and revenues arise from transactions with other federal entities. Details of GAO's intragovernmental assets, liabilities, and revenues, by agency, as of September 30, 2005 and 2004, are as follows:

Intragovernmental assets as of September 30, 2005 and 2004:

**Dollars in thousands**

<b>Fiscal Year 2005 intragovernmental assets</b>	<b>Fund balance with Treasury</b>	<b>Accounts receivable</b>	<b>Total</b>
Department of the Treasury	\$65,875	-	\$65,875
Cash	3	-	3
Federal Deposit Insurance Corporation	-	\$613	613
Securities and Exchange Commission	-	233	233
Other	-	31	31
<b>Total intragovernmental assets</b>	<b>\$65,878</b>	<b>\$877</b>	<b>\$66,755</b>

**Dollars in thousands**

<b>Fiscal Year 2004 intragovernmental assets</b>	<b>Fund balance with Treasury</b>	<b>Accounts receivable</b>	<b>Total</b>
Department of the Treasury	\$67,163	-	\$67,163
Cash	6	-	6
Federal Deposit Insurance Corporation	-	\$546	546
Securities and Exchange Commission	-	850	850
Other	-	105	105
<b>Total intragovernmental assets</b>	<b>\$67,169</b>	<b>\$1,501</b>	<b>\$68,670</b>

Intragovernmental liabilities as of September 30, 2005 and 2004:

**Dollars in thousands**

<b>Fiscal Year 2005 intragovernmental liabilities</b>	<b>Accounts payable</b>	<b>Employee benefits</b>	<b>Workers' compensation</b>	<b>Total</b>
General Services Administration	\$10,363	-	-	\$10,363
Department of Labor	284	-	\$2,121	2,405
Office of Personnel Management	549	\$1,701	-	2,250
Department of the Treasury	-	561	-	561
Government Printing Office	227	-	-	227
Department of Veterans Affairs	139	-	-	139
Other	243	-	-	243
<b>Total intragovernmental liabilities</b>	<b>\$11,805</b>	<b>\$2,262</b>	<b>\$2,121</b>	<b>\$16,188</b>

**Dollars in thousands**

<b>Fiscal Year 2004 intragovernmental liabilities</b>	<b>Accounts payable</b>	<b>Employee benefits</b>	<b>Workers' compensation</b>	<b>Total</b>
General Services Administration	\$5,559	-	-	\$5,559
Office of Personnel Management	-	\$1,884	-	1,884
Department of the Treasury	661	44	-	705
Government Printing Office	361	-	-	361
Department of Agriculture	271	-	-	271
Department of Labor	215	-	\$1,961	2,176
Other	292	-	-	292
<b>Total intragovernmental liabilities</b>	<b>\$7,359</b>	<b>\$1,928</b>	<b>\$1,961</b>	<b>\$11,248</b>

Intragovernmental revenues for fiscal years 2005 and 2004:

**Dollars in thousands**

<b>Intragovernmental revenue</b>	<b>2005</b>	<b>2004</b>
U.S. Army Corps of Engineers	\$4,856	\$4,799
Federal Deposit Insurance Corporation	1,774	1,540
Securities and Exchange Commission	1,057	849
State Department	248	361
Other	420	390
<b>Total intragovernmental revenue</b>	<b>\$8,355</b>	<b>\$7,939</b>
Intergovernmental revenue	\$8,355	\$7,939
Nongovernmental revenue	67	76
<b>Total revenue</b>	<b>\$8,422</b>	<b>\$8,015</b>

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, 2005 and 2004 is as follows:

**Dollars in thousands**

	<b>2005</b>	<b>2004</b>
Unobligated balance		
Available	\$1,296	\$3,609
Unavailable	9,781	10,451
Obligated balances not yet disbursed	54,798	53,103
<b>Total funds with U.S. Treasury</b>	<b>65,875</b>	<b>67,163</b>
Cash	3	6
<b>Total funds with U.S. Treasury and cash</b>	<b>\$65,878</b>	<b>\$67,169</b>

## Note 4. Property and Equipment, Net

The composition of property and equipment as of September 30, 2005, is as follows:

### Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$10,652	\$5,012
Land	1,191	–	1,191
Building improvements	112,855	93,638	19,217
Computer and other equipment and software	33,663	22,290	11,373
Leasehold improvements	5,956	5,152	804
Assets under capital lease	20,223	10,529	9,694
Total property and equipment	<u>\$189,552</u>	<u>\$142,261</u>	<u>\$47,291</u>

The composition of property and equipment as of September 30, 2004, is as follows:

### Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$10,025	\$5,639
Land	1,191	–	1,191
Building improvements	109,389	87,413	21,976
Computer and other equipment and software	34,525	20,533	13,992
Leasehold improvements	5,091	4,895	196
Assets under capital lease	30,321	24,135	6,186
Total property and equipment	<u>\$196,181</u>	<u>\$147,001</u>	<u>\$49,180</u>

The decrease in the acquisition value of assets under capital lease in fiscal year 2005 relates to the retirement of fully depreciated assets during fiscal year 2005 in conjunction with implementing a new asset management system.

## Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's Balance Sheets as of September 30, 2005 and 2004, 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, 2005 and 2004, is as follows:

**Dollars in thousands**

	2005	2004
Intragovernmental liabilities—		
Workers' compensation	\$2,121	\$1,961
Salaries and benefits—		
Comptrollers General retirement plan	2,836	2,937
Accrued annual leave and other	30,093	29,958
Workers' compensation	10,357	9,819
Capital leases	9,657	5,934
Total liabilities not covered by budgetary resources	<u>\$55,064</u>	<u>\$50,609</u>

### 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 Benefits Program (FEHBP) and Federal Employees' Group Life Insurance Program (FEGSIP) and may continue to participate after retirement. GAO makes contributions through OPM to FEHBP and FEGSIP 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, 2005 and 2004, are \$2,262,000 and \$1,928,000, respectively, for FEHBP, FEGSIP, 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, 2005 and 2004, are as follows:

**Dollars in thousands**

Federal Employee Benefits Costs	2005	2004
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$11,476	\$13,341
Estimated future postretirement health and life insurance (FEHBP/FEGSIP)	13,833	12,543
Total	<u>\$25,309</u>	<u>\$25,884</u>
Pension expenses (CSRS/FERS)	\$28,583	\$26,896
Health and life insurance expenses (FEHBP/FEGSIP)	\$15,130	\$14,257
FICA payment made by GAO	\$15,261	\$14,545
Thrift Saving Plan – matching contribution by GAO	\$8,439	\$7,889

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 \$2,836,000 as of September 30, 2005, and \$2,937,000 as of September 30, 2004, is included as a component of salary and benefit liabilities on GAO's Balance Sheet.

## Note 7. Workers' Compensation

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GAO employees under FECA are administered by the Department of Labor (DOL) and are paid, ultimately, by GAO.

For fiscal year 2004, and again in fiscal year 2005, GAO used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other federal agencies.

GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2005 and 2004, which is expected to be paid in future periods. This estimated liability of \$10,357,000 and \$9,819,000 as of September 30, 2005 and 2004, respectively, is reported on GAO's Balance Sheets. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2005 and 2004, of \$2,121,000 and \$1,961,000, respectively, but not yet reimbursed to DOL by GAO. The amount owed to DOL is reported on GAO's Balance Sheets as an intragovernmental liability.

## Note 8. Building Lease Revenue

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 2005 and 2004 was \$4,856,000 and \$4,799,000, respectively. These amounts are included in reimbursable services on the Statements of Budgetary Resources and Financing (see Note 2). 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*
2006	\$4,916
2007	4,978
2008	5,045
2009	5,111
2010	5,179
Total	\$25,229

\*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, 2005 and 2004, the capital lease liability was \$9,657,000 and \$5,934,000, respectively. This increase in capital lease liability is a result of replacing substantially all the copiers and notebook computers at GAO during 2005 and recording new capital lease liabilities.

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 following table. GAO's estimated future minimum lease payments under the terms of the leases are as follows:

**Dollars in thousands**

<b>Fiscal year ending September 30</b>	<b>Total</b>
2006	\$5,019
2007	4,015
2008	1,343
2009	241
2010	54
Total estimated future lease payments	10,672
Less: imputed interest	(1,015)
Net capital lease liability	<u>\$9,657</u>

*Operating Leases*

GAO leases office space, predominately for field offices, from GSA and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal year 2005 and fiscal year 2004 amounted to approximately \$10,752,000 and \$7,991,000, 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**

<b>Fiscal year ending September 30</b>	<b>Total</b>
2006	\$7,559
2007	4,293
2008	3,435
2009	2,859
2010	2,376
2011 and thereafter	3,845
Total estimated future lease payments	<u>\$24,367</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 Sheets. However, annual lease costs under the operating leases are included as components of net cost by goal in the Statements of Net Cost.

*Note 10. Net Cost of Operations*

Expenses for salaries and related benefits for fiscal year 2005 and fiscal year 2004 amounted to \$395,783,000 and \$389,104,000, respectively, which were about 78 percent of GAO's annual net cost of operations in fiscal year 2005 and 79 percent in fiscal year 2004. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$25,309,000 in fiscal year 2005 and \$25,884,000 in fiscal year 2004.

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 2005 and fiscal year 2004 amounted to \$8,422,000 and \$8,015,000, respectively. Further details of the intragovernmental components are provided in [Note 2](#).

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

*Note 11. Budgetary Resources*

Budgetary resources made available to GAO include current appropriations, spending authority from budget transfers, 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.

For fiscal year 2004 differences exist between the total budgetary resources on the Statements of Budgetary Resources and the budget authority amount in the fiscal year 2006 President's Budget. These differences are due to (1) unobligated funds available in expired accounts not included in the President's Budget submission and (2) reimbursements from cost-sharing and pass-through contract arrangements that could not have been anticipated at the time the President's Budget was developed. In addi-

tion, as the fiscal year 2007 President's Budget is not yet available, comparison between the Statements of Budget Resources and the actual fiscal year 2005 data in the President's Budget cannot be performed.

For fiscal year 2005, budget transfers consisted of budget authority transferred from the Department of Homeland Security for a review of the Transportation Security Administration's calendar year 2000 cost for screening passengers and property. Reimbursements from cost-sharing and pass-through contract arrangements consisted primarily of collections from other federal entities (1) for the support of the 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 Statements of Net Cost.

### Note 12. Components That Require/Generate Resources in Future Periods

Increases/decreases in workers' compensation, accrued annual leave, and other liabilities are reported in the Statements of Financing. These changes represent the increases/decreases in liabilities not covered by budgetary resources, as reported in Note 5.

Dollars in thousands		
Fiscal year ending September 30	2005	2004
Liabilities not covered by budgetary resources	\$55,064	\$50,609
Liabilities that are not components of net cost:		
Capital leases	(9,657)	(5,934)
Current year liabilities not covered by budgetary resources that are components of net cost	45,407	44,675
Prior year liabilities that are not components of current year net costs	(44,675)	(46,305)
Increase/(decrease) in workers' compensation, accrued annual leave, and other liabilities, as reported on the Statements of Financing	\$732	\$(1,630)

### Note 13. Net Position

Net position on the balance sheets consist of unexpended appropriations and cumulative results of operations. Unexpended appropriations are the sum of the total unobligated appropriations and undelivered goods and services. Cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of GAO's cumulative results of operations for the fiscal years ended September 30, 2005 and 2004, are as follows:

Dollars in thousands		
	2005	2004
Investment in property and equipment, net	\$47,291	\$49,180
Other – supplies inventory	217	297
Liabilities not covered by budgetary resources	(55,064)	(50,609)
Cumulative results of operations	<u>\$ (7,556)</u>	<u>\$ (1,132)</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 breakdown.

### 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, DOL investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If DOL concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the employee. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets under GAO's administration totaled approximately \$4,666,000 as of September 30, 2005. These

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assets are not the assets of GAO nor the federal government and are held for distribution to appropriate claimants. During fiscal year 2005, receipts and disbursements in the trust amounted to

\$526,000 and \$612,000, respectively. Because the trust assets and related liabilities are not assets and liabilities of GAO, they are not included in the accompanying financial statements.



# Part IV



## *Appendixes*

*“Integrity without  
knowledge is weak  
and useless, and  
knowledge without  
integrity is dangerous  
and dreadful.”*

*- Samuel Johnson*

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# 1. Accomplishments and Other Contributions

In pursuing our strategic goals during fiscal year 2005, we recorded hundreds of accomplishments and made numerous other contributions. This appendix provides details on the most significant of these. In reporting accomplishments (designated by an A in the item number below) and other contributions (designated by a C in the item number below), we are holding ourselves accountable for the resources we received to implement our strategic plan. The accomplishments document financial benefits or other benefits achieved through action on our findings or recommendations.

Typically, the accomplishments describe work that 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 2005, 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 number for products associated with the work discussed. In the online 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*

#### **1.1.A. Improving the Call Transfer Process**

**Used by 1-800-MEDICARE:** In 2004, we found that the 24-hour 1-800-MEDICARE help line, operated by the Department of Health and Human Services's (HHS) Centers for Medicare & Medicaid Services (CMS), did not answer 10 percent of the calls we placed to test its accuracy, often because it automatically transferred some calls to claims administration contractors that were not open for business at the time of the calls. This call transfer process prohibited callers from accessing information during nonbusiness hours, even though 1-800-MEDICARE operates 24-hours a day. As a result, we recommended that CMS revise the routing procedures of 1-800-MEDICARE to ensure that calls are not transferred or referred to claims administration contractors' help lines during nonbusiness hours. In response, CMS finished converting its call routing procedures. As a result, calls placed after normal business hours will be routed to the main 1-800-MEDICARE line, which operates 24-hours a day. (GAO-05-130)

#### **1.2.A. Reforming Medicare Payments for Inhalation Therapy Drugs**

We provided information on the costs to suppliers of dispensing inhalation therapy drugs to Medicare beneficiaries. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 revised the payment formula for most outpatient drugs, including inhalation therapy drugs, covered under Medicare part B. Under the revised formula, effective 2005, Medicare's payment was intended to be closer to acquisition costs. We found that under the previous system, the higher dispensing costs incurred by some suppliers were covered by the excess pay-

ments for these drugs, but that under the revised payment system, the necessary costs of dispensing inhalation therapy drugs may not be covered. As we recommended, CMS—the agency that administers Medicare—evaluated the costs of dispensing inhalation therapy drugs and used our analysis to help set an appropriate dispensing fee. (GAO-05-72)

#### **1.3.A. Requiring Out-of-Cycle Inspections for Medicare Suppliers**

Although durable medical equipment suppliers are inspected when applying for Medicare billing privileges and reinspected every 3 years, this predictable timing has allowed suppliers intent on committing fraud to create the illusion of legitimacy long enough to enter the program. The Medicare contractor responsible for screening suppliers conducts out-of-cycle inspections but is not required to do so by its contract and can curtail this activity at any time. Because conducting out-of-cycle inspections has been valuable, we recommended routinely conducting them to better identify potentially fraudulent suppliers. During the course of our review of the supplier screening process, we held discussions on this topic with CMS staff who were writing the statement of work for a new contract that is scheduled to be awarded in December 2005. As a result, CMS included language in the new contract that will require the contractor to conduct random, out-of-cycle site visits as resources permit. (GAO-05-656)

#### **1.4.A. Identifying Chain Suppliers for Medicare Site Inspections**

Site inspections of durable medical equipment suppliers help verify their compliance with Medicare's standards and help safeguard the program against fraud. CMS allows its enrollment contractor to exempt suppliers in chains with 25 or more locations from the inspections. However, the contract did not clearly state

that all 25 locations in the chain have to have active billing numbers. As a result, we found that the contractor had been exempting some suppliers in chains that currently had fewer than 25 locations with active billing numbers, including some with locations that had billing privileges revoked due to noncompliance with Medicare's standards. After we informed CMS, the agency revised its contract to clarify that a chain consisted of 25 or more active supplier locations. (GAO-05-656)

### **1.5.A. Classifying Inpatient Rehabilitation**

**Facilities:** In an April 2005 report, we recommended that CMS refine the rule used by Medicare to classify inpatient rehabilitation facilities. Medicare classifies these facilities using the "75 percent rule." If a facility can show that during 1 year, at least 75 percent of its patients required intensive rehabilitation for 1 of 13 specified conditions, it may be classified as an inpatient rehabilitation facility and paid at a higher rate than is paid for less intensive rehabilitation in other settings, such as an acute care hospital or a skilled nursing facility. Enforcement of the rule was suspended in 2002, resumed in July 2004, and suspended again in January 2005 pending issuance of our report on the rule. We found that there are patients in these facilities who may not need the intense level of services provided in them and that CMS has not been routinely reviewing admissions to these facilities to determine if they were medically justified. We recommended that CMS conduct reviews for medical necessity and produce more information about the effectiveness of inpatient rehabilitation to support future efforts to refine the rule over time to increase its clarity about which types of patients are most appropriate for inpatient rehabilitation facilities. CMS generally agreed with our recommendations and issued a regulation on June 24, 2005, to resume enforcement of the procedures for classifying these facilities, stating that facilities that do not comply with the requirements of the rule would have their classification terminated. (GAO-05-366 and GAO-05-825T)

### **1.6.A. Improving Medicare Communications**

**with Providers:** To improve communications with physicians, we recommended that the administrator of CMS adopt a standard approach that would promote the quality, consistency, and timeliness of communications by publishing a national bulletin for physicians. We found that bulletins issued by Medicare contractors were poorly organized and

contained dense legal language. We also noted that some failed to include information or provided little advance notice about upcoming program changes. CMS implemented our recommendation by developing a series of educational articles, "Medlearn Matters," which are available at CMS's Web site and replace the individual articles previously developed by each Medicare contractor. (GAO-02-249)

### **1.7.A. Improving Medicare Call Center Responses to Policy-Oriented Inquiries from Providers:**

To improve the accuracy and completeness of responses to policy-oriented inquiries from providers, we recommended that the Administrator of CMS create a process to routinely screen and triage calls by routing complex policy-oriented questions to staff with the expertise to adequately address them. We found that the responses of call center customer service representatives to our policy-oriented questions were largely incorrect. Among other things, we noted that these call centers did not have the capability of identifying the subject of providers' questions so their calls could be routed to the most appropriate customer service representatives. We recommended that the Administrator of CMS take steps to ensure that all customer service representatives have the necessary tools to respond to such calls by developing clear and easily accessible policy-oriented materials that are electronically searchable. CMS instructed most of its contractors to develop an inquiry triage process for telephone inquiries by January 2005. Call centers must have at least two levels of customer service representatives dedicated to responding to provider inquiries. Questions requiring in-depth research must be referred to a new group of staff, known as Provider Relations Research Specialists, who are trained to do the necessary research to provide complete and accurate responses to the inquiries. (GAO-04-669)

### **1.8.A. Improving Home Health Performance Standards and Oversight:**

In 2002, we reported that CMS's oversight of state home health agency survey activities was limited and needed to be improved. CMS responded by developing annual performance standards as a way to routinely monitor important state home health survey activities. For example, states are now evaluated to ensure that all home health agencies are surveyed at least once every 3 years, as required by statute. States are now evaluated on whether deficiencies found dur-

ing home health surveys are appropriately and sufficiently supported and documented. Finally, states are now evaluated on whether home health complaints and incidents are appropriately prioritized based on the seriousness of the allegations received and whether those alleging immediate jeopardy to a patient are investigated within 2 working days of receipt by the state agency. These new standards allow CMS to monitor state performance over time and to work with state agencies to improve the quality of home health survey activities and ultimately the care provided to Medicare home health beneficiaries. In the same report, we stated that CMS had not applied the oversight tools that it uses to monitor state nursing home surveys to the survey activities of home health agencies. As a result, CMS officials generally were unaware of the variability in the extent to which states cited home health deficiencies and were unable to offer insights as to the underlying causes. Since our report, CMS has created a Web-based data reporting system that accumulates and stores data related to a variety of home health agency survey activities, including overdue surveys and home health agencies with identified serious deficiencies. Thus, CMS and states are now able to readily access important data related to home health survey activities to ensure that problems are addressed in a timely manner and Medicare beneficiaries receive the best quality care available. (GAO-02-382)

**1.9.A. Paying Properly for Power Wheelchairs for Medicare Beneficiaries:** In 2004, we examined the steps taken by CMS to respond to improper payments by the Medicare program for power wheelchairs. Medicare spending for power wheelchairs—one of the Medicare program’s most expensive items of equipment—had increased more than fourfold from 1999 through 2003. We reported that the information provided to Medicare contractors that process wheelchair claims did not provide sufficient detail for determining if power wheelchair claims should be paid, and we recommended that documentation supplied to these contractors be revised. In August 2005, CMS established a new requirement that the relevant clinical documentation from a patient’s medical record be maintained by the supplier along with a written prescription for the power wheelchair and be submitted to the contractor upon request. (GAO-04-716T and GAO-05-43)

**1.10.A. Leveraging Experts’ Knowledge in Implementing Medicare Competitive Bidding:**

Each year, Medicare pays billions of dollars for beneficiaries’ medical equipment and supplies. We have repeatedly reported that Medicare payments for some of these items are out of line with actual market prices. In 2007, CMS is slated to begin a large-scale effort to conduct Medicare competitive bidding for medical equipment and supplies. In September 2004, we recommended that as it implements the competitive bidding program, the agency seek input from individuals with technical knowledge about the items and services suppliers provide to beneficiaries. Subsequently, CMS appointed an advisory and oversight committee to advise the agency about the implementation of competitive bidding and about standards for suppliers that want to participate in the Medicare program. (GAO-04-765)

**1.11.A. Revising the Health Insurance Portability and Accountability Act’s (HIPAA) Model Certificate of Creditable Group Health Plan Coverage:**

HIPAA sets minimum federal standards for certain aspects of private health insurance to improve access to health insurance for people obtaining coverage through employment as well as for those purchasing it as individuals. For example, HIPAA limits the time that preexisting conditions may be excluded from coverage for many people changing jobs and guarantees access to coverage for certain individuals losing group coverage. HIPAA also requires that each person losing health coverage receive a certificate that documents the length of prior coverage. We determined, however, that the model certificate the federal agencies had developed as part of the 1997 interim rules had limitations as an educational tool. For example, it neither explicitly informed consumers that they had a group-to-individual portability right nor highlighted any of the restrictions on this right. To more explicitly inform consumers of their HIPAA rights, we recommended that HHS’s Health Care Financing Administration—now known as CMS—and the Department of Labor (DOL) revise the model certificate to highlight key provisions and restrictions of the law and to inform consumers about appropriate contacts for additional information. As a result of our work, in 2004 HHS, DOL, and the Department of the Treasury (Treasury) issued final regulations for health coverage portability for group health plans and group health insurance issuers. The final

regulations cite our recommendation and include a modified certificate of creditable coverage, which includes an explicit description of HIPAA's portability rights and lists telephone numbers that can be called for additional information.

(GAO/HEHS-99-100)

**1.12.A. Making Medicare's Coverage Process**

**More Understandable:** Each year, CMS makes important decisions on whether new technology will be covered for Medicare's beneficiaries. However, the rationale for CMS's decisions has sometimes been uncertain because of the lack of clear coverage criteria. In 2003, we recommended that CMS develop written criteria for assessing whether a medical service or item is reasonable and necessary and could be covered by Medicare. In 2004, CMS published information on how it intends to develop public guidance discussing factors to be considered in making coverage decisions. In addition, CMS issued draft guidance in 2005 on how it would make coverage decisions for certain items or services for which sufficient data are not available. CMS also stated that it will seek public input on possible topics for new guidance documents.

(GAO-03-175)

**1.13.A. Determining Higher Payments' Effects on Nurse Staffing:**

The Congress enacted a temporary increase in the nursing component of the Medicare payment rate for skilled nursing facilities, effective April 1, 2001, and directed us to assess the impact of the increased payments on nursing staff in skilled nursing facilities. We found that after the nursing-related payment rate increase took effect, nurse staffing per patient day changed little. The payment increase expired September 30, 2002, and the Congress did not reinstate it during fiscal year 2005, resulting in a cost avoidance of about \$2 billion.

(GAO-03-176)

**1.14.A. Assessing Medicare's Skilled Nursing Facility Payment Rate:**

A 1999 law authorized CMS to raise all Medicare payment rates for skilled nursing facilities by 4 percent for 2 years. Prior to the September 30, 2002, expiration of this 4 percent add-on, provider representatives argued that the add-on should be restored, citing payment shortfalls from other payers. In a 2002 report, however, we found that under the prospective payment system,

most freestanding skilled nursing facilities' Medicare payments substantially exceeded the costs of caring for Medicare patients, contributing to facilities' overall positive financial condition. Specifically, the median Medicare margin was about 8 percent in 1999 and almost 19 percent in 2000. Consequently, the Congress declined to restore the 4 percent add-on from 2002 through 2005. The Medicare Payment Advisory Commission also contributed to this congressional decision by reporting similar results about the facilities' Medicare payments.

(GAO-03-183)

**1.15.A. Strengthening Guidelines for Nursing Home Fire Investigations:**

In 2004, we reported on two recent nursing home fires in which 31 residents died. Our review revealed weaknesses in federal fire safety standards for nursing homes and in federal and state oversight. To improve federal oversight of state fire safety activities and better ensure the adequacy of federal fire safety standards, we recommended that the Administrator of CMS ensure thorough investigations are conducted following multiple-death nursing home fires so that fire safety standards can be reevaluated and modified where appropriate. In response to our study, CMS developed and issued a standardized procedure to ensure that both state survey agencies and its own staff take appropriate action to investigate health facility fires that result in serious injury or death.

(GAO-04-660)

**1.16.A. Developing a Strategy to Ensure an Appropriate Workforce:**

In June 2004, we recommended that the Substance Abuse and Mental Health Services Administration develop a detailed succession strategy to ensure that it has the appropriate workforce to carry out its mission. We reported that it had not developed a detailed succession strategy to prepare for the loss of essential expertise and to ensure that the agency continues to have the ability to fill key positions. In February 2005, the Substance Abuse and Mental Health Services Administration developed a succession planning document that includes strategies related to recruitment, the selection process, training, and leadership development. The document also includes strategies for anticipating the loss of or additional coverage needed for critical positions and job functions.

(GAO-04-683)

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**1.17.A. Monitoring States' Inventories of Childhood Vaccines:**

The Centers for Disease Control and Prevention has implemented our recommendation to develop a strategic plan that includes steps to monitor childhood vaccine supplies in state depots. The agency's strategic plan for the expansion of the pediatric vaccine stockpiles indicates that the agency will "Monitor state inventory levels on a routine basis." Specifically, its National Immunization Program requires states and other grantees to report, via automated software or monthly reports, the total number of doses of 18 childhood vaccines that are in stock at the state's central and secondary depots. (GAO-02-987)

**1.18.A. Counting Clinical Research Expenditures at the National Institutes of Health (NIH):**

In a 2002 report describing NIH's implementation of the Clinical Research Enhancement Act of 2000, we stated that NIH's reports of clinical research expenditures did not include precise figures because the process of counting clinical research dollars varied widely across NIH's institutes and centers. We recommended that NIH strengthen its tracking and reporting of intramural and extramural expenditures for clinical research by developing and implementing a consistent, accurate, and practical way for all institutes and centers to count intramural and extramural clinical research expenditures. NIH implemented this methodology in order to respond to our recommendation, to make the reporting of clinical research transparent and rational, and to provide accurate and consistent data. (GAO-02-965)

**1.19.A. Estimating Tobacco Retailer Violation Rates:**

To help ensure the quality of states' estimates of tobacco retailer violation rates, we recommended that the Secretary of HHS direct the Administrator of the Substance Abuse and Mental Health Services Administration to help states improve the validity of their samples by working more closely with them; revising the inspection protocol guidance to better reflect research results, particularly regarding the ages of minor inspectors, and working with states to develop a more standardized inspection protocol; and ensuring that all states' retailer violation rates exclude invalid inspections, particularly those in which the ages of minors and outcomes of inspections are unknown. The agency reported that in addition to other activities, it (1) is requiring states that selected their samples from a

list of outlets to annually report and justify the accuracy and completeness of their tobacco outlet lists, making site visits to help states assess the accuracy and completeness of tobacco outlet lists, offering technical assistance to states on improving the quality and validity of samples drawn from outlet lists, and conducting reviews of states' sampling frames; (2) will work with states to discontinue the use of 14-year-olds as inspectors by 2007 and will continue to work with states to improve standardization of inspection protocols and carefully monitor changes in inspector characteristics over time; and (3) has instituted review protocols that require states to exclude inspections that do not include the age or sex of minor inspectors and the outcome of inspections. The agency also developed a computer system to assist states in estimating violation rates by using software that only operates if complete data sets that include the age and gender of each inspector and the outcome of the inspection are entered in the system, and it reported that in fiscal year 2005, the majority of states used the system to report their survey data and inspection results. (GAO-02-74)

**1.20.A. Improving Processing of Premium Changes from Health Plans:**

The Trade Adjustment Assistance Reform Act of 2002 established the health coverage tax credit (HCTC), which pays 65 percent of the premium cost for qualified individuals. For the advance credit, the HCTC program remits its share of the premium payment directly to the health plan. We found that enrollees sometimes face delays in having the correct amount of their advance HCTC payment adjusted and paid promptly to their health plans if they fail to notify the HCTC program office when their health plans change their premiums. This problem was attributed largely to the time it takes for HCTC enrollees to notify the HCTC program of their new premiums and for the HCTC program to adjust the allowable premium amount. In September 2004, we recommended that the Commissioner of Internal Revenue encourage participating health plans to provide notification of changes in premiums directly to the HCTC program office in order to simplify payment processing and avoid disruptions resulting from premium changes. In its comments to our draft report, the Internal Revenue Service (IRS) stated that it agreed that accepting notification of premium changes from participating health plans would be an administrative improvement, and it would develop an action plan to address the recommenda-

tion. In December 2004, IRS's proposal to standardize the HCTC program's ability to process bulk premium changes made upon a health plan's request was approved by the HCTC executive change control board. The change was implemented in the spring of 2005. (GAO-04-1029)

**1.21.A. Improving Monitoring and Tracking of Physical Exam Programs:**

Servicemembers who leave the military and file disability claims with the Department of Veterans Affairs (VA) may be subject to potentially duplicative physical exams in order to meet requirements of both the Department of Defense (DOD) and VA. To streamline the process for these servicemembers, DOD and VA have attempted to coordinate their physical exam requirements by developing a single separation exam program. We recommended that DOD and VA develop systems to monitor and track the progress of implementing the single separation exam program. VA hired an official in November 2004 to monitor the single separation exam program at certain sites where VA and DOD have memorandums of understanding in place. This official monitors and tracks the progress of the single separation exam program in several ways. First, each VA regional office must provide a monthly report on the sites' activities. Included in these reports is information on the number of single separation exams that have been conducted. In addition, this official has conducted on-site evaluations at five locations and is planning to make seven additional site visits in the near future. The official will use information obtained during these site visits to develop best practices for other single separation exam programs and plans to continue to conduct site visits in the future. DOD uses VA's tools and its database to monitor the progress of single separation examination sites. Each month, DOD reviews VA's database to determine where a program is in place. (GAO-05-64)

**1.22.A. Supporting DOD's Implementation of a Uniform Pharmacy and Tiered Co-payment System:**

In a 2001 report, we recommended that the Secretary of Defense complete the development and implementation of a formulary of brand-name drugs applicable to defense pharmacy programs, including the use of tiered retail and mail order pharmacy co-payments. A formulary is a list of drugs that health care organizations encourage or require their providers to use when they write pre-

scriptions for patients, thus allowing the organizations to secure better prices for those drugs. DOD concurred with the recommendation and published a notice in the *Federal Register* that it was amending regulations to implement a uniform formulary drug list for DOD's Military Health Care System. The amendment states that the pharmacy benefits program, which includes the uniform formulary and an associated tiered co-payment structure, is applicable to all of the uniformed services. Under a tiered system, the co-payment borne by beneficiaries is generally lower for drugs on the uniform list of formulary drugs and higher for drugs not on the list. (GAO-01-588)

