

SERVING THE CONGRESS AND THE NATION
U.S. Government Accountability Office

GAO 00

YEARS [★] 1921-2011
ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2011



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

Mission

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

Accountability

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

Integrity

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

Reliability

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

Scope of work

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



Source: See Image Sources.

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Abbreviations

AD/CV	antidumping and countervailing
AEITC	Advance Earned Income Tax Credit
APSS	Administrative Professional and Support Staff
ASP	Advanced Spectroscopic Portal
CAO	Chief Administrative Office
CBP	U.S. Customs and Border Protection
CGAB	Comptroller General's Advisory Board
CMS	Centers for Medicare & Medicaid Services
CRA	Congressional Review Act
CSI	Container Security Initiative
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DNI	Director of National Intelligence
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
DWG	Domestic Working Group
EAP	Educator's Advisory Panel
EESA	2008 Emergency Economic Stabilization Act
EN	employment network
EPA	Environmental Protection Agency
ERS	Engagement Reporting System
ESC	Enterprise Services Center
EVM	earned value management
FAIS	Forensic Audits and Investigative Service
FCS	Future Combat System
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHBP	Federal Employees Health Benefits Program
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
GAGAS	generally accepted government auditing standards
GPRA	Government Performance and Results Act of 1993
GPRA 2010	GPRA Modernization Act of 2010

GSA	General Services Administration
HAI	health-care-associated infection
HHS	Department of Health and Human Services
HSPD-12	Homeland Security Presidential Directive 12
HUBZone	Historically Underutilized Business Zone
HUD	Department of Housing and Urban Development
IC	U.S. Intelligence Community
IDES	Integrated Disability Evaluation System
IFPTE	International Federation of Professional and Technical Engineers
IG	inspector general
INTOSAI	International Organization of Supreme Audit Institutions
IRS	Internal Revenue Service
IT	information technology
JSF	Joint Strike Fighter
LOGCAP	Logistics Civil Augmentation Program
MA	Medicare Advantage
MKV	Multiple Kill Vehicle
NASA	National Aeronautics and Space Administration
NFC	National Finance Center
NFIP	National Flood Insurance Program
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSDBU	Office of Small and Disadvantaged Business Utilization
PAR	performance and accountability report
PIV	Personal Identity Verification
QCI	Quality and Continuous Improvement
SAI	supreme audit institution
SBA	Small Business Administration
SBI	Secure Border Initiative Network
SEC	Securities and Exchange Commission
SSA	Social Security Administration
TARP	Troubled Asset Relief Program
TSAT	Transformational Satellite
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USCP	U.S. Capitol Police
USDA	Department of Agriculture
VA	Department of Veterans Affairs

How to Use This Report

This report describes the U.S. Government Accountability Office's performance measures, results, and accountability processes for fiscal year 2011. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our website at <http://www.gao.gov/sp.html>.

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

Introduction

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

Management's Discussion and Analysis

This section discusses our agencywide performance results and use of resources in fiscal year 2011. It also includes information on our internal controls and the management challenges and external factors that affect our performance.

Performance Information

This section includes details on our performance results by strategic goal in fiscal year 2011 and the targets we are aiming for in fiscal year 2012. It also includes a summary of our program evaluation for the fiscal year.

Financial Information

This section includes details on our finances in fiscal year 2011, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and Audit Advisory Committee. This section also includes an explanation of the information each of our financial statements conveys.

From the Inspector General

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

Appendix on Data Quality

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

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SERVING THE CONGRESS AND THE NATION

INTRODUCTION





Source: See Image Sources.

November 15, 2011

I am pleased to present GAO's performance and accountability report for fiscal year 2011. This year our products covered a wide spectrum of issues—from banking to health care and retirement to defense, homeland, and information security. We issued our biennial [high-risk report](#) calling attention to opportunities for cost savings and improvements in federal agency and program management. We issued our first annual report under a new mandate in which we identified [duplication](#), overlap, cost-saving opportunities, and revenue enhancements in government programs. We issued several products under the [Dodd-Frank Wall Street Reform Act](#) on mortgages, securities markets, financial institutions, the Federal Reserve, and consumer protection and many other products related to health insurance reform. We also reported and testified on the Department of Homeland Security's progress and challenges ten years after 9/11. We continued to regularly report the results of our work related to the [Troubled Asset Relief Program](#) and the [American Recovery and Reinvestment Act](#). Additionally, we updated our Yellow Book on government auditing standards to reflect recent developments in the accountability profession.

We again received from independent auditors an unqualified or “clean” opinion on our [financial statements](#) for fiscal year 2011. We began to implement the requirements of the Government Performance and Results Modernization Act of 2010 and identified financial and nonfinancial benefits as our priority measures. This year, we documented \$45.7 billion in financial benefits for the federal government—a return of \$81 for every dollar invested in GAO. We also recorded 1,318 other benefits in broad program and operational areas cutting across the government. I am confident that the performance and financial information in this report is complete and reliable and meets our high standards for accuracy and transparency.

The 112th Congress relied on us to inform its work on national and international issues, with our senior officials testifying at 174 hearings. Getting our message out is crucial; to better serve our clients and the public we continued to pilot our e-report—formatted for faster and easier Internet access to key aspects of our reports—and we launched Facebook and Flickr pages to reach a wider audience.

We undertook and received a clean opinion on our triennial external peer review conducted by an international team of our counterparts at national

audit institutions. This was our third international peer review and the first to examine both financial and performance audits. The peer review team identified a number of good practices that should interest other audit offices as well as future changes for us to consider to further strengthen our products.

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

We have updated our [internal management challenges](#)—removing physical security and information security based on progress in those areas. We continue to focus on human capital by completing work on a new performance management system and enhancing efforts on succession planning, training, critical hiring, and alternative staff rewards and recognition. This year, we are adding a new engagement efficiency challenge focused on making improvements in three areas given constrained resources: managing and conducting engagements, utilizing resources, and communicating our message.

We maintained our productive working relationship with the employees' union, GAO Employees Organization, International Federation of Professional and Technical Engineers, Local 1921, and began implementing our first master collective bargaining agreement. We are also working with the Employee Advisory Council and the Diversity Advisory Council on a range of issues.

Fiscal year 2011 continued a very active and challenging time for GAO, yet we succeeded at performing our mission, responding to mandates, and accomplishing many of our goals while managing budget constraints. Fiscal year 2012 brings more challenges with responsibilities to further assess and report on duplicative government programs and financial regulatory reform efforts among many other pressing issues. At the same time, in anticipation of a lower budget, we are reducing spending through limiting hiring, attrition, and scaling back or rescoping mission support contracts. Our strategic plan for serving the Congress through fiscal year 2015 provides the framework for reporting on progress toward our institutional goals. We look forward to continuing to serve the Congress and the public in the coming year.



Gene L. Dodaro
Comptroller General
of the United States

Financial Reporting Assurance Statements

November 15, 2011

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

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We conducted an assessment of the effectiveness of our internal control over financial reporting consistent with the criteria in 31 U.S.C. 3512 (c), (d) (commonly referred to as the Federal Managers' Financial Integrity Act (FMFIA)) and in Appendix A of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this assessment, we have reasonable assurance that internal control over financial reporting as of September 30, 2011, was operating effectively and that no material weaknesses exist in the design or operation of the internal control over financial reporting.

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

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

We also believe that (1) these systems of accounting and internal controls provide reasonable assurance that we are in compliance with the spirit of FMFIA and (2) we have implemented and maintained financial systems that

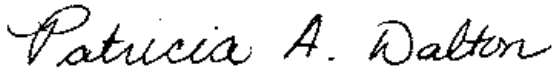
comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level consistent with the requirements in the Federal Financial Management Improvement Act and OMB guidance. These are objectives that we set for ourselves even though, as part of the legislative branch of the federal government, we are not legally required to do so.



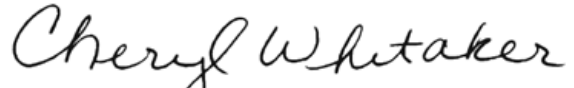
Gene L. Dodaro
Comptroller General
of the United States



David M. Fisher
Chief Administrative Officer/
Chief Financial Officer



Patricia A. Dalton
Chief Operating Officer



Cheryl B. Whitaker
Acting Controller



Lynn H. Gibson
General Counsel



Source: See Image Sources.

GAO is an independent, nonpartisan professional services agency in the legislative branch of the federal government. Commonly known as the audit and investigative arm of the Congress or the “congressional watchdog,” we examine how taxpayer dollars are spent and advise lawmakers and agency heads on ways to make government work better. As a legislative branch agency, we are exempt from many laws that apply to the executive branch agencies. However, we generally hold ourselves to the spirit of many of the laws, including FMFIA, GPRA, and the Federal Financial Management Improvement Act of 1996 (FFMIA).¹ Accordingly, this performance and accountability report for fiscal year 2011 provides what we consider to be information comparable to that reported by executive branch agencies in their annual performance and accountability reports. This report also fulfills our requirement to report annually on the work of the Comptroller General under 31 U.S.C. 719.

Mission

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

GAO's History

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

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

Strategic Planning and Management Process

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

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

Figure 1: GAO's Strategic Planning Hierarchy



Source: GAO.

Each strategic goal is composed of strategic objectives, for which there are specific strategies taking the form of performance goals, each of which has a set of key efforts. [Figure 1](#) illustrates this hierarchy and the text box on the left provides an example of structure of one of our strategic goals. Our audit, evaluation, and investigative work is primarily aligned under the first three strategic goals, which span domestic and international issues affecting the lives of all Americans and influencing the extent to which the federal government serves the nation's current and future interests.

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: Financing and Programs to Serve the Health Needs of an Aging and Diverse Population

Performance Goal: Assess trends and issues in public and private health insurance coverage and reforms

Key Efforts:

- Analyze implementation of mandated and potential reforms, such as modifications to federal tax policies and new insurance-purchasing arrangements, for their estimated impact on the numbers of uninsured, costs of health care services, the health insurance industry, and implementation challenges for federal and state agencies.
- Evaluate trends and the distribution of health insurance coverage, including long-term care insurance and employer sponsorship of private health insurance for employees and retirees.
- Analyze the coverage and affordability of products available to consumers in the individual and small-group insurance markets.
- Assess the impact of public and private agencies' efforts to achieve compliance with federal and state health insurance standards.

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

Figure 2: How GAO Assisted the Nation • Fiscal Year 2011***Goal 1: Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People***

- Identified savings of \$3.7 billion by reducing unneeded payments to Medicare Advantage plans
- Improved consistency and compatibility of health care-associated infection data
- Led the Social Security Administration to improve oversight of its Ticket-to-Work program
- Identified opportunities to enhance investigation of online child pornography
- Recommended ways to strengthen the Federal Reserve’s management of emergency assistance to stabilize financial markets
- Developed a series of assessments of emerging technologies with important implications for the nation
- Found regulatory weaknesses in EPA’s water-based lead testing and treatment program
- Informed improvements in air passenger rights to compensation for mishandled baggage

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

- Encouraged enhanced desktop computer security to protect sensitive information, which 22 federal agencies implemented
- Identified progress and remaining work to implement homeland security missions at DHS ten years after 9/11
- Led DHS to scale back the flawed advanced radiation detector program—avoiding costs of \$1.2 billion
- Identified challenges and recommended improvements in DOD’s expanding cybersecurity mission
- Surfaced potential costs and risks of contract transition during drawdown from Iraq, resulting in benefits of \$77.5 million
- Led DOD to restructure the Joint Strike Fighter program—DOD’s most costly and ambitious acquisition
- Increased USAID focus on planning, coordination, and monitoring of Afghan water projects
- Improved monitoring and evaluation of State, Labor, and USAID projects to combat human trafficking

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

- Provided timely information on the debt limit and budget controls to help address the long-term fiscal challenge
- Helped eliminate the Advanced Earned Income Tax Credit, avoiding \$569 million in costs
- Identified 227,700 tax delinquents receiving federal benefits to explore ways to increase collection of unpaid taxes
- Found ways to incorporate required data into Centers for Medicare & Medicaid systems to better detect improper payments
- Issued updated government auditing standards to reflect recent developments in the accountability profession
- Identified opportunities to reduce risk and achieve cost savings in several types of government contracting
- Recommended improvements to planning and implementation of federal data center consolidation at 24 federal agencies

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

- Tested use of quick response, or “QR” codes, on our products to quickly link users to our website
- Completed training for all staff on diversity and inclusion awareness issues
- Began implementing our first Master Collective Bargaining Agreement with IFPTE, Local 1921
- Received a clean opinion on our third international triennial peer review
- Began implementing GPRA Modernization Act of 2010 by identifying priority performance measures and incorporating performance data on our website

Source: GAO.

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

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

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

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

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

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

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

Last year, the Association of Government Accountants awarded us for the tenth consecutive year its Certificate of Excellence in Accountability Reporting for outstanding accountability reporting for our fiscal year 2010 performance and accountability report. We also received a "Best-in-Class" award for a concise, well-written, and highly readable Summary of GAO's Performance and Financial Information for Fiscal year 2010 (see [fig. 4](#)).