**1.23A. Improving VA and DOD Capabilities to Electronically Order Medications and Perform Drug Interaction Checks:**

In 2002, we recommended that VA and DOD require providers to use computerized order entry of medications for shared patients where it is available. DOD agreed with this recommendation, and a pilot project is ongoing between DOD and VA in Hawaii in which electronic medication orders will be placed in the DOD system and electronically pushed to the VA system. The first phase is operational and allows DOD's Composite Health Care System providers to order prescriptions for dispensing at the VA Medical Center Honolulu pharmacy. Development of the second phase began in September 2004 and will allow VA Medical Center Honolulu providers to order prescriptions for dispensing at DOD's Tripler Army Medical Center. The interface system was developed on the legacy Composite Health Care System. The pilot system will be modified to work on Composite Health Care System II, which began worldwide deployment in January 2004. In the same report, we recommended that the agencies develop the capability to perform a comprehensive drug interaction check that uses medication information from all VA and DOD facilities and mail order operations and DOD's network pharmacies. According to DOD, the departments are exploring alternatives to best meet the legislative requirements for achieving a "real-time interface, data exchange, and checking of prescription drug data of outpatients and using national standards for the exchange of outpatient medication information." In June 2005, DOD reported that DOD and VA have developed a pharmacy interface as part of a multiphase project to support the agencies' goal of complete health care data systems interoperability. The agencies'

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bidirectional pharmacy, which enables the electronic exchange of prescription information between two pharmacies—Tripler Army Medical Center and the Veteran Affairs Pacific Island Health Care System—represents a significant achievement in advancing interoperability between VA and DOD health care information systems. A phased-in deployment of the new system is scheduled from October through December 2005. (GAO-02-1017)

**1.24.A. Purchasing Surgical Supplies More Economically:** In June 2002 testimony, we reported that joint contracting for surgical and medical supplies could yield meaningful savings for VA and DOD. Specifically, we pointed out that our analysis of about 100 identical medical and surgical items that VA and DOD contract for separately indicated that joint purchasing would yield savings. We also noted that the future of joint procurement initiatives depends on each department's commitment to joint procurement. In July 2005, VA and DOD demonstrated a commitment to joint procurement by announcing their decision to standardize the purchase of nearly 200 general surgical instruments throughout the military and VA health care systems—an action that should save about \$180,000 annually. (GAO-02-872T)

**1.25.A. Improving VA's Oversight Policy for Community Nursing Homes:** In July 2001, we reported on weaknesses in VA's oversight of community nursing homes under contract to VA. Among other issues, we reported that VA lacked a comprehensive policy for overseeing community nursing homes. We recommended that VA establish a policy for overseeing all community nursing homes that may rely on annual state inspections and comparative reviews to assess the sufficiency of state survey data. In response to our recommendation, VA has established such a policy, as outlined in its community nursing home oversight procedures handbook, dated June 4, 2004. This handbook provides a protocol for conducting community nursing home oversight, relying on initial and annual state reviews, monthly site visits, and a comparative review by VA to assess the sufficiency of state surveys. (GAO-01-768)

**1.26.A. Providing Guidance for VA and DOD Health Resource Sharing:** In 2000, we suggested that the Congress provide guidance and direction to VA and DOD to further encourage the

sharing of health care resources. Through the National Defense Authorization Act of Fiscal Year 2003, the Congress directed VA and DOD to (1) develop and publish a joint strategic vision statement and a joint strategic plan to shape, focus, and prioritize the coordination and sharing efforts among appropriate elements of the two departments; (2) establish a DOD-VA Health Executive Committee to recommend to the secretaries the strategic direction for the joint coordination and sharing efforts between and within the two departments; (3) establish a joint incentives fund program to provide incentives to implement, fund, and evaluate creative coordination and sharing initiatives; and (4) establish a health care resources sharing project to serve as a test for evaluating the feasibility, the advantages, and the disadvantages of measures and programs designed to improve the sharing and coordination of health care resource sharing. (GAO/HEHS-00-52)

**1.27.C. Highlighting Increasing Financial Burden of Long-term Care Spending:** In an April 2005 testimony, we reported that projected spending for long-term care services for the elderly could nearly quadruple from 2000 through 2050. Public payers primarily finance the cost of long-term care services, especially the Medicaid program, which is one of the largest funding sources. Projected increases in long-term care spending have significant implications for federal and state budgets, as future spending is expected to also rely heavily on public payers. We highlighted these growing concerns, which will be fueled in part by the aging baby boom generation, and identified several areas that the Congress needs to consider as it shapes any reform proposals. Our information helped focus congressional and public attention to the increasing federal and state budgetary issues due to long-term care and will continue to inform future congressional debate as the Congress, states, and the American public search for solutions to this growing problem. (GAO-05-564T)

**1.28.C. Ensuring Seamless Transition from DOD to VA Health Care:** In our work to ensure that servicemembers who leave active duty (veterans) are able to make a smooth transition from DOD health care services to VA health care services, we found that DOD does not have specific procedures for routinely transmitting to VA health information on servicemembers who are likely to be

discharged from the military because of their medical conditions and may seek VA health care services in the future. Additionally, DOD does not share information on the responses to the postdeployment health assessment questionnaire for Reserve and National Guard members who have left active duty. This questionnaire is completed following deployment to a location outside of the United States, including locations involved in Operation Enduring Freedom and Operation Iraqi Freedom. VA officials state that aggregate information from the postdeployment health assessment questionnaires would help VA plan for the future health care needs of these new veterans. The Congress used our findings to hold hearings and to stress the need to improve the exchange of medical information from DOD to VA. In response to our findings, VA and DOD continue to work together to identify the medical information that is needed to ensure a smooth transition from DOD to VA health care services. (GAO-05-722T and GAO-05-1052T)

### **1.29.C. Improving VA's Patient Safety**

**Program:** The Institute of Medicine's estimate that 98,000 patients die each year from accidents at U.S. hospitals makes patient safety a critical issue. We measured clinicians' familiarity with, participation in, and cultural support of VA's Patient Safety Program at four VA facilities. We found that three-fourths of the clinicians were familiar with the concepts of teams investigating causes of unintentional adverse events. In addition, at one facility, the culture blocked participation for many clinicians. Clinicians articulated that a culture change could be stimulated by VA leadership actions and open communication. VA will implement an action plan to improve patient safety at its facilities by setting goals to increase staff familiarity with the major concepts of the program, participating in teams that investigate causes of unintentional adverse events, and promoting cultural support of the program—to the extent that each facility has established mutual trust and fostered comfort in reporting close calls and adverse events. In addition, VA plans to develop tools for measuring these goals by specific facility and to develop interventions when goals have not been met. (GAO-05-83)

### **1.30.C. Identifying Needed Changes in**

**Managing Medicare Appeals:** We identified weaknesses in a plan prepared by the Social Security Administration (SSA) and HHS regarding the

transfer of the Medicare appeals workload from SSA to HHS. Our work found that important details concerning the transfer—mandated by the Congress to be completed by October 1, 2005—were omitted from the plan. We recommended that the Secretary of HHS and the Commissioner of SSA take steps to complete a substantive and detailed transfer plan that includes contingency provisions. At the request of the Senate Committee on Finance, we continued to monitor both agencies' efforts and subsequently identified three areas of concern—maintaining appellant access, meeting critical human resource needs, and resolving operational issues. The Senate Committee on Finance relied on our work in urging the agencies to take action to ensure that Medicare beneficiaries have access to a fair and accessible appeals process. (GAO-05-45 and GAO-05-703R)

## *The education and protection of the nation's children*

### **1.31.A. Using Student Data for Commercial**

**Activities:** As required under the No Child Left Behind Act, the Department of Education (Education) addressed pupil privacy by notifying states and school districts of the requirements to develop policies that cover the collection, disclosure, and use of personal data about students for commercial purposes and that include requirements for parental notification and permission. In 2004, we reported that many school districts had not developed effective policies that corresponded to state and federal law and others did not understand or were unaware of the guidance. After we recommended that Education take additional action to help districts implement effective policies, the agency worked with state education associations to provide training on the new requirements and discussed them at a National School Boards Association conference. Education also plans to disseminate the policy requirements to all states affiliated with the National School Boards Association and through the association's free e-mail service that provides participants with weekly updates on legal issues. (GAO-04-810)

### **1.32.A. Improving Compliance with the Individuals with Disabilities in Education**

**Act:** The Individuals with Disabilities Act requires states to provide educational and related services that facilitate learning to students with disabilities

based on their individual needs. We reported that Education's system for resolving noncompliance with the act often takes several years and that some of the data used to monitor state compliance are weak. We recommended that Education improve its system of resolving noncompliance by shortening the amount of time it takes to issue a report of noncompliance, by tracking changes in response times under the new monitoring process, and by developing and providing states with more guidance for collecting data. As a result, Education instituted an improved monitoring process and created a database to facilitate tracking. The agency also provided guidance to states and developed a state survey for better data collection, offering states assistance with analyzing and reporting the data. Education also created the Center on Secondary, Transition, and Postsecondary School Outcomes for Students with Disabilities to help states implement and improve data systems to measure outcomes for students with disabilities and met with states to help them develop outcome measurement systems to improve special education data reporting. (GAO-04-879)

**1.33.A. Strengthening Mediation to Resolve Disputes over Special Education Services:**

School districts and families may disagree about what kinds of special services, if any, are needed for children and how they should be provided. Some disagreements that cannot be resolved quickly become formal disputes that can be costly, both financially and in terms of the harm done to relationships. We found that officials in several states emphasized the importance of using mediation, a voluntary process, to resolve these disputes. Mediation was successful in achieving agreements, strengthening relationships and fostering communication between families and educators, resolving disputes more quickly, and reducing costs. However, the degree to which mediation was offered and used varied among the states we visited, and mediation agreements were not always implemented or enforced. The Congress noted that our report showed that the incidence of formal dispute resolution mechanisms, including mediation, has been generally low relative to the number of children with disabilities and included an amendment to the Individuals with Disabilities Education Improvement Act requiring mediation agreements to be executed through a legally binding agreement, enforceable in any state court of competent

jurisdiction or in a district court of the United States. The act was reauthorized in December 2004. (GAO-03-897)

**1.34.A. Clarifying Guidance on Using the Wage Withholding Process to Collect Child Support Payments:**

Changes to the wage withholding process can reduce the number of noncustodial parents who have their wages improperly withheld. In a 2002 report, we reviewed the wage withholding form used by private firms and state child support enforcement agencies. HHS's Office of Child Support Enforcement, which establishes enforcement policies and guidance, issued a wage withholding form, along with guidance, for employers to use for automatically deducting amounts from an employee's wages or income to pay a debt or child support obligation. The office considers wage withholding the most effective tool for collecting child support, reporting that it is responsible for over 60 percent of successful collections. However, we found that the form and guidance made it difficult for employers to determine whether a private firm sent the form or if an appropriate authority had approved wage withholding. As a result, wages were inappropriately withheld from noncustodial parents. Consequently, we recommended specific changes to the form and guidance. The Office of Child Support Enforcement established a task group of stakeholders in the child support enforcement community to address these recommendations, and the group made several changes and clarifications to the form and guidance that resolved our concerns. The office subsequently informed state and tribal agencies administering child support enforcement plans of the revised form and guidance and stated that all public and private firms should use the revised form immediately. (GAO-02-349)

**1.35.C. Influencing Temporary Changes in Subsidy Payments for 9.5 Percent Loans:**

To encourage lenders to make student loans under the Federal Family Education Loan Program, the federal government guarantees lenders a statutorily specified rate of return—called lender yield. Some lenders may issue tax-exempt bonds to raise capital to make or purchase loans; loans financed with such bonds issued prior to October 1, 1993, are guaranteed a minimum lender yield of 9.5% (hereafter called 9.5% loans). When the interest rate paid by borrowers is less than the lender yield, the government pays lenders the difference—a subsidy called

special allowance payments. In September 2004, we reported that subsidy payments for 9.5% loans had increased significantly in recent years, rising from \$209 million in fiscal year 2001 to over \$600 million in fiscal year 2004. We identified loopholes in legislation and regulatory guidance that enabled lenders to maintain or increase the amount of 9.5% loans they held in three ways—recycling, refunding bonds, and transferring. We suggested that the Congress change the yield for loans made or purchased in the future with the proceeds of tax-exempt bonds issued prior to October 1, 1993, and any associated refunding bonds, to better reflect market interest rates. As a result of our work, the Congress enacted the Taxpayer-Teacher Protection Act in October 2004, which temporarily changed the lender yield on certain loans to one that reflects market interest rates. This legislative change will save the government \$285 million in fiscal years 2005 and 2006. In addition, as part of the Higher Education Act reauthorization, the Congress passed legislation in July 2005 that would permanently end the minimum 9.5 percent yield and could avert millions in future subsidy payments. (GAO-04-1070)

**1.36.C. Improving the Oversight and Monitoring of Head Start Grantees:** Through a series of testimonies and reports, we assisted the Congress and HHS's Administration for Children and Families in identifying major risk areas in the Head Start program and crafting solutions to address those risks. For example, we reported on the lack of reliable data on enrollment in Head Start centers throughout the country. We also highlighted gaps in Head Start's oversight framework that put federal funds at risk and can reduce the quality or amount of services that the program can provide to poor children and their families. The agency does not have a comprehensive risk assessment strategy that would allow it to identify weaknesses in grantees that could limit the program's ability to achieve its objectives. Further, the agency does not have a process in place to ensure that oversight reviews are conducted in accordance with the framework it designed to assess grantee compliance with program and financial management requirements. Also, the agency does not effectively use grantees' financial reports and audits in its day-to-day monitoring activities to identify high-risk grantees and resolve their problems. HHS is now taking steps to address these and other gaps we identified. Once these gaps have been addressed, we recommended that

the Administration for Children and Families make greater use of its authority to seek competition in communities that are currently served by poorly performing Head Start grantees. The agency plans to work with the Congress to seek changes in the law that would give the Secretary more flexibility in replacing poorly performing grantees. Head Start reauthorization bills incorporated measures to define underenrollment and prescribed methods to ensure that underenrollment is promptly addressed. The bills also provide the Secretary with more flexibility to seek competition in those cases where a community has been served by a high-risk grantee. (GAO-04-17, GAO-05-176, GAO-05-465T, and GAO-05-473T)

## *The promotion of work opportunities and the protection of workers*

### **1.37.A. Improving SSA's Disability Claims**

**Process:** In response to several of our recommendations, SSA took action to improve its disability claims decision-making process. SSA developed and implemented the Case Processing and Management System, a nationwide system to support case processing operations, which is intended to speed up hearings and appeal decisions. To further increase efficiency, SSA has established electronic folders for use at all levels. SSA also designated a lead component agency to compile racial bias and misconduct complaint information filed against administrative law judges, who make disability determination decisions at the hearings level. SSA created a form to capture key information on racial bias and misconduct, and now stores the data in an electronic database, as we recommended. As a result, SSA can more readily identify patterns of racial bias and misconduct in complaints against administrative law judges and improve its assessment of the judges' decision-making accuracy. In addition, we reported that applicants had difficulty understanding the five-step disability determination process and the importance of providing SSA with information about how their disability prevented them from substantial gainful activity. In compliance with our recommendations, the agency's Web site now includes clarifying information on all steps in the process and makes its interactive adult disability report more readily available to all claimants. These efforts can

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expedite the claims process and help SSA make the right decisions on the disability process as early as possible. (GAO-02-322, GAO-02-831, and GAO-05-495)

### **1.38.A. Helping to Expand Apprenticeship Programs:**

In a 2001 report, we found that DOL lacked a systematic process to expand apprenticeship—an employee training program administered by DOL—and did not systematically locate resources for apprenticeships needing funds. Employers’ negative perceptions of the program also impeded its use. We recommended that DOL work with state apprenticeship councils and others to identify occupations that need skilled labor and could support apprenticeships and to develop plans to encourage apprenticeship in these occupations; share information about apprenticeships, especially among employers in occupations that traditionally have not used apprenticeship; and help identify funding to develop apprenticeships. In addressing these concerns, DOL implemented the Advancing Apprenticeship Initiative, which trained staff to work in high-growth industries new to apprenticeship, and developed marketing materials tailored to specific industries. DOL approved several apprenticeships in these industries. The agency also established the federal Advisory Committee on Apprenticeship to foster communication among business, labor, and the public sector and to advise DOL. Additionally, DOL used the Internet to share information about occupations that were new to apprenticeships. Finally, DOL leveraged \$18.5 million in federal funds for marketing and pilot projects in growing industries and secured almost \$5.5 million in private funds to stimulate apprenticeship development. (GAO-01-940)

### **1.39.A. Improving Oversight at the Mine Safety and Health Administration:**

DOL’s Mine Safety and Health Administration improved oversight of its programs through changes to its operations, guidance, and data collection efforts, addressing many of the concerns raised in our 2003 report. We found weaknesses (1) in the agency’s oversight of 6-month district inspections, timely correction of hazards identified during inspections, guidance to inspectors, and data collection to evaluate performance and prevent future accidents and (2) in the agency’s preparation for a likely shortage of inspectors in the future. Subsequently, the agency imple-

mented a process for quarterly review of key inspection data to monitor the status of timely abatement of violations; increased the focus of its accountability program on core inspection activities, including the correction of hazards; adopted measures and standard operating procedures to improve the monitoring of 6-month reviews; stepped up its reviews and evaluation of inspection data and, when deficiencies were identified, took corrective action; and developed national procedures to ensure accident investigation data are entered into its Accident Investigation database. The agency also expedited the hiring process for inspectors and expanded recruitment possibilities by using a new competency-based recruitment approach that provides more flexibility and fills vacancies much faster. In addition, in 2005, the agency identified ways to improve data collection from contractors to better track fatalities, injury rates, and trends and revised its *General Inspections Procedures Handbook*, which is now available on each inspector’s computer for ready access to all the guidance needed to conduct an inspection. Such efforts can strengthen oversight to better protect the safety and health of coal miners. (GAO-03-945)

### **1.40.A. Improving Coordination to Enhance Charitable Contributions in Disasters:**

Many large charities reported raising billions of dollars to aid survivors of the September 11, 2001, terrorist attacks. We found that questions about how best to use the funds as well as service delivery difficulties complicated charities’ responses to this disaster. We recommended that the Federal Emergency Management Agency (FEMA) convene a working group to implement strategies for future disasters. With FEMA’s encouragement, national voluntary agencies developed the Collaborative Assistance Network (Network) to promote a coordinated approach to providing disaster relief services. The Network seeks to identify ways to coordinate more effectively and efficiently with voluntary and government agencies in catastrophic and major disaster events. Work groups consisting of representatives from national voluntary agencies are seeking to (1) ensure access to available services by sharing service delivery information and client data and (2) streamline the intake process and minimize the administrative burden by identifying common application form requirements and accepted standards for document verification. (GAO-03-259)

**1.41.C. Improving Enforcement of Fugitive Felon Provisions:** To better implement the fugitive felon provisions of the Personal Responsibility and Work Opportunity Reconciliation Act, we recommended that the Secretary of HUD test the feasibility and effectiveness of routinely matching its nationwide tenant file with the National Crime Information Center arrest warrant database to help identify tenants in housing assistance programs nationwide who are fugitive felons and subject to eviction. According to a HUD Office of Inspector General (IG) semiannual report to the Congress, the IG established the Fugitive Felon Initiative to assist HUD in responding to this recommendation. Under this initiative, the IG began computer matching its nationwide tenant file with the U.S. Marshals Service's arrest warrant database, the Federal Bureau of Investigation's National Crime Information Center arrest warrant database, and the wanted person data maintained by state and local law enforcement agencies. In August 2005, HUD's IG reported that the initiative had resulted in the apprehension of over 5,900 wanted felons. ([GAO-02-716](#))

**1.42.C. Addressing the Health Problems of Nuclear Weapons Workers:** We assisted the Congress in crafting major improvements to a program intended to compensate individuals who worked in nuclear weapons facilities and developed illnesses due to exposure to hazardous materials. We identified program features that would likely lead to inconsistent benefit outcomes for claimants, in part because the program depended on varying state workers compensation systems to provide benefits. We also presented several options for improving the consistency of benefit outcomes and a framework for assessing these options. As a result, the Congress overhauled the program as part of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. This legislation replaced the program with a new one that federalizes the payment of benefits and provides a schedule of uniform benefit payments for eligible individuals. ([GAO-04-249T](#), [GAO-04-298T](#), [GAO-04-515](#), [GAO-04-516](#), and [GAO-04-571T](#))

**1.43.C. Improving Transitional Assistance to Seriously Injured Servicemembers:** In our work on transitional assistance to seriously injured servicemembers and Reserve and National Guard members, including vocational rehabilitation and employment services, we found that more collabo-

ration between VA and DOD is needed to expedite services for seriously injured servicemembers. We also found that enhanced services could improve transition assistance for Reserve and National Guard members. The Congress used our findings to hold hearings and highlight the need to improve these services. In response to our recommendation, VA and DOD have taken initial steps, including signing a memorandum of understanding, to lay the groundwork for sharing data and improving their assistance to seriously injured servicemembers and Reserve and National Guard members as they transition to civilian life. ([GAO-05-167](#) and [GAO-05-544](#))

## *A secure retirement for older Americans*

**1.44.A. Improving Management at the Employee Benefits Security Administration:** Our report on the DOL's Employee Benefits Security Administration's management resulted in improvements to strengthen safeguards for participants in employee benefit plans protected by the Employee Retirement Income Security Act. In studying concerns about the agency's enforcement program, we identified weaknesses in the agency's enforcement strategy, investigative process, and human capital management. We made recommendations to address the lack of information needed to assess benefit plans' noncompliance with the act, lack of coordination to share best practices information on investigations, lack of a centrally coordinated quality review process to ensure the proper conduct of investigations, and failure of the agency to consider succession planning and workforce retention as part of its human capital strategy. The agency subsequently issued a report on a noncompliance study and initiated additional studies that provided the information needed to identify compliance improvements. The agency established a Best Practices Sharing Team that developed a Web site on which investigators can share investigative plans and practices, and the agency developed a process to review case quality that ensures the independence of the case reviewer. In addition, the agency assessed its workforce retention and training needs and included this analysis in its Human Capital Strategic Management Plan, which addresses areas such as skill shortages, future staffing needs, and competency requirements. ([GAO-02-232](#))

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**1.45.A. Avoiding Disproportionately Adverse Effects on Pension Plan Participants from Securities and Exchange Commission (SEC) Regulations:**

Market timing by mutual fund investors has negatively affected pension plan participants and other long-term investors. In an effort to stop this abusive practice, SEC issued proposed regulations that would impose mandatory redemption fees on certain mutual fund transactions. We analyzed the potential effects of these proposed regulations on pension plan participants and, in a 2004 report, concluded that it could result in plan participants paying fees intended to deter market timing, even where there is clearly no intent to engage in abusive trading. Many such transactions are automated and, therefore, the plan participant would have no control over whether he or she is assessed a redemption fee. Thus, the proposed rule could affect plan participants more adversely than other investors. We recommended that SEC's Commissioners change the proposed regulations to prevent pension plan participants from being more adversely affected than other investors. SEC addressed this concern in a final rule issued in March 2005 that made the fees no longer mandatory. In this way, mutual fund companies may exempt any pension plan transaction where there is clearly no intent to engage in market timing. (GAO-04-799)

**1.46.A. Strengthening the Integrity of the Social Security Card and Other Identification Documents:**

We recently reported on weaknesses in SSA's enumeration processes and found that SSA's policies for verifying birth certificates for children under age 1 and issuing replacement Social Security cards were weak and could expose SSA to fraud. Because Social Security numbers are central to many aspects of American life, they are vulnerable to fraud and financial crimes and, thus, sought by identity thieves. We also reported on the verification of identity documents for drivers' licenses, noting that visual inspection of key documents lent itself to possible identity fraud. To demonstrate this, our investigators were able to obtain licenses in two states using counterfeit documents and the Social Security numbers of deceased persons. Subsequently, the Congress included provisions in the Intelligence Reform and Terrorism Prevention Act mandating that SSA implement regulations for independently verifying birth documents for all field office Social Security number applicants, limit the

number of replacement cards issued to individuals, and add death and fraud indicators to Social Security number verification systems for state agencies issuing drivers' licenses and identity cards. In addition, the Congress passed the Real ID Act of 2005, which established federal identification standards for state drivers' licenses and other such documents, and mandated third-party verification of identity documents. (GAO-04-11, GAO-04-768T, GAO-04-1099T, and GAO-05-59)

**1.47.C. Addressing the Challenges of Pension Reform:**

Numerous reports and testimonies in 2005 urged the Congress to take timely action to enact comprehensive pension reform. The goal of such reform is to reduce the financial risks to the Pension Benefit Guaranty Corporation and the taxpayer, as well as to put the defined benefit system on a more stable financial footing. We urged that the Congress consider, for example, revisions to the existing rules governing the funding of defined benefit plans so that plans would be better funded and thus more able to meet benefit promises to plan participants. We also urged that there be changes to the Pension Benefit Guaranty Corporation insurance premium structure in how shutdown benefits are funded by plan sponsors, and that the Congress address the legal uncertainty concerning hybrid pension plans like cash balance plans. All of these key elements have been included in legislation in both the House and the Senate. In addition, we organized a Comptroller General forum involving experts and policymakers to discuss the many aspects of pension reform. The discussion and ensuing report have contributed to the Congress's and the public's understanding of the issues in this high-risk area and helped shape the proposed legislation. (GAO-05-360T, GAO-05-578SP, and GAO-05-794T)

*An effective system of justice*

**1.48.A. Limiting Terrorists' Access to Guns:** In a January 2005 report, we identified a number of potential problems in the procedures that the Federal Bureau of Investigation and applicable state agencies follow when a potential gun purchaser is identified as a valid match with a terrorist watch list record. While being on the watch list does not, in itself, disqualify an applicant from purchasing a gun, it is extremely important that steps are taken to

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ensure that the applicant does not have other disqualifying factors. These other factors could include a felony conviction or illegal alien status. The Federal Bureau of Investigation and states are allowed to share information with other law enforcement officials in order to validate the match and to ensure that other factors that would prohibit the sale are fully investigated. We made a number of recommendations intended to ensure that all allowable information is shared in cases of potential matches with the terrorist watch list and that states handle these cases consistently. Our recommendations have been adopted. ([GAO-05-127](#))

**1.49.C. Improving Immigration Enforcement:**

In several reports, we stressed that the Department of Homeland Security (DHS) should use performance information and employee feedback to manage its programs and operations. We reported that the federal response to alien smuggling could be improved if DHS tracked the results of alien smuggling referrals by U.S. Customs and Border Protection to U.S. Immigration and Customs Enforcement, that decisions about how to allocate scarce DHS resources could be improved if DHS developed additional measures on the performance of its Border Patrol-operated interior traffic checkpoints, and that future DHS transformations and communications strategies could be improved if DHS sought feedback from employees about their ideas and concerns. DHS concurred with our recommendations in these areas, and we believe that their implementation will contribute to DHS's effectiveness in enforcing the nation's immigration laws and addressing long-standing management challenges. We also contributed to congressional debate by describing immigration-related management challenges confronting DHS, quantifying the costs of incarcerating criminal aliens, questioning the usefulness of an annual address reporting requirement for aliens, and describing how DHS has addressed immigration enforcement objectives. ([GAO-05-66](#), [GAO-05-81](#), [GAO-05-204](#), [GAO-05-305](#), [GAO-05-337R](#), and [GAO-05-435](#))

**1.50.C. Improving Evaluation of Contractor Performance:** In a June 2005 report, we recommended that DHS's U.S. Citizenship and Immigration Services (USCIS) take steps to ensure that specific performance measurement requirements are finalized before awarding new performance-based contracts for operating USCIS call centers and

that performance evaluation records are properly maintained. While discussing these issues during the course of our work, USCIS officials told us they planned to take the corrective actions. Further, in its formal comments on our draft report, DHS generally agreed with our recommendations, noting that a draft solicitation for new contracts specifically identified nonnegotiable performance requirements and that written records of performance assessments and performance evaluation meetings will be maintained and readily available for review by interested parties. These actions will improve USCIS's efforts in evaluating the performance of contractor-operated call centers and encourage quality services at the call centers. ([GAO-05-526](#))

**1.51.C. Providing Evidence regarding**

**Effectiveness of Adult Drug Courts:** With 1,200 operating drug courts in 2004, and an additional 500 being planned, it is extremely important that their effectiveness be assessed. Drug court programs generally allow some defendants with substance abuse problems to enter these programs as an alternative to prison or probation. The combination of court supervision and substance abuse treatment is intended to reduce recidivism and drug abuse relapse compared to more traditional sentencing. Our review of 27 methodologically strong evaluations of drug courts provided evidence supporting drug courts as a means to reduce recidivism. Data concerning relapse was less clear for several reasons. While our review did not allow us to pinpoint specific aspects of drug courts that lead to their success, it was clear that program actions that help participants stay in and complete the program were linked to recidivism reductions. This is an important piece of information, given that the 2005 National Drug Control Strategy calls for an increase in federal drug court spending from about \$40 million to about \$70 million in 2006. ([GAO-05-219](#))

## *The promotion of viable communities*

**1.52.A. Improving Oversight of Federal**

**Housing Administration (FHA) Lenders:** In a November 2004 report, we recommended ways that the Department of Housing and Urban Development (HUD) could improve its oversight of lenders participating in FHA's single-family mortgage insur-

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ance programs. Due in part to poor lender oversight, we have designated HUD's single-family mortgage insurance programs as high risk. In response to our report, HUD (1) issued updated standards for granting FHA lenders the authority to underwrite loans and determine their eligibility for FHA mortgage insurance without HUD's prior review, (2) revised the system used to evaluate the underwriting quality of loans insured by FHA so that it better reflects the risks different errors pose to the insurance fund, and (3) issued guidance specifying when action must be taken against lenders that fail to comply with FHA's program requirements. These changes will help HUD identify the lenders that pose the greatest insurance risk to the department and hold lenders accountable for poor performance. (GAO-05-13)

**1.53.A. Reducing the Cost of Federal Subsidized Housing Projects:** We determined that HUD had not developed the systems it needed to track the status of unexpended balances in its project-based Section 8 housing program and therefore could not use this information to help manage the program and formulate budget requests for it. Because of our work, the Congress required HUD to better enforce the legislative provisions requiring the recapture of capital funds not being utilized by public housing authorities. HUD recaptured about \$2.531 billion in fiscal year 2003, or about \$2.7 billion in current dollars. (GAO-01-663T)

**1.54.C. Improving First Responder Interoperable Communications:** We noted that interoperable communications equipment was being bought without the fundamental first step of developing a clear, comprehensive plan for what needed to be communicated, to whom, and when. Without such a plan it was not possible to know whether the equipment purchased would meet defined needs. We recommended that DHS, through its grant guidance, encourage each state to establish a single statewide body to develop a single comprehensive statewide interoperability plan and that grant funding depend on conformance with such a plan. In its report accompanying the fiscal year 2006 appropriations bill, the Senate Committee on Appropriations directed that before grant dollars could be obligated for interoperable equipment, jurisdictions must certify that they have implementation plans that include governance structures,

policies, procedures, training, and planned exercises. (GAO-04-231T, GAO-04-740, and GAO-04-1057T)

**1.55.C. Redefining Rural:** We assessed how a change in the definition of rural would affect the U.S. Department of Agriculture's (USDA) Rural Housing Service in meeting rural housing needs. By (1) presenting a time line of how the Congress had increased population limits over the past 50 years, (2) building on our prior work on Rural Housing Service management issues and how changes in technology and demographics have linked rural to urban areas, and (3) using geographically coded national data to show that such questionable eligibility determinations also exist nationwide, we were able to suggest that the Congress consider changing to a density-based system as a basis for making more equitable rural housing program eligibility determinations. The Rural Housing Service's Administrator agreed (1) that it does not make sense to use outdated boundaries, (2) to take our suggestion to work with USDA's Economic Research Service to develop a density-based system, (3) to propose legislative changes, and (4) to fix the data reliability problems we identified. The changes that the Administrator has agreed to make will help the Rural Housing Service use its scarce resources more efficiently and allocate its funding more fairly and equitably in accord with the intent and purposes of rural housing programs. The new rural definition could also have major implications for other federal agencies that allocate resources by population or location. (GAO-05-110)

## *Responsible stewardship of natural resources and the environment*

**1.56.A. Preparing for Asian Soybean Rust:** Beginning in February 2005, we raised concerns regarding USDA's preparations for Asian soybean rust, which is a harmful, quick-spreading fungal disease that first appeared in the United States in 2004 and threatens America's \$16 billion annual soybean production. As a result of our recommendations, USDA (1) developed a coordinated federal-state plan to manage the disease; (2) provided soybean producers with additional guidance on farming practices and documentation required to file an

Asian soybean rust insurance claim; (3) authorized the use of about \$1.2 million in contingency funding to help monitor, report, and manage the disease during the 2005 growing season; and (4) agreed to revise its insurance data system so that it can collect information on the number and dollar amounts of claims submitted and paid as a result of Asian soybean rust. (GAO-05-668R)

#### **1.57.A. Improving Transparency of Water**

**Bank Operations:** In March 2005, we reported that the Bureau of Reclamation's Klamath Project water bank management and accounting practices lacked transparency, creating confusion and doubt among stakeholders such as farmers, environmentalists, and tribes. A credible water bank is essential to easing conflicts over water use among these groups by increasing river flows for salmon while ensuring irrigation water for farmers under ongoing drought conditions. Acting on our recommendation, the bureau improved the information provided to stakeholders by creating a water bank Web page, updated biweekly, with information on how much water has been delivered by the water bank, the current water delivery schedule, links to real-time water flow gauges and other information, and documents relevant to water bank management. (GAO-05-283)

#### **1.58.A. Improving the Bonneville Power**

**Administration's (BPA) Financial Condition:** BPA, which markets 45 percent of the electric power consumed in the Pacific Northwest, experienced significant financial problems in 2001 and 2002 while substantially increasing its electric power rates. BPA's open-ended obligation to provide power to the region was the primary cause of these rate increases. In response to our recommendations, BPA agreed to limit the power it sells at its lowest rate to the amount generated by the Federal Power System and to sell any additional power at rates that reflect the cost of generating or acquiring that power. These rate policies will help ensure that BPA remains competitive in the changing electricity industry and reduce the risk of BPA defaulting on its Treasury debt. (GAO-04-694)

#### **1.59.A. Realizing Financial Benefits in the Environmental Protection Agency's (EPA)**

**Superfund Program:** During the past few years, we have noted that opportunities exist for EPA to recover unspent funds from inactive contracts under

its Superfund program—established in 1980 to locate, investigate, and clean up the worst hazardous waste sites nationwide. In 2001, we developed a method for targeting potential deobligations and shared this approach with EPA. During our fiscal year 2005 budget justification review process, EPA acknowledged that our method for identifying deobligations was very useful in identifying unspent funds and that this method is still in use today. The deobligated funds have enabled the agency to address its backlog of hazardous waste sites that need remediation without receiving additional appropriations to conduct these cleanups. The financial benefits resulting from these deobligations in fiscal year 2005 total about \$370 million. (Based on briefings)

#### **1.60.A. Reducing Nuclear Waste Cleanup**

**Costs:** Our work over the last 2 years helped to avoid a substantial increase in the cost of treating and disposing of high-level nuclear waste at the Department of Energy's (DOE) Savannah River Site. DOE's long-standing plan for treating the waste was in jeopardy because of a legal challenge that could have resulted in the agency pursuing a substantially more costly treatment and disposal alternative that had little added environmental benefit. We recommended that DOE seek legislative clarification from the Congress to minimize delays and cost increases. In October 2004, the Congress clarified DOE's authority to follow its planned treatment and disposal strategy, thus avoiding a cost increase at the Savannah River Site of \$55 billion to \$60 billion. The cost avoidance for fiscal years 2005 through 2009 will be about \$4.5 billion. (GAO-03-593, GAO-03-930T, and GAO-04-611)

#### **1.61.A. Improving the Security of the Plum Island Animal Disease Center:**

In September 2003, we found that security at the federal Plum Island Animal Disease Center, which contains highly contagious foreign animal disease pathogens, was insufficient and needed substantial improvement. We found that the center's physical security was incomplete, that the security force's response capability was limited, and that the security plan did not consider the possibility of a terrorist attack. In addition, center officials were not adequately controlling access to areas where pathogens are located, in part by allowing access by foreign scientists without security clearances. DHS, which assumed overall responsibility for Plum Island from USDA in June

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2003, agreed with our assessment and recommendations. Subsequently, these departments have taken many actions to improve physical security and security planning for Plum Island, such as the addition of guards, security lighting, surveillance cameras, locks, alarms, and visitor inspections. Access to the pathogens has been restricted. Also, a Federal Protective Service officer has been assigned to Plum Island, and this step is expected to facilitate a further strengthening of the security response force. (GAO-03-847)

**1.62.A. Protecting Our Food Supply from Deliberate Contamination:** In 2003, we reported that USDA and the Food and Drug Administration—the principal federal agencies responsible for ensuring food safety—issued security guidelines to help food processors identify measures to prevent or mitigate the risk of deliberate contamination during food production. However, we reported that the majority of federal food safety inspectors were not receiving training on food security issues addressed by the guidelines. To increase the inspectors’ knowledge and understanding of food security issues and facilitate their discussions about the guidelines with food processors, we recommended that such training be provided. This year, USDA directed its food inspectors to implement food security verification procedures during their routine food safety inspections. As part of implementing these new security procedures, the agency has provided training on the security guidelines for industry and on practical antiterrorist strategies. (GAO-03-342)

**1.63.A. Reducing Overlaps and Duplication in Federal Food Safety Activities:** During 2005, we continued to report and testify on the organization of federal food safety functions—a highly complex and fragmented system that stems from 30 principal laws and is administered by 15 federal agencies. This system results in inefficient use of resources, inconsistent oversight and enforcement, and ineffective coordination. In the past, we have recommended that the federal statutes be streamlined and that food safety functions be consolidated into a single agency. This year, our work identified overlapping and duplicative inspection activities conducted by USDA and the Food and Drug Administration at food-processing facilities that fall under the regulatory jurisdiction of both agencies. Although the agencies have entered into an agree-

ment to make more efficient use of their resources and to reduce overlap and duplication, we found that they are not routinely communicating findings of mutual concern, such as sanitation problems affecting foods produced at these facilities—whether the foods fall under USDA or Food and Drug Administration jurisdiction. We recommended that the agencies ensure implementation of the agreement. USDA took prompt action and in June 2005 issued a directive, entitled *Responsibilities in Dual Jurisdiction Establishments*. The directive states that each agency’s resources and experience will be used efficiently and that duplication of inspection effort is to be avoided. It also states that USDA and the Food and Drug Administration agree to communicate at the district office level about (1) findings of hazardous, contaminated, or mislabeled foods; (2) processes that may result in contamination or recalls; or (3) food tampering. (GAO-05-213)

**1.64.A. Improving Recreation Fee Programs on Federal Lands:** Our work over the past several years has helped the Congress to establish and assess the impacts of the recreational fee demonstration program. Under this trial program, the Congress authorized the Department of the Interior’s National Park Service, Bureau of Land Management, and Fish and Wildlife Service and USDA’s Forest Service to charge fees to visitors to, among other things, reduce the maintenance backlog at federal parks and historic places and protect these lands from the wear and tear caused by visitors. Since the program’s inception in 1996, we have identified issues that needed to be addressed to improve the program’s effectiveness. These issues included providing (1) a more permanent source of funds to enhance stability, since the current program had to be reauthorized every 2 years; (2) the participating agencies with greater flexibility in how and where they apply fee revenues; and (3) improvements in interagency coordination in the collection and use of revenue fees to better serve visitors by making the payment of fees more convenient and equitable and reducing visitor confusion about similar or multiple fees being charged at nearby or adjacent federal recreational sites. As a result of this body of work, the Congress designed and enacted the Federal Lands Recreation Enhancement Act, which addresses all of our reported issues, including providing a more permanent source of funding for the

agencies. ([GAO/RCED-99-7](#), [GAO/T-RCED-99-77](#), [GAO/T-RCED-99-101](#), [GAO/RCED-00-37R](#), [GAO-02-10](#), [GAO-03-470](#), and [GAO-04-745T](#))

**1.65.A. Providing Federal Assistance to Alaska Native Villages Affected by Flooding and Erosion:**

We reported that while 184 out of 213 Alaska Native villages are affected to some extent by flooding and erosion, these villages often have difficulty qualifying for federal assistance to combat these problems. We recommended that the Denali Commission (established by the Congress to provide economic development services and to meet infrastructure needs in rural Alaska) adopt a policy to guide investment decisions and project designs in villages affected by flooding and erosion. We also identified four alternatives that could increase federal service delivery to the affected villages. In response to our findings, the Denali Commission adopted an investment policy, which will ensure that federal funds are expended in the most effective and efficient manner possible, and the Congress provided the Secretary of the Army authority to carry out “structural and nonstructural projects for storm damage prevention and reduction, coastal erosion, and ice and glacial damage in Alaska, including relocation of affected communities and construction of replacement facilities.” ([GAO-04-142](#) and [GAO-04-895T](#))

**1.66.C. Clarifying Policies on Wetlands:** The U.S. Army Corps of Engineers (USACE) is responsible for implementing Section 404 of the Clean Water Act, our nation’s primary wetlands protection program. Under this program, a property owner must obtain a permit from USACE before undertaking any activities that may degrade or destroy waters or wetlands that fall under federal jurisdiction. In 2004, we reported that USACE’s district offices and staff were interpreting and applying federal regulations differently when determining whether a water or wetland falls under federal jurisdiction and that these differences might result in different jurisdictional decisions in similar situations. As we recommended, USACE is evaluating its districts’ differing practices and determining what revisions to its guidance will be needed to ensure more consistency in decisions about which waters and wetlands fall under federal jurisdiction. ([GAO-04-297](#))

**1.67.C. Improving Security at Drinking Water and Wastewater Plants:**

We identified key activities that can help EPA improve security for the water sector. As a result of this work, EPA has begun to implement a number of these actions. First, the agency established common protocols for monitoring threats. In particular, it developed a list of Standardized Analytical Methods, providing a common standard for environmental laboratories’ use in measuring contamination events and their associated threats. In addition, EPA provided simulation exercises to improve local, state, and regional collaboration. Specifically, it provided drinking water and wastewater systems with a series of tabletop exercises to help them prepare and carry out emergency response plans and strengthen relationships between utilities and local, state, and federal officials in the event of a terrorist attack. Finally, EPA significantly expanded training opportunities related to security by sponsoring several security workshops and seminars on topics such as wastewater system security, drinking water system preparedness, and emergency response. As a result, water sector personnel have additional tools and training opportunities to support them in their efforts to protect against terrorist attacks. ([GAO-04-29](#), [GAO-04-1098T](#), and [GAO-05-165](#))

**1.68.C. Improving Oversight of EPA Grant Programs:**

EPA has long faced problems in managing its grants, which constitute over one-half of the agency’s annual budget, or \$4 billion annually. Our work over the past 3 years has identified the major challenges facing EPA in managing its grants, including awarding, overseeing, and obtaining results from grants. EPA issued a 5-year grants management plan and policies, which for the first time offers a comprehensive road map with goals and milestones for addressing the challenges we identified. However, we found that the policies and plan will require strengthening, enhanced accountability, and sustained commitment to succeed. For example, EPA’s new oversight policy mandates more in-depth monitoring of grantees, but it does not build in a process for analyzing the results of in-depth monitoring to address systemic grantee problems. In addition, its 5-year plan does not completely address how EPA will hold all managers and staff accountable for successfully fulfilling their responsibilities. Our recommendations, which EPA has begun to implement, will help to ensure that EPA is providing effective oversight of grants and holding

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managers and staff accountable for their grants management responsibilities. (GAO-03-846, GAO-04-383R, GAO-04-459, and GAO-05-149R)

**1.69.C. Improving EPA’s Knowledge of**

**Environmental Conditions:** In a November 2004 report, we recommended that EPA establish clear lines of responsibility and accountability among its various organizational components and identify specific requirements for developing and using environmental indicators. Environmental indicator sets assemble quantitative measures of conditions and trends to assess the state of the environment and natural resources and to gauge progress toward specific goals. We reported that EPA needs to develop a more systematic approach to developing these indicators to ensure that information on environmental conditions and trends is incorporated into EPA’s efforts to plan strategically, allocate resources, and assess progress toward meeting environmental goals and objectives. EPA is currently working to link its indicators to the agency’s strategic planning activities and investigating opportunities to link environmental information to management reporting and accountability systems. (GAO-05-52)

**1.70.C. Identifying Challenges to Ensuring**

**Competition in Natural Gas Markets:** Recent reports on the impact of soaring natural gas prices have outlined the volatile nature of natural gas prices that are driven by supply and demand imbalances. However, these reports also have highlighted the important role the federal government plays in ensuring that prices are determined in a competitive and informed marketplace. We found that federal agencies face major challenges in ensuring that natural gas prices are determined in a competitive and informed marketplace. For example, we found that the Federal Energy Regulatory Commission lacks an adequate regulatory and oversight approach and is reviewing its statutory authority and market monitoring tools. The Commodity Futures Trading Commission does not have regulatory authority for over-the-counter derivatives markets. It does have anti-manipulation authority and is currently investigating what role, if any, these markets played in the natural gas price spike of 2000 through 2001. Finally, the Energy Information Administration has an outdated natural gas data collection program, but has made efforts to reassess its data needs to provide more useful information. (GAO-03-46)

**1.71.C. Enhancing Oversight of Electricity**

**Markets:** Our recent reports on electricity market restructuring have encouraged the Federal Energy Regulatory Commission to, among other things, enhance its oversight of these markets to reduce the potential that firms could inappropriately exercise the use of market power, reduce the uncertainty private companies face when upgrading transmission lines to their power plants, and support consumer pricing and other programs that encourage consumers to adjust their electricity usage in response to changes in market conditions. Action in this last area alone—encouraging consumers to respond to changing electricity market conditions—could save billions of dollars as well as enhance reliability in the U.S. electricity sector more generally. (GAO-04-204 and GAO-04-844)

**1.72.C. Identifying the Effects of Oil Mergers**

**on Consumers:** Our work on the effects of mergers and market concentration in the U.S. petroleum industry, which found that the wave of mergers and market concentration that occurred in the 1990s led to higher gasoline prices, prompted a reevaluation by the Federal Trade Commission of how it reviews petroleum industry mergers in an effort to protect U.S. consumers from potential anticompetitive effects of such mergers in the future. (GAO-04-96)

**1.73.C. Improving the Nuclear Regulatory Commission’s Oversight of Nuclear Power**

**Plants:** In a series of reports and testimonies, we have identified a number of challenges to the Nuclear Regulatory Commission’s ability to effectively regulate the safety and security of the nation’s commercial nuclear power plants. We have made a number of recommendations to improve force-on-force exercises (mock terrorist attacks) that test nuclear power plants’ defenses, and we are currently assessing the process the commission used to revise the design basis threat, which describes the terrorist threat plants are required to defend against. As part of this review, we have observed force-on-force exercises at two nuclear power plants and confirmed that the commission is implementing improvements we recommended that will better enable the commission to evaluate plants’ ability to defend against terrorist attacks. In 2005, we reported that plants’ control and accounting of radioactive spent nuclear fuel have been uneven and that the commission should establish specific requirements and inspection procedures for control

and accounting of loose fuel rods and segments. In response to our recommendation, the commission is clarifying its guidance to plants on control and accounting of spent fuel and revising its inspection procedures—actions that if properly implemented, will reduce the risk that plants will report additional cases of missing spent nuclear fuel. (GAO-03-752, GAO-04-1064T, GAO-05-339, and GAO-05-754T)

## *A safe, secure, and effective national physical infrastructure*

**1.74.A. Improving Oversight of State Highway Safety Programs:** In 2003 we reported that National Highway Traffic Safety Administration (NHTSA) regional offices were inconsistent in their oversight of state highway safety programs. Consequently, states with relatively poor safety performance sometimes received less oversight than states with better safety performance. We recommended that NHTSA provide clear guidance to its regional offices on the appropriate use of program management reviews and program improvement plans. In response to our recommendations, NHTSA developed new policies for its regional offices on when it is appropriate to use management reviews and improvement plans to assist state highway safety programs. Among other things, the new procedures direct NHTSA regional offices to conduct management reviews in each state at least every 3 years. In addition, the new procedures direct NHTSA regional offices to work with a state in collaboratively developing a performance enhancement plan (formerly known as an improvement plan) when a state fails to meet performance goals, shows substandard performance, or fails to show improvement toward priority safety program goals over a 3-year period. The Congress is considering specifying these improvements and mandating that we perform a follow-up review. (GAO-03-474)

**1.75.A. Updating Assessments of Highway Traffic Safety Data Systems:** In a November 2004 report, we recommended that the Congress consider requiring states to have assessments of their traffic records safety data systems that are no more than 5 years old in order to participate in NHTSA's traffic safety data improvement program. According to NHTSA officials, these assessments

were valuable starting points in helping states take stock of the strengths and weaknesses of their entire systems. During our review, we found some assessments submitted by states that were nearly 10 years old. We also found assessments based on recent information reflected the dynamic and often changing reality of state safety data systems. In August 2005, the Congress passed the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2005. The act included our recommendation that states have up-to-date assessments or audits of their highway safety data and traffic records systems in order to participate in NHTSA's state traffic safety information system improvements grant program. By implementing this eligibility requirement, NHTSA will have improved monitoring of state progress and have made a more detailed accounting of traffic data system improvements made as a result of the grant program. (GAO-05-24)

**1.76.A. Improving NHTSA's Oversight Efforts:** We found that NHTSA was inconsistent in its use of management reviews and improvement plans in providing oversight of state highway safety programs. We recommended that NHTSA develop guidance on the use of management and improvement plans. In response, NHTSA, in April 2004, reported to the Congress that it was establishing new procedures to address problems we identified. These new procedures included conducting triennial management reviews and establishing performance enhancement plans for states that fail to meet program goals over 3-year period. In February 2005, we discussed incorporating our recommendations and alternative language for the surface transportation reauthorization bill with congressional staff. In July 2005, the Congress passed the Safe, Accountable, Flexible and Efficient Transportation Equity Act: a Legacy for Users, which enacted the NHTSA policies established directly in response to our recommendations. The law directs NHTSA to conduct triennial management reviews of state highway safety programs and program reviews of states that fail to make substantial progress in meeting priority program goals over a 3-year period. (GAO-03-474)

**1.77.A. Authorizing the Retention of Proceeds from Real Property:** In 2003, we reported that most agencies could not retain the proceeds from the sale of unneeded property and this acted as a

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disincentive to disposing of unneeded property. We concluded that agencies should be permitted to retain proceeds for reinvestment from real property where a need exists. Subsequently, in the 2005 Consolidated Appropriations Act, for fiscal year 2005 the Congress authorized the Administrator of the General Services Administration (GSA) to retain the net proceeds from the conveyance of real and related personal property. These proceeds are to be deposited into the Federal Buildings Fund and are to be used for GSA's real property capital needs. (GAO-03-122)

**1.78.A. Identifying Improvements Needed to Strengthen Security and Achieve Efficiencies in Airport Passenger and Checked Baggage Screening:**

We conducted a body of work assessing the physical screening of airport passengers and their checked baggage, as well as the prescreening of passenger names against terrorist watch lists, designed to identify and prevent terrorist threats. We found that insufficient screener staffing and a lack of high-speed Internet and intranet connectivity at the nation's airports resulted in the majority of screeners not meeting legislatively mandated screener training requirements, and that weakness and vulnerabilities continued to exist in passenger and checked baggage screening systems. We also found that DHS's Transportation Security Administration's (TSA) internal solutions for deploying explosive detection systems to screen checked baggage resulted in operational inefficiencies and diminished security, and that its efforts to install in-line baggage screening systems have been limited. Related to passenger prescreening against terrorist watch lists, we found the effectiveness of TSA's Secure Flight program in identifying passengers who should undergo additional security scrutiny had not been determined, and that TSA had not resolved how passenger data would be transmitted from air carriers to TSA to support Secure Flight operations. We also reported that TSA did not comply with Privacy Act requirements by not fully disclosing to the public its use of personal information from commercial data sources during testing as required. Specifically, a TSA contractor collected more than 100 million commercial data records containing personal information, such as name, date of birth, and telephone number, without informing the public. Based on this work, we made numerous recommendations to strengthen screener training, systematically evaluate baggage screening needs at

airports, and manage the risks associated with Secure Flight's development and implementation. TSA agreed to take corrective actions in these areas. Several pieces of legislation were passed requiring a plan and guidelines for installing in-line baggage screening systems and measures to strengthen Secure Flight's development and implementation, based in part on our work. (GAO-05-324, GAO-05-356, GAO-05-365, GAO-05-457, and GAO-05-864R)

**1.79.C. Implementing Postal Reforms to Address Structural and Systemic**

**Deficiencies:** Our testimony identified the need for comprehensive postal reform legislation to address challenges that threaten the U.S. Postal Service's long-term outlook and identified some of the key principles for postal reform, including the need for additional managerial flexibility to improve the efficiency of postal operations and increased transparency and accountability for results, which have been incorporated into pending postal reform legislation. We also reported that the Postal Service faces challenges in eliminating excess capacity in its mail processing infrastructure, but its infrastructure realignment strategy was not sufficiently clear or accountable. The Congress referred to our work related to postal infrastructure realignment and said that it would work to ensure that the Postal Service implemented our recommendations. Language in postal reform legislation would require the Postal Service to report to the Congress on how it plans to modernize its infrastructure and provide greater transparency through annual reports on its progress in this area. We also testified that one of the key elements of postal reform is to clarify the Postal Service's mission and role so that it remains focused on universal postal service. Two of our reports on the Postal Service's electronic commerce activities contributed to language in pending postal reform legislation to limit the Postal Service's mission to delivering physical mail pieces to avoid the financial costs the Postal Service has incurred when it ventured away from its core business. (GAO/GGD-00-188, GAO-02-79, GAO-05-261, and GAO-05-453T)

**1.80.C. Improving Congressional Oversight of the Airline Industry's Financial Condition:**

We reported on the deteriorating financial condition of the U.S. commercial airline industry, providing the Congress with some key insights into the underlying

ing structural problems hampering the industry's recovery. Since 2001, the major U.S. airlines have lost more than \$30 billion, with four major U.S. legacy airlines—Delta, Northwest, United, and US Airways—operating under bankruptcy protection. United and US Airways terminated their pension programs, transferring their plans to the Pension Benefit Guaranty Corporation at a net cost to the corporation of \$9.7 billion; plan participants lost \$5.3 billion in benefits (in constant 2005 dollars). We also reported that the airlines faced a considerable liquidity crisis over and above pension funding requirements. Legislative pension reform allowing airlines to amortize pension contributions over more years would relieve some of the liquidity pressures, but does not ensure that they will avoid bankruptcy because it does not fully address other fundamental structural problems, such as other high fixed costs. (GAO-05-83, GAO-05-945, and GAO-05-835T)

**1.81.C. Identifying Federal Action Needed to Secure Cargo Transported by Air:** We found that TSA took initial steps in applying a risk-based managed approach to address air cargo security. However, TSA had not yet established a methodology or schedule for completing assessments of vulnerabilities and critical assets. We also found that TSA had not developed measures to assess the adequacy of air carrier compliance and systematically analyze audit results to target future inspections, or assessed the effectiveness of its enforcement actions to ensure compliance with security requirements. We also found that TSA's future plans for enhancing air cargo security pose financial, operational, and technological challenges to the agency and air cargo industry stakeholders, and that TSA may have underestimated the cost of proposed security measures. We recommended that among other actions, TSA complete assessments of air cargo vulnerabilities and critical assets; develop measures to gauge air carrier compliance; and ensure that data used in identifying elevated risk cargo are complete, accurate, and current. TSA generally concurred with the findings and recommendations in the restricted version of the report. (Based on a report that contains sensitive material and is not available to the public)

**1.82.C. Improving Federal and Private Sector Efforts to Secure General Aviation:** We found that a systematic assessment of threats to general aviation—all aviation other than commercial and

military—had not been conducted, and that TSA and the Federal Aviation Administration (FAA) had taken limited steps to secure related airports, aircraft, and infrastructure. We also found that TSA has not established policies and procedures for reviewing and revalidating the need for flight restrictions that limit access to airspace for indefinite periods that could negatively affect the general aviation industry. We further found limitations in TSA's process for requiring background checks of foreign candidates for U.S. flight training schools. We recommended, among other things, that TSA develop a plan for implementing a risk-managed approach to strengthen general aviation security, and that FAA establish a documented process for reviewing and revalidating flight restrictions. TSA and FAA agreed to take corrective actions, and legislation, based on input from our work, was passed requiring DHS to improve pilot licenses to prevent tampering and alterations. TSA issued an interim final rule in July 2005 to restore limited general aviation aircraft operations at Reagan National airport. (GAO-05-144)

**1.83.C. Identifying Federal Action Needed to Strengthen Airport Perimeter Security and Access Controls:** We conducted a comprehensive review of airport perimeter security and access controls that addressed and made associated recommendations related to employee access to secure airport areas, including airport employee screening requirements. We briefed numerous congressional committees on this work and conferred with congressional staff as language was drafted for the Intelligence Reform and Terrorism Prevention Act of 2004. We also briefed the 9/11 Commission—whose recommendations formed the basis for this act—on our results in this area. (GAO-04-728)

**1.84.C. Enhancing Federal Leadership Needed to Address Rail Security:** We found that TSA had not completed risk assessments of the passenger rail industry, or completed a methodology for determining how to analyze and characterize risks that have been identified through other risk assessment initiatives. The lack of a risk management framework will make it difficult for TSA to compare risks across sectors, prioritize them, and allocate resources accordingly. We also found that federal and rail industry officials raised questions about the feasibility of implementing and complying with TSA rail security directives. We also observed security

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practices among certain foreign passenger rail systems or their governments that are currently not used by the domestic rail operators or the U.S. government, which could be considered for use in the United States. We recommended, among other things, that TSA develop a plan for completing its methodology for conducting risk assessments and develop rail security standards that can be measured and enforced. We also recommended that TSA consider the feasibility of implementing certain security practices in the United States that are currently used by foreign rail operators. DHS, the Department of Transportation, and Amtrak reviewed a draft of this report and generally agreed with the report's recommendations. Further, DHS stated that it appreciated the thorough analysis and discussion of rail security initiatives within our report and that it will continue to be cognizant of the areas of passenger rail security where further improvements can be made. (GAO-05-851)

**1.85.C. Coordinating Agencies' Facility Protection Efforts and Promoting Key**

**Practices:** The Interagency Security Committee is chaired by DHS and is composed of representatives from most agencies. In November 2004, we recommended that DHS direct the committee to develop an action plan that identifies resource needs, goals, and time frames for meeting its responsibilities, and propose strategies for addressing the challenges it faces. Such an action plan would provide a road map for DHS to use in developing resource priorities and for the committee to use in communicating its planned actions to agencies and other stakeholders, including the Congress. DHS agreed to implement this recommendation. In addition, the committee has begun to implement our recommendation to establish a set of key practices that could guide agencies' efforts in the facility protection area. This initiative could be used to evaluate agency actions, identify lessons learned, and develop strategies for overcoming challenges. (GAO-05-49)

**1.86.C. Providing Critical Information for the Congress Regarding Issues Related to the Digital Television Transition:** Since 2002, we have reported why the transition from analog to digital television will not be likely to end by 2006—the target date originally set by the Congress. We have provided critical recommendations and information for policymakers to consider in their attempts to further the transition. Completing this

transition is critical because the return of radio frequency spectrum used for analog broadcast television at the end of the digital television transition will provide many benefits to society, such as easing the spectrum scarcity facing public safety first responders; engendering economic growth and consumer value from spectrum redeployed to wireless services; and affording the federal government auction revenues, which could range from about \$10 billion to \$30 billion according to some studies. We reported on the digital television transition in Germany, and the Congress is now considering providing subsidies to low-income households, which was a feature of the German transition plan. This year, we also provided information on the likely costs of a subsidy to certain households for the purchase of digital television equipment and we also testified about the administrative issues that may arise in implementing a subsidy program. Legislation has been introduced in both the Senate and House aimed at speeding the transition using a subsidy program. (GAO-05-258T)

**1.87.C. Enhancing the New Car Assessment Program:**

In 2005, we reported that NHTSA's New Car Assessment Program, which subjects new vehicles to crash and rollover tests, is at a crossroads and needs to be changed to remain relevant. For example, we found that the usefulness of current testing has been eroded by changes in the vehicle fleet that have occurred since the program began in 1978. The growing number of large pickups, minivans, and sport utility vehicles in the nation's vehicle fleet is creating different safety risks, particularly with regard to the incompatibility of large and small vehicles and vehicle rollover, which we found that the New Car Assessment Program does not fully address. In addition, the very success of the program has brought it to a point where it is not clear that the program's goals can continue to be met. Because almost all vehicles today receive top ratings in frontal and side crash tests, the program provides little incentive for manufacturers to further improve vehicle safety and does not provide consumers with information that differentiates the safety of one vehicle compared to another—two key goals of the program. Our recommendations will have continuing value in improving the safety of new vehicles. The agency generally agreed with the report, and it plans to address the key issues we raised to improve the program—namely, examining the growing size of vehicles in the nation's fleet, the

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risks associated with vehicle rollover, new technologies that can help prevent crashes from occurring, and ways to provide the public with improved safety information in a more timely manner.

(GAO-05-370)

**1.88.C. Reevaluating the Funding of Highway and Transit Grant Programs:** In light of the nation's long-term fiscal outlook and the need to fundamentally reexamine the base of federal spending, we have highlighted the need to reevaluate highway and transit grant programs financed through the Highway Trust Fund. The trust fund was created to construct the interstate highway system—although the system is now complete, the program's basic financing and delivery mechanisms have not changed. Most highway grant funds are apportioned by formula, without regard to the needs or capacity of recipients. Evidence also suggests that increased federal highway grants do not result in commensurate increases in overall investment because states and localities in part substitute federal funds for funds they otherwise would have spent on highways. The Department of Transportation has established performance measures and outcomes to enhance mobility and security, but the program has no mechanism to link funding with the accomplishment of these measures and outcomes.