Figure 3: GAO's Strategic Plan Framework



Serving the Congress and the Nation

GAO's Strategic Plan Framework

MISSION

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

TRENDS

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

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

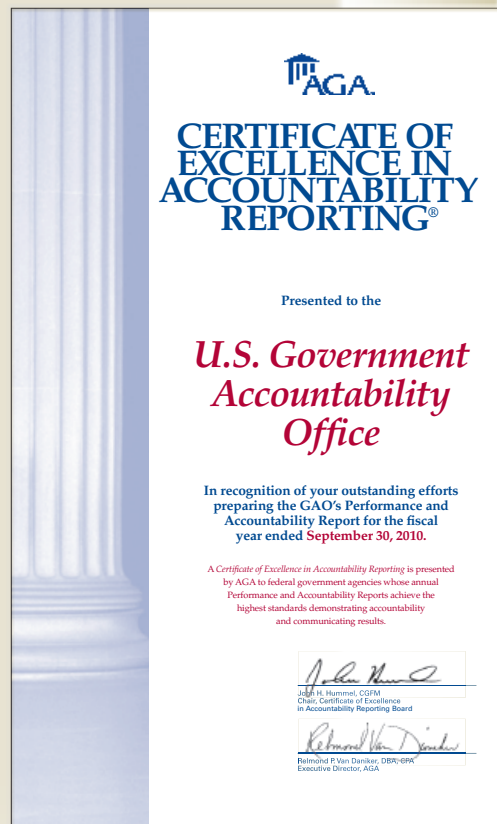
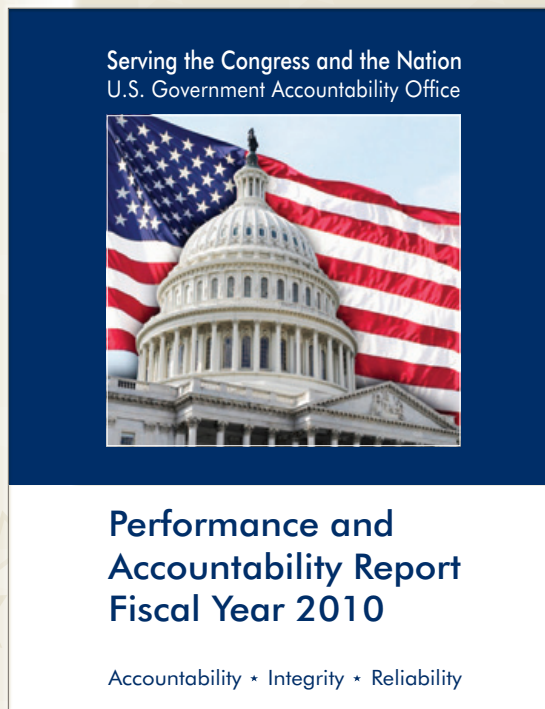
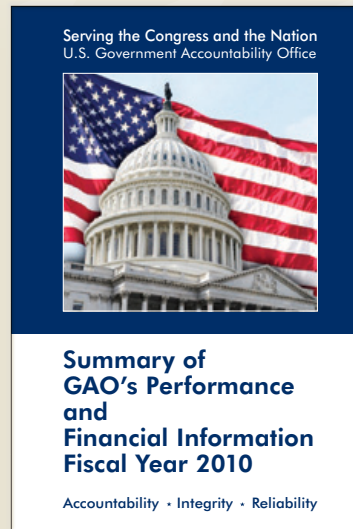
CORE VALUES

Accountability	Integrity	Reliability
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Source: GAO.

Figure 4: GAO's Performance and Accountability Report Awards

2010 P&A Awards



Source: GAO.

Organizational Structure

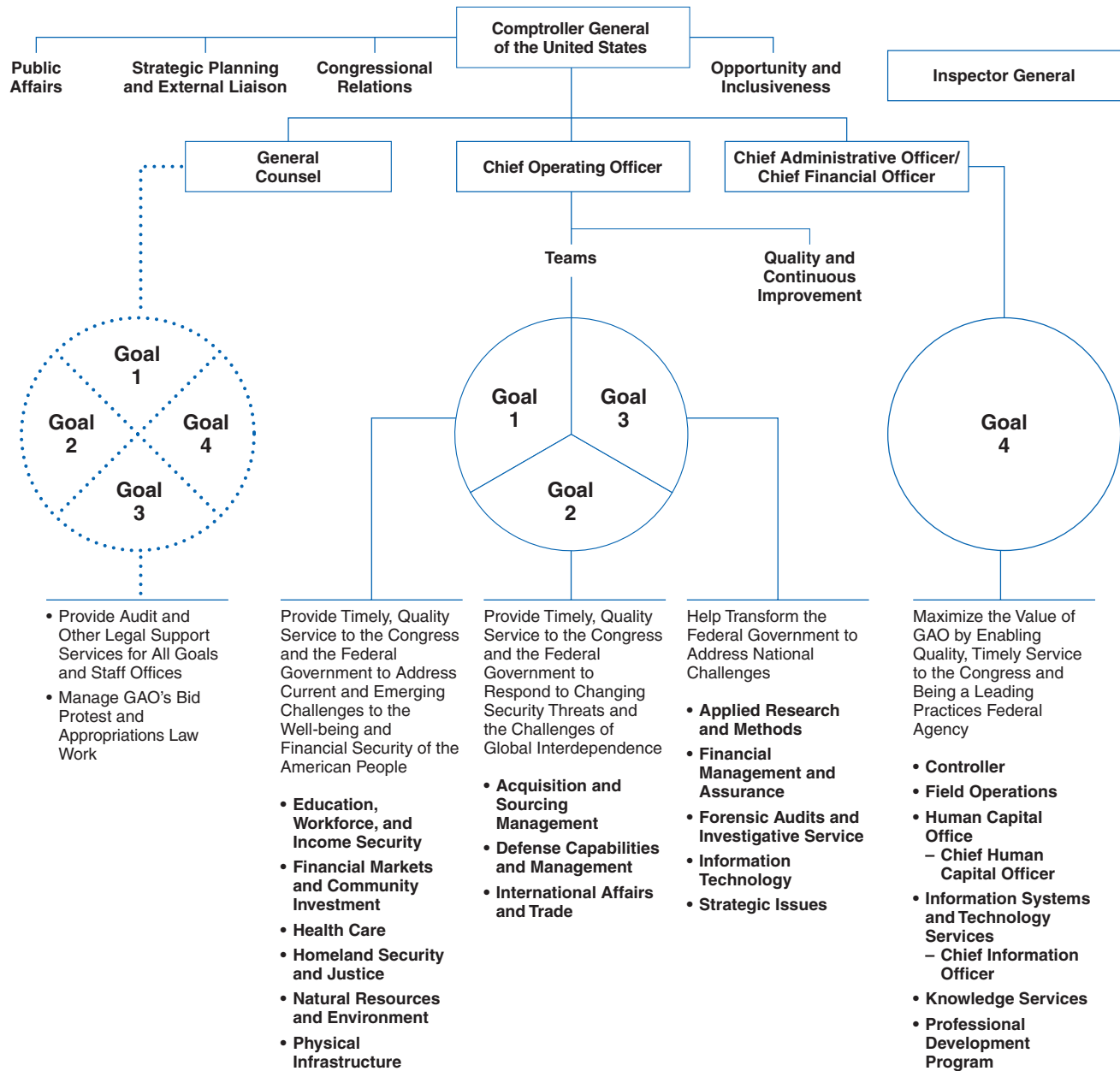
As the Comptroller General of the United States, Gene L. Dodaro is the head of GAO. On December 22, 2010, he was confirmed as Comptroller General after serving as the Acting Comptroller General since March 2008. Prior to that, Mr. Dodaro served as GAO's Chief Operating Officer for 9 years. Three other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

To achieve our strategic goals, our staff is organized as shown in [figure 5](#). For the most part, our 14 evaluation, audit, research, and investigative teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal. In addition to this work, Forensic Audits and Investigative Service (FAIS) follows up on engagements and referrals from our other teams when its special services are required for specific fraud allegations or for assistance in evaluating security matters. FAIS also manages Fraudnet, which is our online system created for the public to report to GAO allegations of fraud, waste, abuse, or mismanagement of federal funds. FAIS is an integrated unit composed of investigators, analysts, and auditors who have experience with forensic auditing and data mining assisted by staff in our Office of General Counsel.

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

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

Figure 5: Organizational Structure



Source: GAO.

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

The Office of the General Counsel is structured to facilitate the delivery of legal services to the teams and staff offices that support our four strategic goals. This structure allows General Counsel to (1) provide legal support to our staff offices and audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the goal 1, goal 2, and goal 3 groups are organized to provide each of the audit teams with a corresponding team of attorneys dedicated to supporting each team's needs for legal services. In addition, these groups prepare

advisory opinions to committees and members of the Congress on agency adherence to laws applicable to their programs and activities. The Legal Services group provides in-house support to our management on a wide array of human capital matters and initiatives and on information management and acquisition matters and defends the agency in administrative and judicial forums. Finally, attorneys in the Procurement Law and the Budget and Appropriations Law groups prepare administrative decisions and opinions adjudicating protests to the award of government contracts or opining on the availability and use of appropriated funds.

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

We maintain a workforce with training in many disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About three-quarters of our approximately 3,200 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country (see [fig. 6](#)). Staff in these field offices are aligned with our research, audit, investigative, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

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

Figure 6: GAO’s Office Locations



Source: See Image Sources.

Strategies for Achieving Our Goals

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

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

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

We conduct specific engagements as a result of requests from congressional committees and mandates written into legislation, resolutions, and committee reports. In fiscal year 2011, we devoted 94 percent of our engagement resources to work requested or mandated by the Congress. We devoted the remaining 6 percent of the engagement resources to work initiated under the Comptroller General's authority. Much of this work addressed various challenges that are of broad-based interest to the Congress, such as the cost and status of both security stabilization and reconstruction efforts in Iraq and Afghanistan, our high-risk list, and the federal debt.² Also covered by this work were reviews of government programs and operations that we have identified as at high risk for fraud, waste, abuse,

²In fiscal years 2009 and 2010, the work performed under the Comptroller General's authority represented 5 percent of our engagement efforts each year.

and mismanagement as well as reviews of agencies' budget requests to help support congressional decision making. By making recommendations to improve the accountability, operations, and services of government agencies, we contribute to increasing the effectiveness of federal spending and enhancing the taxpayers' trust and confidence in their government.

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

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

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

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

Similarly, our biennial high-risk report, most recently issued in February 2011, provides a status report on major government operations that we consider high risk because they are vulnerable to fraud, waste, abuse, and mismanagement or are in need of broad-based transformation (see [p. 38](#)). Such special publications are valuable planning tools because

³GAO, *The Federal Government's Long-Term Fiscal Outlook: January 2011 Update*, [GAO-11-451SP](#) (Washington, D.C.: January 2011); GAO, *Bid Protest Annual Report to the Congress for Fiscal Year 2010*, [GAO-11-211SP](#) (Washington, D.C.: Nov. 23, 2010); and *Principles of Federal Appropriations Law: Annual Update of the Third Edition*, [GAO-11-210SP](#) (Washington, D.C.: March 2011).

they help us to identify areas to focus on important policy and management issues facing the nation.

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

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

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

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

How We Measure Our Performance

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

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

Financial benefits and nonfinancial benefits provide quantitative and qualitative information, respectively, on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred or are expected to occur over a period of several years. The remaining measures are intermediate outcomes in that they often lead to achieving outcomes that are ultimately captured in our financial and nonfinancial benefits. For financial benefits and nonfinancial benefits, we first set targets for the agency as a whole, and then we set targets for each of the external goals (1, 2, and 3) to reach the agencywide targets. For past recommendations implemented and percentage of products with recommendations, we set targets and report performance for the agency as a whole because we want to encourage consistent performance across goals. Internally, we track our performance by strategic goal in

order to understand why we meet or do not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas for improvement.

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

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

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

Setting Performance Targets

To establish targets for all of our measures, we consider our past performance, including recent patterns and 4-year rolling averages, as well as upcoming events we are aware of for most of our results measures (see [p. 24](#)) and the external factors that influence our work (see [p. 56](#)). Based on this information, the teams and offices that are directly engaged in the work discuss with our top executives their views of what we have planned to accomplish in the strategic plan and what they believe they can accomplish in the upcoming fiscal year. Members of our Executive Committee then establish targets for the performance measures.

Once approved by the Comptroller General, the targets become final and are presented in our annual performance plan and budget.⁴ We may adjust these targets after they are initially published when our expected future work or level of funding provided warrants doing so. If we make changes, we include the changed targets in later documents, such as this performance and accountability report, and indicate that we have changed them. In Part 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.

On the pages that follow, we assess our performance for fiscal year 2011 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.

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

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SERVING THE CONGRESS AND THE NATION

PART I

Management's

Discussion and Analysis



Assisting the Congress and the Nation during Changing and Challenging Times

In fiscal year 2011, the most pressing and demanding issues faced by the Congress and the public helped to define our priorities. Our reporting helped inform the Congress and the administration in developing policies and executing programs in areas such as duplication and overlap in government programs, the Dodd-Frank Wall Street Reform Act, our high-risk update, and nationwide funding provided through the American Recovery and Reinvestment Act of 2009 (Recovery Act) and the Troubled Asset Relief Program (TARP), as well as our continued oversight of areas across the government.

This work also allowed us to achieve many of our performance goals, and we monitored how well we performed and supported our staff using 15 annual performance measures. The results of our efforts are reflected in our solid performance in fiscal year 2011—we met or exceeded all but two of the performance targets we set for our client and people measures—those for which data are available (see [table 1](#)). We exceeded our targets for our two priority measures—financial and nonfinancial benefits. We achieved \$45.7 billion in financial benefits, exceeding our target of \$42 billion by \$3.7 billion.⁵ This represents an \$81 return on every dollar the Congress invested in us. We recorded 1,318 nonfinancial benefits, exceeding our target of 1,200 by 118 benefits. We met our target for past recommendations implemented and we exceeded our target for new products with recommendations by 8 percentage points. We did not meet our target of 200 hearings at which we were asked to testify, due to fewer-than-anticipated hearings in a range of subject areas. We did meet the target for delivering our products and testimonies to our clients in a timely manner. We also met or exceeded our annual targets for six of seven of our people measures.

Concerning our two internal operations measures, we assess our performance related to how well our internal administrative services (e.g., computer support, mail service, and physical security) help employees get their jobs done or impact employees' quality of work life based on responses to an annual internal survey. These measures are directly related to our efforts under goal 4 of our strategic plan to enable quality, timely service to the Congress and being a leading practices federal agency. The survey asks staff to rank the importance of each service to them and indicate their satisfaction with it. There always is a lag in reporting on this measure because our customer feedback survey is conducted after we issue the performance and accountability report. In fiscal year 2010, our scores were 3.94 for each of our measures to help get the job done and for our quality of work life. We did not meet our targets of 4.0 for both scores. However, on a scale of 1 to 5, with 5 being the highest, these scores indicate that our employees were largely satisfied with the internal administrative services we provide.

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

Table 1: Agencywide Summary of Annual Measures and Targets

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual	Met/not met	2012 target
Results									
Financial benefits (dollars in billions)	\$51.0	\$45.9	\$58.1	\$43.0	\$49.9	\$42.0	\$45.7	Met	\$40.0
Nonfinancial benefits	1,342	1,354	1,398	1,315	1,361	1,200	1,318	Met	1,200
Past recommendations implemented	82%	82%	83%	80%	82%	80%	80%	Met	80%
New products with recommendations	65%	66%	66%	68%	61%	60%	68%	Met	60%
Client									
Testimonies	240	276	298	203	192	200	174	Not met	180
Timeliness ^a	93%	95%	95%	95%	95%	95%	95%	Met	90%
People									
New hire rate	94%	96%	96%	99%	95%	95%	84%	Not met	95%
Retention rate									
With retirements	90%	90%	90%	94%	94%	90%	92%	Met	90%
Without retirements	94%	94%	93%	96%	96%	94%	96%	Met	94%
Staff development ^b	76%	76%	77%	79%	79%	76%	79%	Met	76%
Staff utilization ^{b,c}	75%	73%	75%	78%	77%	75%	78%	Met	75%
Effective leadership by supervisors ^{b,d}	79%	79%	81%	83%	83%	80%	83%	Met	80%
Organizational climate ^b	73%	74%	77%	79%	79%	75%	80%	Met	75%
Internal operations^c									
Help get job done	4.1	4.05	4.0	4.03	3.94	4.0	N/A	N/A	4.0
Quality of work life	4.0	3.98	4.01	4.01	3.94	4.0	N/A	N/A	4.0

Source: GAO.