In addition, while a wide range of factors must be considered when selecting highway or transit projects, decision makers often do not use formal analytical tools when evaluating projects, and even when they do, these analyses generally do not drive investment decisions. The Federal Highway Administration oversees the expenditure of tens of billions of federal dollars a year but lacks goals and measures that guide its activities, workforce plans that support these goals and measures, and data collection and analysis efforts to identify problems and transfer lessons learned. To improve federally funded highway and transit programs, we suggested that the Congress consider expanding the mandate of a proposed national commission to assess possible changes to the federal-aid highway program, including changes to the program's design, structure, and funding formulas; the roles of the various levels of government; and the inclusion of greater performance and outcome-oriented features. In addition, we recommended that the Federal Highway Administration link its activities and staff expectations to oversight goals and measures; develop workforce plans that support its goals and measures; and develop the capability to track costs, identify problems, and transfer lessons learned. (GAO-04-802, GAO-05-172, GAO-05-173, and GAO-05-325SP)

## 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.

### *Respond to emerging threats to security*

#### **2.1.A. Improving Controls Covering**

**Technology Exports:** In response to our recommendation, the Department of Commerce (Commerce) reviewed whether the existing catchall provision to address missile proliferation by certain entities—such as terrorist organizations or individuals—sufficiently protects U.S. national security interests, reported the results of the review, and proposed modifications to the rule to help close the regulatory gap. We reported that a gap in control regulations covering exports with both military and civilian applications (dual-use exports) could enable individuals in most countries to legally obtain, without any U.S. government review, U.S. dual-use items not on the Commerce Control List that could be used in making a cruise missile or unmanned aerial vehicle. (GAO-04-175)

#### **2.2.A. Improving Controls over Computer**

**Exports:** In response to our recommendation to address the shortcomings of computer export controls, a Commerce council convened a panel of government and industry representatives to develop a replacement for the current method of measuring the composite theoretical performance of high-performance computers. The council advises Commerce on the technical parameters for export controls applicable to dual-use commodities and the administration of these controls. Composite theoretical performance is currently measured in millions of theoretical operations per second. The council's experts met and reached a consensus on using a new, simpler method for measuring performance. (GAO-01-10)

#### **2.3.A. Improving Processes to Share Information on Maritime Threats:**

In April 2005, we identified U.S. Coast Guard procedures for providing security clearances that needed to be improved to get classified threat information to key state, local, and private sector stakeholders involved in port security. These stakeholders needed access to classified information, but did not have federal security clearances allowing them to receive the threat information. Lack of adequate guidance from Coast Guard Headquarters had stalled the process to provide clearances to more than 350 state, local, and private sector officials. Based on our findings, the Coast Guard provided the guidance and took other steps to expedite the process. This improvement will make it easier for key stakeholders in maritime activities to get sensitive threat information and thus take appropriate protective actions to ensure port security. (GAO-05-394)

#### **2.4.A. Improving Management of U.S. Coast Guard Deepwater Program:**

Based on a body of work assessing the U.S. Coast Guard's Deepwater program, we identified areas for improved program oversight and management. We found that while the Coast Guard generated some limited information on the condition of its legacy assets, the majority of the Coast Guard's measures were not sufficiently robust to link an asset's declining condition to degradation in mission capabilities or performance. We noted that without such measures, the extent and severity of the decline in the existing deepwater legacy assets and their true condition could not be fully determined. Based on our findings, the Coast Guard has begun developing improved measures to more accurately capture data on the extent to which its deepwater legacy assets are degraded in their mission capabilities. This improvement will provide more accurate and mean-

ingful information to the Coast Guard as well as to DHS as it decides where to spend limited budget dollars to obtain the greatest capabilities in the Deepwater program. In addition, we recommended the Coast Guard update the original 2002 Deepwater acquisition schedule in time to support the fiscal year 2006 Deepwater budget submission to DHS and the Congress and at least once a year thereafter to support each budget submission. We also recommended that the updated schedule include the current status of asset acquisition phases, interim phase milestones, and the critical paths linking assets. Based on our recommendations, the Coast Guard has taken steps to update the outdated schedule and has indicated that it plans to continue to update the schedule each month for internal efforts. The Coast Guard Deepwater Deputy Program Executive Officer agrees that these efforts to update the Deepwater acquisition schedule and integrate the individual schedules of the assets have improved the Coast Guard's overall management of the program. (GAO-05-307T, GAO-05-651T, and GAO-05-757)

**2.5.A. Ensuring Proper Implementation of Biometrics for Aviation Security:** In our May 2004 testimony on the use of biometrics (a wide range of technologies that can be used to verify identity by measuring and analyzing human characteristics) for aviation security, we reported on the need to identify how biometrics will be used to improve aviation security prior to making a decision to design, develop, and implement biometrics. Using information from our statement, the House introduced a bill on July 22, 2004, directing TSA to establish system requirements and performance standards for using biometrics, and to establish processes (1) to prevent individuals from using assumed identities to enroll in a biometric system and (2) to resolve exceptions. These provisions were later included in an overall aviation security bill and were eventually included in the Intelligence Reform and Terrorism Prevention Act of 2004. (GAO-04-785T)

**2.6.A. Strengthening Federal Agency Information Security:** In 2005, we identified specific information security improvements needed at the following agencies: DHS, IRS, SEC, FAA, the Defense Logistics Agency, and the Federal Deposit Insurance Corporation. Also, on the basis of our prior recommendations, agencies—including VA, IRS, the Bureau of the Public Debt, the Federal

Deposit Insurance Corporation, the Federal Reserve, and Commerce—took numerous actions to strengthen their information security practices. Actions included improvements to agencies' information security programs to aid in understanding risks and selecting and properly implementing effective controls; access controls to limit the ability to read, modify, or delete information to authorized individuals; software change controls to allow only authorized software programs to operate; and service continuity controls to protect computer-dependent operations from significant disruptions. (GAO-05-262, GAO-05-482, GAO-05-486, GAO-05-567T, GAO-05-700, and GAO-05-712)

**2.7.C. Improving the Government's Ability to Respond to Terrorist Attacks and Other Emergencies:** We helped the Congress move toward ensuring that the federal government is prepared for emergencies, including terrorist attacks. For example, we reported, based on detailed assessments of continuity of operations plans at major federal agencies, that agencies had not yet identified their essential functions that must be accomplished in an emergency and that none of the plans met the requirements of federal guidance. This work has focused congressional, agency, and public interest on these issues. Further, consistent with our recommendations, the Homeland Security Council initiated a major effort to identify essential functions governmentwide, including the identification of eight national essential functions and a process for identifying related agency-level functions. In addition, FEMA, which is the executive agent for continuity of operations planning, issued improved guidance addressing the prioritization of essential functions and the identification of associated resources. Finally, two agencies that did not have continuity plans in place have now developed them. As a result of these actions, the federal government is better positioned to respond to emergencies and continue essential services during and after emergencies of all types. (GAO-05-577 and GAO-05-619T)

**2.8.C. Assessing and Improving Chemical Facility Security:** In March 2005, we reported that DHS has estimated that there are about 4,000 chemical manufacturing facilities in the United States, but the exact number is uncertain. About 1,100 of these facilities belong to two major chemical associations that require their member compa-

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nies and facilities to take actions to assess and improve their security. Only those facilities that are subject to the Maritime Transportation Security Act are required by federal law or regulation to take any actions to assess and improve their security, and the Coast Guard has not yet assessed the effectiveness of those actions. The Congress directed DHS to begin vulnerability assessments of those chemical facilities at highest risk and develop a protection strategy for the chemical sector that includes clear, measurable benchmarks for improving security and sharing lessons learned throughout the sector. (GAO-05-327)

**2.9.C. Promoting Government Efforts to Address Emerging Security Threats:** In fiscal year 2005, we reported on three emerging information security issues facing the federal government: security of wireless networks in the federal government; information security of third-party services; and emerging cybersecurity threats, such as spam, phishing, spyware, and malware. We found that agencies generally were not effectively applying the requirements in the Federal Information Security Management Act of 2002 (FISMA) to protect and maintain the confidentiality, integrity, and availability of their information and information systems. Also, we noted that by relying on a contractor's assessment of an agency's information systems, an agency official may not obtain a clear understanding of the effectiveness of security controls or be assured of the validity of the responses without independent testing. The Office of Management and Budget (OMB) recognized the significance of our findings and took immediate action, implementing several recommendations. Specifically, OMB made key changes to improve its fiscal year 2005 FISMA reporting instructions to the federal agencies, including (1) specifying that self-reporting by contractors does not meet agencies' FISMA requirements to ensure the security of their information systems and (2) requiring agencies to report on their policies and special procedures pertaining to new technologies and emerging threats, including wireless, spyware, and malware. OMB's actions could help to focus federal agencies' efforts to address and mitigate these emerging information security issues. (GAO-05-231, GAO-05-362, and GAO-05-383)

**2.10.C. Improving Policies and Oversight Needed for TSA's Designation of Sensitive Security Information:** In June 2005, we reported that TSA lacked guidance and procedures, aside from the regulations themselves, for determining what constitutes sensitive security information. TSA also lacked a system of internal controls to ensure that the sensitive security information designation is being appropriately applied. It is clearly very important that some information related to threats to or protection of our transportation systems be held out of the public domain. However, it is also the case that the public has a legitimate interest and need for information related to threats and vulnerabilities. While TSA has indicated that it was already in the process of taking some steps to develop guidance and to institute internal control procedures, our work reinforced the need to take steps to ensure proper application of the sensitive security information designation. (GAO-05-677)

**2.11.C. Increasing Security of Cargo Containers to Prevent Smuggling of Weapons of Mass Destruction:** We identified a number of limitations in two DHS programs designed to increase the security of cargo containers and prevent terrorists from using such containers to smuggle weapons of mass destruction into the United States. The department was reducing its scrutiny of shipments from certain companies before it had assurances that the companies had adequate security procedures in place. We also found that not enough staff had been assigned to identify high-risk containers at several key ports. In addition, the department did not have technical requirements in place to assess the ability of foreign countries to inspect the containers with scanning equipment. Finally, the department had not developed performance measures to evaluate the performance of these cargo container programs. In response to our recommendations, the department agreed to improve its ability to assess company security procedures, identify high-risk containers, inspect containers with scanning equipment, and manage the programs overall. (GAO-05-404, GAO-05-466T, and GAO-05-557)

**2.12.C. Enhancing Government and Private Sector Critical Infrastructure Protection Efforts:** Critical infrastructure protection activities are intended to enhance the security of the public and private infrastructures that are essential to our

national security, economic security, and public health and safety. Critical infrastructures include energy, information technology (IT) and telecommunications, water supply, and the defense industrial base. Over the last several years, we helped promote the progress made by federal agencies and nonfederal infrastructure sectors in implementing the activities required and suggested by federal critical infrastructure protection policy. For example, we highlighted where the government needed to improve public health IT infrastructure, which affects the nation's ability to respond to public health emergencies, including bioterrorism. In May 2005, we reported on DHS's progress in fulfilling 13 key cybersecurity-related critical infrastructure protection responsibilities identified in law and federal policies. We noted that while DHS has initiated multiple efforts, it has not fully addressed any of the 13 key cybersecurity-related responsibilities, and it has much work ahead in order to be able to fully address them. We also reported that DHS faces a number of challenges that have impeded its ability to fulfill its cyber critical infrastructure protection responsibilities. Key challenges include achieving organizational stability, gaining organizational authority, overcoming hiring and contracting issues, increasing awareness about cybersecurity roles and capabilities, establishing effective partnerships with stakeholders (other federal agencies, state and local governments, and the private sector), achieving two-way information sharing with these stakeholders, and demonstrating the value DHS can provide. This work resulted in recommendations that DHS strengthen its ability to implement key cybersecurity responsibilities by prioritizing and completing critical activities and resolving underlying challenges. (GAO-05-308 and GAO-05-434)

## *Ensure military capabilities and readiness*

**2.13.A. Rebalancing Army Force Structure to Create Needed Units and Avoid \$3.4 Billion of Costs:** In May 2001, we recommended that the Department of the Army establish mission criteria to provide a firmer basis for its strategic reserve, domestic support, and homeland defense requirements. At the time of our review, the Army reported it was experiencing a 45,000-position shortfall in its warfighting force, and we were concerned that the

Army might not be making the best allocation of its available end strength among all of its mission requirements. In response, the Army programmed force structure changes affecting 34,018 spaces over the period covering fiscal years 2004 through 2009, increasing available units for military police, military intelligence, special forces, chemical, civil affairs, and psychological operations. Army officials agreed that these actions have created a substantial cost avoidance of at least \$3.4 billion because the Army was able to rebalance the force to create needed units, with minimal increases in authorized end strength. (GAO-01-485)

**2.14.A. Improving DOD's Weapon Acquisition Process:** Since 1990, we have designated DOD's weapon acquisitions as a high-risk area due largely to persistent cost increases, schedule delays, and performance shortfalls. In our March 2005 report on 54 weapon acquisition programs, which represent a total investment of over \$800 billion, we noted significant cost growth and schedule delays—largely the result of programs not complying with DOD's policy on demonstrating high levels of technology, design, and production knowledge before key program commitments were made. Just 4 years ago, the largest 5 programs cost about \$281 billion; today, in the same base year dollars, the largest 5 programs cost about \$521 billion. In light of these facts, the Congress called for more oversight and better outcomes from weapon system programs. In response, DOD established the Defense Acquisition Performance Assessment Project to assess every aspect of the current acquisition system and provide a road map for restructuring DOD's weapon acquisition system. Additionally, the Air Force has been directed to take actions to improve its software development practices, as our work demonstrated that additional controls would help increase successful outcomes of complex software-intensive weapon systems. (GAO-04-393 and GAO-05-301)

**2.15.A. Contributing to Properly Funding the Military's Needs:** We reviewed the reasonableness of DOD's fiscal year 2005 budget request, its use of budgeted funds in prior years, and its future resource needs. By the end of September 2004, we identified billions of dollars in potential costs 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

\$2.4 billion. Specifically, our work analyzing various aspects of DOD's operation and maintenance budget request for fiscal year 2005 resulted in the Congress reducing DOD's budget by almost \$2 billion because of high unobligated balance levels and an overstatement of need in the civilian pay budget request. For example, our papers assisted the Congress in identifying funds not used by providing analyses of average unobligated balances for fiscal years 1999 through 2003 and the unexpended balances canceled and reverted to the U.S. Treasury for fiscal years 1994 through 1998. The congressional conferees subsequently reduced DOD's fiscal year 2005 operation and maintenance budget by \$833.1 million for the active and reserve military components and defense agencies. We also reported that the Defense Emergency Response Fund for the war on terrorism continued to maintain a high level of unobligated funds for several years. Based on our continued monitoring of these funds, the Congress directed DOD to transfer about \$130 million in unobligated funds to the Iraqi Freedom Fund. Our past work also prompted DOD to become more engaged in managing its contracts looking for opportunities for greater economy and efficiency. The Army estimated that by adopting our recommendations for increased monitoring, it was able to save over \$300 million in its Balkan support contracts. (GAO-05-328)

**2.16.A. Improving the Outcomes of DOD's Aircraft System Acquisitions:** DOD's F/A-22 Raptor, Joint Strike Fighter, Global Hawk Unmanned Aerial Vehicle, and E-10A Command and Control Aircraft programs—which together represent about a \$322 billion investment—have not captured key knowledge early enough to efficiently and effectively manage program risks. Since the F/A-22's inception in 1986, the Air Force has planned for large investments in new capabilities without developing a new business case to justify these investments or aircraft quantities. The Joint Strike Fighter program has encountered serious design problems that required major changes to reduce the weight of the aircraft, and further design changes are likely. Delayed delivery, as well as reduced quantities, of both the F/A-22 and the Joint Strike Fighter could require existing aging aircraft to remain in the inventory longer. The Global Hawk program has been restructured twice to develop and produce a new and larger aerial vehicle in half the time originally planned. The accelerated sched-

ule depends on a risky acquisition strategy that has already resulted in cost increases, schedule slip-pages, and performance trade-offs. Consistent with our recommendations, the Congress is considering (1) funding reductions that would slow Joint Strike Fighter development to allow the program to mature and (2) decreased procurement of the Global Hawk until a new acquisition strategy that reduces risk and justifies further investments is completed. Our review of the E-10A program raised questions about the overall business case for the program as well as DOD's strategy to make important decisions before critical knowledge about the aircraft's design, manufacturing, and reliability was known. DOD subsequently reduced the program's budget by a total of \$600 million and delayed the program by 5 years until it could demonstrate more knowledge about the aircraft. (GAO-05-6, GAO-05-271, GAO-05-273, GAO-05-304, GAO-05-390T, and GAO-05-519T)

**2.17.A. Improving DOD's Missile Defense**

**System Acquisitions:** DOD plans to spend nearly \$67 billion over the next 6 years to develop and field ballistic missile defenses. The diverse set of technologies that must be developed, integrated, and deployed across an array of land-, air-, sea-, and space-based platforms makes this system a challenging and risky endeavor, as evidenced by recent test failures and the delayed activation of an initial capability. Although DOD aims to place capabilities in the hands of the warfighter more quickly and with the flexibility to respond to an evolving threat, DOD has been unable to deliver the quantities promised within the original cost estimates—due in part to a lack of knowledge about the emerging technologies. Additionally, the year-to-year variability of the program's goals has made congressional oversight of the execution of this program difficult. Based on our reporting of these issues since 2003, DOD has taken a more knowledge-based approach to developing an element of the system. Over a 5-year period—from fiscal year 2005 through fiscal year 2009—program funding will be reduced by about \$5.2 billion, which has a present value of about \$4.7 billion. DOD has also taken specific actions to ensure that the fielded system is adequately tested and that the Congress has adequate information to conduct oversight of this large and complex program. (GAO-03-441, GAO-04-409, and GAO-05-243)

### **2.18.A. Improving DOD's Acquisition Business Processes:**

For fiscal year 2003, the Congress appropriated \$47 billion to the military departments and the Missile Defense Agency for defense research and development—\$3.8 billion dollars of which DOD subsequently shifted, or reprogrammed, from one research and development account to another or temporarily withheld. Although the Congress permits such reprogramming, we found that programs had reprogrammed funds multiple times and some had inflated their budget requests in anticipation of funding adjustments. At the same time, reporting on reprogrammed funds has been of limited use in terms of content and timing. As a result of our work, the Congress has taken action to end inappropriate reprogramming practices and to provide detailed and timely data on reprogramming and withholding activity. The Congress is considering restricting DOD's ability to rebaseline programs—a practice we found reduced cost increases below the threshold that would trigger required reporting to the Congress—as well as directing DOD to analyze alternatives to weapon system programs that exceeded their original cost baselines by more than 15 percent. (GAO-04-944 and GAO-05-182)

### **2.19.C. Improving the Outcomes of Land System Acquisitions:**

The Army's Future Combat Systems—a networked suite of light and agile weapons and other systems—is, in the Army's words, the “greatest technology and integration challenge the Army has ever undertaken.” An investment of well over \$100 billion, we found that this program is at significant risk for not delivering required capability within cost and schedule estimates. Nearly 2 years after program launch and with \$4.6 billion invested, requirements are still changing and only 1 of the system's more than 50 technologies has sufficiently matured. Based on our findings, the Congress has begun to take action to restrict funding for key program elements until certain requirements have been met and demonstrated, and to require independent analyses of the rationale and cost of additional requirements for the systems. Significantly enhanced communications and networking capabilities are also critical to the Future Combat Systems' success. However, we have reported that each of the key communications programs is struggling to meet ambitious sets of user requirements and steep technical challenges within

highly compressed schedules. In particular, the Joint Tactical Radio System program has been unable to mature and integrate technologies and come up with an effective design to meet key requirements—delaying the delivery of capabilities to the warfighter. As a result, the program is significantly over cost and behind schedule, and DOD is considering options for restructuring it. In light of our findings, the Congress has proposed reducing the funding for the program in fiscal year 2006 and introduced legislation requiring DOD to strengthen the management and oversight of the Joint Tactical Radio System development efforts and to report on its plans for restructuring the program. (GAO-05-442T and GAO-05-669)

### **2.20.C. Improving the Outcomes of DOD's Sea System Acquisitions:**

The Navy's DD(X) Destroyer is designed to be an advanced, multimission ship that will support forces ashore. The first ship is expected to cost over \$3 billion. However, as the program approached two key milestones, it was clear that the destroyer's demanding requirements and time frames presented substantial challenges that greatly increased the risk of cost overruns, schedule delays, and degraded performance. As a result of our work, the Congress is considering rescinding fiscal year 2005 funds for the program and delaying approval of advance procurement funds for fiscal year 2006. The Navy is also developing a new class of surface warship—the Littoral Combat Ship—that is being designed to use helicopters, unmanned vehicles, and other systems that operate at a distance from the ship and that can be rapidly reconfigured to accomplish specific mine, antisubmarine, and surface warfare missions. However, like the destroyer, this program's requirements, operations, and technology created a number of challenges so that within the program's tight schedule between the delivery of the initial version of the ship and subsequent—and more sophisticated—versions, there would be little time to draw on lessons learned. As a result of our work, the Congress has begun to take action to limit the Navy's ability to procure subsequent versions until the results of an operational evaluation of the initial version is completed and the Navy has reported on its acquisition strategy for the subsequent versions. (GAO-04-973, GAO-05-255, GAO-05-752R, and GAO-05-924T)

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### **2.21.C. Highlighting Issues Confronting DOD in Managing Its Facilities Infrastructure:**

For several years, our reports on DOD infrastructure have frequently cited the underfunding of maintenance and repairs, resulting in the deterioration of facilities, and the negative effects on the quality of life for those living and working at military installations and on their ability to accomplish their mission activities. Our July 2005 report on DOD's selection process and recommendations for its 2005 round of base realignments and closures indicated the process followed was generally logical, was reasoned and well documented, and has the potential for financial benefits and some reductions in excess infrastructure capacity; however, mechanisms will be needed to monitor implementation of finalized recommendations to validate and periodically update projected financial benefit estimates. In June 2005, we recommended that DOD resolve long-standing inconsistencies among the services' definitions of base operations and support functions and expedite development and consistent application of a model for determining requirements. Also in June 2005, we reported that military training ranges are in varying degrees of degradation or lacked the necessary upgrades to meet training needs. DOD concurred with our recommendations that focused on the need for a more comprehensive approach for addressing deficiencies to ensure that its military ranges are sustainable and modernized, provide for more realistic training, and achieve DOD's transformation goals. Finally, our May 2005 report on DOD's efforts to privatize its utility systems found that the department's economic analyses supporting individual utility privatization decisions gave an unrealistic sense of financial benefit to a program that generally increases government costs in order to pay contractors for enhanced services and capital improvements. We made several recommendations to help ensure the reliability of future analyses and to improve the implementation and oversight the program. ([GAO-05-433](#), [GAO-05-534](#), [GAO-05-556](#), and [GAO-05-785](#))

### **2.22.C. Contributing to Congressional Oversight of Transformation of the Armed Forces:**

Transformation is one of three top priorities of the National Military Strategy. DOD's transformation includes a number of efforts to adopt new operational concepts, restructure forces, and rebalance its active and reserve components in order to prepare the force to meet future global

challenges. We contributed to congressional oversight of DOD's transformation plans by reporting on three key areas: DOD's New Triad, which defines the strategic capabilities that play a critical role in defending the United States; the Army's modular force initiative; and DOD's initiatives to rebalance active and reserve forces. First, we reported on the need for greater visibility of projected spending and future investments for DOD's New Triad. The New Triad is an effort by DOD to significantly change its definition and conceptual framework for its strategic capabilities to include not only the nuclear capabilities, but also offensive conventional strike forces, active and passive defenses, and a revitalized defense infrastructure. Second, we testified on the Army's efforts to convert its division-based force to a modular brigade-based force—considered to be the most significant restructuring of the Army since World War II. We noted that the Army will be challenged to provide its new modular units with some required skilled personnel and equipment needed to achieve planned capabilities. We also reported on the services' plans to move servicemembers to high-demand specialties and noted that the plans are not fully developed and funding has not been identified to implement the planned changes. Finally, we reported that the Army's current policy of maintaining its reserve forces at low levels of readiness has resulted in unplanned and ad hoc transfers of personnel and equipment to deploying units, which have degraded the ability of nondeployed units to prepare for future overseas or homeland missions. ([GAO-05-21](#), [GAO-05-200](#), [GAO-05-443T](#), [GAO-05-540](#), [GAO-05-660](#), and [GAO-05-962R](#))

### **2.23.C. Contributing to Improved Warfighter Support and Readiness:**

We identified five systemic deficiencies in the way DOD's supply chain provided support to U.S. troops in Iraq that led to shortages of tires, batteries, body armor, up-armored high-mobility multipurpose wheeled vehicles and armor kits, and other items. DOD's ability to achieve its goal of providing sufficient numbers of the right items at the right time to meet the warfighter's needs was impeded by inaccurate Army war reserve spare parts requirements, inaccurate supply forecasts, insufficient and delayed funding, delayed acquisition, and ineffective distribution. We recommended that DOD take numerous actions to enhance logistics support to deployed forces, such as update war reserve models and run them annu-

ally to determine war reserve requirements, develop models for computing supply requirements for operations and provide the item managers with timely information for making supply decisions, assess the industrial-base capacity to meet updated demands for critical items, clearly state who has responsibility and authority for synchronizing supply distribution from the United States to deployed units during operations, and establish common supply information systems that can requisition and match incoming supplies to facilitate expeditious and accurate distribution. (GAO-05-275)

**2.24C. Contributing to Congressional Oversight of the Development and Design of DOD's National Security Personnel System:**

DOD's new personnel management system—the National Security Personnel System—will have far-reaching implications for civil service reform across the federal government. If designed and implemented properly, this system could serve as a model for governmentwide transformation in human capital management. The 2004 National Defense Authorization Act gave DOD significant flexibilities for managing more than 700,000 defense civilian employees. In February 2004, DOD and the Office of Personnel Management (OPM) released for public comment the proposed regulations for the new system. We contributed to the debate by providing the Congress with timely information and testimony on the far-reaching implications that DOD's new personnel management system will have, not just for the management of the department, but for civil service reform across the federal government. For example, the Comptroller General testified on our preliminary observations on DOD's proposed National Security Personnel System regulations in such areas as pay and performance management, adverse actions and appeals, and labor-management relations; the multiple challenges DOD faces in implementing the new system; and a governmentwide framework to advance human capital reform. In addition, our written products on DOD's efforts to design its new personnel management system helped the Congress monitor and assess the progress of DOD's implementation effort. (GAO-05-432T, GAO-05-517T, GAO-05-559T, GAO-05-641R, GAO-05-770R, GAO-05-771R, and GAO-05-730)

**2.25.C. Helping Shape the Debate on Improving Military Compensation:** The cost to provide military compensation—which includes a myriad of pays, benefits, and deferred compensation—has grown steeply in recent years. This upward cost trend is especially dramatic for certain military-related entitlements, like providing lifetime health care for retired members and their families. The growth has been somewhat obscured, however, because the total cost of military compensation is scattered around the federal budget, leaving the Congress with an incomplete picture of the true costs. We reported in July 2005 that the cost to the government for providing active duty compensation had grown by fiscal year 2004 to about \$158 billion, or approximately \$112,000 for each active duty member. More than half these costs were for benefits and deferred compensation, such as retirement and health care. DOD's approach is inefficient and may not be appropriate for meeting the human capital demands facing the military in the 21st century. Moreover, it has left many military members unsatisfied with their pay and benefits, despite their large and growing costs. Our work has served to stimulate and shape the debate within the executive branch. For example, the Comptroller General in July 2005 briefed the Defense Advisory Committee on Military Compensation. Our findings also alerted the President, the Congress, and the American people that DOD's approach may not be affordable in the longer term, especially when considered against the inevitable fiscal constraint facing the military and the nation. People are an organization's most important asset, but DOD must balance its investments across a wide range of programs, including infrastructure and hardware. Like many other federal programs described in our report entitled *21st Century Challenges: Reexamining the Base of the Federal Government*, we believe military compensation is an area for reexamination. (GAO-05-325SP and GAO-05-798)

**2.26.C. Influencing DOD's Plan to Improve Supply Chain Management:** In April 2005, the Director of OMB testified his agency agreed that fixing the management deficiencies highlighted by our high-risk report has the potential to save billions of dollars, dramatically improve service, and strengthen public confidence and trust in the performance and accountability of government. He then announced a DOD, OMB, and GAO collaborative effort to reduce DOD's supply chain manage-

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ment risk level. To more efficiently and effectively supply support to the warfighter, DOD would prepare a plan for improving the visibility over supplies, the accuracy of supply forecasting, and the seamless distribution of supplies in support of deployed forces. Since then, DOD has been developing its plan for improving management practices and soliciting comments from OMB and GAO on its format and content. The draft plan cites goals, specific focus areas for improvement, the responsible organizations, baseline metrics and data for measuring progress, performance targets for fiscal years 2005 through 2007, and details on 10 specific initiatives it expects will contribute to achieving these targets. We are waiting for DOD to finalize and fully implement the plan. (GAO-05-207)

**2.27.C. Improving the Use of Private Security Providers in Iraq:** The United States is spending billions of dollars to reconstruct Iraq while combating an insurgency that has targeted military and contractor personnel and the Iraqi people. This environment, coupled with the fact that providing security for agencies and contractors is not part of the U.S. military's stated mission, created a need for U.S. government agencies and reconstruction contractors to obtain substantially more security services than are typically needed when operating in other countries. Our work found that neither the agencies nor the reconstruction contractors were fully prepared to address this need. As a result, contractors had difficulty obtaining suitable security providers, and coordination between the military and private security providers continued to be problematic. In addition, agencies had limited data on the role, cost, and implications of using private security providers in Iraq. Our work provided the Congress information to increase its understanding of the issues associated with using private security providers to support reconstruction efforts and prompted DOD and other reconstruction agencies to initiate efforts to address the issues we identified. (GAO-05-737)

**2.28.C. Improving the Outcomes of DOD's Space System Acquisitions:** In fiscal year 2006 alone, DOD expects to spend almost \$20 billion to develop and procure satellites and other space systems. These systems collect information on the capabilities and intentions of potential adversaries and enable U.S. military forces to be warned of missile attacks and to communicate and navigate while

avoiding hostile actions, making them increasingly critical to every facet of military operations as well as the U.S. economy and homeland security. DOD's introduction of these important capabilities over time has not come without difficulties. Space system acquisitions have experienced problems over the past decade that have driven up costs by billions of dollars and delayed the delivery of needed capabilities to the warfighter. Since 2003, we have pointed out that DOD's acquisition policies and processes have not fostered a disciplined, knowledge-based approach to acquisitions. In response to our reports, DOD revised its policies and processes to increase the knowledge about space programs before investment decisions are made, and the Congress has held hearings on how to get better outcomes from space system acquisitions. (GAO-05-570R and GAO-05-891T)

**2.29.C. Improving Management of Funding for the Global War on Terrorism:** We recently reviewed the reasonableness of DOD's fiscal year 2005 supplemental budget request to support the Global War on Terrorism, its use of budgeted funds in prior years, its future resource needs, and the status of its war expenditures. We identified significant problems with DOD's processes for recording and reporting costs related to the war, raising concerns about the reliability of cost data used by DOD and the Congress in determining future funding needs. We also reported separately on the adequacy of supplemental appropriations for the war, identifying gaps between funding and war-related expenses, and the various actions DOD took to cover the difference, including deferring programs, to free up funds to help cover the gaps. We found that DOD had not considered using all available funds that were intended to support the war. If DOD had done so, it could have reduced or eliminated the gaps. We made several recommendations to help improve the reliability of DOD's cost reporting. In response, DOD has taken a range of corrective actions, including revising pertinent guidance, correcting recording errors, and establishing new methods for determining and reporting costs. (GAO-05-767 and GAO-05-882)

**2.30.C. Improving Management of DOD's Business Transformation Efforts:** DOD spends billions of dollars to sustain key business operations intended to support the warfighter, including systems and processes related to the man-

agement of contracts, finances, the supply chain, support infrastructure, and weapons systems acquisition. DOD has embarked on a series of efforts to reform its business operations, including modernizing underlying IT business systems. However, serious inefficiencies remain. The areas of DOD's overall management approach that remain high risk include business transformation; business systems modernization; contract, financial, supply chain, and support infrastructure management; and weapon systems acquisition. Furthermore, limitations in DOD's approach to strategic planning and budgeting hinder its efforts to transform military capabilities and supporting business operations. During this fiscal year, we reported and testified on inefficiencies in DOD's business operations, such as the lack of sustained leadership, the lack of a strategic and integrated business transformation plan, and inadequate incentives. In particular, we pointed out the need for DOD to establish a chief management official to lead the department's overall business transformation efforts. In response to our work, DOD has acknowledged the need for better leadership accountability and has designated a senior official to be the focal point for business transformation. It has also stated that it is developing a plan to guide key business reform efforts. We will continue to monitor DOD's efforts in these areas. (GAO-05-140T, GAO-05-207, GAO-05-520T, and GAO-05-629T)

## *Advance and protect U.S. international interests*

**2.31.A. Designating American Samoa as a High-Risk Grantee:** After the Congress cited our December 2004 report and its recommendations, the Deputy Assistant Secretary of the Interior announced in June 2005 that the department was designating the American Samoa government as a high-risk grantee as a tool to encourage other federal agencies to support the fiscal reform process in American Samoa. We had assisted the Congress in drafting language for a congressional report that would implement our recommendation. According to the report, the committee had reviewed our recent report concerning accountability for federal grants to American Samoa and urged the Secretary to use his authority to encourage other agencies to consider designating American Samoa a high-risk

grantee. In order to be removed from high-risk category, the American Samoa government will have to satisfy three conditions: (1) complete single audits by the statutory deadline, resulting in materially clean opinions, for 2 consecutive years; (2) have a balanced budget for 2 consecutive years, without regard for nonrecurring windfalls such as insurance settlements; and (3) remain in compliance with the memorandum of agreement executed with the Department of the Interior in 2002, as well as the related fiscal reform plan. (GAO-05-41)

**2.32.A. Strengthening the Visa Process as an Antiterrorism Tool:** Using our work as a primary guide, the Department of State (State) has strengthened the visa process as an antiterrorism tool. State issued guidance emphasizing national security as the department's first priority in the visa process; developed more than 80 standard operating procedures to ensure that consular officers properly review visa applications, effectively fulfill their national security responsibilities, and have a step-by-step, unambiguous guide for all procedures; established special teams to visit posts and reinforce standard operating procedures and management practices; and developed and enhanced training on analytic interviewing techniques, fraud prevention, counterterrorism, and the use of the Consular Look-out and Support System to check names on visa and passport applications. (GAO-03-132NI)

**2.33.A. Improving Programs to Protect Internally Displaced Persons:** In response to our work, the United Nations established a specific division to coordinate overall efforts to assist internally displaced persons—those forced to flee their homes because of armed conflict and persecution but who remain within their own country. The United Nations High Commissioner for Refugees (UNHCR) conducted a detailed review of its efforts to assist and protect displaced persons and, according to State officials, has implemented a more robust response for internally displaced persons. Ending a bureaucratic stalemate that lasted several years, the United States Agency for International Development (USAID) was designated the lead U.S. agency for internally displaced persons and instituted triweekly coordination meetings with State. In response to our recommendation that the Secretary of State strengthen international organizations' protection efforts by implementing training programs and forming country-level protection working

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groups, United Nations' organizations, U.S. government agencies, and nongovernmental organizations implemented internally displaced persons training programs for their staff. Also, according to State and USAID officials, country-level protection working groups are standard practice in countries with refugees and internally displaced persons. For example, in Sudan there are three protection working groups in Darfur. Finally, in response to our recommendations that the Secretary of State include a focus on internally displaced persons in annual reporting, State increased the breadth and scope of internally displaced persons reporting in its annual human rights report. State also improved the reporting format on internally displaced persons' issues by concentrating the bulk of its findings into one section of the individual country reports and harmonizing report language. (GAO-01-803)

#### **2.34.A. Improving Efforts to Employ U.S.**

**Citizens at United Nations' Organizations:** In response to our recommendations for increasing efforts to achieve equitable representation of Americans employed in United Nations' organizations, State has undertaken several actions. Beginning in 2002, State incorporated U.S. employment targets for the United Nations and a strategy for implementing those targets in its performance and accountability report. State's recruitment strategy includes establishing and coordinating governmentwide efforts, promoting the detail and transfer of federal employees, and working with United Nations' agencies to encourage their hiring of more Americans. Also, State directed its missions to United Nations' organizations to redouble their efforts to promote increased U.S. representation on the staffs of United Nations' agencies by meeting with each of the heads of the major United Nations' agencies for which they were responsible. Each mission received specific guidance on what either the prescribed geographic distribution targets or negotiated targets were for each organization. As part of this effort, State provided each mission the department's annual reports to the Congress on efforts by the United Nations to employ Americans with specific instructions to share the report with United Nations' officials and encourage better recruitment of U.S. citizens. Consequently, some United Nations' agencies are more aware of U.S. employment issues and have taken strides to ensure that the United States does not fall below its geographical target. For

example, because many of their U.S. employees will be eligible for retirement soon, the Secretariat has invited the United States to offer the National Competitive Recruitment exam. (GAO-01-839)

#### **2.35.A. Improving Information on**

**International Development Results:** As a result of our work, USAID reported that it aggregated performance data for agencywide reporting in sectors where data are sufficiently comparable to use as common indicators. We recommended that USAID's Administrator provide clearer evidence of progress toward achieving agency outcomes, including, where possible, aggregate performance results across agency objectives and the activities under them. Although USAID reported that it made progress toward achieving the selected outcomes, the extent of the progress was unclear because the agency based its support on disaggregated and, in some cases, out-of-date and selective data. (GAO-01-721)

#### **2.36.A. Improving Reporting of**

**Microenterprise Results:** USAID uses information from its Microenterprise Results Reporting system to prepare annual reports. This system was created to track USAID's funding and program data related to small, informally organized businesses, called microenterprises. In response to our recommendations to improve the accuracy and completeness of its annual reports, USAID has undertaken several corrective actions that included adding language citing the limitations of its data on outreach to the poor and improving the collection, analysis, and reporting of data on meeting its spending targets. For example, it issued new guidance on what information should be collected, added requirements to perform spot checks on the data to improve accuracy, provided better instructions to clearly stipulate what portion of USAID assistance to institutions can be reported as microenterprise funding, and added clarifications in its annual report to better inform the reader of USAID's contribution to the institutions. Additionally, USAID took several actions to improve the completeness and accuracy of its reporting on microfinance institution sustainability. These actions include a requirement that each institution explain its sustainability calculations, that USAID review and follow up on problematic calculations, and that annual reports highlight the variance in sustainability reporting.

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Finally, USAID's report will now indicate that USAID funding alone is not responsible for the accomplishments highlighted. (GAO-04-171)

### **2.37.A. Improving Workforce Planning at**

**USAID:** In response to our recommendation that the USAID Administrator develop and institutionalize a strategic workforce planning and management system to help the agency plan for changes in its workforce and continue operations in an uncertain environment, USAID initiated a comprehensive workforce analysis and planning effort to predict workload and staffing demands for the future, identify current workforce gaps, and develop necessary solutions to close those gaps. The workforce plan institutes a process that will allow the agency to project its staffing requirements and to develop targeted initiatives to meet those requirements. Plans have been made to integrate the workforce planning model and its results into other agency planning processes. We reported that USAID's ability to deliver foreign assistance in an uncertain environment was becoming increasingly difficult as a result of several human capital vulnerabilities, such as its ad hoc approach to workforce planning. (GAO-03-946)

### **2.38.A. Significantly Reducing the Wait for**

**Student Visas:** As a result of our work, science students and scholars should be able to obtain visas significantly faster now than in 2004. In response to our recommendation, the Secretary of State, in coordination with the Director of the Federal Bureau of Investigation, the Secretary of Homeland Security, and others, reduced the length of time it takes for science students and scholars to obtain visas by taking several actions to improve the program and shorten the time allotted for security checks from 56 days to 15 days. For example, State and an intelligence agency agreed that the agency would reduce its response time from 15 to 10 days. (GAO-04-371 and GAO-05-198)

**2.39.A. Expanding Refugee Protection:** State worked with UNHCR to respond to our recommendations to reform elements of UNHCR's human capital management, including its staffing system, in order to better protect refugee women and girls from sexual abuse and violence. Specifically, UNHCR implemented a new personnel rotation pol-

icy to fill positions at hardship posts, began a pilot program to provide training on protection for non-governmental organizations working with UNCHR in the field, institutionalized a project to fill staffing gaps, and included discussions on the prevention of sexual exploitation of refugee women and girls at meetings and in an annual report. State urged UNHCR to undertake these changes and contributed funding for projects to provide training on protection and provide UNHCR with personnel to fill staffing gaps. (GAO-03-663)

### **2.40.A. Developing More Comprehensive Interagency Strategic Plans for Democracy**

**Assistance:** In response to our work, USAID and State included in their first jointly prepared strategic plan a strategic goal of advancing the growth of democracy and good governance. The plan refers to working with key partners and crosscutting programs and highlights key areas of focus, including promoting the rule of law and developing governance and human rights infrastructures. The two agencies also (1) established a joint policy council to ensure that interagency coordination is implemented at the working level and (2) are developing a common tool at the country level to reflect strategic planning. USAID also held training sessions for democracy officers aimed at enhancing the quality of democracy programs by providing exposure to the latest academic thinking, programming from other regions, and comparison among similar approaches now being undertaken in Latin America. (GAO-03-358)

### **2.41.A. Improving the Accountability and Effectiveness of Microenterprise Programs:**

In response to our recommendations intended to improve program accountability and effectiveness, the House International Relations Committee crafted legislation to improve the accountability and impact of microeconomic development funds. Specifically, the Congress noted that USAID is not currently organized to adequately coordinate, implement, and monitor such programs. The Congress passed the Microenterprise Results and Accountability Act of 2004 in December 2004. The law required USAID to establish an Office of Microenterprise Development and implement a program of central funding in order to improve program effectiveness, accountability, and efficiency. (GAO-04-171)

**2.42.A. Reducing the Amount Requested for the Millennium Challenge Account:** Our work contributed to the Congress's decision to appropriate \$1.5 billion for the Millennium Challenge Account in fiscal year 2005—a reduction of \$1 billion from the President's request. In March and June 2004, we provided budget papers and follow-up briefings to the Congress to help it assess the President's \$2.5 billion fiscal year 2005 budget request for the account, which is a new foreign assistance program intended to provide economic assistance to countries that demonstrate a commitment to ruling justly, investing in people, and encouraging economic freedom. Our work made a unique contribution by providing a framework for identifying the relationships and trade-offs between funding levels, compact length, and numbers of compacts under several illustrative scenarios. We showed the impact of reducing the President's budget request by about \$1 billion; suggested that the Millennium Challenge Account could compensate for lower levels of funding by reducing compact length, assistance target levels, or both; and estimated the effect of funding compacts partly from future appropriations. The fiscal year 2005 appropriations conference report recommended that the account negotiate shorter duration compacts because of budget constraints and directed it to fund compacts from existing appropriations, rather than partially using future appropriations. (Based on briefings)

**2.43.A. Improving Consultation on United Nations' Peacekeeping:** In September 2001, we recommended that the Secretary of State provide the Congress with timely, detailed, and complete information about shortfalls for new or substantially revised peacekeeping operations and plans to mitigate the shortfalls. In response, State has provided detailed briefings to the Congress each month about new or substantially revised operations and the issues that confront the department. Also, in its notifications to the Congress, State now includes discussions about the shortfalls in operations and the steps to mitigate them. (GAO-01-917)

**2.44.A. Improving Oversight of the Multinational Force and Observers (MFO):** We recommended that State ensure that staff with accounting expertise carry out financial oversight responsibilities for MFO—the body that monitors the peace treaty between Egypt and Israel—and that State's MFO Advisory Board should monitor

and document State compliance with its oversight guidelines. In response, the board included representatives from State's IG to review MFO audits and adopted a mission statement to ensure adequate and documented review and analysis of MFO's activities and budget in accordance with established guidelines. State's IG reviewed MFO's latest annual external audit and financial statements in August 2004 and found no problems. A State official said that the IG will routinely participate on the board and will check on the quality of MFO's audits through an annual review of MFO-audited financial statements and relate them to prior years' statements. Moreover, any irregularities will be brought to the attention of State bureaus. We noted that State had not provided employees who possess the expertise to carry out many of its financial oversight responsibilities for MFO. (GAO-04-883)

**2.45.A. Improving USAID's Caribbean Housing Reconstruction Program:** Based on our observations, USAID and its primary contractor for housing refined their selection criteria and implemented mechanisms to make sure only those most in need obtained assistance. We are concurrently monitoring the progress of USAID's efforts to repair damage in Grenada, Jamaica, and Haiti caused by several hurricanes. We had previously identified weaknesses in the selection process, observing that the contractor did not have mechanisms for staff conducting site inspections to verify that people applying for housing assistance were only those in most need. (Based on a briefing)

**2.46.A. Improving Counternarcotics Assistance to Colombia:** In response to our recommendations, State and DOD provided a report to the Congress detailing support for U.S. counternarcotics assistance to Colombia, including funding, training, maintenance, and logistics for the U.S.-provided helicopters. A subsequent DOD white paper also outlined timeliness, planning, and coordination to eventually turn operations and maintenance responsibilities over to the Colombians. We recommended that the Secretaries of State and Defense (1) determine training and logistical support requirements and identify future funding sources to support the U.S.-provided helicopters and other major equipment items already delivered to Colombia and (2) complete U.S. implementation plans and coordinate with Plan Colombia—Colombia's integrated strategy to meet its most pressing

challenges, including combating the narcotics industry—so that any future U.S. assistance is adequately supported and plans for its use are clearly identified and agreed to. (GAO-01-26)

**2.47.C. Strengthening Accountability at the Global Fund:** Based partly on our work, legislation was introduced that would make 25 percent of the U.S. contribution to The Global Fund to Fight AIDS, Tuberculosis, and Malaria conditional on the Secretary of State's certification that the fund has undertaken certain actions, including actions to (1) establish clear progress indicators upon which to determine the release of incremental disbursements, (2) release such disbursements only if positive results have been attained based on these indicators, and (3) provide support and oversight to country-level entities to enable them to fulfill their mandates. (GAO-05-639)

**2.48.C. Overseeing the United Nations' Reform and the Oil for Food Program:** Earlier this year, we testified before the Congress that the United Nations had not assessed the status and impact of its reforms or developed a system to monitor and evaluate program results. We also identified 702 findings and 667 recommendations in the 58 internal audit reports of the Oil for Food program in Iraq but noted several limitations on scope and authority. Partly on the basis of our work, the Congress introduced a bill requiring reforms in the United Nations' accountability and directing us to review the implementation of United Nations reforms. The Congress also cited our report on United Nations reform efforts in a draft United Nations reform bill. (GAO-05-346T and GAO-05-392T)

**2.49.C. Identifying Challenges to Efforts to Stabilize and Rebuild Iraq:** We identified the challenges to U.S. efforts to stabilize Iraq, reconstruct Iraq's essential infrastructure, and support its elections. We reported that the United States has provided about \$24 billion for these purposes from fiscal years 2003 through 2005. Our analysis of Iraq's security showed that the insurgency in Iraq has grown in intensity and sophistication. Moreover, the difficulty in training and equipping Iraqi forces and developing capable and loyal Iraqi leadership challenge efforts to stabilize Iraq and withdraw U.S. troops. We found that U.S. reconstruction efforts have made some progress in increasing Iraq's electrical generation capacity, refurbishing oil facilities,

restoring some water treatment plants, and rehabilitating some health facilities. However, as of May 2005, Iraq's crude oil production and power generation were lower than before the 2003 conflict, and some completed water projects were not functioning as intended. Moreover, reconstruction faces significant challenges, such as rebuilding in an insecure environment, ensuring that rehabilitated infrastructure is maintained after projects are turned over to the Iraqis, and measuring program results. In the water and sanitation sector, we recommended actions to improve U.S. efforts to measure progress and impact and to help the Iraqis operate and maintain new and repaired facilities. We also reported that the United States provided about \$130 million to support Iraq's elections. All these findings were widely reported in the national media, helped inform American taxpayers about U.S. efforts in Iraq, and provided the Congress with crucial oversight information as it considers legislative action. (GAO-05-431T, GAO-05-872, GAO-05-876, and GAO-05-932R)

**2.50.C. Bolstering Efforts to Prevent Terrorists and Criminals from Obtaining U.S.**

**Passports:** Our work uncovered alarming security gaps in U.S. passport operations that made it more difficult to protect U.S. citizens from terrorists, criminals, and others who would do harm to the United States. We found that State was not receiving information from the Terrorist Screening Center—established to, among other things, provide continual operational support for thousands of federal screeners worldwide—on certain persons listed in the federal government's consolidated terrorist watch list and, therefore, could not integrate that information into its name-check system. We also found that State was not routinely obtaining the names of other individuals wanted by both federal and state law enforcement authorities for various crimes—some very serious. We made a number of recommendations for correcting these and other systemic weaknesses that we identified in State's passport fraud detection efforts. The Congress expressed grave concerns about the security vulnerabilities we identified and, citing maintaining the integrity of the U.S. passport as a critical component of our global effort to fight terrorism, called upon State and the Department of Justice (Justice) to implement our recommendations. The agencies have begun implementing actions to close these critical security gaps. (GAO-05-477 and GAO-05-853T)

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

### **2.51.A. Using Better Measures for Trade**

**Adjustment Assistance Outcomes:** In response to our recommendations to establish more effective measures of desired outcomes of Trade Adjustment Assistance Centers, which were established to assist firms that have been adversely affected by import competition, Commerce established new measures to determine the percentage of clients taking action as a result of the assistance facilitated by the centers and the percentage of those actions taken by centers' clients that achieved the expected results. Commerce subsequently reported that the performance measures were established to determine the value added to the centers, to further define the relevance of the assistance by the centers, and to determine if the assistance facilitated by the centers is market based. This responds to our second recommendation that Commerce apply these measures as criteria to evaluate the effectiveness of the centers in helping injured firms adjust to import competition. (GAO-01-12)

### **2.52.A. Strengthening DOD's Anti-Tamper**

**Program:** U.S. weapons and technologies that are exported, stolen, or lost or damaged during combat and routine missions are vulnerable to reverse engineering and other exploitations, which can weaken U.S. military advantage, shorten the expected life of a system, and erode the U.S. industrial base's technological competitiveness. In an effort to protect U.S. weapons and technologies from exploitation, in 1999 DOD established a policy directing each military service to implement anti-tamper techniques—a policy that has proven difficult to implement on individual weapon systems. Consistent with recommendations we made in March 2004, DOD issued a report that provides guidance to program managers about the relative cost and effectiveness of generic anti-tamper techniques. According to DOD, the guidance will help program managers consider anti-tamper technologies in the design, development, and fielding of their systems. (GAO-04-302)

### **2.53.A. Improving Oversight of Trade**

**Adjustment Assistance:** We identified expenditures of almost \$1.7 million for training, trade readjustment allowances, relocation, and job search allowances that were reported for trade adjustment petitions that according to DOL's database, were not certified and had been denied. Based on our analysis and recommendation, DOL identified reports from 31 states that included petitions that had been denied and asked the states to review their reports to determine whether these were data entry errors or if benefits were wrongly paid. As of March 2003, none of the states had identified any wrongly paid benefits, according to DOL. Further, DOL stated that it has corrected all errors that it has identified. (GAO-01-59 and GAO-01-988T)

### **2.54.A. Improving Monitoring of Community Adjustment and Investment Program:**

In response to our recommendation, Treasury set up a system to monitor the number of jobs created or preserved by the borrowers of its loans and loan guarantees, as well as by grant recipients, in distressed communities under the Community Adjustment and Investment Program. The program conducted its first survey of job creation and preservation outcomes in September 2002 and plans to do its first survey of another program soon. Grant recipients report quarterly and in a final report on progress in meeting the annual goals. The Congress created the program in December 1993 to assist communities suffering job losses due to changing trade patterns with Mexico and Canada. (GAO/NSIAD-00-229)

### **2.55.A. Ensuring Decisions to Transfer U.S. Weapons and Technologies to Foreign Governments Are Adequately Informed:**

In 2001, transfers of U.S. weapons and technologies to foreign governments totaled over \$12 billion, representing 46 percent of the world market share—a 15 percent increase from 1997. Before transfers are approved, the U.S. government must first determine if classified weapons or technologies can be released to the requesting country according to criteria set out in the National Disclosure Policy. To make this determination, a number of federal agencies and committees assess a number of factors including the risks that would be involved if a classified weapon or technology were to be compromised or end up in unfriendly hands. These assessments are based, in part, on intelligence infor-

mation. However, in July 2003, we found that the National Disclosure Policy Committee—which reviews and approves or denies requests for exceptions to the National Disclosure Policy—was operating with outdated Central Intelligence Agency risk assessments. Acting on our recommendations, the committee’s Executive Secretariat requested that the Central Intelligence Agency provide updated risk assessments for 23 countries. (GAO-03-694)

### **2.56.A. Improving Training under Trade**

**Adjustment Assistance:** The Congress acted on our matters for congressional consideration when it passed the Trade Act of 2002, inserting language to amend the Trade Act of 1974. Specifically, the language (1) permits workers to receive payments during breaks in training lasting up to 30 days, which allows workers to continue to receive income benefits during unavoidable, extended interruptions in training; (2) standardizes the training enrollment deadline for trade-affected workers; (3) refines training waiver policies for certified workers; and (4) expedites review of petitions by the Secretary of Labor, reducing the time from 60 to 40 days, thereby permitting displaced workers to more quickly access retraining and financial support services. (GAO-01-59 and GAO-01-988T)

### **2.57.A. Improving Information Security**

**Practices:** In response to the September 11, 2001, terrorist attacks, we have examined and reported on the adequacy of the steps that financial market participants have taken to reduce their vulnerability to attacks, including those by hackers attempting to gain unauthorized access to a specific organization’s networks or systems or those arising from malicious computer viruses or worms that seek to damage data or deny access to legitimate users. From October 2003 through April 2005, we reviewed the measures taken by selected critical financial market organizations, including exchanges, clearing organizations, and payment system processors, to protect themselves from electronic attacks. As part of these reviews, we found that the selected financial market organizations were taking steps to prevent their operations from being disrupted by electronic attacks. Each of the organizations had implemented the major elements of a sound information security program. However, at each of these organizations, we identified 11 to 38 suggested improvements that could be taken to further improve their protections against attacks. Many of the improvements we iden-

tified related to how these organizations could implement additional controls to prevent unauthorized access to networks and information systems and to better detect intrusion attempts when they occur. We briefed staff from SEC and the Federal Reserve Board of Governors on the detailed results of our reviews, and they both indicated that they will use our work to monitor the progress of the organizations they oversee in implementing the information security improvements. (GAO-05-679R)

### **2.58.A. Strengthening the Government’s Ability to Monitor Foreign Investors’ Compliance with National Security Agreements:**

In 1988, the Congress passed the Exon-Florio amendment to the Defense Production Act, authorizing the President to suspend or prohibit a foreign acquisition of U.S. companies if the acquisition poses a threat to national security. In some cases, the Committee on Foreign Investment in the United States—an inter-agency committee that is chaired by the Secretary of the Treasury and is responsible for reviewing foreign acquisitions—may negotiate an agreement with the foreign investor on measures to mitigate national security concerns. However, in 2002, we reported that weaknesses in some agreements made it difficult to ensure compliance. Specifically, we found that agreements did not indicate the agency responsible for monitoring compliance and lacked monitoring provisions, such as time frames for implementing mitigation measures and consequences for noncompliance. Consistent with our suggestions, the committee has begun including specific time frames for compliance and the specific member agency office responsible for reviewing compliance with recently negotiated agreements. (GAO-02-736)

### **2.59.C. Contributing to Federal Financial Literacy Efforts:**

Research has shown that many Americans lack the knowledge of basic personal economics they need to make informed financial judgments and manage their money effectively. Yet financial literacy is increasingly important in a world where consumers must choose from an array of complicated financial products and services and employees must take on more responsibility for their retirement savings. Our financial literacy forum contributed to federal and nationwide discussion on possible topics, target populations, and methods of delivery for federal financial education efforts and the role of program evaluation. Our study on con-

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sumer knowledge and behavior regarding credit reporting outlined ways to improve consumers' understanding of the information contained in credit reports and how their actions can influence the contents of their reports. The study will help the Financial Literacy and Education Commission—which was established to improve financial literacy and education of people in the United States—and other groups following its lead to identify and penetrate particular demographic groups that would benefit the most from financial education efforts. ([GAO-05-95](#) and [GAO-05-223](#))

**2.60.C. Developing an Approach to Analyze Offshoring of Services:** Offshoring of services generally refers to an organization's purchase from other countries of services that it previously produced or purchased domestically, such as software programming or services provided by telephone call centers. Our offshoring work has provided the Congress with an analytical approach for understanding a controversial and politically sensitive topic. The work took advantage of our ability to assemble a crosscutting team to analyze complex data to craft a unique report, which has served as the basis for numerous public presentations in the United States and Europe. Our analysis led the international Organisation for Economic Cooperation and Development to adopt our approach. The government of Sweden sought out the team for further coordination of the Organisation for Economic Cooperation and Development's efforts to understand the impact of offshoring in Europe. We are now routinely included in offshoring panel discussions, due to our objective and clear analysis of the practice and concept of offshoring and the multiple U.S. databases that relate to offshoring. ([GAO-04-932](#))

**2.61.C. Improving Transparency of U.S. Reporting on Currency Manipulation Issues:** In a 2005 review of currency manipulation issues, we provided comprehensive analysis on a key international policy issue and increased the transparency of Treasury reporting on its manipulation assessments. Our report provided objective information on the legal determinants of currency manipulation, differences between currency undervaluation and manipulation, and the basis for recent Treasury findings. Partly in response to our ongoing work, Treasury added information to its semiannual currency report about its criteria for manipulation assessments. In addition, Treasury introduced a link to Web-based information about U.S. consultations with the International Monetary Fund to meet a legislative requirement. ([GAO-05-351](#))

**2.62.C. Prompting Action to Reform the U.S. Export Control System:** Over the years, we have reported on the need to address weaknesses and inefficiencies in export controls to ensure that U.S. interests—economic as well as military—are safeguarded and that defense-related items do not fall into the wrong hands. We have made numerous recommendations aimed at correcting these weaknesses and inefficiencies, such as clarifying jurisdiction over the export of missile technologies and establishing formal guidelines for reviewing and monitoring the flow of export license applications. Despite our findings and recommendations, we reported early this year that the export control system remained fundamentally unchanged. As a result of our work, the Congress has begun to take action to reexamine and reform the U.S. export control system. ([GAO-02-63](#), [GAO-02-120](#), [GAO-05-234](#), and [GAO-05-468R](#))

## 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*

#### **3.1.A. Enhancing the Knowledge Base on Indicators:**

We have been working as a catalyst regarding approaches and options for measuring national performance using comprehensive key indicator systems. The U.S. government has invested billions of dollars in a rich variety of topical information (on the economy, the environment, and society and culture) that could underpin a national system. However, although several states, counties, and cities have developed key indicator systems, the United States lacks such a system at the national level. A comprehensive key indicator system for the United States could serve as a trusted source for reliable, fact-based information that could inform a much-needed reexamination of the base of existing programs, policies, functions, and activities. In fiscal year 2005, we issued the results of a wide-ranging study of comprehensive key indicator systems in the United States and elsewhere. We also contributed to the planning and implementation of the Organisation for Economic Development's first World Forum on Key Indicators. The participation of over 500 officials representing 43 nations provided a key opportunity to share experiences and an impetus for further action and improvement. One such action was publication of the 2005 Factbook and an interactive Web site that present a range of statistics on member countries. At the Forum, representatives of the Key National Indicators Initiative discussed efforts to develop a comprehensive key national indicator system for the United States. We helped build the foundation for the Key National Indicators Initiative effort, which is housed under the National Academies. ([GAO-03-672SP](#) and [GAO-05-1](#))

#### **3.2.C. Reexamining the Base of the Federal Government:**

In February 2005, we issued a report calling for, defining, and illustrating how to carry out a fundamental reexamination of what the federal government does, how it does it, who does it, and how it gets paid for. Prompted by unsustainable fiscal commitments and the need to ready the federal government for the emerging challenges of the 21st century, the federal government and the Congress need to reexamine entitlements, tax policy, and discretionary spending governmentwide. The Congress held two hearings to learn more about such reexamination, and it has been a focal point of sustained outreach efforts agencywide. The report has been instrumental in beginning to shape both the interest of some in the Congress in how to deal with the 21st century challenges, as well as the lens through which we structure and prioritize our own work. ([GAO-05-325SP](#), [GAO-05-317T](#), and [GAO-05-352T](#))

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

#### **3.3.A. Improving the Defense Information Systems Agency's (DISA) IT Investment Planning and Management Controls:**

In March 2002, we identified numerous opportunities for DISA to improve planning and management controls over its \$3.5 billion annual IT spending. Implementation of our recommendations helped DISA realize improvements in its strategic planning (including development of a strategic plan and implementation of a plan), organizational structure management, enterprise architecture management (including soon using the architecture to support IT investment decisions), IT investment management

(including soon implementing portfolio management), customer relations management, and knowledge management. While responding to these recommendations required major change in its management systems and required years to complete, the changes realized to date helped DISA focus on improving warfighter support and better focus its IT spending. (GAO-02-50)

**3.4.A. Achieving Significant Financial Benefits by Leveraging DOD's Buying Power:** In fiscal year 2004, DOD spent over \$127 billion on service contracts—more than two-thirds of the \$189 billion spent by the entire federal government in that year. Despite this significant share of spending, DOD's management of service procurement is inefficient and ineffective and the dollars are not always well spent. Many private companies have managed their procurements by using spend analysis, which involves analyzing spending patterns and coordinating procurement in order to achieve substantial financial benefits. In response to our report, DOD and contractor project managers pilot-tested Web-based technology that links and pulls data from disparate sources; maps and organizes the data into a common taxonomy of products, services, and suppliers; and produces spend analysis reports. The proposed virtual spend data warehouse will enable DOD to identify high-volume, high-dollar services and product spending—opportunities for strategic sourcing that will result in financial benefits and quality improvements. In March 2005, DOD approved a business case analysis to seek follow-on funding for developing a departmentwide spend analysis system. DOD projects \$4 billion to \$10 billion in annual financial benefits once the system is in place and used to support strategic sourcing across DOD. (GAO-03-661)

**3.5.A. Encouraging Efficiency in DHS Acquisitions:** In March 2003, 22 federal agencies and organizations essentially merged to form DHS—a transformation GAO has designated high risk since 2003. With a budget of almost \$40 billion, DHS was challenged to leverage its substantial buying power and boost administrative efficiency. Based on our work, DHS has developed acquisition strategies for purchasing goods and services that include basic office supplies, ammunition, weapons, and IT. As a result of these strategies, DHS reported approximately \$14 million in cost reductions and cost avoidances for fiscal year 2004, with

cost reductions expected to continue to grow, according to agency officials. At the same time, DHS was challenged to maintain an effective acquisition workforce. The contracting workforce of one of DHS's largest entities—with annual obligations for goods and services totaling \$1.7 billion—had not grown sufficiently to manage an increased workload. In addition, Immigration and Naturalization Service field offices relied heavily on contracting officers who performed contracting duties along with their mission-related responsibilities and who are not career contracting officers. Consistent with our recommendations, DHS developed a plan, based on best practices, that defines the acquisition workforce, focuses on the need for continual training, and implements a certification program. DHS also phased out all collateral duty contracting officers, allowing only those individuals with specific contracting officer authority to execute contracts and related agreements on DHS's behalf. (GAO-02-230, GAO-03-799, GAO-04-870, and GAO-05-179)

**3.6.A. Providing Needed Rigor to the Coast Guard's Oversight of Deepwater Program Contractors:** The Coast Guard established the Deepwater program to modernize and replace its fleet of ships and aircraft used for search and rescue, drug interdiction, offshore inspection, and other missions that generally occur beyond 50 miles from shore. Deepwater is the largest and most complex procurement project in the Coast Guard's history. In June 2002, the Coast Guard awarded a contract to a system integrator to develop and deliver the Deepwater assets, and from fiscal years 2002 through 2004, the Congress appropriated almost \$1.5 billion for the program. However, in March 2004 we reported that the Coast Guard's evaluation of the system integrator's performance lacked the rigor to effectively assess the contractor's performance. We also found that the two subcontractors—Lockheed Martin and Northrop Grumman—were solely responsible for deciding whether to compete Deepwater assets or make the assets themselves, and the Coast Guard had no insight into these decisions. Based on our recommendations, the Coast Guard has improved the criteria for assessing the system integrator's performance and has asked the system integrator to provide notification of a subcontractor decision to make instead of compete assets valued at \$10 million or more. (GAO-04-380)