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

^aThe timeliness measure is based on one question on a form sent out to selected clients. The response rate for the form in fiscal year 2011 was 25 percent, and 98 percent of the clients who responded answered this question. The percentage shown in the table represents the percentage of respondents who answered favorably to this question on the form.

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

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

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

^eFor our internal operations measures, we ask staff to rank 32 internal services available to them and to indicate on a scale from 1 to 5, with 5 being the highest, their satisfaction with each service. These measures are described in more detail on [page 37](#) of this report. We will report actual data for fiscal year 2011 once data from our November 2011 internal customer satisfaction survey have been analyzed. N/A indicates that the data are not yet available.

Our fiscal year 2012 targets for 12 of 15 of our performance measures are the same as those targets we reported in our fiscal year 2012 performance plan in February 2011. We believe that these targets are challenging yet realistic for our staff given current fiscal constraints. For example, we lowered our financial benefits target for 2012 from \$42 billion to \$40 billion. We expect to have fewer resources to monitor agency actions to implement our recommendations.

To help us examine trends over time, we look at 4-year rolling averages for the following performance measures: financial benefits, nonfinancial benefits, new products with recommendations, and testimonies. We calculate 4-year rolling averages because historically our performance on these measures has fluctuated from year to year, and this calculation minimizes the effect of an atypical result in any given year. We consider this calculation, along with other factors, when we set our performance targets. [Table 2](#) shows that our averages for financial benefits and new products with recommendations increased each year from 2006 to 2009 and then remained fairly stable from 2009 to 2011. The average number of nonfinancial benefits we recorded increased from 2006 to 2008 and has remained fairly stable for the period from 2009 to 2011.

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

Performance measure	2006	2007	2008	2009	2010	2011
Results						
Financial benefits (billions)	\$43.0	\$45.1	\$48.7	\$49.5	\$49.2	\$49.2
Nonfinancial benefits	1,248	1,325	1,376	1,352	1,357	1,348
New products with recommendations	61%	64%	65%	66%	65%	66%
Client						
Testimonies	206	228	248	254	242	217

Source: GAO.

When setting our target for the number of hearings at which our senior executives testify, we base our testimonies target largely on the cyclical nature of the congressional calendar, in addition to our 4-year rolling averages and our past performance. Our experience has shown that during the fiscal year in which an election occurs, the Congress generally holds fewer hearings. In the months after an election, the members usually only meet for a short session, and then they reorganize in the following months, providing fewer opportunities for us to testify. In both 2010 and 2011, our experience was less than anticipated because of a congressional focus on a few key policy areas that did not encompass as many hearings on our broad scope of work as in recent years. We therefore have set a lower target for congressional testimonies in 2012.

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

Financial Benefits and Nonfinancial Benefits

We describe many of the results produced by our work as either financial or nonfinancial benefits. In many cases, the benefits we claimed in fiscal year 2011 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

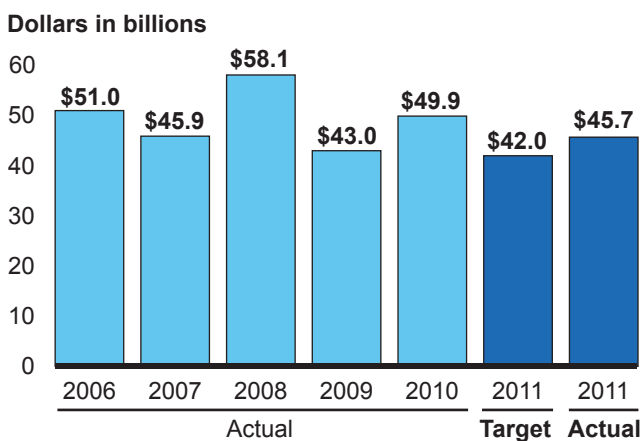
To claim either type of benefit, our staff must document the connection between the benefits reported and the work that we performed. We can claim benefits within 2 years of when the Congress or an agency takes action on our recommendations. Our methodology for determining financial benefits can be found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

Financial Benefits

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

In fiscal year 2011, our work generated about \$45.7 billion in financial benefits (see [fig. 7](#)). We exceeded our target by almost 9 percent because of several large unanticipated accomplishments. Part II of this report provides more information on these accomplishments by goal. (See [fig. 8](#).) In light of resource constraints that may affect our ability to follow up on actions taken, we have reduced our target for financial benefits to \$40 billion in 2012.

Figure 7: Financial Benefits GAO Recorded



Source: GAO.

Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the estimated costs associated with taking the action that we recommended. We convert all estimates involving past and future years to their net present value and use actual dollars to represent estimates involving only the current year. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a

single agency or congressional action. We limit the period over which benefits from an accomplishment can accrue to no more than 5 years.

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

Figure 8: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2011



Source: See Image Sources.

Description	Amount (Dollars in billions)
<p>Termination of Future Combat System (FCS) Manned Ground Vehicle. Section 211 of the fiscal 2006 National Defense Authorization Act required us to provide annual reports on the Army's FCS. We reported that knowledge deficiencies remained in key areas—critical technologies, FCS system designs, actual demonstrations, and network performance. In April 2009, the Secretary of Defense effectively made a no-go decision on the program when he recommended canceling the manned ground vehicle portion of the FCS development effort—8 of 14 core systems—and directed the Army to pursue an alternative ground combat vehicle program, as well as to demonstrate and field the FCS spinout equipment. The President's budget request reflected this decision, and the Office of Management and Budget cited our work in its rationale. (GAO-09-288)</p>	\$11.2
<p>Department of Defense (DOD) Transformational Satellite (TSAT) Communications System Termination. TSAT is one of the most ambitious, expensive, and complex space systems ever built. In 2003, we recommended that the start of the TSAT acquisition program be delayed until the program showed that the technologies were mature and the design was feasible and producible. In 2006, we reported that DOD was not meeting the original cost, schedule, and performance goals and the satellite's initial capability would be less than what DOD planned. Citing our 2009 assessment of the program, the President's Fiscal Year 2010 Budget proposed to terminate the TSAT program because of significant cost increases and schedule delays. (GAO-06-537, GAO-04-71R)</p>	\$5.3
<p>Reductions in Payments to Medicare Advantage (MA) Plans. Medicare spending on private health plans increased rapidly after the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, rising 64 percent from 2004 to 2006, while enrollment increased by more than 50 percent. For 2007, some beneficiaries enrolled in the MA program could have experienced higher cost sharing than if they were enrolled in Medicare fee-for-service. For 2005, MA plans spent less on medical expenses than they had projected, leading to profits that were about \$1.14 billion greater than projected. Congressional staff said our body of work was instrumental in the passage of the 2008 Medicare Improvements for Patients and Providers Act, which reduced payments to the MA program. (GAO-08-359, GAO-08-827R, GAO-08-522T)</p>	\$3.6

<p>DOD Terminates Multiple Kill Vehicle (MKV) Program. In March 2008, we reported that the MKV program encountered technical anomalies during testing that led to multiple investigations and cost increases. In July 2008, we reported that DOD had not yet established an effective process to identify, prioritize, and address the combatant command’s ballistic missile defense needs. In March 2009, we highlighted software development issues that affected planned tests and further development of the MKV program. Citing our information, the administration terminated the MKV program and the Congress did not appropriate funds for the program in the Fiscal Year 2010 DOD Appropriations Act. The associated reduction for fiscal years 2010 through 2013 is about \$2.7 billion. (GAO-09-338, GAO-08-448, GAO-08-740)</p>	<p>\$2.7</p>
<p>Congress Transfers Funds into “Cash for Clunkers” Program. In 2008, as part of a mandated review of the Department of Energy’s (DOE) implementation of the Loan Guarantee Program for Innovative Energy Technologies, we reported that DOE was not well positioned to manage the program effectively or maintain accountability because it had not completed a number of key management and internal control activities. In 2009, we updated the appropriations staff on DOE’s efforts to address our previous recommendations regarding program management and accountability. We also noted that DOE had received loan guarantee applications for at least 68 projects but had committed to only one loan guarantee, even though a number of the applications had been submitted in response to a solicitation issued in 2006. Subsequently, in August 2009, the Congress authorized the transfer of about \$2.05 billion from the Loan Guarantee program to the “Cash for Clunkers” program. (GAO-10-627, GAO-08-750)</p>	<p>\$2.05</p>
<p>Pakistani Reimbursement Claims. In June 2008, we reported that DOD did not consistently apply its Coalition Support Funds oversight guidance and that deficiencies existed in its oversight procedures. The DOD Comptroller’s 2003 guidance calls for Coalition Support Fund reimbursement claims to contain quantifiable information to substantiate claims, but DOD did not obtain detailed documentation to verify that claimed costs were valid, actually incurred, or correctly calculated. In response to our recommendations, DOD issued revised guidance for requesting and processing Coalition Support Fund claims. Additionally, in fiscal 2011, DOD provided data on Coalition Support Fund payments to Pakistan for 2008 through 2009. The cost reduction associated with the improved reimbursement process is about \$1.1 billion. (GAO-08-806)</p>	<p>\$1.1</p>

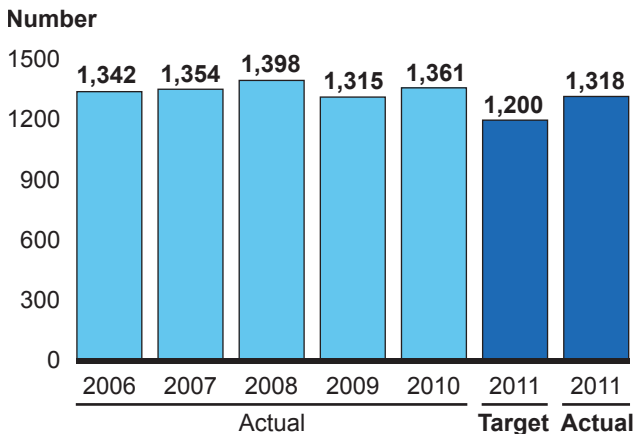
Source: GAO.

Note: Additional examples of fiscal year 2011 financial benefits can be found in [Part II](#) of this report.

Nonfinancial Benefits

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2011, we recorded a total of 1,318 nonfinancial benefits (see [fig. 9](#)). We exceeded our target by nearly 10 percent largely because of a number of accomplishments we documented that related to national security, defense acquisitions, and international affairs. We have set our 2012 target for nonfinancial benefits at 1,200 again, notwithstanding resource constraints.

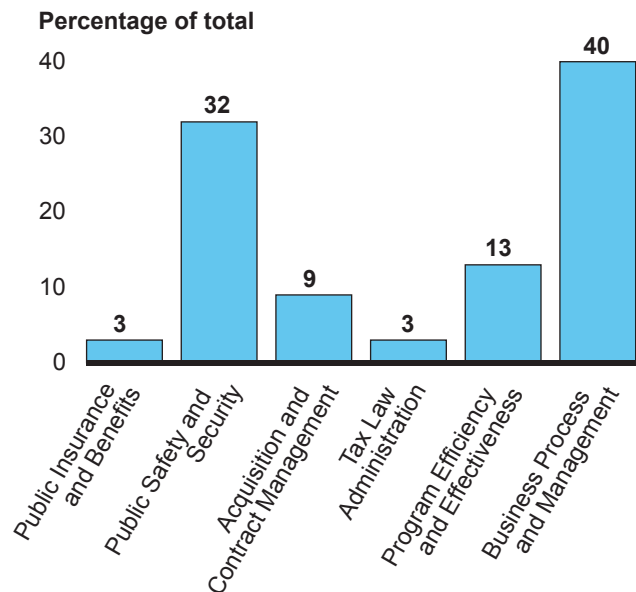
Figure 9: Nonfinancial Benefits



Source: GAO.

In fiscal year 2011 we documented actions taken across federal programs—about 32 percent of the total nonfinancial benefits were in the area of public safety and security, including programs such as homeland security and justice programs and critical technologies. About 40 percent resulted from improvements in business process and management, such as improved oversight of federal oil and gas resources and detection of fraud, waste, and abuse. (See [figure 10](#).) In [figure 11](#), we provide examples of nonfinancial benefits we claimed as accomplishments in fiscal year 2011. Additional examples of nonfinancial benefits can be found in [Part II](#) of this report.

Figure 10: Types of Fiscal Year 2011 Nonfinancial Benefits



Source: GAO.

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

Examples of programs included in categories:

- **Public Insurance and Benefits:** Medicare, Medicaid, Department of Veterans Affairs and DOD health care, disability programs, national flood insurance, federal deposit insurance, and other insurance programs.
- **Public Safety and Security:** Homeland security and justice programs, critical infrastructure, critical technologies, food safety, transportation safety, telecommunications safety, international food assistance, public health, consumer protection, environmental issues, and national defense and foreign policy.

- **Acquisition and Contract Management:** DOD weapon system acquisition, National Aeronautics and Space Administration acquisition management, and all federal agency and interagency contract management.
- **Tax Law Administration:** Internal Revenue Service (IRS) business systems modernization, tax policy, and enforcement of tax laws.
- **Program Efficiency and Effectiveness:** Fraud, waste, and abuse; U.S. financial regulatory system; federal oil and gas resources; U.S. Postal Service; transportation funding; and telecommunications funding.
- **Business Process and Management:** Federal agency financial audits, federal information systems, federal real property, human capital management, DOD business transformation, business systems modernization, financial management, support infrastructure management, and supply chain management.

Figure 11: GAO’s Selected Nonfinancial Benefits Reported in Fiscal Year 2011



Source: See Image Sources.

Program	Description
<p>Public Insurance and Benefits</p>	<p>Enforcement Actions Posted on Nursing Home Compare. In March 2007, we reported that while Nursing Home Compare had been modified a number of times to add important quality information, such as the results of surveys and complaint investigations, it did not contain information about the sanctions implemented against nursing homes. To improve public information available to consumers that helps them assess the quality of nursing home care, we recommended that the Centers for Medicare & Medicaid Services (CMS) expand Nursing Home Compare to include implemented sanctions, such as the amount of civil monetary penalties and the duration of denial of payment for new admissions. In July 2011, CMS began posting such information on Nursing Home Compare. (GAO-10-844T, GAO-05-656)</p>
<p>Public Safety and Security</p>	<p>HHS Finalized Antiviral Guidance for Pharmaceutical Interventions during Influenza Pandemic. Antivirals are a type of pharmaceutical intervention available during an influenza pandemic. They are one of the primary methods used to prevent the spread of disease as well as to reduce morbidity and mortality caused by the influenza virus. Given the wider recognition of factors, such as protecting health care and law enforcement personnel, needed to keep society functioning, and a greater production capacity, we noted the need for the Department of Health and Human Services (HHS) to finalize guidance on how antivirals would be used during a pandemic. In December 2008, HHS released guidance incorporating the recognition of these and other factors. (GAO-08-671)</p>

Acquisition and Contract Management	<p>Reducing Risk in Government Contracting. The federal government spends more than \$500 billion annually on goods and services, using a variety of contracting mechanisms. We identified opportunities for cost savings and reduced risk to the government in a series of reports on undefinitized contracts, use of blanket purchase agreements where discounts were not sought, and cost-reimbursement contracts. As a result of our work, federal acquisition regulations were amended and the Office of Federal Procurement Policy and DOD issued new policies to focus on opportunities to reduce risk in government contracting. (GAO-10-299, GAO-09-792, GAO-09-921)</p>
Tax Law Administration	<p>Congress Increased the Statute of Limitations for IRS Audits of Offshore Financial Activity. In 2007, we found that the time it took the IRS to complete examinations involving U.S. taxpayers with offshore financial activity was significantly longer than for other examinations and that additional time was required for these examinations because of their technical complexity and challenges associated with obtaining information from foreign sources. As a result, IRS examiners may prematurely close, or not even open, offshore-related examinations because of the 3-year statute of limitations. We suggested that the Congress extend the statute of limitations for examinations involving offshore financial activity. The Hiring Incentives to Restore Employment Act, enacted in March 2010, included provisions from the Foreign Account Tax Compliance Act that increase the statute of limitations to 6 years for offshore examinations. (GAO-07-237)</p>
Program Efficiency and Effectiveness	<p>Small Business Administration (SBA) Decertifies Companies from Historically Underutilized Business Zone (HUBZone) Program. In July 2008, we reported on control weaknesses and vulnerabilities in SBA's application and monitoring process for its HUBZone Program that exposed the government to fraud and abuse. In March 2009, we also found that fraud and abuse in the HUBZone Program extends beyond the Washington, D.C., area. Based on our investigations of HUBZone companies in Texas, Alabama, and California, we determined that several companies did not meet the program eligibility requirements and referred these companies to the SBA Inspector General for further investigation. As a result, SBA took action and decertified the companies from the HUBZone Program. (GAO-09-440)</p>
Business Process and Management	<p>OMB Sets Milestones for Implementation of the Infrastructure Needed for Use of Personal Identity Verification (PIV) Cards. In February 2008, we reported that much work had been accomplished to lay the foundations for implementation of Homeland Security Presidential Directive 12 (HSPD-12), but that agencies had made limited progress in implementing and using PIV cards. We recommended that OMB revise its approach to overseeing implementation of HSPD-12 by establishing realistic milestones for full implementation of the infrastructure needed to best use the electronic authentication capabilities of PIV cards in agencies. In response, OMB issued memorandum M-11-11 setting such milestones. (GAO-08-292)</p>

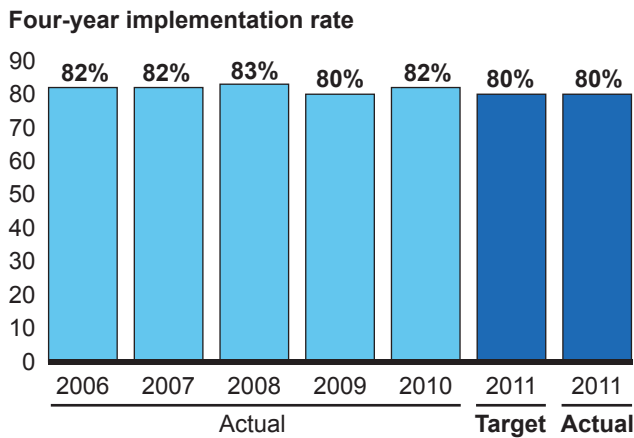
Source: GAO.

Note: Additional examples of fiscal year 2011 nonfinancial benefits can be found in [Part II](#) of this report.

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 2011, 80 percent of the recommendations we made in fiscal year 2007 had been implemented (see [fig. 12](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

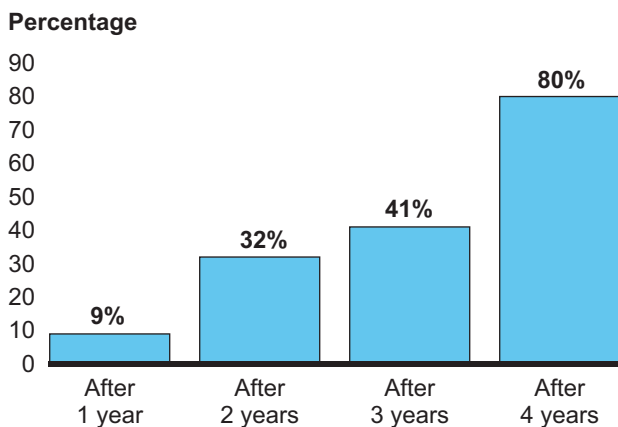
Figure 12: Percentage of Past Recommendations Implemented



Source: GAO.

The 80 percent implementation rate for fiscal year 2011 met our target for the year. As [figure 13](#) indicates, agencies need time to act on recommendations. We assess recommendations implemented after 4 years based on our experience that recommendations remaining open after that period of time are generally not implemented in subsequent years.

Figure 13: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2007

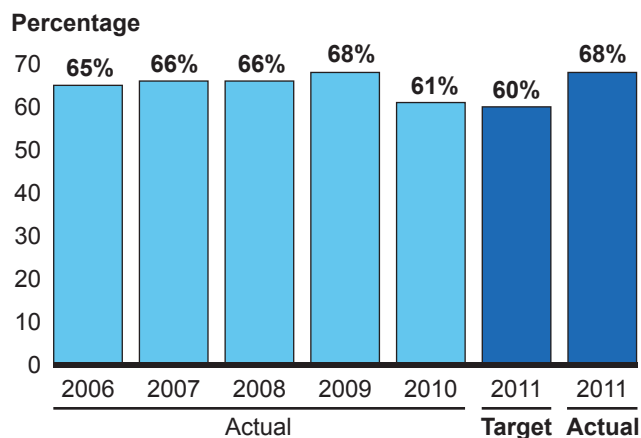


Source: GAO.

New Products Containing Recommendations

In fiscal year 2011, about 68 percent of the 592 written products we issued (excluding testimonies) contained recommendations (see [fig. 14](#)). We track the percentage of new products with recommendations because we want to focus on developing recommendations that when implemented by the Congress and agencies, produce financial and nonfinancial benefits for the nation. We exceeded our target of 60 percent by 8 percentage points. However, we have set our target again in fiscal year 2012 at 60 percent because we recognize that our products do not always include recommendations, and the Congress and agencies often find informational reports as useful as those that contain recommendations. Our informational reports have the same analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about substantial financial and key nonfinancial benefits. Hence, this measure allows us some flexibility in responding to requests that result in reports without recommendations.

Figure 14: Percentage of New Products with Recommendations



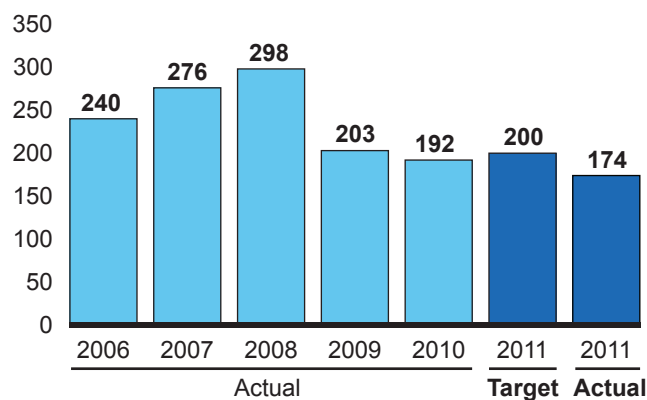
Source: GAO.

Focusing on Our Client

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

Testimonies

Our clients often invite us to testify on our current and past work as it relates to issues that committees are examining through the congressional hearing process. During fiscal year 2011, experts from our staff testified at 174 congressional hearings covering a wide range of complex issues. We did not meet our target of 200 hearings at which we testify (see [fig. 15](#)) by 26 hearings. This measure is client driven based on invitations to testify, and we cannot always anticipate clients' specific subject area interests. The 174 hearings at which the Congress asked our executives to testify in fiscal year 2011 covered the scope of our mission areas. (See [fig. 17](#) for selected topics we testified on by strategic goal in fiscal year 2011.) Fifty-seven of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on [page 39](#).

Figure 15: Testimonies**Hearings at which GAO testified**

Source: GAO.

We have reduced our fiscal year 2012 target of testimonies to 180 hearings and believe this should be a reasonable estimate given recent trends and the Congress’s continuing interest in financial regulatory reform, natural resources, and the conflicts in Iraq and Afghanistan.

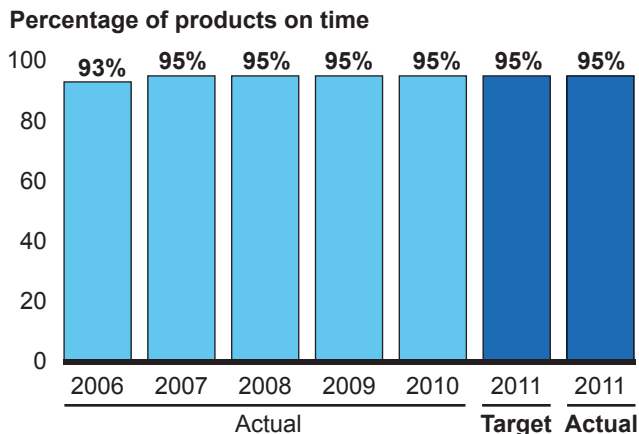
Timeliness

To be useful to the Congress, our products must be available when our clients need them. In fiscal year 2011, we met our timeliness target of 95 percent. (See [fig. 16.](#)) We outreach directly to our clients through several means, including an electronic feedback form. We use the results of our client feedback form as a primary source and barometer for whether we are getting our products to our congressional clients when they need the information. To calculate this result, we tally responses from the form we send to key congressional staff working for the requesters of our testimony statements and more significant written products (e.g., engagements assigned an interest level of “high” by our senior management⁶ and those expected to reach 500 staff days or more), which represented about 56 percent of the congressionally requested written products we issued in fiscal year 2011. Because our products usually have multiple requesters, we often send forms to more than one congressional staff person per testimony or product. One of the questions on each form asks the client whether the product was provided or delivered on time. In fiscal year 2011, of the forms returned to us, 98 percent of the congressional staff responding answered the question on timeliness. Overall, the response rate to our entire form was 25 percent, though we received feedback on 50 percent of the products for which we sent forms.

We have consistently set a high target for timeliness because it is important for us to meet congressional needs when they occur. We have reduced our fiscal year 2012 target to 90 percent because of resource constraints that may affect our on-time delivery.

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

Figure 16: Timeliness



Source: GAO.

Focusing on Our People

Our highly professional, multidisciplinary, and diverse staff were critical to the level of performance we demonstrated in fiscal year 2011. Our ability to hire, develop, retain, and lead staff is a key factor to fulfilling our mission of serving the Congress and the American people.

Over the last 5 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2011, we met or exceeded six of seven of our people measures. These measures are directly linked to our goal 4 strategic objective of being a leading practices federal agency. For more information about our people measures, see [Table 19](#) on page 126 of this report.

New Hire Rate

Our new hire rate is the ratio of the number of people hired to the number we planned to hire. We develop an annual workforce plan that takes into account strategic goals; projected workload requirements; and other changes, such as retirements, other attrition, promotions, and skill gaps. The workforce plan specifies the number of planned hires for the upcoming year. The plan is conveyed to each of our units to guide hiring throughout the year. Adjustments to the plan are made throughout the year, if necessary, to reflect changing needs and conditions. In fiscal year 2011, our original plan was to hire 90 new staff. Because of the delay in receiving our final appropriations, compounded by a significantly reduced budget, we adjusted our plan to 56 new staff, but we were only able to bring on board 47 staff by year-end. [Table 3](#) shows that we did not meet our target of 95 percent of our goal for new hires, achieving an 84 percent new hire rate.

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

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual
People							
New hire rate	94%	96%	96%	99%	95%	95%	84%

Source: GAO.

Figure 17: Selected Testimony Topics • Fiscal Year 2011

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

- Safety of Medical Devices
- DOD and VA Care Coordination Program
- VA Prevention of Sexual Assaults
- State Oversight of Private Health Insurance Rates
- Potential Overlap and Duplication in Government Programs
- Incapacitated Adults
- Federal Workers' Compensation
- Military and Veterans Disability System
- Oversight of DOD Tuition Assistance Program
- Securities Lending in 401(k) Plans
- Pension Benefit Guaranty Corporation Management
- Financial Literacy
- Mortgage Foreclosures Regulatory Oversight
- Oversight of Residential Appraisals
- TARP
- Interior's Major Management Challenges
- Federal Oil and Gas Restructuring
- Improvements Needed for Safe Drinking Water
- Food and Agriculture Emergency Preparedness
- Airport and Airway Trust Funds
- Traffic and Vehicle Safety
- Use of Recovery Act Transportation Funds
- Unneeded Owned and Leased Federal Facilities
- VA Real Property Realignment
- Needed U.S. Postal Service Legislation

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

- DHS 10 Years After 9/11
- Electronic Employment Eligibility Verification
- Aviation Security Behavior Detection Program
- Maritime Security U.S. Counterpiracy Action Plan
- Cross-Border Currency Smuggling
- Assessing National Preparedness Capabilities
- Visa Overstay Enforcement
- Combatting Nuclear Smuggling
- Flood Insurance Reform
- Efforts to Address Terrorist Safe Havens
- Antidumping and Countervailing Duties
- Diplomatic Security Training Challenges
- DOD Space Acquisitions
- Missile Defense Transparency and Accountability
- DOD Cost Overruns
- Joint Strike Fighter Program Restructuring
- Coast Guard Deepwater Program
- Army's Ground Force Modernization
- Littoral Combat Ship Acquisition Strategies
- Contract Oversight of non-U.S. Vendors in Afghanistan
- Addressing Urgent Warfighter Needs
- Personnel Security Clearance Process

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

- Oversight and Accountability of Federal Grants
- Reducing Improper Payments
- Fiscal Year 2010 U.S. Government Financial Statements
- DOD Financial Management Challenges
- Medicare and Medicaid Fraud, Waste, and Abuse
- Fraud Prevention in Service-Disabled Veteran-Owned Small Business Program
- Fraud Prevention in SBA's 8(a) Program
- Tax Delinquent Recovery Act Contractors
- Protecting Federal Information Systems
- Information Technology Investment Oversight
- VA Information Technology
- Federal Information Technology Spending
- Unfunded Mandates Reform Act Requirements
- Budget Enforcement Mechanisms
- 2010 Census Lessons Learned
- Value Added Taxes
- Tax System Complexity and Taxpayer Compliance
- GPRA Modernization Act Implementation

Source: GAO.