### **3.7.A. Ensuring Continued Investment in GSA's Online Purchasing System:**

In 1995, GSA launched Advantage, an Internet-based system for ordering products and services online. As of 2002, GSA had spent \$84 million to develop, implement, and maintain the system. However, 5 years after the system was launched, only 35 percent of all government-contracted vendors participated in the program, and agencies were largely using the system to compare pricing. To ensure GSA's level of investment matched customer needs, we recommended that the agency develop a business case for an online ordering and market research system such as Advantage. In January 2005, GSA selected a new business strategy that would significantly enhance the system's capabilities to serve as a broker between buyers and suppliers and provide agencies with an automated tool for formulating acquisition requirements and developing requests for quotes. Although GSA expects to invest \$124 million to implement the enhanced system, the agency projects over \$1.5 billion in financial benefits from electronic transactions, spend analyses (reviews of expenditures that shows how money is spent on goods and services), a searchable procurement data repository, and competitive pricing. This financial benefit has a present value of just over \$1.3 billion. Consistent with our recommendation, GSA's new business strategy also calls for reviewing and adding as appropriate new performance measures to track results and outcomes of the enhanced system. (GAO-03-328)

### **3.8.A. Delivering Results through**

**Performance-Based Service Contracting:** In fiscal year 2004, federal agencies spent roughly \$189 billion acquiring services from contractors—an area we have designated high risk for over a decade for DOE, DOD, and the National Aeronautics and Space Administration (NASA), which together account for most of the federal spending on services. To achieve greater financial benefits and better outcomes, the Congress and OMB have encouraged agencies to use performance-based service contracting, where the contracting agency specifies the desired outcome and the contractor decides how best to achieve this outcome. Although performance-based contracts can encourage contractors to find innovative ways to deliver services and offer other significant benefits, agencies historically have not widely used this strategy. Consistent with our recommendations—particularly when

acquiring unique and complex services that require strong government oversight, OMB's Office of Federal Procurement Policy improved its guidance for using performance-based contracting and established a fiscal year 2005 target for using performance-based service acquisition methods. The office also partnered with the Defense Acquisition University, the Federal Acquisition Institute, federal government agencies, and industry associations to establish an online acquisition center of excellence. The Services Acquisition Reform Act of 2003 provides an additional incentive for the use of performance-based contracting by giving executive agencies authority to treat qualifying contracts or task orders as contracts for commercial items. The act also requires agencies to collect data on these contracts and OMB to report to the Congress on the use of this incentive. Finally, OMB has taken steps to better track civilian agencies' use of performance-based service contracting. (GAO-02-1049 and GAO-03-716T)

### **3.9.A. Promoting a Well-Trained Federal**

**Acquisition Workforce:** Procurement reforms, technological changes, and downsizing have placed unprecedented demands on the federal acquisition workforce. Acquisition workers are now expected to have greater knowledge of market conditions, industry trends, and the technical details of the commodities and services they procure. Despite congressional reforms enacted in the 1990s to ensure the federal acquisition workforce has the right skills to meet such challenges, we reported in July 2002 that agencies needed to better define and track their acquisition workforce training to inform the agencies' human capital strategic planning and ensure an adequately trained acquisition workforce. A number of actions have been taken in response to recommendations we made. As required by the Services Acquisition Reform Act of 2003, GSA established an acquisition workforce training fund, and certain civilian executive agencies have designated noncareer chief acquisition officers to establish clear lines of authority, accountability, and responsibility for acquisition decisions. OMB's Office of Federal Procurement Policy required each chief acquisition officer to implement a budget strategy that reflects his or her agency's workforce development needs and organizational structure and to appoint an individual with acquisition experience to lead the agency's acquisition career management program. The interagency Chief Acquisition Officer Council

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has established a Human Capital Working Group that is assessing skills required in the federal acquisition workforce, identifying skill gaps, and targeting training funds to those gaps. ([GAO-02-737](#) and [GAO-03-281](#))

### **3.10.A. Improving OMB's Competitive Sourcing Processes:**

Under competitive sourcing, federal agencies open their commercial activities to competition among public and private sector sources, and this process begins each year with agencies developing inventories of their commercial positions. A large body of our work from 2000 through 2004 recommended sustained improvement in the use of annual inventories and greater consistency in classifying commercial positions to support competitive sourcing as well as revisions to processes for the performance of commercial activities that are described in OMB Circular A-76, *Performance of Commercial Activities*. In addition, we recommended various improvements to OMB's proposed revisions to Circular A-76 processes to bring them more in line with the Commercial Activities Panel's principles for improving the competitive sourcing decisions of the government. The congressionally mandated panel, chaired by the Comptroller General and composed of federal and private sector experts, stressed the importance of linking sourcing policy with agency missions, promoting sourcing decisions that provide value to the taxpayer regardless of the service provider selected, and ensuring greater accountability for performance. In response to our work and the inclusion of competitive sourcing as one of the President's management initiatives, OMB has undertaken a sustained effort since 2003 to improve and maintain a governmentwide commitment to developing useful annual inventories, improving guidance for classifying commercial positions, and incorporating most of the A-76 sourcing principles adopted by the panel. In fiscal years 2003 and 2004, OMB reported that agencies' competitive sourcing efforts will yield billions of dollars in financial benefits. ([GAO/GGD/NSIAD-00-244](#), [GAO-02-498T](#), [GAO-02-1022R](#), [GAO-03-391R](#), [GAO-03-1022T](#), and [GAO-04-367](#))

### **3.11.A. Improving Collection of Delinquent Nontax Debt:**

In a series of reports and testimonies over the past several years, we promoted federal agencies' use of key provisions of the Debt Collection Improvement Act of 1996 to collect nontax delinquent debt, which exceeds \$70 billion

annually. Acting on our recommendations, Treasury and other federal agencies have continued to take steps to implement the act's key provisions to improve collections. For example, Treasury included additional federal salary payments in its payment offset program and continued to offset Social Security payments to recover delinquent debts. Also, certain agencies—including Education and HHS—have published final rules allowing the implementation of administrative wage garnishment under the Debt Collection Improvement Act. These actions, along with additional steps taken by Treasury and other agencies to improve debt collection processes in response to our recommendations, have added about \$374 million to a steady stream of recoveries. ([GAO/T-AIMD-98-195](#), [GAO/AFMD-90-12](#), [GAO-02-308](#), [GAO-02-313](#), and [GAO-02-463](#))

### **3.12.A. Assessing Programs Related to a Common Outcome:**

To review the relative contributions of similar programs to common or crosscutting goals and outcomes and to facilitate comparisons and trade-offs between such programs, we recommended that OMB conduct Program Assessment Rating Tool (PART) assessments of similar programs and activities in the same year. Consistent with these recommendations, for the fiscal year 2006 budget, OMB used PART in conducting two crosscutting analyses to inform the President's Budget request—Community and Economic Development programs and Rural Water programs. The Community and Economic Development analysis formed the basis for the administration's proposal to consolidate various of these programs into a \$3.7 billion program at Commerce. The budget also indicated the administration's intention to develop recommendations to consolidate and reform Rural Water programs. ([GAO-04-174](#))

### **3.13.A. Monitoring the Effectiveness of OMB's PART:**

To improve OMB's ability to judge the efficacy of PART, we recommended that the Director of OMB centrally monitor agency implementation and progress on PART recommendations and report such progress in OMB's budget submission to the Congress. Consistent with this recommendation, in the PART Summary Worksheets submitted with the fiscal year 2006 President's Budget Request, OMB reported on the status of each program's recommendations. In April 2005, OMB also implemented

PARTWeb, a Web-based data collection tool to, among other things, centrally track the implementation and status of PART recommendations. (GAO-04-174)

**3.14.A. Assisting Agencies in Implementing Leading Diversity Management Practices:** In January 2005, we identified nine leading practices that experts agreed should be considered when an organization is developing and implementing diversity management. We also provided examples of how 10 selected federal agencies implemented these practices. As the federal government strives to better manage its diverse workforce, our report is being used by agencies to begin the dialogue necessary to create an environment that is inclusive of individual differences, responsive to the diverse needs of employees, and ultimately provides for accountability and fairness for all employees. For example, in July 2005, the Census Bureau held a diversity fair that focused on five of the diversity management practices discussed in our report (top leadership commitment, diversity as part of an organization's strategic plan, diversity linked to performance, employee involvement, and diversity training). A panel of officials from the selected agencies featured in our report discussed their agencies' implementation of the practices with Census Bureau employees in the morning, and executives from those agencies engaged in a frank discussion with Census Bureau executives in the afternoon about implementation strategies and barriers. (GAO-05-90)

#### **3.15.A. Controlling the Cost of the 2010**

**Census:** A body of congressionally requested products we issued in 2004 on plans for the 2010 Census contributed to congressional decision making that will reduce the life cycle cost of the next decennial headcount by around \$807 million, and could produce better quality data. Specifically, members of the Congress cited findings contained in our report on census cost and design issues to secure legislative support for operational reforms that could help control the cost of the 2010 Census, the price tag of which is currently estimated at more than \$11 billion. These same reforms, which include a short-form-only census and various technological improvements, could produce more accurate and timely information for data users as well. Additional taxpayer savings stemmed from our review of the feasibility of counting U.S. citizens living abroad.

We concluded that enumerating this population group would not be cost-effective because of the difficulties in obtaining an adequate response rate and other challenges. Partly as a result of our findings and recommendation to the Congress, legislators eliminated funding for any future planning and testing activities. (GAO-04-37 and GAO-04-898)

**3.16.A. Strengthening Senior Executive Performance Management:** High-performing organizations understand that their top leadership needs to lead the way to transform their agencies' cultures to be more results-oriented, customer focused, and collaborative in nature. Recognizing this important leadership role, the Congress authorized a new performance-based pay system for members of the federal government's Senior Executive Service in 2003. Yet we found that Education, HHS, and NASA had opportunities to use their performance management systems more strategically. Based on a report we issued in May 2004, these agencies are now implementing a series of recommendations that can help them provide a clear and direct linkage between their senior executives' performance and organizational results. (GAO-05-69SP and GAO-05-832SP)

**3.17.C. Helping Enhance Legislative Branch Agencies' Efforts to Improve Performance and Accountability:** Our work has assisted legislative branch agencies in guiding their respective management improvement and transformation efforts. The Government Printing Office used our work to guide the realignment of its human capital office, which will assist its leadership in managing its workforce and will support its overall transformation. To help ensure that the Office of Compliance maintains institutional continuity into the future, the Congress acted on our recommendations to amend the Congressional Accountability Act to permit the reappointment of its Board of Directors to an additional term. We encouraged the Architect of the Capitol and the U.S. Capital Police to make needed improvements to basic management functions, such as IT, financial management, strategic planning, and human capital management. We also provided recommendations to the Architect of the Capitol on ways to improve cost and schedule management of the Capitol Visitors Center project. As a result of our work, the Architect strengthened project management resources and obtained new cost and schedule estimates; and the Congress pro-

vided additional funds for the project. Additionally, we surveyed all of the legislative branch agencies to identify their efforts to cross-service and outsource administrative services, implement management and operational improvements, and streamline organizational structures and operations. Our survey also provided the legislative branch agencies the opportunity to document their efforts to incorporate best practices and to make management improvements in the areas of IT, financial management, strategic planning, human capital management, and acquisition. (GAO-04-85, GAO-04-299, GAO-04-400, GAO-04-830, GAO-04-966, GAO-05-714T, GAO-05-811T, GAO-05-910T, and GAO-05-1037T)

### **3.18.C. Strengthening the Nation's Border**

**Security:** DHS's United States Visitor and Immigrant Status Indicator Technology (US-VISIT) program is a legislatively required, multibillion-dollar effort to track the entry and exit of foreign visitors traveling to the United States. In reviewing the fiscal year 2005 expenditure plan for the US-VISIT program, we identified a number of areas where US-VISIT could improve its program management activities, including developing reliable cost estimates and managing system capacity to support mission needs, and provided the Congress with information upon which to make funding decisions. We noted that the program office was not employing the kind of rigorous and disciplined management controls typically associated with successful programs and that as the program grows in scope and complexity, these controls would become even more critical. The US-VISIT program management office concurred with our recommendations and has begun implementing some of our recommendations, including establishing an effective program office structure, developing effective risk management processes and plans, and developing a human capital strategy. (GAO-05-202)

### **3.19.C. Helping the Government Cost**

**Effectively Manage Multibillion-Dollar IT Modernizations and Investments:** DHS's Automated Commercial Environment is a multibillion-dollar program that tracks cargo entering and leaving the United States. Managers of the program have implemented our past recommendations related to developing and using enterprise architecture, following an incremental system acquisition approach, establishing system acquisition process controls, and ensuring the independence of its func-

tion to oversee the program. Further, DHS has improved management of the program by reducing the degree of concurrent system development activities and reconciling program cost estimates with independent estimates. Our recent recommendations have focused on the need for DHS to strengthen accountability for the Automated Commercial Environment program and better ensure the delivery of promised system capabilities and benefits within budget and on time. (GAO-03-406, GAO-04-719, and GAO-05-267)

### **3.20.C. Improving Criminal Debt Collection:**

To improve the federal government's ability to collect billions of dollars of outstanding criminal debt, we recommended that Justice work with other agencies involved in criminal debt collection, including the Administrative Office of the U.S. Courts, Treasury, and OMB, to develop a strategic plan that would improve interagency processes and coordination with regard to criminal debt collection activities. In subsequent reports, we continued to identify criminal debt collection problems and followed up with Justice on the status of this and other related recommendations. We kept interested congressional parties informed of the status of outstanding criminal debt and Justice's lack of progress in implementing this recommendation, which resulted in the Congress directing the Attorney General to develop a strategic plan with the other involved federal agencies to improve criminal debt collection. Specifically, the conference report that accompanied the Consolidated Appropriations Act of 2005 included language to further the implementation of our 2001 recommendation on establishing an interagency task force for more effectively managing, accounting for, reporting, and collecting criminal debt. As a result, Justice has begun to meet with the Administrative Office of the U.S. Courts, Treasury, and OMB as a joint task force to develop the strategic plan as recommended. (GAO-01-664, GAO-04-338, and GAO-05-80)

### **3.21.C. Improving Agency Preparation for Governmentwide Telecommunications**

**Acquisition:** During fiscal year 2005, we reviewed GSA's planning for a governmentwide telecommunications acquisition program, known as Networx. In March 2005, we testified on GSA's progress in addressing management challenges identified during our earlier reviews, including a lack of performance measures and inadequate transition planning

for the Networx contracts. During our review, we identified several areas of concern to GSA officials, which they subsequently addressed. For example, we determined that GSA had not established performance measures to aid in program management. GSA subsequently drafted measures to address each of the program's goals and is working to revise the draft measures based on our feedback. Also, we pointed out that GSA had not provided potential offerors with enough information on the level of service they would be required to provide at each location. Without this information, offerors would have had difficulty preparing realistic proposals. In response, GSA delayed the release of its final request for proposals until information on the required levels of service was available. (GAO-04-1085T and GAO-05-361T)

**3.22.C. Improving OMB Oversight of At-Risk IT Investments:** In April 2005, we recommended that OMB strengthen its oversight of major IT investments by better utilizing the business cases it collects and analyzes as part of the annual formulation of the President's Budget. In the President's Budget for Fiscal Year 2005, OMB reported that based on its evaluation of the projects' business cases, about half of the 1,200 major IT investments submitted by agencies for funding were at risk. The total value of these investments was about \$22 billion out of a total IT budget of about \$60 billion. We reported that OMB never aggregated these at-risk projects into a single list and that its oversight of these projects was inconsistent, which limited the potential value of the management watch list. We recommended that OMB create a centralized capability for creating and monitoring these at-risk projects and that it use the additional insights provided in its statutorily mandated reporting to the Congress. The governmentwide analysis and consolidated tracking of projects' risk level made possible by an aggregated management watch list will enhance OMB's and the Congress's ability to ensure that funds are being wisely spent and to take effective and timely action on the billions in IT investments judged to be at risk. (GAO-05-276)

**3.23.C. Improving OPM's Ability to Manage Retirement System Modernization:** We reported that OPM did not have key system acquisition, change management, and investment management processes in place to help manage its Retirement Systems Modernization program and

recommended that OPM establish the management processes needed for effective oversight of that program. Subsequently, OPM initiated efforts to develop a comprehensive acquisition strategy, identify interdependencies between project components, develop project tracking processes, establish risk management processes, and implement investment management processes. The agency also identified milestones for completing these activities over the next few months. As a result of our review, OPM is working to improve its ability to manage its modernization program. In addition, the Congress is better informed about the status of OPM's acquisition and is now in a better position to oversee OPM's project management of its retirement systems modernization program. (GAO-05-237)

**3.24.C. Getting the Best Value for Goods and Services through Interagency Contracts:** Federal agencies are increasingly relying on interagency contracts, leveraging the government's aggregate buying power to procure commonly used goods and services more efficiently. From 1994 through 2004, GSA's interagency contract sales alone jumped almost 750 percent to \$32.5 billion. Given the rapid growth of taxpayer dollars involved—along with the limited expertise of users and administrators and unclear accountability for ensuring proper use—we designated interagency contract management as a high-risk area in January 2005. Our work since then has continued to draw attention to the risks associated with interagency contracting arrangements, such as noncompetitive prices for goods and services, orders placed outside the scope of contracts, and inadequate management controls. To ensure the government is getting the best value from these types of contracting arrangements, we recommended that agencies clarify roles and responsibilities and establish clear, consistent, and enforceable policies and processes. DOD and other agencies are beginning to take action to respond to our recommendations. (GAO-05-201, GAO-05-207, GAO-05-229, and GAO-05-456)

**3.25.C. Leveraging the Government's Significant Buying Power:** In fiscal year 2004, federal agencies procured more than \$327 billion in goods and services. Despite this significant cost, it is not clear that the federal government is fully leveraging its enormous buying power because agency procurement processes are decentralized. Recognizing the potential to use federal purchasing dollars

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more wisely, several of our reports examined best commercial procurement practices to reduce costs, stay competitive, and improve service levels. From 2002 through 2004, we reported how leading companies were implementing strategic sourcing approaches to leverage their buying power and foster new ways of doing business, and recommended several actions that agencies could take to adopt similar best practices to achieve the type of financial benefits and procurement performance improvements experienced by these companies. In May 2005, OMB adopted a new policy directing federal agencies to implement the types of strategic sourcing approaches we recommended, and beginning next year, agencies must report annually on their strategic sourcing outcomes, including price reductions for goods and services and total procurement cost reductions. According to OMB's federal procurement policy officials, OMB aligned much of its May 2005 strategic sourcing policy with the commercial best practices identified in our reports. ([GAO-02-230](#), [GAO-03-661](#), and [GAO-04-870](#))

**3.26.C. Helping Customs Improve its Modernization Program:** Our work has resulted in DHS's Customs and Border Protection improving its ability to manage its multibillion-dollar IT modernization program and provided the Congress with information on which to base funding decisions. Our recommendations have focused on the need for Customs and Border Protection to strengthen accountability for its modernization program and better ensure the delivery of promised system capabilities and benefits within budget and on time. The agency's progress toward addressing our earlier recommendations that it reduce the degree of concurrent system development activities, reconcile program cost estimates with independent estimates, and address human capital weaknesses has improved management of its modernization program. Adoption of our earlier recommendations related to developing and using an enterprise architecture, following an incremental system acquisition approach, establishing system acquisition process controls, and ensuring the independence of its function to oversee the modernization program has resulted in reduced exposure to risk. ([GAO-03-406](#), [GAO-04-719](#), and [GAO-05-267](#))

**3.27.C. Improving the Federal Government's Collection, Use, and Dissemination of Federal Information:** We have provided assistance to the Congress in ensuring that federal information is effectively managed and leveraged to improve agency performance and protect citizens' rights. For example, since key amendments to the Freedom of Information Act were passed in 1996, we have produced a body of work reporting on agency actions to implement the act, and congressional decision makers as well as the press have come to rely on our reports to gauge agencies' progress. In early 2005, bills were introduced to make further amendments to the act, we were asked to provide key status information at a May 2005 hearing on such measures as the numbers of Freedom of Information Act requests agencies have been processing annually and the size of the backlog of open requests that is carried over from one year to the next. Our analysis has provided a basis of discussion and debate for the Congress, the news media, and the public. We also made contributions to the Congress's upcoming reauthorization of the Paperwork Reduction Act, which provides the framework for managing federal information. In February, we sponsored a forum to explore reauthorization issues, which was attended by experts and key stakeholders in the executive and legislative branches. In addition, we reported on agencies' efforts to review proposed information collections—a critical process added to the act in the last reauthorization—and made suggestions to the Congress to strengthen the act's paperwork reduction requirements. On the issue of privacy, we commented on emerging issues in reporting on five case studies involving federal efforts to mine data, including personal information, and identified ways to improve privacy and security protections. In addition, we reported on shortcomings in TSA's initial public privacy notices on Secure Flight, its new passenger screening system, and as a result, the agency took prompt action to more fully disclose its use of personal information. Regarding records management, we made contributions toward ensuring that valuable electronic records created today will be accessible in the future by reporting on the progress that the National Archives and Records Administration has made in developing an advanced electronic records archive. ([GAO-05-12](#), [GAO-05-405](#), [GAO-05-420](#), [GAO-05-424](#), [GAO-05-648T](#), [GAO-05-864R](#), [GAO-05-866](#), and [GAO-04-927](#))

### **3.28.C. Using IT to Transform Health Care:**

Our work has helped to highlight the importance of IT in health care delivery and public health by identifying benefits of selected IT applications, which, among other things, have reduced costs, improved quality of care, and improved communications within health care delivery organizations and insurers. We have also highlighted the limited progress being made by federal agencies to improve the public health IT infrastructure, which affects the nation's ability to respond to public health emergencies, including bioterrorism. In addition, several significant bipartisan bills focused on health IT have been introduced in the House and the Senate that address interoperability standards, improvements to patient safety, and grants for health IT projects that demonstrate costs and benefits—areas of importance emphasized by our work. Our reports and resulting recommendations are also helping to drive HHS improvements such as the appointment of a National Coordinator for Health IT whose objective is to help transform the health care industry's use of IT. In July 2004, the National Coordinator issued the framework for strategic action, which outlined an approach to the nationwide implementation of electronic health records and interoperable health IT. This framework addresses the adoption of data standards and actively involves the private sector (such as the American Health Information Community task force) as integral components needed to transform the use of IT for health care delivery. In addition, HHS has issued requests for proposals for developing a prototype of a National Health Information Network architecture. Later this year, the National Coordinator is expected to release a comprehensive strategic plan, which we anticipate will implement our recommendations. ([GAO-03-139](#), [GAO-04-224](#), [GAO-04-947T](#), [GAO-04-991R](#), [GAO-05-308](#), [GAO-05-309R](#), and [GAO-05-628](#))

### **3.29.C. Improving the Understanding of**

**Selected File-Sharing Programs:** Peer-to-peer file-sharing programs represent a major change in the way Internet users find and exchange information by allowing direct communication between computer users who can access and share digital

music, images, and video files. These programs also can be a conduit for sharing pornographic images and videos. During fiscal year 2005, we reviewed selected electronic file sharing applications to (1) determine the extent to which they provide easy access to pornographic images and (2) assess the ability of the applications' filters to block pornographic images. We found that pornographic images are easily shared and accessed by the selected file-sharing applications, and that the pornography filters offered by the selected programs varied in their ability to block pornographic images. Our review contributed substantially to the Congress's and the public's understanding of the uses of peer-to-peer file-sharing applications to access and share pornography. ([GAO-05-634](#))

### **3.30.C. Ensuring Executive Branch Agency Compliance with Continuity of Operations**

**Guidance:** We identified weaknesses in the processes agencies had used to identify the essential functions that should be quickly restored after being disrupted by an emergency and the plans to support restoring them (known as continuity of operations plans). These weaknesses included inconsistencies in the number of functions identified by agencies and the inclusion of functions that appeared to be of secondary importance. In response to these concerns, the President's Homeland Security Advisor began an interagency effort in January 2005 to define governmentwide essential functions and to review and validate agency-identified essential functions. Also, DHS published revised guidance for agency continuity planning. Our most recent evaluation found that agencies had already begun addressing weaknesses identified in our original assessment. For example, two major agencies that did not have continuity plans in place in October 2002 have since implemented plans. In addition, the recent steps taken by DHS and the White House could result in an increased emphasis on the most critical government functions and better planning to ensure that those functions are quickly restored regardless of the type of event that caused the disruption. ([GAO-04-160](#), [GAO-04-638T](#), [GAO-05-577](#), and [GAO-05-619T](#))

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

### **3.31.A. Preventing Improper Sales of Sensitive Clothing and Textile Items:**

Our audit of controls over excess DOD property found that DOD improperly sold excess clothing with infrared reflectant properties over the Internet to the public. Infrared reflectant technology prevents detection and State has established criteria for designating certain of these items as defense articles. In response to our work, DOD issued a more stringent policy than State's guidelines. DOD determined these items to be of a sufficiently critical and sensitive nature to require the same demilitarization control as significant military equipment—total destruction—an action that should help prevent this sensitive technology from falling into the wrong hands. (GAO-04-15NI and GAO-04-81TNI)

### **3.32.A. Bolstering Governmentwide Actions to Identify and Report Improper Payments:**

Since fiscal year 2000, our recommendations aimed at raising the level of attention given to improper payments by the agencies that are subject to the Chief Financial Officers Act of 1990 contributed to the Congress passing the Improper Payments Information Act of 2002. This act required all agencies to identify programs and activities susceptible to significant improper payments, estimate the annual amount of improper payments, and report on the amount of and their actions to reduce their improper payments. Fiscal year 2004 marked the first year that federal agencies governmentwide were required by the act to report improper payment information. From our review of fiscal year 2004 performance and accountability reports, the 11 programs or activities that provided this information for the first time reported improper payments totaling over \$700 million. For example, HHS disclosed an improper payment amount of \$255 million for its Head Start program. Similarly, USDA disclosed an improper payment amount of \$125 million for its Federal Crop Insurance Corporation program. USDA, which has a long history of analyzing payment error rates for the Food Stamp Program, also reported that the improper payment rate for the

Food Stamp Program had been reduced significantly, primarily due to the rate reduction in improper overpayments. Specifically, Food Stamp Program improper overpayments declined from 6.16 percent in base year 2002 to 5.05 percent in fiscal year 2003, resulting in a \$249.7 million reduction in improper overpayments for fiscal year 2003. On the basis of our analysis of USDA statistically projected error rates and OMB's reduction estimates of the Food Stamp Program, we expect to continue to see financial benefits stemming from these changes over the next 4 fiscal years. (GAO-02-749, GAO-03-750T, GAO-03-991T, GAO-04-99, and GAO-04-631T)

### **3.33.A. Ensuring That USCIS Becomes Self-supporting:**

We determined that fees USCIS collected were not sufficient to fully fund the cost of processing applications for U.S. citizenship and naturalization as contemplated by existing law. USCIS charged fees to process applications for U.S. citizenship and naturalization, but was also receiving appropriated funds to pay for administrative and overhead costs. Our work highlighted the need for USCIS, among other things, to increase its fees in order to alleviate the need for appropriated funds. In April 2004, USCIS increased its fees, thereby enabling it to discontinue its partial reliance on taxpayer financing. The additional federal revenues for fiscal years 2004 and 2005 were \$551 million. (GAO-04-309R)

### **3.34.A. Improving Accountability at DOL:**

OMB's audit guidance for reporting compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) calls for either reporting identified problems or stating that none came to auditors' attention during testing. In our annual report on FFMIA, we recommended that OMB revise its audit guidance to require auditors to perform sufficient testing to be able to positively state whether an agency's systems substantially complied with the act's requirements (positive assurance). Although OMB has not done so, in fiscal year 2004, DOL's IG contracted with an independent public accounting firm to perform sufficient testing to allow positive assurance of FFMIA compliance, if warranted. DOL's IG advised us that DOL had decided to be the first federal agency to provide positive assurance because of our continual emphasis on this topic. Positive assurance provides users with substantially greater confidence that agency

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systems provide the reliable, useful, and timely management information envisioned by the act. (GAO-02-29, GAO-03-1062, and GAO-05-881)

**3.35.A. Helping NASA Recognize Significant Challenges with the Prometheus 1 Project:** In 2003, NASA initiated the Prometheus 1 project to explore the outer reaches of the solar system. However, in February 2005, we reported that the Prometheus 1 project, which the Congressional Budget Office estimated would cost about \$10 billion, faced challenges in setting realistic requirements, preparing reliable cost estimates, and advancing complex critical technologies—challenges NASA has had difficulty overcoming in a number of other costly space initiatives. Additionally, the approved funding for Prometheus 1 was inadequate to support a planned 2015 launch to Jupiter’s icy moons. Based on concerns about cost and technical complexity and consistent with our recommendations, NASA has deferred the Jupiter Icy Moons Orbiter mission indefinitely and is shifting the focus of its Prometheus 1 project. Eliminating the Jupiter Icy Moons Orbiter mission from its fiscal year 2006 budget request reduces NASA’s funding needs by more than \$1.1 billion through fiscal year 2009. (GAO-05-242)

**3.36.A. Strengthening NASA’s Integrated Financial Management Program:** For more than a decade, we have identified NASA’s contract management as a high-risk area—in part, because the agency lacked an integrated financial management system, hampering its ability to oversee contracts, control program costs, and ensure an effective human capital management strategy. In April 2000, NASA initiated the Integrated Financial Program—its third effort at modernizing its financial management system. More than 3 years later, we reported that insufficient processes for ensuring adequate funding reserves for contingencies—along with uncertain reliability of cost estimates and optimistic schedules—put the program at risk of schedule delays and cost growth. In our fiscal year 2005 review, we found that NASA has implemented a methodology that enables programs to identify high-severity risks and determine their direct relationship to reserves, which is in line with our recommendation. This methodology should help the agency ensure that the program’s reserve funding is sufficient to cover the potential cost impact of risks and unknowns. (GAO-04-118)

**3.37.A. Improving NASA’s Cost-Estimating Processes:** NASA’s inability to collect, maintain, and report the full cost of its programs—along with persistent cost growth—has put NASA’s contract management on our high-risk list for more than a decade. Through a review of selected programs, we found that NASA lacks the basic cost-estimating processes needed to establish priorities, quantify risks, and make informed investment decisions. As a result, programs may be restructured to fit available resources, increasing the risk of cost and schedule overruns and failure to meet program objectives. We also identified a number of barriers to implementing effective cost-estimating practices, including the lack of reliable financial and performance data and the lack of incentives to measure and monitor cost trends. Acting on recommendations we made in May 2004, NASA has taken actions to remove these barriers and improve its cost-estimating practices, including establishing requirements to facilitate the efficient and effective use of NASA’s cost-estimating staff, requirements for independent assessments at program and project milestones, and enforcement mechanisms for ensuring that project cost-estimating requirements are met before the project proceeds to the next milestone. (GAO-04-642)

**3.38.A. Avoiding Additional Losses from Loan Sales:** We found that the Small Business Administration (SBA) improperly calculated the results of billions of dollars of loan sales and could not determine the value of its remaining disaster loan portfolio. We recommended that SBA correct the calculation of the results of its loan sales and determine the value of its remaining disaster loan portfolio before conducting additional sales. In response, SBA conducted a detailed review of its financial records relating to the disaster loan program, including the completed loan sales, and shortly thereafter discontinued the loan sale program. SBA’s analysis identified a fundamental flaw in the method used to determine whether a sale was beneficial to the government and allowed SBA to develop a more reliable process to calculate the results of a sale and to value the remaining loan portfolio. SBA’s analysis showed that its prior sales of disaster loans resulted in losses of over \$900 million as opposed to gains as previously reported. Prior to our review, SBA had intended to sell its remaining disaster portfolio of about \$3 billion as well as loans disbursed in the future. Had SBA pro-

ceeded with these sales using the same flawed pricing model, it would have continued to incur significant losses, estimated to be approximately \$441.4 million over 5 years. (GAO-03-87)

### **3.39.A. Increasing the Collection of Delinquent Federal Taxes:**

We have long advocated increased use of Treasury's offset program to intercept federal payments to those who have delinquent nontax and tax debt. Under this program, federal payments can be levied to pay taxpayers' outstanding tax debt. We identified missed collection opportunities because few payment streams were subject to the offset program, including those of disbursing offices outside of Treasury. We noted that millions of dollars of tax debt could be collected if Treasury levied such federal payments using its existing capacity. Fiscal year 2004 marked the first significant success due to (1) increasing numbers of programs subject to the levy program and (2) IRS releasing substantially more tax debt to be included in the levy program. We determined that tax levy collections using Treasury's levy authority for fiscal years 2004 and 2005 totaled \$308 million dollars. (GAO/T-AIMD-98-195, GAO/GGD-00-65, and GAO-01-711)

### **3.40.A. Revising DOD Working Capital Fund Appropriations:**

Over the years, we have reviewed various aspects of defense working capital funds, including cash management requirements. Our work on cash management this year showed that (1) the Air Force working capital fund would exceed the cash requirement at the end of fiscal year 2005 and (2) the Navy's working capital fund budget did not project excess cash at the end of fiscal year 2005, but these projections have not been reliable in recent years. Based on our review, the Congress reduced the Air Force and Navy fiscal year 2005 appropriations for operation and maintenance by a total of just under \$1.3 billion due to excessive cash amounts. (GAO-04-498)

**3.41.A. Improving Accountability at DHS:** At the time that it was created in 2003, DHS was not subject to two key financial management improvement laws—the Chief Financial Officers Act of 1990 and FFMIA—whose key goals are, among other things, providing the Congress and agency management with reliable financial information for daily management and decision making and improving financial management systems and controls to prop-

erly safeguard the government's assets. Because of the size of DHS, the internal control weaknesses it inherited, and the importance of these laws in improving financial management, we urged the Congress to require DHS to be subject to these laws. We also supported the concept of DHS obtaining internal control opinions over financial reporting, similar to what Sarbanes-Oxley requires for publicly traded companies. On October 16, 2004, the Department of Homeland Security Financial Accountability Act was signed in to law by the President, requiring DHS to comply with the provisions of these laws. The act also requires DHS to obtain an opinion on its internal controls over financial reporting, making it the first agency covered by the Chief Financial Officers Act that is required to do so. (GAO-03-1134T, GAO-04-774, and GAO-04-945T)

### **3.42.C. Increasing Reuse of Excess DOD Property:**

Our assessment of DOD's excess property program showed that DOD does not have management controls in place to maximize reuse of excess items. Of \$33 billion in excess commodity disposals in fiscal years 2002 through 2004, \$4 billion were reported to be in new, unused, and excellent condition. DOD found in-house use for \$495 million (12 percent) of these items. However, the remaining \$3.5 billion (88 percent) represented significant waste and inefficiency because new, unused, and excellent condition items were transferred and donated outside of DOD, sold for pennies on the dollar, or destroyed even though other DOD units concurrently bought many of these same items. We identified at least \$400 million of fiscal year 2002 and 2003 commodity purchases for which new, unused, and excellent condition items were available for reutilization. In response, the Defense Logistics Agency pledged to have systems improvements in place by January 2006 to prevent purchases of new items when identical items are available for reutilization. (GAO-05-277 and GAO-05-729T)

### **3.43.C. Focusing Attention on Financial Hardships Experienced by Army Guard and Reserve Soldiers:**

We reported that injured and ill Army Reserve soldiers—who are entitled to extend their active duty status to receive treatment—had been inappropriately removed from active duty status in the automated systems that control pay and access to medical care. Many of our case study sol-

diers incurred severe, permanent injuries fighting for their country, including loss of a limb, hearing loss, and back injuries. Nonetheless, these soldiers had to navigate the Army's convoluted and poorly defined process for extending active duty service. In responding to our report, DOD described its completed, ongoing, and planned actions to address each of our 22 recommendations. If effectively implemented, these actions should be important steps in developing comprehensive, effective solutions for dealing with Reserve component soldiers with service-connected injuries or illnesses. (GAO-05-125 and GAO-05-322T)

**3.44.C. Improving Travel Reimbursement Process for Mobilized Army Guard Soldiers:**

We reported and testified that mobilized Army Guard soldiers have experienced significant problems getting accurate, timely, and consistent reimbursements for out-of-pocket travel expenses. Army Guard soldiers in our case study units reported a number of problems that they and their families endured due to delayed or unpaid travel reimbursements, including debts on their personal credit cards, difficulty paying their monthly bills, and inability to make child support payments. As a result of our recommendations, DOD is taking action to correct the deficiencies noted in the areas of processes, human capital, and automated systems. However, with regard to DOD's longer term automated systems initiatives, we identified problems that raise concerns about whether and when complete and lasting solutions to these issues will be implemented. (GAO-05-79 and GAO-05-400T)

**3.45.C. Identifying Airline Passenger and Property Screening Costs:**

Funding for aviation security programs remains a central issue because passenger and air carrier security fees are not sufficient to fully cover TSA's costs. In the post-September 11 environment, passenger screening and who pays for it are highly visible and extremely sensitive topics to the traveling public, air carriers, airports, security companies, trade organizations, and the federal government. One of the fees that TSA is authorized to collect is currently based on airlines' self-reported costs of providing passenger and property screening during calendar year 2000. These self-reported amounts totaled \$319 million. Because this amount was much lower than anticipated, the Congress asked us to provide an independent assessment of the airlines' passenger and

property screening costs in 2000, the last full year prior to September 11, 2001. We estimated that passenger and property screening costs in 2000 for the major cost components were about \$448 million or \$129 million more than the air carriers reported. Accordingly, we recommended—and TSA agreed to consider—using the analysis and estimates in our study in determining the future basis for this fee. (GAO-05-558)

**3.46.C. Supporting the Congress in Its Efforts to Focus on the Importance of Internal Control:**

The 1982 Federal Managers' Financial Integrity Act required the Comptroller General to issue internal control standards and OMB to issue guidelines for agencies to follow in assessing their internal controls. In 2004, OMB revised its internal control guidance contained in Circular A-123, in an effort to strengthen the requirements for conducting management's assessment of internal control over financial reporting and bring a principles-based approach to establishing and reporting on internal control. In February of 2005, we provided our views on OMB's revised circular, highlighting issues critical to successful implementation of the revised circular. We also outlined the importance of internal control, summarized the Congress's long-standing interest in internal control and the related statutory framework, and discussed our experiences and lessons learned from agency internal control assessments since the early 1980s. (GAO-05-321T)

**3.47.C. Helping NASA to Address Its Human Capital Challenges:**

At the end of this decade, NASA plans to retire its Space Shuttle. Retiring the space shuttle—and in the larger context, implementing the President's new vision for space exploration—will require NASA to rely on its most important asset: its workforce. The space shuttle workforce currently consists of about 2,000 civil service and 15,600 contractor personnel, including a large number of scientists and engineers. After we began our work on NASA's human capital challenges related to retiring the Space Shuttle, NASA directed panel teams to examine human capital as an element of the shuttle program's mission execution and transition needs. Consistent with our findings, the teams made various recommendations on steps that should be taken to address human capital concerns, including developing and implementing a critical skills retention plan, developing a communication plan to ensure the workforce is informed,

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establishing an agencywide team to integrate human capital planning efforts, and developing a detailed budget that includes funding for human capital retention and reduction strategies. (GAO-05-230 and GAO-05-718T)

### **3.48.C. Modernizing the Accountability**

**Profession for the 21st Century:** We were actively engaged with other accountability organizations in building a solid foundation for an effective and ethical accountability profession prepared for the challenges of the 21st century. We provided leadership on key issues involving fair presentation of financial reporting overall and key aspects of auditing standards. We also provided the essential public interest perspective in the development of U.S. and international auditing standards that will fundamentally strengthen audit performance and improve the effectiveness of audits in the private and public sectors. We also continued to provide leadership in accountability for all levels of government auditors and financial management professionals in the United States—state, local, and federal—through training, technical advice, and leadership in auditing and internal control standards. Our experts responded to thousands of auditors' inquiries on the Government Auditing Standards, and provided training sessions at more than 50 professional conferences and workshops across the country for state, local, and federal government auditors and financial management professionals. In addition, we contributed insight and recommendations to ongoing Sarbanes-Oxley Act reforms, which posed significant challenges for corporations and auditors. In venues such as an SEC roundtable and the Public Company Accounting Oversight Board's Standing Advisory Group, we contributed to efforts to improve and streamline the audit process. On the international front, we provided leadership in developing strong, globally accepted auditing standards for the International Organization of Supreme Audit Institutions (INTOSAI), which is an association of national government audit organizations, and the International Auditing and Assurance Standards Board, which is working to establish auditing standards to be used around the world. (Based on briefings)

## *Analyze the government's fiscal position and strengthen approaches for addressing the current and projected fiscal gap*

### **3.49.A. Improving GSA's Capital Financing**

**Decisions:** In our December 2004 report, we recommended that GSA's Administrator, among others, perform business case analyses and ensure that the full range of funding alternatives, including the technical feasibility of useful segments, are analyzed when making capital financing decisions. In a May 12, 2005, letter to the Comptroller General, GSA's Administrator wrote that in response to our recommendation, GSA will develop a pro forma business case analysis that is similar to the analysis used for projects using appropriated funds and can be used for Energy Savings Performance Contracts, which provide capital improvements, such as lighting retrofits and ventilation systems, for federal facilities without the government recording the full cost up-front. In addition, GSA has promulgated supplemental internal procedures to be followed when entering into these contracts. The procedures require the performance of a life cycle cost analysis as part of the contract evaluation process. (GAO-05-55)

### **3.50.A. Permanently Reauthorizing Selected**

**Franchise Fund Pilots:** In August 2003, the Congress was considering the reauthorization of the six franchise fund pilots operating at the Department of the Interior, Commerce, Treasury, VA, HHS, and EPA. These franchise funds, authorized by the Government Management Reform Act of 1994, are part of a group of 34 intragovernmental revolving funds that were created to provide common administrative support services required by many federal agencies. For example, the Commerce Franchise Fund's business line provides IT infrastructure support services to the agency. The Congress established these self-supporting, businesslike entities to provide such services on a fully reimbursable basis. We concluded in our report that increasing the period of authorization would help to ease the concerns of current and potential clients about franchise fund stability and might allow franchise funds to add new business lines. The Congress provided

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permanent authority to the Commerce and Treasury franchise funds in the Consolidated Appropriations Acts of 2004 and 2005, respectively. ([GAO-03-1069](#))

**3.51.A. Improving IRS's Methodology for Pursuing Delinquent Taxes:** Our report on IRS's fiscal year 1999 financial statements stated that IRS did not have systems or procedures in place to allow it to identify and actively pursue cases that may have some collection potential. We recommended that IRS improve its capacity to assess the collectibility of delinquent taxes as a way of deciding on which debts to focus collection efforts. In 2004, IRS began implementing sophisticated modeling technology to differentiate between more and less productive cases in order to make better resource allocation decisions. IRS's analysis showed that its collections of delinquent taxes with approximately the same resources increased by about \$1.8 billion, or 8.4 percent from the previous year. ([GAO-01-42](#))

**3.52.A. Improving Agency Capital Planning:** In 2004, we evaluated VA, National Park Service, and Bureau of Prisons capital planning practices against the practices used by leading private companies and state and local governments that we identified in a 1998 report. We found that capital plans were not being done or needed to be centralized or expanded to reflect all the capital investment decisions made by the agencies. We also noted that the Congress and OMB should receive the plans to make agencies' longer term priorities transparent and to promote a longer term perspective in capital decision making. Since our 2004 report, all three agencies developed and improved capital plans, making them available to key decision makers. Also, as agencies developed such plans, capital asset management systems and asset inventories were improved as part of their efforts to better determine actual capital asset needs. ([GAO-04-138](#))

**3.53.A. Revising Tax Rules on Expatriation of Individuals:** Certain high income or high net worth individuals are subject to an alternative method of income taxation for the 10 years after they relinquish their U.S. citizenship or noncitizens terminate their residency. In our May 2000 report to the Joint Committee on Taxation, we provided information on IRS, Immigration and Naturalization

Service, and State Department procedures for preventing individuals who do not comply with these tax rules from reentering the United States, analyses of their tax returns, and information related to their country of citizenship and residence after leaving the United States. In February 2003, the committee issued a report on the tax law and immigration treatment of relinquishment of citizenship and termination of long-term residency. The report extensively cited our assistance to the committee and provided the basis for the American Jobs Creation Act of 2004 to revise the tax rules related to citizenship relinquishment or residency termination. To accompany the conference agreement, the committee estimated that budget effect of the revised tax rules for the 2005 to 2014 period will be to increase revenues about \$377 million. We are recognizing \$121 million of this increased revenue over the 2005 to 2009 period as an accomplishment. ([GAO/GGD-00-110R](#))

**3.54.C. Contributing to the Tax Reform Debate:** We issued several products in fiscal year 2005 that looked at the cost, complexity, and fairness of our tax system. For example, two products focused on a major contributor to these costs, tax expenditures. One looked at tax expenditures as a whole, noting their growth and lack of oversight compared to federal spending. The other found that the rules governing the tax expenditures for higher education are complex and taxpayers often make decisions counter to their own financial interest. We also reviewed the literature on the costs of the current tax system—economic efficiency and compliance costs beyond the taxes actually paid—and reported that estimates of compliance burden range from 1.0 to 1.5 percent of Gross Domestic Product, while estimates of the economic efficiency losses are on the order of 2 to 5 percentage points of Gross Domestic Product. Complexity also breeds noncompliance. As we reported, IRS estimates that the tax gap is over a quarter of a trillion dollars. Lack of confidence in the current tax system is driving proposals for reform. We also issued a special publication providing background on revenue needs, the criteria for a good tax system, and key questions to help policymakers and the public make up their own minds on tax reform proposals. ([GAO-05-527T](#), [GAO-05-684](#), [GAO-05-690](#), [GAO-05-753](#), [GAO-05-878](#), and [GAO-05-1009SP](#))

**3.55.C. Analyzing the Federal Government's Long-term Fiscal Imbalance:** We continue to provide updated analyses of our nation's large and growing long-term fiscal challenge and the risks it poses to our future. Simply put, our nation's fiscal policy is on an unsustainable course. Absent substantive policy change, a growing imbalance between expected federal spending and tax revenue will lead to escalating and ultimately unsustainable federal deficits and debt. We hosted a forum in December 2004 to identify ways to broaden public understanding and dialogue so that action could be more likely, more informed, and more immediate. Taken together, our efforts have helped foster collaborations between groups and individuals across the political and policy spectrum aiming at increased public understanding of the nature, magnitude, and potential consequences of the long-term fiscal challenge. (GAO-05-282SP)

**3.56.C. Conducting the First GAO Appropriations Law Forum:** We held our first Appropriations Law Forum on March 10, 2005, to highlight the more relevant federal appropriations law topics from the year as well as provide members of the community an opportunity to discuss appropriations law issues and to meet other appropriations counsel. Over 100 attorneys from government agencies participated in the forum, which focused on the Congress's power of the purse, with sessions that included an overview of significant decisions issued in 2004, a discussion of interagency transactions, and an overview of the availability of appropriated funds to purchase food. Material from the forum was subsequently posted on our Web site and is routinely used by federal appropriations law practitioners. (Based on a forum)

**3.57.C. Achieving the First Annual Update of the Red Book:** In March 2005, we published the first annual update of the third edition of volume I of *Principles of Federal Appropriations Law* (known as the Red Book) to improve its value as a timely, exemplary resource for understanding federal appropriations law matters. The update presented a cumulative supplement to the published third edition text that includes all relevant decisions from January 1 to December 31, 2004. It was posted electronically on our Web site and contains links to all cited our decisions. The update has served as an invaluable new reference tool for the entire federal government and has been welcomed by the federal

procurement community, composed of hundreds of attorneys and even more practitioners, as an extremely helpful publication. (GAO-05-354SP)

**3.58.C. Amending the Antideficiency Act to Include GAO:** We drafted legislative language amending the Antideficiency Act to require the heads of executive agencies and the Mayor of the District of Columbia to transmit to the Comptroller General copies of reports of violations at the same time violations are reported to the Congress and the President. Our provision was inserted into the Consolidated Appropriations Act 2005. We also drafted report language for the Senate report, which instructs us to establish a central repository of Antideficiency Act reports and states that the Comptroller General will track all Antideficiency Act reports, including responses to Comptroller General legal decisions and opinions and findings in audit reports and financial statement reviews. (Based on legal assistance)

**3.59.C. Increasing the Oversight of the Vehicle Donations Program:** The American Jobs Creation Act of 2004 included a provision limiting the amount that a taxpayer can claim for a donated motor vehicle, boat, or plane to the gross proceeds received from the sale when the value exceeds \$500 and the item is sold by the charitable organization. Prior to this law, IRS's guidance instructed taxpayers donating vehicles to charities to establish the value of a donation based on its fair market value. Our November 2003 report on charitable vehicle donations stated that the proceeds received by charities from vehicle donations were 5 percent or less of the value donors claimed as a deduction on their tax returns. We consulted with congressional staff on a legislative proposal to address the problem by allowing taxpayers to only take a tax deduction for the selling price of the donated vehicle instead of the fair market value. As a direct result of our report, a bill was introduced in the Congress that included a revenue raiser to address the vehicle donations problem, and this revenue raiser was ultimately included in the American Jobs Creation Act. (GAO-04-73)

**3.60.C. Advancing Accountability with the First Financial Audit of SEC:** We conducted the first-ever audit of SEC for the fiscal year ended 2004. SEC plays a prominent and critically important role in overseeing the U.S. securities markets and in

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enforcing accountability for corporations whose securities are traded in those markets. Completion of the first financial statement audit of SEC represented a significant advance in the commission's accountability to the public. SEC earned an unqualified, or clean, opinion on its financial statements, meaning that we found that its financial statements and accompanying notes are presented fairly in all material respects and in conformity with generally accepted accounting principles. We also found that in preparing its first complete set of financial statements, SEC had made significant progress in building a financial reporting structure. Nevertheless, we found that SEC had material weaknesses in internal

control over financial statements and disclosures, recording and reporting disgorgements and civil penalties, and information security, and therefore we issued an adverse opinion on internal control. In congressional testimony, the Comptroller General said that SEC must lead by example in internal control. He said that a higher standard of accountability is important to SEC as a government regulator and to the success of its programs, activities, and leadership in the business community. SEC agreed with the majority of our recommendations and has taken steps to address the weaknesses we found. ([GAO-05-244](#), [GAO-05-693R](#), and [GAO-05-880T](#))

## 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.

### *Continuously improve client and customer satisfaction and stakeholder relationships*

**4.1.C. Strengthening Communication with our Congressional Clients:** To provide new members of the Congress and their staff with information about GAO and our working relationship with the Congress and to obtain information on client needs, the Comptroller General and the Congressional Relations staff met with new members and their staffs and have continued to meet and seek feedback from other committee members and staff who have been long-standing clients of GAO. We also sought to further improve our products, processes, and services by routinely providing feedback from our Web-based client survey to our managing directors who direct engagements supporting goals 1, 2, and 3. (Based on internal activities)

**4.2.C. Measuring Congressional Satisfaction with Our Work:** We collect feedback on our products (all testimonies and high interest and higher cost written products) from every congressional committee, expanding our coverage from our two oversight committees. We received 96 percent favorable responses to our client feedback survey for fiscal year 2005. Feedback on the nature of the comments has been provided to our managing directors, and our training now incorporates some of the most frequently received feedback. (Based on internal activities)

**4.3.C. Developing Options for Electronic Dissemination:** As part of our ongoing pilot project to test the feasibility of producing and disseminating GAO reports in an electronic format, we provided over 70 products to various congressional

requesters in an electronic format rather than generating hard copy reports. Electronic reports allow our clients to search and excerpt text more easily and to follow Web links for further information. Client feedback on our electronic dissemination process has been positive, and we plan to make the use of electronic products routine. As part of another effort, we modified processes for our electronic supplements, which are electronic copies of the complete results of Web-based surveys that were conducted in conjunction with our work and are posted on our Web site. Specifically, we modified the software program that generates these supplements and simplified the process for creating and posting them. As a result, paperwork requirements involved in requesting a product number are reduced for our staff, staff can view all features of the supplement before it is posted on the Internet, clients and other readers can more easily navigate within the electronic supplement, and the product is more readily identified as a GAO product. (Based on internal activities)

**4.4.C. Assessing Internal Customer Satisfaction with Our Services and Processes:** In fiscal year 2004, we launched the Chief Administrative Office (CAO) customer satisfaction survey and established baselines for key performance indicators. Based on an analysis of the gap between customer expectations and satisfaction with services provided, we established targets for improvement for the most important CAO areas, and CAO units developed and implemented a number of improvement efforts. We conducted the second customer satisfaction survey in November 2004 to measure the impact of our improvement efforts, refine our targets, and make necessary adjustments to reduce the gap between customer expectations and the satisfaction with services provided. The fol-

lowing are examples of the improvements we made. To improve communications, we implemented a new system for disseminating and storing agencywide communications and notices; a new administrative services Web site (the GAO Administrative Gateway) to provide information about our administrative services in a more customer-focused and user-friendly format, including direct links to CAO unit Web sites; and a searchable administrative services directory. We also addressed two major IT pain points identified in the survey: (1) we replaced the software that allowed secure network access in conference rooms but resulted in considerable network slowness and response times for users with one that enhances security while providing simple, direct, and stable access to the network, reducing customer frustration and the number of help desk calls, and (2) we procured new network printers with greater paper capacity, finishing capabilities, and print speed to replace an aging fleet of printers that were prone to breakdowns and were inconveniently located for staff. (Based on internal activities)

**4.5.C. Assessing GAO Staff Views on Overall Operations and the Work Environment:** We launched our fifth employee feedback survey in May 2005, a confidential survey conducted online that provides an opportunity for our employees to provide their views on GAO's work environment. The results are used to assess employees' satisfaction with GAO and are analyzed to compile the people measures that are discussed in parts I and II of this report. Eighty percent of our employees completed the survey, and the overall results were very positive with improvement recorded in every people measure. Our scores averaged 8.5 percent higher than the latest OPM governmentwide survey and 5.25 percent higher than the latest private industry survey. This year we also added questions to assess employees' satisfaction with GAO. The results of the responses to these questions were used by the Partnership for Public Service to determine our standing in the annual Best Places to Work in the Federal Government rankings. In September, we received an award from the Partnership for Public Service for our fourth place ranking. (Based on internal activities)

**4.6.C. Strengthening Relationships with Our Stakeholders and Increasing the Accessibility of Our Products:** We developed and issued international protocols to strengthen our relationships with our stakeholders in the international community. We released the draft protocols for a 1-year pilot in October 2005 and plan to issue the final version in early fiscal year 2006. We also continued work on our agency protocols, which provide clearly defined and transparent policies and practices on how we interact with the executive branch agencies in performing our work. Since we began pilot-testing the protocols in December 2002, we have been monitoring their application. During that time we have received comments indicating that the protocols (1) help to ensure a consistent and unified GAO approach throughout the federal government and (2) could benefit, in some areas, from additional clarification. In response to these comments, we revised the protocols in October 2004 to clarify our relationship with the agencies where we perform work and our methods of communicating and exchanging information with them. Where applicable, we also revised the protocols to reflect the updated congressional protocols that were issued July 16, 2004. The international peer review team that independently assessed the effectiveness of our quality assurance system for conducting performance audits cited GAO's agency protocols in its April 2005 report as a good practice that will be of interest to other national audit offices. (Based on internal activities)

**4.7.C. Achieving External Recognition:** We won an American Graphic Design Award for excellence in communication and design for our publication *About GAO*, a brochure that provides an overview of GAO and its history, mission, and key performance statistics. Fewer than 10 percent of the approximately 10,000 entries from advertising agencies, graphic design firms, corporate creative departments, and publishers were selected for an award by a panel of judges from the design and publishing fields. In addition, one of our systems—the Electronic Assistance Guide for Leading Engagements, which brings together in one place on the intranet everything our staff members need to carry out an engagement—was selected by the E-Gov Institute from among 120 entries as one of 14 government IT applications to receive its Pioneer Award. This award recognizes government organizations that have illustrated results-oriented government during

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the past year. Finally, our Chief Information Officer was recognized as one of the 10 recipients of *Government Computer News*' government IT leadership awards for "demonstrating the essential qualities of leadership." (Based on internal activities)

## *Lead strategically to achieve enhanced results*

**4.8.C. Integrating Planning, Budgeting, and Performance Measurement:** We continued our efforts to integrate our planning, budgeting, and measurement process to ensure a logical, timely, and accurate progression of information from one activity to the next during the fiscal year process while avoiding duplication of effort in information gathering and report preparation. For example, we aligned the contents of and time frames for the performance plan, performance and accountability report, and budget with our new 3-year strategic planning process. We also established a matrixed team to document the entities and activities associated with the workforce plan, budget, and human capital to help ensure integration of the time frames and content of planning and performance measurement. To improve performance measurement, we continued to refine our measures by dropping the measure that counted the number of recommendations we made in our reports annually and introducing two new measures related to our internal operations. Beginning in fiscal year 2006, these internal operations measures will help us track our ability to provide useful administrative services that help staff perform their jobs and contribute to the quality of their work lives. We also continued to explore ways to assess our performance in creating and sustaining partnerships with external organizations and entities. (Based on internal activities)

**4.9.C. Improving Our Strategic and Budget Planning Processes:** As part of our planning activities for the fiscal year 2005 performance and accountability report, we incorporated lessons learned from the successful issuance of our fiscal year 2004 performance and accountability report on November 15. We accelerated issuance of this report from January 31 to November 15 to comply with OMB guidelines and the spirit of the Government Performance and Results Act. We also modified the format and revised some text in the fiscal year 2004 and 2005 performance and accountability

reports to address suggestions and recommendations from external reviewers, such as the Association for Government Accountants, and the Mercatus Center. For the fourth year in a row, the Association of Government Accountants awarded our performance and accountability report the Certificate of Excellence in Accountability Reporting. We also implemented changes to our budget and resource planning process designed to improve the efficiency of the process and ensure increased integration among IT investments, budget, procurement, and workforce planning. The revised process will help ease customers' administrative burden, provide greater consistency among the resource planning components, and provide a more comprehensive assessment of our resource needs. (Based on internal activities)

**4.10.C. Strengthening Our Strategic Human Capital Management:** Based on feedback from our customer satisfaction survey, our Human Capital Office was realigned in June 2005 to consolidate services under four centers of excellence: the Talent Acquisition and Human Capital Consulting Center, the Learning Center, the Performance and Pay Management Center, and the Human Capital Strategic and Operations Center. This consolidation enables us to improve our customer focus and our understanding of our customer needs. In addition, the realignment has helped to clarify lines of delegated authorities, standardized guidance across the Human Capital Office, and allowed us to dedicate more of our resources to direct customer support. (Based on internal activities)

**4.11.C. Retaining and Attracting Staff:** To more effectively anticipate and secure an adequate supply of talent for current and future needs, we have improved our recruitment strategy by redefining the student employment program to include both graduate and undergraduate career experiences during the fall and spring as well as the summer and increasing the use of short-term and time-limited appointments and direct-hire authorities. Our fiscal year 2006 recruitment strategy, developed this year and recently approved by our Executive Committee, includes year-round internships; implementing cooperative education agreements with five local universities; implementing governmentwide flexibility for noncompetitive appointments into the Professional Development Program; and using targeted recruiting for special skill sets, hard-to-fill positions,

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and diversity recruiting. We also launched a pilot program that offers employment to a limited number of undergraduate cooperative education program participants in September 2005. (Based on internal activities)

**4.12.C. Refining Performance Management:**

We enhanced and improved our communications with managers and staff in fiscal year 2005 through implementation of a number of initiatives such as providing an organizational and performance consulting service to address organizational needs of our managers; issuing a report to our managing directors and the Employee Advisory Council that evaluates the performance management assessment cycle with recommendations for improvement; redesigning the performance management Web site to improve its user-friendliness; providing direct links to performance Web site information in GAO notices, e-mails, policy documents, and other forms of communication to staff; and developing an e-learning course—Roles and Responsibilities of the Designated Performance Manager—that provides our managers and supervisors with timely access to the information on our performance management process and their responsibilities. We also made specific improvements to the analysts, specialists, and investigators performance management system, including shortening the processing time for appraisals, pay, and promotion decisions; distinguishing feedback on performance from feedback on pay and promotion potential; and reducing the amount of paperwork required. (Based on internal activities)

**4.13.C. Enhancing Our Classification and Compensation Systems:**

We continued to enhance our performance management and compensation systems through new and enhanced policies and processes. We revised the process for determining performance-based compensation so that the compensation is more directly linked to an individual's performance, as reflected on the appraisal. In addition, our administrative and professional support staff completed their first year under a broadband pay system and a competency-based performance system in June 2005. To ensure that these staff understood the new process, as well as to foster staff acceptance, we employed an aggressive communication strategy that included meetings with staff, as well as Web-based guides and questions and answers. We also sought to

strengthen our compensation system. To design a competitive, fair, and equitable compensation program aligned with competitive labor markets in which we compete for talent, we worked with a consulting firm to perform a market-based compensation study. Based on the results of the study, we have invested significantly in restructuring our analyst and analyst-related specialist Band II pay band into two pay levels to better align compensation and responsibilities. Other improvements we have implemented to ensure our managers' needs for support and guidance concerning their responsibilities in the performance management process are met include establishing an organizational and performance consulting service, developing an e-learning course on designated performance managers' roles and responsibilities, developing and issuing a report for managers and our Employee Advisory Council evaluating the performance management assessment cycle with recommendations for improvements, and improving the accuracy and user-friendliness of our performance management Web site. (Based on internal activities)

**4.14.C. Enhancing Opportunities for Training:**

We designed 13 new competency-building courses that focused on expanding the professional skills of auditors, assisting supervisors in providing oversight to the engagement process, and equipping designated performance managers to develop assigned staff. As a result, our staff have an opportunity to improve the quality of our writing, our methodological analysis, and our ability to identify appropriate developmental activities for continued professional growth. To further strengthen our definition of effective leadership and provide new leaders with an opportunity for peer-to-peer mentoring and problem solving, we have established a community of practice consisting of analysts-in-charge who graduated from a course on supervision. This community of practice meets regularly to discuss best practices; challenges facing new analysts in charge; techniques for motivating, directing, and coaching staff; how to effectively use and contribute to our performance management system; and tools to improve performance. We also implemented an adjunct faculty program, certifying line auditors as adjunct faculty. This program enlarges the number of subject matter experts available to develop content for new courses, expands the range of courses available for more experienced staff, and meets the needs of both headquarters and

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field staff. To deliver required core curricula to Band I analyst staff in the field offices in the most cost-effective manner, we developed and implemented a hub approach whereby we deliver courses that have been grouped into five sets of week-long sessions at three learning hubs (San Francisco, Denver, and Atlanta). This decision was based on our analysis that showed it would cost twice as much to centralize Band I program delivery in headquarters as it would to distribute and realign programs among the three learning hubs. This represents a cost avoidance of \$500,000 in travel and per diem and offers a number of intangible benefits, such as networking among and across teams, a sustained focus on learning, larger classes that make more effective use of adjunct faculty time, and the opportunity to strengthen matrixed work relationships through shared learning experiences. (Based on internal activities)

#### **4.15.C. Providing Online Job Aids and Support**

**Tools:** To increase our ability to provide courses, job aids, or performance support tools to our staff online, in December 2004 we implemented an upgraded learning content management system. The upgraded system makes this learning content available on demand, anytime, anywhere, for our staff. It also provides the ability to identify core, required curricula for designated staff; track completion of the courses; capture information on completion of commercially licensed professional development courseware and simulations into our training information system; generate management, utilization, and course completion reports; and effectively launch e-learning developed in GAO directly to the learner's desktop. To bring equity to learning opportunities for both analyst and mission support staff, we organized information about the over 1,900 professional development courses deployed to our desktops last fiscal year as well as other centrally taught, instructor-led classes into online learning resource guides for administrative professional and support staff. The resource guides, which parallel the design for analyst staff, organize learning opportunities by competency, suggest job developmental activities, and lay out practical learning tracks for staff and their supervisors to use in creating individual development plans for professional growth. (Based on internal activities)