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

Retention Rate

We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like them to stay with us. This measure is one indicator of whether we are attaining this objective. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements. Our exit surveys have shown that staff who retire do so for family, life, or health considerations; whereas nonretirees leave for new opportunities to work elsewhere, for family reasons, or to make better use of their skills. [Table 4](#) shows that prior to fiscal years 2009 and 2010, we consistently met the 90 percent target rate for overall retention (with retirements), and in fiscal years 2009 and 2010 we exceeded that rate by 4 percentage points. In fiscal year 2011, we exceeded this target rate by 2 percentage points at 92 percent. We also exceeded our target for our retention rate without retirements by 2 percentage points at 96 percent. As with fiscal years 2009 and 2010, we attribute exceeding the target retention rates to a slow economy, which has caused some staff to delay retirement and reduced other attrition, such as resignations or transfers to other agencies.

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

Performance measures	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual
People							
Retention rate							
With retirements	90%	90%	90%	94%	94%	90%	92%
Without retirements	94%	94%	93%	96%	96%	94%	96%

Source: GAO.

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

One way that we measure how well we are supporting our staff and providing an environment for professional growth is through our annual employee feedback survey. This web-based survey is administered to all of our employees once a year. To ensure the confidentiality of every respondent, we use an outside contractor to administer the survey and to analyze the responses. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate their immediate supervisors on key aspects of their leadership styles. The survey consists of over 100 questions. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including these responses in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions. (See Part V of this report on [pp. 132-134](#) for additional information about these measures.) This fiscal year, about 70 percent of

our employees completed the survey and we exceeded all four targets (see [table 5](#)). Our fiscal year 2011 performance on all of these measures was very consistent with our fiscal year 2010 results. Our performance on the staff development and leadership measures was the same as last year, and staff utilization and organizational climate were higher by 1 percentage point. Given our performance on these measures over the last 5 years, we have decided to retain our fiscal year 2011 targets for fiscal year 2012 (see [table 1](#)).

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

Performance measures ^a	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual
People							
Staff development	76%	76%	77%	79%	79%	76%	79%
Staff utilization	75%	73%	75%	78%	77%	75%	78%
Effective leadership by supervisors ^b	79%	79%	81%	83%	83%	80%	83%
Organizational climate	73%	74%	77%	79%	79%	75%	80%

Source: GAO.

^aCertain portions of our web-based survey are used to develop these four measures.

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

Focusing on Our Internal Operations

Our mission and people are supported by our internal administrative services, including information management, facility management, knowledge services, human capital, financial management, and other services. To assess our performance related to how well our internal administrative services help employees get their jobs done or improve employees’ quality of work life, and to set targets, we use information from our annual customer satisfaction survey, the results of which are shown in [table 6](#). We asked staff to rank 32 internal services available to them and to indicate on a scale from 1 to 5, with 5 being the highest, their satisfaction with each service. Our internal operations measures are directly related to our efforts under goal 4 of our strategic plan to enable quality, timely service to the Congress and be a leading practices federal agency. The first measure encompasses 17 services that help employees get their jobs done, such as Internet access, desktop computer equipment, voice and video communication systems, shared service centers for copying and courier assistance, travel services, and report production. The second measure encompasses another 15 services that affect quality of work life, such as assistance related to pay and benefits, building security and maintenance, and workplace safety and health. Using survey responses, we calculate a composite score for each service category that reflects employee ratings for (1) satisfaction with the service and (2) importance of the service. While we did not meet our target of 4.0 for each of the two categories, our score of 3.94 for each shows that staff are largely satisfied with the services they receive.

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

Performance measures	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual
Internal operations							
Help get job done	4.10	4.05	4.00	4.03	3.94	4.0	N/A
Quality of work life	4.00	3.98	4.01	4.01	3.94	4.0	N/A

Source: GAO.

Note: We will report actual data for fiscal year 2011 once the data from our November 2011 internal operations survey have been analyzed. N/A indicates that the data are not available yet.

GAO's High-Risk Program

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

Issued to coincide with the start of each new Congress, our high-risk updates have helped sustain attention from members of the Congress who are responsible for oversight and from executive branch officials who are accountable for performance. Overall, our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide

critical services to the public. Since 1990, GAO has designated over 50 areas as high risk and subsequently removed over one-third of the areas based on progress made. As of the end of fiscal year 2011, our high-risk list highlighted 30 areas across government. [Table 7](#) lists each current high-risk area and the year it was added to the list.

Our 2011 high-risk area work:

- 186 reports
- 57 testimonies
- \$29.2 billion in financial benefits
- 544 nonfinancial benefits

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

Table 7: GAO’s High-Risk List as of September 30, 2011

High-risk area	Year designated
Strengthening the Foundation for Efficiency and Effectiveness	
■ Management of Federal Oil and Gas Resources (new)	2011
■ Modernizing the Outdated U.S. Financial Regulatory System	2009
■ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	2007
■ Funding the Nation’s Surface Transportation System	2008
■ Strategic Human Capital Management	2001
■ Managing Federal Real Property	2003
Transforming DOD Program Management	
■ DOD Approach to Business Transformation	2005
■ DOD Business Systems Modernization	1995
■ DOD Support Infrastructure Management	1997
■ DOD Financial Management	1995
■ DOD Supply Chain Management	1990
■ DOD Weapon Systems Acquisition	1990
Ensuring Public Safety and Security	
■ Implementing and Transforming the Department of Homeland Security	2003
■ Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland	2005
■ Protecting the Federal Government’s Information Systems and the Nation’s Cyber Critical Infrastructures	1997
■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	2007
■ Revamping Federal Oversight of Food Safety	2007
■ Protecting Public Health through Enhanced Oversight of Medical Products	2009
■ Transforming EPA’s Process for Assessing and Controlling Toxic Chemicals	2009
Managing Federal Contracting More Effectively	
■ DOD Contract Management	1992
■ DOE’s Contract Management for the National Nuclear Security Administration and Office of Environmental Management	1990
■ NASA Acquisition Management	1990
■ Management of Interagency Contracting	2005
Assessing the Efficiency and Effectiveness of Tax Law Administration	
■ Enforcement of Tax Laws	1990
■ IRS Business Systems Modernization	1995
Modernizing and Safeguarding Insurance and Benefit Programs	
■ Improving and Modernizing Federal Disability Programs	2003
■ Pension Benefit Guaranty Corporation Insurance Programs	2003
■ Medicare Program	1990
■ Medicaid Program	2003
■ National Flood Insurance Program	2006

Source: GAO.

Also in our February 2011 high-risk update, we designated one new high-risk area—Management of Federal Oil and Gas Resources. The Department of the Interior (Interior) does not have reasonable assurance that it is collecting its share of billions of dollars of revenue from oil and gas produced on federal lands and it continues to experience problems in hiring, training, and retaining sufficient staff to provide oversight and management of oil and gas operations on federal lands and waters. Further, Interior recently began restructuring its oil and gas program, which is inherently challenging, and there are many open questions about whether Interior has the capacity to undertake this reorganization while carrying out its range of responsibilities, especially in a constrained resource environment.

Several high-risk areas likely require legislative action in addition to executive branch action to effectively address the area. For example, for the high-risk area “Transforming EPA’s Process for Assessing and Controlling Toxic Chemicals,” we have recommended statutory changes to provide the Environmental Protection Agency (EPA) with additional authorities to obtain health and safety information from the chemical industry and to shift more of the burden to chemical companies for demonstrating the safety of their chemicals. More information on statutory changes recommended can be found in the “What Remains to be Done” section for the relevant high-risk area in the report (<http://www.gao.gov/highrisk>).

In fiscal year 2011, we issued 186 reports and delivered 57 testimonies to the Congress related to our high-risk work. We documented \$29.2 billion in financial benefits and 544 nonfinancial benefits related to high-risk areas. These results are based on reviews spanning the high-risk areas. The area with the largest amount of financial benefits was DOD Weapon Systems Acquisition, and the largest number of nonfinancial benefits was in Protecting the Federal Government’s Information Systems and the Nation’s Cyber Critical Infrastructures. Our next biennial high-risk update is planned for January 2013. More information on the high-risk series is available on our website at <http://www.gao.gov/highrisk>.

Duplication Mandate

In 2010, a new statutory requirement—the Duplication Mandate—called for GAO to identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities and report annually to the Congress on our findings, as well as actions to reduce such duplication.⁷

In March 2011 we issued our first annual report ([GAO-11-318SP](#)), which identified 34 areas either where agencies, offices, or initiatives have similar or overlapping objectives or provide similar services to the same populations, or where government missions are fragmented across multiple agencies or programs. For example, 82 programs designed to help improve teacher quality are administered across 10 federal agencies. At least 31 entities within the DOD provide items urgently needed to U.S. warfighters at a cost of over \$76 billion since 2005. Overlap and fragmentation can be indicators of unnecessary duplication, which can waste scarce federal resources, negatively impact key federal technology and other efforts, and result in less effective and efficient services for the American public. However, we also noted that some degree of duplication may be necessary given the nature or magnitude of the federal effort, as in the case of national security and defense. In light of the nation’s fiscal pressures, we also identified 47 other areas where the federal government may be able to achieve cost savings or revenue

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

enhancement. Many of these exist within single departments or agencies, such as multiple opportunities within the Internal Revenue Service to improve tax compliance. We further identified several potentially significant governmentwide cost-saving opportunities, such as promoting competition for the more than \$500 billion in federal contracts and applying strategic sourcing best practices throughout the federal procurement system.

In many areas, we suggested actions—outlining some new options, as well as underscoring numerous existing GAO recommendations—that policymakers could take to reduce or eliminate unnecessary duplication, overlap, and fragmentation or achieve other potential financial benefits. A number of these actions can be addressed by agency officials, such as closing collaboration and information sharing gaps and pursuing more comprehensive and strategic approaches to managing and overseeing broad-based efforts. Others may require executive branch or enhanced congressional oversight or legislative action, particularly where fragmentation or overlap may be partially due to the legislative creation of separate programs under the jurisdiction of several different agencies, as in the case of some federal homeless programs; where fragmentation and overlap challenges have been long-standing, as they have been in the federal approach to surface transportation. We identified areas where additional information, including the implementation costs associated with potential options, such as program consolidations or terminations, could help identify the optimal course of action.

Streamlining federal efforts, reducing government costs, and enhancing revenue collections can offer near-term financial and other benefits, as well as help set the government on a more sustainable, long-term fiscal path. Depending on the nature and extent of actions taken, these actions could collectively result in tens of billions of dollars in annual savings. Actions in some areas alone could produce significant savings. For example, we estimated that addressing potentially duplicative policies designed to boost domestic ethanol production could reduce federal revenue losses by up to \$5.7 billion annually. Estimating financial benefits was not always possible. In some cases necessary information was not readily available, and in other cases, the benefits that may result from reducing or eliminating duplication, such as better law enforcement or coordination, can be difficult to monetize. Nevertheless, given the amount of program dollars involved in the issues we identified, even limited adjustments to the federal approach could result in significant savings.

The 81 areas identified in our report were drawn from our prior and ongoing audit work and cover a wide range of government missions, federal agencies, and federal programs. Combined with areas that will be covered in our reports for fiscal years 2012 and 2013, our work, which leverages the diverse skills of interdisciplinary teams throughout the agency, will provide policymakers with a systematic and practical examination of potentially significant instances of duplication governmentwide.

In addition to testifying over 30 times before the Congress on our first annual report findings and on specific issues highlighted in the report, we addressed issues of duplication, overlap, and fragmentation in our routine audit work during fiscal year 2011. For example, we testified on opportunities to reduce duplication both in federal teacher quality programs ([GAO-11-510T](#)) and in small business programs ([GAO-11-558T](#)) and on examining the extent of overlap and fragmentation in the federal government's economic development efforts ([GAO-11-872T](#)). We continue to monitor executive, legislative, and agency developments in the areas identified in our March 2011 report and will provide periodic updates on those developments to the Congress.

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

The Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010, to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. The act requires significant rule making by regulatory agencies and requires us to conduct over 40 studies on a broad array of issues and, for a third of these studies, to report our findings within a year of the act's passage. As a result, in fiscal year 2011, we issued 17 products on issues such as mortgages, securities markets, financial institutions, and consumer protection, making 15 recommendations to various financial regulators.

We studied several issues related to mortgages, including appraisals and the effect of the act's requirements on the mortgage market. We recommended that federal banking regulators, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection consider addressing several key areas related to appraisers, including selection criteria, as part of joint rulemaking under the act to establish minimum standards for states to apply in registering appraisal management companies ([GAO-11-653](#)). We also studied the potential impact on the mortgage market of the act's criteria for lower-risk mortgages, credit risk retention requirement, and provisions concerning homeownership counseling and regulation of high-cost loans ([GAO-11-656](#)).

With regard to securities markets, we studied the risks and regulation of proprietary trading by banking entities and recommended that regulators collect and review more comprehensive information on the nature and volume of activities potentially covered by the act ([GAO-11-529](#)). In our work on the movement of former Securities and Exchange (SEC) employees to regulated firms, we recommended that SEC establish standards for documentation of ethics advice issues associated with the movement of employees between SEC and other employers ([GAO-11-654](#)). We explored other issues as well, including the role of the Governmental Accounting Standards Board in the municipal securities market ([GAO-11-267R](#)); the liability of parties who assisted, aided, and abetted fraud in securities transactions ([GAO-11-664](#)); and the feasibility of a self-regulatory organization to oversee private fund advisers ([GAO-11-623](#)).

Regarding issues related specifically to financial institutions, we evaluated the implementation of the prompt corrective action framework for troubled institutions and recommended that bank regulators consider additional triggers and other actions to improve prompt corrective action ([GAO-11-612](#)). In our audit of the Federal Reserve System's emergency program activities, we made seven recommendations to strengthen the Federal Reserve System's policies and processes for managing future emergency programs ([GAO-11-696](#)). We also studied bankruptcy and orderly liquidation processes for financial companies and international coordination related to the bankruptcy of these companies ([GAO-11-707](#)).

Our studies on consumer protection issues first looked at oversight issues related to financial planners. We made recommendations to SEC and the National Association of Insurance Commissioners related to consumers' understanding of the titles and designations financial planners use and the standard of care that applies to them ([GAO-11-235](#)). We studied the regulatory requirements for mutual fund advertisements and the advertisements' impact on investors and recommended that regulators communicate better to the industry any changes

in rule interpretations affecting fund advertising ([GAO-11-697](#)). In addition, we assessed regulatory approaches for person-to-person lending ([GAO-11-613](#)) and reviewed evaluations of methods and strategies for improving financial literacy ([GAO-11-614](#)).

The Troubled Asset Relief Program

The 2008 Emergency Economic Stabilization Act (EESA) that created the Troubled Asset Relief Program (TARP) originally authorized the Department of the Treasury (Treasury) to purchase or guarantee up to \$700 billion in troubled assets and to mitigate foreclosures. The \$700 billion ceiling was never reached, and in July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act reduced the amount to \$475 billion. EESA provided us with an oversight role with broad monitoring and reporting responsibilities, including a requirement to submit a report on our work at least every 60 days. While TARP programs that provide mortgage assistance remain ongoing, other TARP programs continue to wind down as Treasury manages and sells assets purchased to address the financial crisis that began in 2007.

In fiscal year 2011, we issued 13 products with 16 recommendations. We reported on the status of TARP programs and related ongoing challenges; the management infrastructure for TARP programs; and the status of our recommendations to Treasury. For example, we analyzed the process Treasury used under the Capital Purchase Program to provide capital to banks during the financial crisis ([GAO-11-47](#)) and monitored the financial condition of American International Group, Inc. and the status of Treasury's investment ([GAO-11-46](#) and [GAO-11-716](#)). We also reviewed the continuing implementation of Making Home Affordable foreclosure mitigation programs ([GAO-11-288](#) and [GAO-11-367R](#)). In addition, we completed our annual financial statement audit for Treasury's Office of Financial Stability—the entity established to implement TARP ([GAO-11-174](#) and [GAO-11-434R](#)).

Our recommendations generally followed two themes: (1) helping to ensure that Treasury is managing TARP programs effectively and (2) monitoring the use of funds to meet the EESA's objectives. Specifically, we recommended that Treasury finalize a staffing plan to help ensure that its programs are well managed as TARP winds down, given that term appointments continue to expire for staff hired when TARP was first established. We also recommended a number of improvements to the foreclosure mitigation programs, such as capturing better information on program outcomes. In addition, our financial audit recommended improvements to internal controls over financial and accounting reporting processes.

The American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) mandated several studies for GAO, including conducting bimonthly reviews on the uses of and accountability for Recovery Act funds in selected states and localities and commenting on the estimates of jobs created or retained as reported by recipients of Recovery Act funds. In fiscal year 2011, the focus of our bimonthly reviews shifted from our prior work reporting on the uses of funds across a wide range of programs by the selected states and the District of Columbia to providing enhanced analysis of selected programs in states and localities, with each bimonthly review highlighting a single Recovery Act program. With this approach, we have provided the Congress and other decision makers with more in-depth analyses of programs and their results.

To respond to the mandate to comment on jobs created or retained, we have commented each quarter on the required Recovery Act reports of nonfederal recipients of Recovery Act funds, including grants, contracts, and loans. These recipient reports included a list of each project or activity for which Recovery Act funds were expended or obligated and information concerning the amount and use of funds and jobs created or retained by these projects and activities. In fiscal year 2011, this work focused on recipient reporting related to the specific programs reviewed, and included work addressing steps that states and localities took to ensure the quality of the data they submitted. We also reviewed steps that federal agencies took after recipients reported to ensure that their recipients' data were of high quality and that those required to report did so.

In fiscal year 2011, we issued five reports fulfilling these two ongoing mandates—on Recovery Act funding for Head Start ([GAO-11-166](#)), Energy Efficiency and Conservation Block Grants ([GAO-11-379](#)), transportation and water infrastructure projects ([GAO-11-600](#) and [GAO-11-608](#)), and education programs ([GAO-11-804](#)). In addition to fulfilling our bimonthly and recipient reporting mandates, our fiscal year 2011 Recovery Act-related reports have covered a wide spectrum of program and policy areas, including

- efforts to award Recovery Act broadband funds and risks in providing oversight of funded projects ([GAO-11-371T](#)),
- steps that the Federal Emergency Management Agency could take to protect sensitive Recovery Act port security grant details ([GAO-11-88](#)),
- ways to improve the responsiveness of federal Medicaid assistance to states during economic downturns ([GAO-11-395](#)),
- ways that the Department of Justice could improve the assessment of Justice Assistance Grants' impact ([GAO-11-87](#));
- knowledge of past recessions and how it can inform future federal fiscal assistance to state and local governments ([GAO-11-401](#)),
- an assessment of grant award procedures for the Recovery Act's Transportation Investment Generating Economic Recovery grants ([GAO-11-234](#)),
- states' access to and use of the increased Federal Medicaid Assistance Percentage funds and states' plans to sustain their Medicaid programs once these funds are no longer available ([GAO-11-58](#)), and
- known federal tax debt owed by Recovery Act contract and grant recipients ([GAO-11-485](#) and [GAO-11-686T](#)).

Agencies have implemented more than half of the 68 recommendations we have made since our first report was issued in April 2009, including providing additional guidance for fulfilling reporting requirements, improving the monitoring of recipients and subrecipients of Recovery Act funds, clarifying approaches states can take to recover administrative costs associated with the wide range of activities to comply with the Recovery Act, and developing procedures to measure impact.

We also have made a number of suggestions to states and localities for improvements in their use of Recovery Act funds. Our presence in the selected states and localities heightened the level of vigilance, including influencing officials to make real-time

improvements to head off problems before they could occur. For example, Massachusetts officials commented that the regular meetings with the GAO team members helped them clarify their policies for managing recipient reporting, and the regular reports helped state officials reinforce the message of appropriate oversight and control. In Ohio, in response to our findings on institutions of higher education's use of the State Fiscal Stabilization Fund, the Board of Regents improved its monitoring plan; it now requires institutions to identify cumulative program revenues and expenditures and attest that funds were used only for allowable expenditures. Moving forward, our capacity to continue this work has been enhanced by the strong and productive working relationships established with state and local government leaders.

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

General Counsel Decisions and Other Legal Work

In addition to benefiting from our audit and evaluation work, which reflects considerable legal input, the Congress and the public also benefited from the legal products and activities undertaken by our Office of General Counsel in fiscal year 2011. The following exemplify some of our key contributions.

We redesigned GAO's Legal Decisions & Bid Protest web pages in response to comments and questions received from the public and to conform with our reconfigured Internet site. These newly streamlined pages are accessible at <http://www.gao.gov/legal/index.html>. The user-friendly format, additional content, and enhanced search capabilities help to ensure that our legal products are easily accessible to the public and the Congress.

The Procurement Law Division within the Office of General Counsel handled more than 2,300 bid protests during the course of fiscal year 2011.⁸ Bid protests have been increasing in part because of our expanded jurisdiction over task orders, A-76 protests, and Transportation Security Administration protests. A protest challenges a federal agency's handling of an individual federal procurement. Many of these protests were resolved without a written decision because the federal agency involved voluntarily took corrective action to address the protest. The remaining protests were either dismissed for procedural deficiencies, resolved using Alternative Dispute Resolution procedures, or decided on the merits. In fiscal year 2011, we issued more than 400 decisions on the merits, which addressed a wide range of issues involving compliance with, and the interpretation of, procurement statutes and regulations. Certain of these protests involved significant government programs and received extensive media coverage. For example, we

- denied U.S. Aerospace's protest of an Air Force decision to reject as late the protester's proposal for the closely watched KC-X tanker modernization program, valued at approximately \$40 billion;

⁸In comparison, nearly 2,300 bid protests were filed in fiscal year 2010 and 1,989 in fiscal year 2009.

- denied a protest challenging the award of a contract valued in excess of \$3 billion by DOD's TRICARE Management Activity to provide dental health care insurance for family members of military personnel;
- sustained challenges from three offerors to the General Services Administration's (GSA) decision to award a 15-year lease for office space for the Department of Health and Human Services—GSA's lease prospectus estimated the value of this lease at approximately \$30 million per year; and
- sustained a challenge to the award by the U.S. Army Corps of Engineers (USACE) of a \$675 million design-build contract for permanent canal closures and pumps being built as part of the hurricane protection program in New Orleans. In addition to a conflict of interest issue, the decision concluded that the USACE had failed to determine whether the awardee's construction approach would meet the solicitation's requirements for withstanding lateral loads.

Within the Procurement Law Division, six attorneys appointed by the General Counsel also serve on our Contract Appeals Board, established by the Congress in 2007 to hear appeals from contracting officer decisions with respect to any contract entered into by a legislative branch agency. In addition to using alternative dispute resolution procedures to resolve contract disputes, the Board conducted two hearings and published three decisions in fiscal year 2011, which appear on our website. As of the end of the fiscal year, 21 appeals were pending on the board's docket.

In addition to our bid protest decisions, we also issued a congressionally mandated analysis of "aiding and abetting" liability for securities fraud violations⁹ and a comprehensive identification of statutory exemptions from federal safety rules for motor carriers.¹⁰ In fiscal year 2011, we published 21 appropriations decisions, opinions, and letters on such issues as the U.S. government's sovereign immunity, the Antideficiency Act, and violations of the Miscellaneous Receipts statute. We issued two letters and an opinion affirming the U.S. government's constitutional sovereign immunity from local and state taxation absent an express waiver in statute. The letters addressed a Washington, D.C. tax on stormwater, and the opinion addressed a California tax on e-waste.¹¹ We subsequently assisted the Congress in drafting legislation to provide an express waiver of sovereign immunity on stormwater taxes, which was enacted into law on January 4, 2011.

We issued a number of opinions to congressional committees, including two opinions determining that agencies had violated the Miscellaneous Receipts statute. One opinion found that the Bureau of Land Management violated the statute when it sold land and used the proceeds without authority to augment its appropriation for the purchase of land.¹² The other opinion found that the U.S. Army violated the statute when it directed cash rent payments into an escrow account instead of a special account in the U.S. Treasury as provided by law.¹³ We noted that both agencies should adjust their accounts in accordance with the opinions and report Antideficiency Act violations if unable to do so.

⁹B-321063/GAO-11-664, July 21, 2011.

¹⁰B-321295, January 31, 2011.

¹¹B-318274, December 23, 2010.

¹²B-320998, May 4, 2011.

¹³B-321387, March 30, 2011

The third edition of *Principles of Federal Appropriations Law*, commonly known as the Red Book, continued to be the primary resource for appropriations law guidance in the federal financial community. In fiscal year 2011, the Red Book averaged thousands of downloads per week as attorneys, budget analysts, financial managers, project managers, contracting officers, and accountable officers from all three branches of the government accessed it to research questions about budget and appropriations law. We also issued our annual update of the third edition of the Red Book.

Attorneys from General Counsel continued to teach a 2-1/2-day course on appropriations law that explains the framework for analyzing appropriations law issues to ensure that funds are available for obligation with regard to purpose, amount, and time. We held 22 classes and had participation from staff at nine agencies as well as a number of congressional staff. In addition, appropriations lawyers taught several 1-day seminars on specialized appropriations law topics for eight agencies, including the Executive Office of the President, and spoke on our appropriations law work at conferences and training hosted by three agencies. To enhance communication within the appropriations law community across all agencies and within the three branches of government, we hosted our seventh annual appropriations law forum in March 2011. Attorneys from more than 86 agency counsel offices as well as offices of inspectors general participated in an analysis of significant decisions and opinions from 2010 and interactive sessions on budget scoring, the appropriations legislative process and the obligational consequences of incremental funding.

In March and April during the pendency of a possible government shutdown, attorneys from our General Counsel's Office assisted congressional committees (including the House and Senate Appropriations Committees), the Chief Administrative Officer of the House, the Secretary of the Senate, and numerous federal agencies by fielding hundreds of inquiries on funding gaps and interpretations of the Antideficiency Act based on appropriations case law. Questions were wide-ranging on implications for various government operations in the event that the Congress and the President failed to enact appropriations.

For fiscal year 2011, we received 22 Antideficiency Act reports for our repository and made selected information from these reports publicly available on our website. Since the Congress amended the Antideficiency Act in December 2004 requiring agencies to send us a copy of reports of Antideficiency Act violations, we have received 141 reports and maintain an official repository of Antideficiency Act reports.

We continued to report under the Congressional Review Act (CRA) on major rules proposed by federal agencies to the standing committees of jurisdiction of both Houses of the Congress. For fiscal year 2011, we issued 79 reports. To improve compliance with CRA, we tracked executive branch rules that were published in the Federal Register and cross-checked to ensure that they were submitted to us. We also outreached to OMB and the relevant agencies to assist them in meeting the CRA requirement that rules be submitted to us. Following this outreach, the number of rules not received by us has declined significantly over the last 2 fiscal years.

The General Counsel's Legal Services group worked closely with GAO management and union representatives in preparation for an upcoming election to determine if the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE) should be the exclusive bargaining representative for particular Administrative Professional

and Support Staff (APSS) employees. Legal Services worked closely with GAO management and IFPTE representatives to determine which employees should be included in the APSS proposed bargaining unit and eligible to vote on the issue of representation. Legal Services also reviewed for legal sufficiency our first master collective bargaining agreement for those analyst employees who are represented by IFPTE, Local 1921. The group was also involved in the analysis of a range of labor relations issues during the course of the year.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2011 Performance Goals

Our financial statements for the fiscal year ending September 30, 2011, were audited by an independent auditor, Clifton Gunderson, LLP, and received an unqualified opinion. The auditor found our internal controls to be effective—which means that no material weaknesses were identified—and reported that we substantially complied with the applicable requirements for financial systems in FFMIA. In addition, the auditor found no instances of noncompliance with the laws or regulations in the areas tested. In the opinion of the independent auditor, our financial statements are presented fairly in all material respects and are in conformity with generally accepted accounting principles. The auditor’s report, along with the statements and their accompanying notes, begin on [page 101](#) in this report.¹⁴ [Table 8](#) summarizes key data.

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

	Fiscal year 2011	Fiscal year 2010
Total budgetary resources ^a	\$591.5	\$613.0
Total outlays ^a	\$569.7	\$593.8
Net cost of operations		
Goal 1: Well-being/financial security of the American people	\$245.0	\$213.1
Goal 2: Changing security threats/challenges of global interdependence	147.3	171.6
Goal 3: Transform the federal government to address national challenges	164.2	195.4
Goal 4: Maximizing the value of GAO	20.1	29.4
Less reimbursable services not attributable to goals	(7.1)	(6.6)
Total net cost of operations^a	\$569.5	\$602.9
Actual full-time equivalents (FTEs)	3,212	3,347

Source: GAO.