#### **4.16.C. Ensuring Exemplary Practices and Systems in Our Fiscal Operations:**

Our fiscal year 2005 financial statements were prepared, and the audit was completed with a clean opinion within 45 days after the end of the fiscal year. This quick turnaround allowed the statements and auditor's report to be included in the performance and accountability report in the time frame mandated by OMB. Based on a fiscal year 2004 financial statement audit recommendation by our independent external auditors, we have developed an Anti-Fraud Program within GAO. Key elements of the program will include creation of an Anti-Fraud Web site and employee awareness training. Employees will be able to report significant instances of fraud, waste, and abuse in our operations anonymously and without fear of retaliation to the Anti-Fraud Web site, which will be overseen by our IG. Fraud awareness training modules will be included in our internal ethics training and the Web-based computer security awareness training that staff must take annually. Finally, in anticipation of a focused effort in fiscal year 2006 to replace our current financial management system, we established a steering committee, a management team, and a project team to analyze agency requirements and select the replacement system. (Based on internal activities)

#### **4.17.C. Strengthening IT Governance Practices and Processes:**

In fiscal year 2005, we took actions related to two surveys of our IT organization. The first survey reviewed how we compared with peer organizations of similar technical complexity, size, and workload in terms of costs. While the overall results were positive and showed that we are very competitive with our peers, there were two areas identified for potential cost reductions—desktop hardware and voice communications. In replacing our installed base of notebook computers by the close of fiscal year 2005, we have achieved some of these cost reductions. And we have an effort under way to contract for a voice communications system, which will yield additional financial benefits and reduce the number of support staff required for voice communications, bringing us within the competitive range for like organizations. The second survey assessed the skills of our IT staff in business and IT technical areas and evaluated how well we are positioned in workforce planning compared to peer organizations. Based on the survey results, we identified our skill strengths and weaknesses, training needs, and current and future

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workforce gaps and initiated an action plan to address the identified skill gaps and ensure workforce continuity and talent management. (Based on internal activities)

## *Leverage GAO's institutional knowledge and experience*

### **4.18.C. Maximizing the Collection, Use, and Retention of Essential Organizational**

**Knowledge:** As a knowledge-based professional services organization, it is important that we identify and implement strategies to increase organizational knowledge retention and transfer. We began a pilot of an electronic records management system, which we plan to implement in fiscal year 2006, that will capture our records—such as our workpapers, reports, and testimonies—and make them accessible electronically to all GAO staff. We plan to implement the final version of this system in fiscal year 2006. We have also made more types of organizational information accessible by beginning to digitize certain document collections—such as the legislative histories and the General Counsel's files that document legal research—and identifying GAO data sets, databases, and data models to make them available as well. We are currently assessing the policy and cultural implications of making all GAO records available to all GAO staff. In addition, we established a working group of employees from different parts of the agency to explore ways we could improve our reporting. These efforts may include creating new product types, revising our existing reporting format, or using other communication modes. Key members of this group also began to develop short- and long-term communications standards for various media to guide the presentation of all of our publications. (Based on internal activities)

### **4.19.C. Increasing Our Knowledge-Sharing**

**Capability:** The Human Capital Reform Act of 2004 granted authority for an executive exchange program with private sector organizations. This year, we finalized our policy for an executive exchange program and received Executive Committee approval for the forms, templates, and brochures we developed to be used in the program. This program will further the institutional interests of GAO and the Congress by providing training and skill development opportunities for our employees

as well as obtaining the expertise of selected private sector employees. In fiscal year 2005, we also implemented several changes to improve customer satisfaction with our external Web site, including integration of our products database with a search engine that provides more relevant and targeted results for customers using our search utility and links to both primary and related GAO products, an enhanced presentation of search results, enhanced capabilities for narrowing a full-text search, updated content on several pages, and making more site visitors eligible for the satisfaction survey through expansion of the survey throughout the site and using a version of the survey that works with pop-up blockers and additional browser types. Overall, customer satisfaction with the site, as measured by the American Customer Satisfaction Index, increased six points from June 2004 to September 2005. We also initiated development of Web-based just-in-time training for many of our Web-based library databases. These databases will have instantly available step-by-step instructions that are only a click away on all GAO desktops. Finally, as part of continuing efforts to support operations, we have developed standards to aid analysts in conducting their research. These standards are available on the Knowledge Services and Information Services Web sites as well as in the Electronic Assistance Guide for Leading Engagements. To accompany the standards, we included a formatted checklist that analysts can use as a tool in performing literature searches. (Based on internal activities)

### **4.20.C. Enhancing Knowledge Sharing with Other National Accountability and Professional Organizations:**

We convened a number of forums, symposia, and other meetings to provide opportunities for an exchange of knowledge between accountability and professional organizations, experts, and stakeholders within the United States. For example, we held Comptroller General forums that covered topics such as long-term fiscal challenges and defined benefit pension plans. In addition, our speakers' series, called Conversations on 21st Century Challenges, brought five distinguished leaders to speak to our staff on issues affecting the United States and its place in the world. Nationally, our continued participation in the Domestic Working Group—a group of federal, state, and local auditors that meets to discuss mutual challenges—on efforts such as access to records, governance, long-term fiscal challenges,

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and grants management facilitated collaboration between GAO teams and state auditors on 14 issues. The Partnership for Public Service and the National Association of State Auditors, Controllers, and Treasurers assisted us on a number of engagements and helped to facilitate our access to state and local auditors on engagements relating to improper payments. Through the National Intergovernmental Audit Forum, we convened 21 regional forum meetings to update federal, state, and local auditors on changes to professional audit standards, the implications of Sarbanes-Oxley for the audit profession, and other key issues affecting the audit community. In addition, we helped organize and develop briefings on program evaluation for OMB examiners in response to concerns about how they were assessing agency program evaluations with PART. As a result, these examiners should be able to more realistically judge the quality of the evaluation evidence presented to them and communicate more clearly to agency staff what evaluation information they need. (Based on internal activities)

**4.21.C. Enhancing Knowledge Sharing with International Accountability and Professional Organizations:** Internationally, we continued to provide leadership in the implementation of INTOSAI's first strategic plan by having the Comptroller General serve as the Vice-Chair of the Governing Board's newly created Finance and Administration Committee and as board liaison for the strategic plan's capacity building goal. He also chairs INTOSAI's Accounting and Reporting Committee and several GAO employees are active members of the Auditing Standards, Internal Control Standards, Information Technology, Public Debt, and other technical committees. This year, we played a major role in developing international internal control standards that were adopted at the INTOSAI Congress. To help ensure that U.S. public sector perspectives are reflected in the International Federation of Accountants' standards development project, we are collaborating closely with the International Auditing and Assurance Standards Board and the World Bank. We also expanded our global network and reputation by promoting education and knowledge sharing through the International Auditor Fellowship Program and the Visitor Program in which 20 fellows from Africa, Asia, Latin America, the Caribbean, and Eastern Europe participated. We received about 600 visitors from 63 countries, including officials from our counterpart

organizations, parliaments, and central government ministries. We also initiated the Auditors General Speaker Series that provides unique international perspectives and insights in support of our work. Speakers in this series included the auditors general of South Korea, China, Saudi Arabia, and Ireland. (Based on internal activities)

## *Continuously enhance GAO's business and management processes*

**4.22.C. Improving Engagement Support Services:** In fiscal year 2005, we improved engagement support services through various efforts. For example, we streamlined and simplified the Audit Documentation Set as part of the final phase of the document's pilot test, which was launched in January 2004. The Audit Documentation Set helps to ensure that our engagements are consistent with the generally accepted government auditing standards and our Quality Assurance Framework and that our work and engagement-related decisions have been systematically documented. After revising the January 2004 document based on extensive comments from analyst staff, we solicited comments from staff again in May 2005 and issued the final version of the Audit Documentation Set in July 2005. The new version should require less time to complete because it eliminated duplicate requirements and no longer requires documentation of steps where not applicable responses are self-evident. In a separate effort, we implemented two changes to improve the efficiency of the report production process and enhance customer service in response to comments we received through internal surveys. Specifically, we reduced the number of Product Assistance Groups—which provide services such as graphics design, editing and writing assistance, and report production—from four to three and realigned the teams and offices that they serve. In addition, we placed a full-time manager in charge of outside printing and graphics procurement, which has become more important since the elimination of our in-house printing capacity in fiscal year 2004. These changes will allow us to continue to support product development more efficiently and economically. (Based on internal activities)

**4.23.C. Obtaining a Clean Opinion on Our Performance Audit Practice:** We obtained a clean opinion on our performance audit practice from an international team of experienced auditors—the first time that we have sought such an opinion. The independent reviewers concluded that we have designed and implemented an effective system of quality controls to provide reasonable assurance of complying with generally accepted government auditing standards, which are designed to ensure that audits of government activities are objective, independent, and reliable. This opinion validated that the Congress and the American people can rely on our work and products. (Based on internal activities)

**4.24.C. Improving Staff Assignments:** Throughout the fiscal year, we rolled out first a prototype and then a pilot of our staffing information system, which is intended to integrate staffing data from related but disparate systems, reduce staff time spent researching staffing and engagement data, and enable better staffing decisions by identifying staff skills and availability early in the job process. The system should provide more visibility to current and future engagement staffing needs and a uniform means for staff to express future assignment preferences and short-term availability. Having a common system will also support the engagement staffing process across all GAO teams and maximize the use of staff by facilitating their assignment to multiple activities (multitasking) and sharing of staff expertise across teams (matrixes). (Based on internal activities)

**4.25.C. Initiating Process Improvement:** We identified two areas—travel and accounts payable—for alternative sourcing in order to aid our financial management office in achieving its vision of shifting the efforts of our staff away from routine transaction processing and toward a greater role in policy, guidance development, reporting, and oversight. We selected a service provider to perform routine data entry functions, and we have transferred post-travel audits of travel documents to field office staff, resulting in increased efficiency and productivity of our workforce. To improve our IT operations, we used a competency diagnostic tool provided through the Chief Information Officer Executive Board—an organization that provides strategic, case-study-based research to senior IT executives—to examine the organization of our IT operations

from the perspective of our Information Systems and Technology Services staff. The tool focuses on eight core areas of IT management—governance, performance measurement, security, infrastructure, applications, vendor management, talent management, and business enablement. Analysis of the results by the Executive Board included benchmarking our organization against other public and private IT organizations and making recommendations for improvement, which included expanding the use of the diagnostic tool to examine the organization of our IT operations from the perspective of all GAO customers. In addition, following the closing of our in-house print plant, the increase of electronic-only report issuances has resulted in both financial benefits and efficiency gains. Reports no longer need to be printed on a 24-hour schedule to meet issue dates, resulting in significant financial benefits and allowing the teams and the Product Assistance Groups additional time to produce higher quality reports. We set a ceiling of 200 for printed copies of products, resulting in printing cost reductions that will total an estimated \$189,000 over 2 years. (Based on internal activities)

**4.26.C. Using Enabling Technology to Improve Our Crosscutting Business Processes:** We completed several efforts in fiscal year 2005 to provide better efficiency in our business processes. We automated two processes—the awards nomination process and the posting of individualized pay—saving staff time. The automated awards nomination process also provides award nomination tracking and approval and payment status and automatically sends out status reports on the nomination via e-mail. We installed ceiling-mounted projectors in five meeting rooms in headquarters to allow staff to use the equipment without needing to reserve equipment or schedule support staff ahead of time. We also acquired and deployed a Web-based, user-friendly, cost-effective project management software package that allows our staff to view files received from other agencies that use that software. (Based on internal activities)

**4.27.C. Using Web-Based Technology to Improve or Replace Existing Systems:** We improved our customer service in several areas using Web-based technology. In response to customer requests for a more user-friendly interface, we upgraded our Web-based time and attendance system, which streamlined data entry so that time

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charges can be entered all on one screen, provided staff the ability to charge compensatory time while on travel, and enhanced the administrative functions to support the needs of our human capital staff. We also upgraded our automated competency-based performance system to include our administrative professional and support services staff during their first year under the new competency-based system and incorporate revised attorney competencies, new security requirements, new report features, enlarged font for improved readability, and online help and system feedback links. We improved our customer service for employees requesting GAO transportation to business meetings by providing a Web-based request system to take the place of the manual system used to collect information to schedule GAO vans and drivers. This new system allows users a more dependable way to submit requests and allows property management staff to make better-informed decisions when scheduling vans and drivers. In addition, we redesigned the Web-based phone book, making it more user-friendly, including additional information and mail and location links, and improving its search capabilities. Finally, we deployed a major enhancement to our Web-based employee locator system to enable easy location of our employees when they are on official business travel overseas. (Based on internal activities)

## *Become a professional services employer of choice*

**4.28.C. Promoting an Environment That Is Fair and Unbiased and Values Opportunity and Inclusiveness:** The Office of Opportunity and Inclusiveness (OOI) made recommendations concerning proposed agency policy on reasonable accommodations and corresponding guidance. As a result, we developed a defined program for reasonable accommodation to (1) ensure a systematic approach to providing a safe and efficient workplace for staff members who have disabilities as defined by the Americans with Disabilities Act and (2) enhance the role of the reasonable accommodations coordinator as a central contact person who follows the accommodation process from the point of request through implementation. At the request of the Comptroller General, OOI drafted several recommendations addressing recent trends noted in

our 2004 annual assessment data and concerns in the areas of staff feedback, communication, and training. These recommendations were discussed with a cross section of employee groups and forwarded with comments to the Executive Committee, which approved the recommendations. As a result, OOI set up a task force to determine how best to implement the recommendations. OOI also addressed the issue of sexual harassment in the workplace, conducting a number of workshops at the request of team managers. These workshops served to emphasize the agency's zero tolerance posture concerning sexual harassment. (Based on internal activities)

**4.29.C. Promoting Diversity:** To help ensure that we attract a diverse pool of applicants for our vacant positions, we expanded our equal employment opportunity hiring statement in our vacancy announcements to specify the basis for our hiring selections, and we began providing a contact person and number for applicants who need a reasonable accommodation for the application process. To help retain talent we acquired through the summer internship program, the OOI Managing Director met with our 2005 summer interns to discuss his office's role and to provide guidance on important steps that interns can take to enhance their chances for successful conversion to permanent GAO employment. To increase retention of our Professional Development Program employees, the OOI Managing Director met with their advisors to discuss the importance of ensuring that all program participants are provided appropriate training opportunities as well as the opportunity to demonstrate their abilities in all performance competencies. In addition, OOI provided several presentations during the fiscal year aimed at providing staff with information and reinforcing the agency's position on diversity and promoting a fair and unbiased work environment, including a panel discussion on diversity in the workforce; a presentation to new Band II analysts on the importance of promoting an environment that is fair and unbiased and that values opportunity and inclusiveness for all staff; and a presentation to Senior Executive Service employees on leading practices for maintaining diversity, focusing on top leadership commitment and ways in which officials can communicate that commitment. Our Asian American Liaison Group also continued to actively promote diversity and provide opportunities for GAO staff professional development. This

group actively coordinates with the Human Capital Office to define and meet transparent recruiting goals and is spearheading creation of a committee to aid the Human Capital Office in increasing and targeting diversity recruitment in the most fair and efficient manner and improving overall diversity yield. To provide professional development opportunities, the group hosted external speakers such as the U.S. Postal Service's Vice President of Diversity Development, an expert from the American Association of Retired Persons, and a panel featuring four Asian American congressional staff. In addition, the group and the Human Capital Office cosponsored a self-assessment workshop to provide practical tools for GAO employees to use to highlight their accomplishments, addressing cultural and other sensitivities that may affect one's ability to do so effectively. (Based on internal activities)

**4.30.C. Upgrading Tools and Technology:** We completed a number of major upgrades to our tools and technology in fiscal year 2005, such as replacing outdated phone systems and equipment in the Chicago, Denver, Los Angeles, Seattle, and Dallas Field Offices to increase reliability and stability of the systems; replacement of older servers with up-to-date, bigger, and faster equipment; upgrading our server software, making it easier to patch and update and providing easier server administration and improved security; replacing existing copiers and multifunction machines with modern, more reliable units to reduce downtime for customers and standardize our printing hardware platform; installing updated desktop and office productivity software on our notebook computers, resulting in a single notebook platform that reduces maintenance costs; providing remote access software that is more reliable, is more secure, and provides worldwide access for dial-in users, supplementing available digital subscriber line and cable access; and installing a major software upgrade on the new notebooks that provides better access to the most up-to-date hardware drivers, tools, security updates, patches, and customer-requested product changes, as well as better organization of e-mail. (Based on internal activities)

**4.31.C. Providing a World-Class Working Environment:** We completed all physical relocations of staff related to our organizational realignment, enabling more efficient function of organizations through proximity of staff requiring

close interaction. We also awarded a new 5-year contract for cafeteria services, providing reasonably priced, quality meals for our employees. In the area of IT, we significantly enhanced the reliability and availability of access to the Internet by obtaining a redundant Internet connection that provides two paths to the Internet and ensures that users will have access to a fast Internet connection in the event that one connection fails or experiences slowness. In response to user comments on the customer feedback survey, we provided enhanced audio for videoconferences by making technical improvements. We upgraded our broadcast communications system that delivers live and prerecorded programs to our staff's desktops by replacing equipment, which increased capacity to meet growing demand by increasing storage capacity and improving the video file distribution process. We are now able to deliver live programs to all GAO desktops nationwide, replacing the use of video teleconferencing in the field offices. Finally, we upgraded our cable television service by moving to satellite television, which, among other things, will improve reception for televisions in managing directors' offices and the cafeteria and provide closed-circuit television programming capabilities. (Based on internal activities)

**4.32.C. Ensuring the Security of Our IT Systems:** We strengthened security through personal firewall software that prevents the download of viruses while staff are on travel or working from home and other software that helps identify and eliminate malicious programs. In addition, we improved network security by automatically activating the screensaver after a period of inactivity, removing several games that were preinstalled on our new notebook computers, and locking the GAO intranet page as the default home page to prevent spyware from hijacking the default home page and downloading more spyware. Based on the results of a third-party independent annual assessment conducted to ensure that our systems and network meet industry security standards, we created a plan of action and milestones to remediate vulnerabilities, bringing us into compliance with FISMA requirements. This ensures that risk assessments, the system security plan, information security program assessments, and operator authorizations are in place for all major systems and other systems as required and that we have developed and completed system test and evaluation reviews and certi-

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fications and accreditations as necessary. In conjunction with the upgrade to our time and attendance system, we implemented an integrated security approach that protects and validates transactions in our Web-based systems, ensuring that no changes have been made once a transaction is approved. While the function is transparent to the user, internal controls capability is significantly enhanced and it also addresses the need for digital signatures in a Web-based environment. We also continued installation of the Secret Internet Protocol Router Network in our field offices and completed the process in Seattle, Norfolk, Los Angeles, Huntsville, Denver, Dallas, and Atlanta. This network access allows our staff to obtain specific classified data directly from agency officials via secure e-mail, improves the 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 need to use certified mail for classified data. (Based on internal activities)

#### **4.33.C. Providing a Safe and Secure**

**Workplace:** To meet our goal of providing a safe and secure workplace for our employees, we implemented internal procedures and policies to enhance our security posture. For example, we conducted our first shelter in place drill for our headquarters staff, and developed and distributed shelter in place plans for the majority of our field offices; we further enhanced our communications with staff by developing and distributing an Emergency Preparedness Plan brochure; and we began requiring that contractors undergo a check conducted by our Security and Safety unit (through the Federal Bureau of Investigation's National Crime Information Center) and be fingerprinted, reducing the agency's security risk. We also improved the speed with which we can obtain the results of the Federal Bureau of Investigation's screening of fingerprints taken for security checks by procuring and installing an electronic fingerprint system. The system allows for instant transfer of information to the bureau and

reports immediately if prints are not acceptable. Our employees are also happier with this system as it is an inkless, paperless process. In the event that emergency relocation of staff in the headquarters building is required, we have provided additional network access for displaced teams by installing and activating additional local area network ports in some conference and training rooms, and have reactivated existing disconnected local area network ports in all remaining conference rooms in headquarters. We completed the perimeter security build out phase of our security plans, including installation of high-speed rollup doors, guard booths, undervehicle cameras, pop-up barriers, and a perimeter plinth wall. Finally, we completed a number of significant items in support of our Disaster Recovery Program. We completed the vision of the Disaster Recovery Program/Continuity of Operations, which was approved and signed by the Comptroller General and Chief Administrative Officer on May 31, 2005; developed video materials for Emergency Preparedness training for headquarters staff; and installed an emergency voice and text notification system on the network. (Based on internal activities)

#### **4.34.C. Enhancing Emergency Coordination:**

Externally, to increase our ability to obtain detailed intelligence and ensure coordination with the legislative branch in case of an emergency, we established contacts and procedures with local agencies, including establishment of emergency notification procedures with the Federal Bureau of Investigation's Joint Terrorism Task Force; enhancement of relocation procedures and relations with the U.S. Capitol Police, House Sergeant of Arms, and emergency preparedness offices; participation as a member of the Legislative Branch CAO Council on Continuity of Operations Plans; coordination of and participation in the Legislative Branch CAO Table Top Exercise; and completion of arrangements with the District of Columbia government to receive up-to-date emergency notifications. (Based on internal activities)

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## 2. From the Inspector General



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### Memorandum

**Date:** October 31, 2005  
**To:** Comptroller General  
**From:** Inspector General – Frances Garcia *Francis*  
**Subject:** Management Challenges

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

In addition, we reviewed all fiscal year 2005 accomplishment reports claiming financial benefits of \$500 million or more and found that GAO has a reasonable basis for claiming these benefits. We are reviewing and discussing with management the following performance measures: timeliness, nonfinancial benefits, financial benefits under \$500 million, and multiyear qualitative goals.

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### 3. *GAO's Report on Personnel Flexibilities*

The GAO Personnel Flexibilities Act of 2000 (Pub. L. No. 106-303) and the GAO Human Capital Reform Act of 2004 (Pub. L. No. 108-271) require us to provide a review of the actions we have taken in fiscal year 2005 under specific sections of these acts. This appendix details the activities we have undertaken separately for each act.

#### *GAO Personnel Flexibilities Act of 2000*

Several sections of this act were made permanent by the 2004 act; the actions taken related to these provisions are reported under the new act. Section 3 of the 2000 act amended our prior reduction-in-force procedures, added a new provision, and required us to report the effect of using this authority on preference eligibles such as disabled veterans. During fiscal year 2005, one GAO employee was separated using reduction-in-force procedures and that individual was not a preference eligible.

#### *GAO Human Capital Reform Act of 2004*

The first two sections of this act made permanent our authority to offer voluntary early retirement and voluntary separation incentive payments. We revised our regulations for offering voluntary early retirement on November 15, 2004. These regulations allow us to announce agencywide voluntary retirement opportunities with specific time frames and, under an exception provision, allow us to authorize early retirement for up to 5 employees in any organizational unit in any fiscal year without an agencywide announcement. During fiscal year 2005, a voluntary early retirement opportunity was offered from November 2 through December 16, 2004. Applicants were required to retire between December 31, 2004, and January 3, 2005. Of the 9 applications that were received, 7 were approved (all 7 applicants separated in the required time period) and 2 were denied. Under the exception

provision, there have been 12 applications for early retirement, of which 8 were approved (6 of these applicants separated in fiscal year 2005 and 2 will separate in fiscal year 2006), 2 were denied, and 2 are pending decision. This authority has been very helpful in reshaping our workforce by reducing the number of high-graded managers and replacing many of them with entry-level and midlevel hires who possess the skills and knowledge that will allow us to accomplish our mission and serve the needs of the Congress and the American people for many years to come.

The voluntary separation incentive provision requires us to make the payment out of current appropriations and to pay an additional amount into the retirement fund. In certain circumstance, these costs can be considerable and, given the many demands on our resources, present a strong financial incentive to use the provision sparingly, if at all. Thus, we anticipate little or no use of this authority. For this reason, as well as to avoid creating unrealistic employee expectations, we have not developed and issued regulations to implement this authority.

Section 3 of the act established a requirement that an employee must be performing at a satisfactory level in order to receive an annual pay adjustment and amended 31 U.S.C. 732(c), which required our employees' pay to be adjusted at the same time and to the same extent as the General Schedule, to authorize the Comptroller General to determine the amount of annual pay adjustments and described the factors to be considered in making those determinations. The Comptroller General's authority under section 3 is effective for increases on or after October 1, 2005. On January 4, 2005, we issued regulations addressing the satisfactory performance requirement for GAO's analysts and attorneys (employees covered by validated competency-based appraisal systems for at least one full appraisal cycle). The regulations provided for withholding annual increases from any employee whose performance on any competency was rated below expectations. These regulations will be revised to

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make this requirement applicable to all remaining employees prior to the January 2006 annual adjustment, at which time those employees will have completed one full appraisal cycle under the new competency-based appraisal system. We plan to issue regulations covering the determination of pay adjustments prior to January 2006—the first opportunity for the Comptroller General to exercise this authority.

Section 4 authorizes the Comptroller General to establish pay retention regulations applicable to employees who are placed in lower grades or bands as a result of workforce restructuring, reclassification, or other appropriate circumstances. Draft regulations are currently under review. We intend to complete the review and consultation process and implement the regulation prior to January 2006.

Section 6 authorizes GAO to provide increased annual leave to key employees. We posted draft regulations for employee comment on December 29, 2004. These regulations would permit designated key employees with less than 3 years of federal service to earn 6 hours of annual leave per pay period. GAO's Executive Committee is considering employee comments before finalizing the regulations and, due to the complicated nature of the many issues raised, we anticipate finalization of the regulations and implementation of this provision in early fiscal year 2006.

Section 7 authorized GAO to establish an Executive Exchange Program. After soliciting and analyzing employees' comments on draft regulations, we

issued the final regulations on May 20, 2005. We also developed draft forms, templates, and brochures to be used in implementing this program in fiscal year 2006.

Section 9 incorporated additional requirements for GAO's performance management system, all of which are addressed by our competency-based appraisal systems. Additionally, we conduct an annual review and assessment of our performance management policies and processes as part of ongoing continuous improvement.

Finally, section 10 requires us to consult with any interested groups or associations representing officers and employees of GAO when implementing changes brought about by this act. As evidenced in the narrative above, this is a practice that we have implemented for several years. Typically, in implementing changes such as those in this act, we consult with interested groups and associations within GAO, provide them with draft policies and regulations, and obtain input from them on suggested clarifications or changes to the policies and regulations. We carefully consider this input and incorporate it, when appropriate, before distributing policies and regulations for comment to all employees. We will continue this practice in implementing the changes relating to the act and have already taken steps to ensure that all GAO groups, associations, and employees are aware of the impending changes in the performance management system related to this act.

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## 4. GAO's Federal Information Security Management Act Efforts

Federal IT security management, policy, and procedures continue to evolve, and we have focused efforts on integrating these evolving policies and practices into our IT processes. During the past year, we stepped up efforts to improve our information security program, processes, and procedures, implementing key requirements set forth in FISMA provisions enacted under the E-Government Act of 2002, in National Institute of Standards and Technology 800 series guidance, and in *Federal Information Processing Standards Publication 199*. While we are not obligated by law to comply with FISMA, we have adopted FISMA requirements to help ensure that we establish an effective information security program and to fulfill our goal of being a model federal agency.

We have instituted a wide range of programs and processes to assess, on a recurring basis, the status of our information security program, including the results of internal reviews by program offices and security staff. Consistent with FISMA requirements, our IG independently evaluated our information security program during fiscal year 2005. The IG commented on our progress in correcting identified weaknesses and implementing FISMA requirements and offered additional recommendations to further strengthen our IT security program. We also follow the standard practice of using a public accounting firm, as well as other external sources, to provide independent external evaluations and testings of IT controls on our major applications. Results of these reviews and evaluations, to date, have identified no material weaknesses in our major applications. In addition, we have substantially elevated information systems security consciousness at GAO by putting into practice requirements consistent with FISMA through our efforts to

- implement an enterprisewide risk-based security program;

- develop 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 investment control process; and
- implement an enterprise disaster recovery solution.

We have defined security initiatives that have pointed to the need for changes in our existing technology infrastructure, as well as new security tools and appliances. During fiscal year 2005, we undertook a number of projects that have significantly improved our information security program. Among these projects are the following:

- **Certification and accreditation methodology.** We have revised the IT policy and procedures on certification and accreditation of our information systems. This policy establishes the foundation for our requirement to certify and accredit information systems that we supported. In addition, the methodology identifies activities, documentation, and the timeliness necessary to provide a complete risk assessment.
- **Certification and accreditation of the General Support System and major applications.** We have completed revision of documentation for the certification and accreditation of our information systems, which includes the General Support System (our network) and four major applications. An update to existing risk assessments, system security plans, *National Institute of Standards and Technology Special Publication 800-26* reviews, system tests and evaluations were accomplished to ensure the appropriate security controls had been

implemented, risk to GAO was validated, and system documentation included current approval by the designated approval authority.

- **Vulnerability assessment.** We have instituted a process consistent with the requirements cited in FISMA to scan the General Support System for vulnerabilities and potential areas that could be exploited. We integrated this process with our network operations to maintain up-to-date patched systems to ensure a stable network. Using a scanning software tool, each network device is scanned on a routine schedule to identify vulnerabilities that are remediable via patches and configuration changes in order to ensure secure services and system standardization and meet our network hardening guidelines.
- **Wireless network protocol implementation.** We have implemented the use of the Institute of Electrical and Electronics Engineers 802.1x protocol—which covers network access control and is used to provide authenticated network access—in our team and conference rooms, nationwide. This 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. The initial deployment of this technology was implemented in fiscal year 2005. This technology is also being examined for use beyond conference rooms in fiscal year 2006.
- **Centralized plan of actions and milestones.** Tracking the results of various audits of our information systems was previously accomplished separately, using the methodologies specific to each audit. By integrating these tracking methods into a single program, we were able to gain synergy in monitoring the risks and remediation efforts and improve security within our information systems.
- **Enterprise FISMA tool.** The procurement of an automated tool to enhance the security tracking and documentation of our information systems was completed in late 2005. This program will become our source for managing audit findings and remediation efforts, documenting annual assessments, and tracking certification and accreditation.
- **Enterprise event correlation application.** We procured an event correlation engine, in late fiscal year 2005, to assist with the monitoring of diverse network traffic that identifies potential threats to our network environment. The use of this tool will allow the effective use of limited resources to minimize risk to GAO while vigilantly monitoring network activities.
- **Classified processing upgrade.** In the past, our investigative mission work requiring electronic access to classified defense information had been limited to select sites with limited access. During fiscal year 2005, we expanded our Secret Internet Protocol Router Network connections to seven GAO field office sites, providing each site with a secure computing facility and new equipment. Rooms were outfitted with dedicated switches, routers, firewalls, intrusion detection devices, servers, and workstations. Installation at the remaining field locations is scheduled to occur in fiscal year 2006.
- **Enterprise anti-spyware.** We deployed an enterprise anti-spyware application as part of the standard desktop image. This application automatically monitors and remediates various types of intrusion and monitoring programs, such as adware and Trojan viruses, to prevent desktops from becoming infected with spyware. The implementation of this program has significantly reduced the amount of work required to reimage desktops due to spyware.
- **Enterprise Internet screening.** We piloted the implementation of an Internet screening tool that provides antivirus and anti-spyware protection to our Web-based activities. This package will provide added security for the Web and improve the overall security posture for GAO's information systems.
- **Security Program Plan.** We implemented a formalized Security Program Plan that provides the road map of activities for our Information Systems Security Group over the next few years to improve both the program and technical components of our network security. We also established a number of working groups to effectively support our security program. The IT Security Users Group meets monthly to share information about security-related activities, including policy, procedures, and guidance, on the network, while the Remediation Group meets

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monthly to provide input on activities related to the remediation of findings documented from audits and maintained in the centralized plan of actions and milestones.

- **FISMA Month.** We instituted a novel program that takes place each August and is called FISMA Month. Because FISMA reporting is key to our annual security assessment, implementing FISMA Month focuses staff on the time frames and review requirements and helps to ensure that the documentation of our program activities is

complete and up-to-date. This activity provides a snapshot of our program that has been in effect the entire year.

- **Security awareness training.** We implemented a robust security awareness training program, which included awareness training for all of our staff and contractors and specialized security training for staff with enhanced access to the GAO network (primarily our IT operations staff). All training used Web-based courses.

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