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

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

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

In fiscal year 2011, our budgetary resources included new direct appropriations of \$546.3 million (net of an approximate \$1 million rescission)—a reduction of \$10.5 million from the fiscal year 2010 level. We also received reimbursements from the lease of space in our Washington, D.C. headquarters building, audits of agency financial statements, and support activities related to monitoring the implementation of TARP, including bimonthly reporting and conducting an annual audit of the Office of Financial Stability’s financial statements on TARP. In fiscal year 2010, in addition to our appropriation and earned reimbursements, our resources included \$20.8 million to cover program reviews required by the Recovery Act.

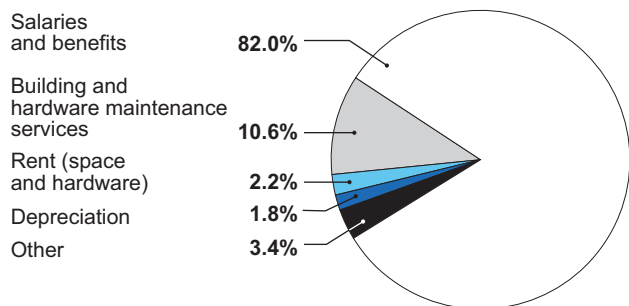
Our total assets were \$125 million, consisting mostly of property and equipment (including the headquarters building, land and improvements, and computer equipment and software) and funds with the U.S. Treasury. The net property and equipment balance increased \$3.9 million in fiscal year 2011 to \$36.7 million. Capital asset acquisitions include replacement of the headquarters building steam heating system with a more energy efficient natural gas system as well as necessary information systems data storage capacity hardware. Total liabilities of \$108 million were composed largely of employees’ accrued annual leave, employees’ salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable.

Overall, our net cost of operations in fiscal year 2011 is approximately \$33 million below the fiscal year 2010 level largely because of expiration of fiscal year 2010 funding for our work under the Recovery Act and a reduced current year appropriation. In fiscal year 2011, the Executive Committee made resource decisions in accordance with our strategic plan and budgetary constraints and reallocated resources between some areas of work and reduced work in other areas. Goal 1 (Well-being and Financial Security of the American People) increased to reflect the reallocation of resources from goal 3 (Transform the Federal Government to Address National Challenges) because of the expiration of fiscal year 2010 Recovery Act funds and a reduction in the level of TARP work from goal 2 (Changing Security Threats). Goal 1 also increased to reflect the realignment of resources from goal 2 to goal 1, consistent with our strategic plan issued in late fiscal year 2010. Goal 4 (Maximizing the Value of GAO) resources for both contracts and staff time declined because of budget constraints.

Figure 18 shows how our fiscal year 2011 costs break down by category.

Figure 18: Use of Fiscal Year 2011 Funds by Category

Percentage of total net costs

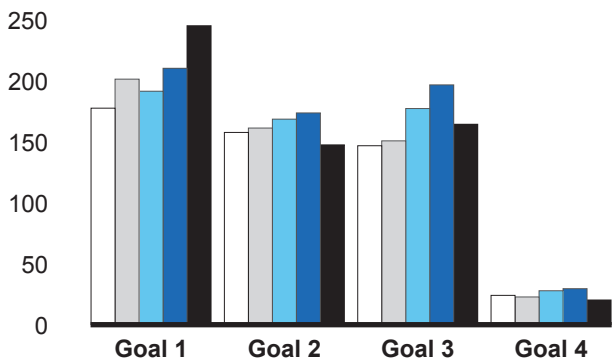


Source: GAO.

Figure 19 shows our net costs by goal for fiscal year 2007 through fiscal year 2011.

Figure 19: Net Cost by Goal

Dollars in millions



	2007	2008	2009	2010	2011
Goal 1	177.4	201.2	191.3	213.1	245.0
Goal 2	157.5	161.1	168.4	171.6	147.3
Goal 3	146.6	150.6	177.1	195.4	164.2
Goal 4	23.9	22.6	27.7	29.4	20.1

Source: GAO.

Note: Totals are not adjusted for inflation

Summary of Financial Systems Strategies and Financial Management System Framework

Our financial management system processing is performed by an OMB-designated shared service provider, the Department of Transportation, Enterprise Services Center (ESC). The major financial system in use at ESC is Delphi/Oracle Federal Financials (Delphi), supplemented by a number of supporting systems.

Delphi is an off-the-shelf system that meets OMB’s Office of Federal Financial Management’s Federal Financial Management System Requirements. We use a number of other off-the-shelf systems for specialized support of Delphi. These include Compusearch’s

PRISM, a contract and procurement system; U.S. Bank's purchase card system for small purchases; Northrop Grumman's GovTrip system for travel; and Kofax's Markview, a document work flow system to process vendor invoices.

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

Going forward, we are planning to complete implementation of a new workforce planning system during fiscal year 2012. A Pentaho database forms the basis of this project. In fiscal year 2011, we "stood up" the project's phase 1, which has the repository for workforce planning data.

Financial Systems and Internal Controls

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

We complied with the spirit of OMB Circular No. A-123, *Management's Responsibility for Internal Control*, which provides guidance for agencies' assessments of internal control over financial reporting. We performed a risk-based assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2011, was operating effectively and that no material control weaknesses exist in the design or operation of the internal controls over financial reporting. Additionally, our independent auditor found that we maintained effective internal controls over financial reporting and compliance with laws and regulations. Consistent with our assessment, the auditor found no material internal control weaknesses.

We are also committed to fulfilling the internal control objectives of FMFIA. Although we are not subject to the act, we comply voluntarily with its requirements. Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition. Further, they are designed to ensure that transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

In addition, we are committed to fulfilling the objectives of FFMIA. We believe that we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level as of September 30, 2011. We made this assessment based on criteria established under FFMIA and guidance issued by OMB.

The Improper Payments Elimination and Recovery Act of 2010 requires that agencies (1) periodically review activities susceptible to significant improper payments; (2) estimate the amount of improper payments; (3) implement a plan to reduce improper payments;

and (4) report the estimated amount of improper payments and the progress to reduce them. We have implemented and maintained internal control procedures that help monitor disbursement of federal funds for valid obligations. These controls are tested annually. Based on the results of our tests, we made no improper payments in fiscal year 2011.

Our Inspector General (IG) also conducts audits and investigations that are internally focused. During fiscal year 2011, the IG evaluated the effectiveness of our policy and procedures for preventing and detecting travel charge card misuse and reviewed our information security program. In addition, the IG operates an internal hotline for use by our employees and contractors to report potential fraud, waste, and abuse of our government property, assets, and resources and other potentially serious problems in our operations, including the possible violation of any law or regulation. The results of the IG's work and actions taken by us to address IG recommendations are highlighted in the IG's semiannual reports to the Congress. (See for example OIG-11-4.)

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

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

The committee's report appears in Part III of this report on [page 100](#).

Limitation on Financial Statements

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

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

Planned Resources to Achieve Our Fiscal Year 2012 Performance Goals

As with the rest of the federal government, we are operating under a continuing resolution appropriation at funding levels slightly below the fiscal year 2011 level, pending enactment of the final fiscal year 2012 appropriations. Although final congressional action on our fiscal year 2012 request of \$556.8 million is still pending, indications are that we will be operating below our fiscal year 2011 appropriation level, which was 1.9 percent below our fiscal year 2010 budget. On July 22, 2011, the House Committee on Appropriations approved direct appropriations of \$511.3 million, a reduction of 6.4 percent from our fiscal year 2011 appropriation level. On September 15, 2011, the Senate Committee on Appropriations approved \$504.5 million, a reduction of 7.6 percent from our fiscal year 2011 appropriation level. Both the House and Senate Committees on Appropriations emphasized that the legislative branch will lead by example by tightening its belt wherever possible, employing best practices, finding efficiencies, and improving business practices.

Given the likelihood of reduced funding in fiscal year 2012, we built on our previous cost cutting efforts, which have included significantly reduced hiring and audit-related travel since fiscal year 2010, and reexamined our budget, line by line, pinpointing potential savings across the agency and opportunities to further minimize administrative costs. As part of this effort, we completed a comprehensive assessment of our field office structure and reassessed spending at our headquarters office. Using this information, we are targeting reductions of about \$45 million from our fiscal year 2012 budget request. These planned cuts will touch on operations across the agency. Our staff head count will fall below 3,000 for the first time in the agency's modern history (a reduction of 375 people since fiscal year 2010), and critical information technology and infrastructure improvements will be deferred or canceled. While these reductions will be significant and wide ranging, and diminish our current heavy reporting volume, they have been crafted to ensure that our reputation for producing high-quality reports will not suffer. Importantly, we are coupling our spending reductions with ongoing and planned efficiency improvements in areas such as streamlining our engagement processes and identifying further reductions to our long-term operations costs. Together, our spending reductions and efficiency improvements will help ensure that we maintain the capacity to assist the Congress in priority areas during a difficult budget time, and position the agency to meet the performance goals as outlined in our strategic plan through fiscal year 2015.

Strategic and Annual Work Planning

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

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

Advisory boards and panels help us to identify key trends, opportunities and challenges, and lessons learned that we should factor into our work and operations. During fiscal year 2011, following the swearing in of a permanent Comptroller General, we began a comprehensive reexamination of the membership and charters of the Comptroller General's Advisory Board (CGAB), the Domestic Working Group (DWG), the Educator's Advisory Panel (EAP), and the Accountability Advisory Council. We also organized meetings of the CGAB, the DWG, and the EAP. At its September 2011 meeting, the CGAB comprising of distinguished individuals with experience in the public, private, and nonprofit sectors, shared their views on our nation's fiscal sustainability, our technology assessments, and our key initiatives, including our high-risk, financial reform, and duplication and overlap work. The November 2010 meeting of the DWG, comprising 19 inspectors general, state auditors, and local auditors, provided us a better understanding of their fiscal sustainability challenges and other issues at the federal, state and local levels. The July 2011 meeting of the EAP, comprising deans of leading academic institutions, identified emerging public policy and human capital issues and provided ideas on diversity inclusion and recruiting, emerging talent and learning needs, and partnership opportunities.

To improve planning and performance, we shared information and expertise as host of an annual meeting with senior representatives from our sister legislative branch agencies—the Congressional Research Service and the Congressional Budget Office. Held in June 2011, the agenda included discussions on concrete ways to streamline and improve operations, modernize information delivery to the Congress, expand use of social media, explore collaboration on database subscriptions and training, and ensure proper handling of sensitive information. After the highly productive meeting, the sister agencies have agreed to meet more frequently.

Networks, Collaborations, and Partnerships

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

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

Intergovernmental Audit Forums

On the domestic front, we organized the National Intergovernmental Audit Forum meeting of federal, state, and local auditors in the fall of 2010. State and local officials briefed their federal counterparts on their responses to fiscal challenges as well as their efforts to assure adequate oversight of federal funds expended under the Recovery Act. We also convened our annual coordination meeting with the Council of Inspectors General for Integrity and Efficiency (CIGIE), the umbrella organization for the almost 80 inspectors general in the federal departments and agencies. At the meeting, we shared our high-risk report and work relating to improper payments and the Recovery Act. We have also begun discussions with the Council to explore potential partnership opportunities in delivering training to auditors and analysts.

We organized 12 meetings of the various regional Intergovernmental Audit Forums to discuss such topics as the 2011 update of the Yellow Book, which sets standards for auditing federally funded programs, as well as promote dialogue regarding common issues, opportunities, and challenges.

INTOSAI

For over three decades, we have been a member of the International Organization of Supreme Audit Institutions (INTOSAI), an association of 190 national audit offices that are our counterparts. This network has positioned us well to address a more interdependent world where domestic challenges (e.g., regulation of financial markets, drugs, consumer products, homeland security, and rebuilding our infrastructure) have global dimensions. In November 2010, we participated in the triennial INTOSAI congress in Johannesburg, South Africa, along with more than 550 attendees from 152 national audit offices. Chief among the congress's accomplishments were the adoption of voluntary international auditing standards for supreme audit institutions, an important accountability resource, especially in developing and emerging countries. Through our active participation in the Professional Standards Committee and subcommittees, we stayed abreast of changes in international accounting, auditing, and reporting standards and shared the U.S. perspective in shaping the standards, given the consensus building that the world is rapidly moving toward adopting international accounting and auditing standards. Delegates also approved an update to the INTOSAI strategic plan, the development of which was led by the Comptroller General.

In participating in INTOSAI knowledge-sharing working groups (e.g., Public Debt, Information Technology, Environmental Auditing, Program Evaluation, Fight Against International Money Laundering and Corruption, Value of SAIs, and Key National Indicators) and task forces, we acquire knowledge and network with experts in other countries. For example, our participation in the Public Debt Working Group and our leadership of the Task Force on the Global Financial Crisis: Challenges to Supreme Audit Institutions involves some 25 countries and has provided us current information on global events and multiple facets of the financial crisis. We presented a status report of the task force's preliminary findings at the 20th INTOSAI Congress in November 2010. The task force has also issued its first two preliminary reports—on causes of the crisis and implications for SAIs, and on the effects of government actions taken in response to the crisis. We also participated in a joint United Nations-INTOSAI symposium where we explained how citizens and the public can help enhance the audit process and strengthen accountability. The symposium was attended by 140 representatives of SAIs and international organizations.

Capacity Building

In support of the Federal government's interest in promoting good governance and ensuring that federally funded programs abroad are effectively and efficiently used, we continued to advance INTOSAI-Donor Cooperation and Capacity Building.

We played a significant role in continuing to move the 2009 international memorandum of understanding with INTOSAI forward in 2011, participating in two steering committee meetings and helping to focus the agenda and the dialogue on the most critical issues. INTOSAI and the donors approved a first-ever global SAI stocktaking report in November 2010. It found that many SAIs in developing countries fall short of being able to perform the full range of their responsibilities. The report has led to matching donors to relevant SAI capacity building projects, which represent some of the first funding streams under this initiative. At the July 2011 steering committee meeting, work was launched to develop a databank on SAI Support and create a pooled funding mechanism. Both represent significant steps towards strengthening developing country SAIs.

In fiscal year 2011, 20 participants from 17 countries completed our 4-month International Auditor Fellowship Program for mid- to senior-level staff from other countries. Demand for the program has continued to increase, with participation levels up by 18 percent compared with the average of the previous 10 years. We also improved the program by updating the case study on performance audits. Through this program, our instructors, mentors, and sponsors become part of a growing community of good government professionals and experts across nations. The goodwill engendered supports our country's image abroad and facilitates our staff's access to foreign officials relevant to our audit work.

Internal Management Challenges and External Factors That Could Affect Our Performance

The Comptroller General, the Executive Committee, and other senior executives identify management challenges through the agency's strategic planning, management, internal controls, and budgeting processes. We monitor our progress in addressing the challenges through our annual performance and accountability process. Under strategic goal 4, several performance goals and underlying key efforts focus attention on each of our management challenges. We use a balanced scorecard approach for quarterly monitoring of these and other critical initiatives, and we report each year on our progress toward our performance goals. Each year, we ask our IG to examine management's assessment of the challenges and the agency's progress in addressing them.

For many years, we have focused high level management attention on three challenges—physical security, information security, and human capital. For fiscal year 2012, we are removing the first two challenges, as we have advanced our security programs' maturity levels to a point where we have programs in place to adequately protect our people, property, and other assets; continuously monitor for threats; and respond as needed when new threats arise. We will continue focusing high-level management attention on human capital issues and have identified several high-priority areas for fiscal year 2012. In addition, we have identified a new challenge related to improving the efficiency and effectiveness of our engagements and delivery of timely and quality information to the Congress.

Physical Security Challenge

We identified physical security as a management challenge in our 2001 performance and accountability report as a result of the September 11, 2001, terrorist attacks and the anthrax incidents at the U.S. Postal Service. We continued reporting physical security as a challenge over the last 10 years because of the substantial effort necessary to put effective programs in place. We created offices focused on safety, security, and emergency preparedness, which collectively have taken a multitude of actions we have reported in prior performance and accountability reports. For example, to improve physical security at our headquarters building in Washington, D.C., we

- maintain an armed contract guard force, ballistic-rated guard booths, and a vehicle-resistant perimeter wall,
- implemented an integrated electronic security system to significantly improve monitoring and controls, which also supports implementation of relevant Homeland Security Presidential Directive 12 measures,
- installed measures to address mailroom safety, including downdraft tables to protect staff when screening incoming mail, exterior wall blast protection, and X-ray machines; and
- enhanced building air filtration and system controls that enable closure of outside air intakes.

We are also implementing electronic security systems in our field offices to provide the capability for 24/7 monitoring and visual verification of incidents at any of our offices from headquarters.

In addition, we implemented a modern alarm system with public address and text message board capabilities and created two operations centers—a security operations center to provide a centralized 24/7 command center to ensure protection of the headquarters building and its occupants and an emergency operations center to serve as the central staging location for essential personnel and management during major emergencies. We also developed a Continuity of Operations Plan that outlines our response to a variety of events that could affect the operations of the agency. During the last 4 years, we have exercised building evacuations, shelter-in-place, and alternate computing facility operations as part of our disaster preparedness program to ensure that these program components function as intended, and we provide continuity awareness training for all employees and contractors.

We participate as a member of the federal Interagency Security Committee to remain aware and apprised of the latest practices and threats that agency programs should address. For example, we are working to formalize a Facility Security Plan that would address a number of proactive security and protective initiatives being adopted by the committee. This includes the creation of a Facility Security Committee and a vulnerability assessment program and schedule, and formalizing the security response and actions necessary during escalated security conditions.

While we still have several projects under way or planned to enhance our safety, security, and emergency preparedness functions, we believe that reporting physical security as a management challenge is no longer warranted. In our review of these programs for this year's

report, we have determined that our programs are mature; meet federal requirements; and provide appropriate protections for our people, property, and other assets. Embedded in our programs are procedures for continuous monitoring of threats and changing requirements and practices, and processes for evolving our programs, as needed. We are confident that we have the ability to respond to and address new threats and emergencies as they arise.

Information Security

Since our fiscal year 2002 performance and accountability report, we have reported information security as a management challenge because of the magnitude of risk associated with weaknesses identified during internal reviews and independent evaluations of our information security program. For example, we did not have a comprehensive disaster recovery program dealing with the continuity of information technology (IT) services and had not implemented a comprehensive intrusion detection strategy to provide effective compensating security controls against malware and external threats. In addition, we needed to ensure that our policies and procedures were consistent with federal information security governance.

Through sustained commitment and top leadership support, we have developed and implemented an information systems security program that comprehensively addresses risks and provides for continuous evolution of our processes and controls. In past performance and accountability reports, we have discussed the many program elements and controls we have implemented to protect our information and systems. For example, we have implemented robust, two-factor authentication using tokens for internal and external access to our network, and protect our data at rest through full disk encryption on our mobile computers. We ensure that staff and contractors complete IT security awareness training annually, as required by law. While implementing our “defense-in-depth” strategy, we have deployed multiple layers of security controls to actively monitor our network traffic between internal systems and out across the Internet. In addition, we have implemented an integrated security solution on our laptops and desktops that provides managed antivirus, antimalware, and personal firewalls as part of our standard business practice. We also have a disaster recovery program that includes use of an alternate computing facility, which is capable of maintaining many of our operations during a major crisis or threat.

Of note, our program has been assessed by our IG every year since 2003 and, for the past 3 years, has been found to be consistent with the requirements of the Federal Information Security Management Act of 2002. This sustained performance demonstrates that our program (1) provides a sufficient process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in our information systems security policies, procedures, and practices; (2) includes processes and procedures to continue to build our capability to minimize IT security threats and incidents and enhance our disaster recovery efforts; and (3) adheres to federal information security governance, such as OMB and National Institute of Standards and Technology guidance. As such, we have determined that reporting information security as a management challenge is no longer warranted. However, given the constantly evolving nature of information security threats, we will maintain management focus on continuing to support a robust security program.

Human Capital

We depend on a talented and diverse, high-performing, knowledge-based workforce to carry out our mission in support of the Congress. Like other federal agencies, human capital management poses many challenges with an ever-changing workforce, emerging civil service reforms, and continuous pressure to do more with less. We were able to make progress in several key areas as planned for fiscal year 2011. Specifically, we

- completed the first master collective bargaining agreement with GAO Employees Union, IFPTE, Local 1921;
- continued to focus on attracting and hiring staff to address our staffing needs in support of our strategic plan and Workforce Diversity Plan, while filling critical needs identified in our annual Workforce Plan;
- completed implementation of all the short-term recommendations from the Performance Appraisal Study; and
- made significant progress on design of a new performance management system by conducting job analyses and developing draft rating criteria and a new rating scale.

Additional details on these and related actions taken in fiscal year 2011 are discussed in [Part II](#) of this report.

This past year also saw a number of economic and political changes that have greatly affected federal agencies. Like the rest of the federal government, we are facing an era of austere budgets and the associated impacts on our ability to hire, retain, and motivate a top-performing workforce. At the same time, demand for our work remains high. While we have achieved many successes in recruiting and hiring top-notch diverse candidates, providing outstanding entry-level development training, and offering employees a wide range of highly desired benefits programs, it may be difficult to continue and build on these successes. As a result, the overarching human capital challenge that we face now, and for the foreseeable future, is ensuring that we continue to support the mission of the agency with the right resources, where and when they are needed, in the face of declining budgets, and provide meaningful rewards and recognition needed to retain our highly skilled workforce. In order to ensure continued high-quality and timely service to the Congress, in fiscal year 2012, we will focus our efforts on a few top priorities to sustain an agile, well-trained, balanced, diverse workforce.

- **Succession planning.** As staff reductions seem inevitable, we will strengthen our succession planning so that staff who are eligible to advance to key positions are provided with the training and other necessary development to ensure that they have the requisite skills and experience for those positions. Succession planning is particularly critical for our senior executive corps, of which 40 percent are eligible to retire. Thus, we will have our senior executives work with management staff at the next level down to convey important historical information about agency programs and operations; key working relationships, partnerships, and experts in relevant fields; and perspectives on emerging issues and areas for continued agency involvement, to ensure that critical knowledge and expertise are not lost.

- **Training.** We will begin to shift the emphasis of our training program from primarily entry-level training providing more targeted, needed “just-in-time” training, which may be subject matter or audit skill related in nature.
- **Hiring.** Even though we will need to greatly curtail hiring, we cannot forget the lessons learned from the workforce reductions in the 1990s, which resulted in a lengthy hiring freeze and corresponding concentration of staff at higher band levels. Thus, we will need to reduce our heavy focus on entry-level recruiting to enable swift hiring that addresses critical needs regardless of the level or position. However, we must also preserve some level of partnerships with colleges and professional associations so we do not lose access and appeal to quality, diverse entry-level candidates.
- **Rewards and recognition.** Lastly, since we cannot achieve our mission without our people, we will begin exploring alternative methods for rewarding and recognizing our high-performing workforce to incentivize and retain them given likely limitations in our ability to provide financial rewards and salary increases.

We will also continue management attention on several long-term priority issues in fiscal year 2012—namely, development of a new performance management system and implementation of the long-term recommendations from the Performance Appraisal Study, as well as leveraging technology to ensure accuracy and efficiency in human capital processes and management.

Engagement Efficiency Challenge

With the many complex challenges facing the Congress and the nation, we need to look for ways to produce our reports and analysis more quickly and efficiently without sacrificing quality. We have taken steps to improve management and prioritization of the “pipeline” of Congressional requests and mandates we receive, as outlined in our Congressional Protocols and through the extensive outreach that our Office of Congressional Relations and our senior executives conduct in our day-to-day operations. In addition, while we have been able to sustain high levels of productivity and continue to be an important resource for our congressional clients, we are not immune from the concerns about federal spending, already receiving a lower budget in fiscal year 2011. With more than 80 percent of our budget devoted to personnel costs, modest reductions or even static funding will require that we reduce staffing levels and curtail hiring. As a result, our ability to continue to provide timely information and analysis to the Congress as it debates critical issues of national and international concern poses a significant management challenge in this time of limited resources as compared to previous years.

Accordingly, in an environment where quality and effectiveness are paramount and must be maintained while resources are declining, we must improve our efficiency in responding to congressional requests and mandates to meet the Congress’s needs and remain a trusted resource in a fast-moving, ever-changing world. To address this challenge, we have identified three areas of opportunity for improved efficiency and will be taking the following steps in these areas in fiscal year 2012.

- **Managing and conducting engagements.** While we have relieved some administrative burdens in managing and conducting engagements by streamlining certain business processes and improving technology support, more work remains to significantly improve our efficiency. The way in which we plan and conduct our engagements has changed little over the years and the business process for most types of GAO engagements is fundamentally the same. Accordingly, we will begin an end-to-end analysis of our engagement process to identify areas for improvements in efficiency while maintaining adherence to essential quality standards.
- **Utilizing resources.** Our highly professional workforce, which represents a broad array of disciplines, is our most important asset. Our work covers the breadth of government and requires that our employees frequently master intricate details of federal programs and agency operations to which they have sometimes had little previous exposure. Their ability to do so is a hallmark of a “GAO analyst” and is critical to our ability to respond to changing congressional needs. However, we could do more to capitalize on our employees’ flexibility and agility when assigning work. We need to improve our ability to multitask staff across multiple engagements, tapping needed skills and expertise where and when they are needed. As a result, we will evaluate our current model for utilizing staff on engagements and identify changes to enhance our agility and responsiveness.
- **Communicating our message.** In recent years, the way in which the world communicates has changed dramatically as a result of electronic media. While our findings and conclusions are a standard of excellence and accepted authoritative statements on the functioning of federal agencies and programs, producing a typical GAO report can be made more efficient and the reports do not port easily to the electronic world. We have made significant progress in the past year tailoring the presentation of the results of our work to be more web friendly; however, this process adds another step to an already multilayered report writing and production process. In addition, we have tremendous amounts of valuable content in existing reports that could be quickly repurposed and in-house expertise that should be leveraged to inform Congressional decision making on key issues of national importance. Thus, we will continue to assess our clients’ and audited agencies’ key information needs and communication-style preferences, and explore alternative ways of meeting those needs that will enable us to “bring our product to market” in a more efficient and effective manner, without sacrificing quality or context.

Mitigating External Factors

In addition to the resource constraints and uncertainty of the budget for fiscal year 2012, which directly affect our internal management challenges, other external factors that could affect our performance and progress toward our goals include shifts in congressional interests, the ability of other agencies to make improvements needed to implement our recommendations in a constrained budget environment, and access to agency information. We mitigate these factors in several ways.

While demand for our work is very high, with 929 congressional requests and new mandates in fiscal year 2011, unanticipated shifts in congressional priorities change the mix of work we are asked to perform. To be prepared to address timely and relevant issues, we use the eight broad trends identified in our strategic plan to guide our work plans. We also

communicate frequently with our congressional clients to stay abreast of their interests. In addition, each year we conduct about 80 evaluations annually under the Comptroller General's authority to address priority issues we identify. We also strive to maintain flexibility in deploying our resources in response to shifting priorities and have successfully redirected our resources when appropriate and maintained broad-based staff expertise. For example, to address the recent Duplication Mandate in fiscal year 2011, we employed multidisciplinary teams composed of staff from across the agency. We devoted 34 percent of our audit resources to mandates in fiscal year 2011. The level of demand for our work remains high as we fulfill ongoing requirements under mandates and other responsibilities. For example, we have just completed the first year of multiyear mandates to report on health care and financial regulatory reform issues. Moreover, all Senate committees are required to review programs within their jurisdiction to identify potential fraud, waste, and abuse in program spending—giving particular scrutiny to issues raised in our reports—and to develop recommendations for improved government performance. Similarly, House rules require each standing committee or subcommittee to hold at least one hearing on issues raised by us indicating that federal programs or operations authorized by the committee are at high risk for fraud, waste, abuse, or mismanagement (see [p. 38](#) for more information about our high-risk list areas and programs.)

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

While we generally receive very good cooperation, over time we have experienced access issues at certain departments and agencies. We actively pursue access issues as they arise, and we are engaged in discussions and efforts across the executive branch to enhance our access to information. In 2011, there were several developments on the access front relating to these discussions and efforts. As we reported in the performance and accountability report for fiscal year 2010, the Department of Justice (DOJ) in recent years has employed a centralized process for screening our access requests, resulting in delays and occasional denials of access to information. Given this, in 2011 DOJ initiated a trial program designed to improve its responsiveness to our requests. The program included target time frames for DOJ production of documents and for the scheduling of interviews with agency officials, as well as the designation by DOJ of senior component officials for our reviews. We and DOJ are in agreement that the trial program has led to efficiencies in conducting work at the department, including receiving information in a timelier manner and enhanced communication. DOJ is currently in the process of making the trial program changes a permanent part of its procedures for working with us.

Another development in fiscal year 2011 relating to our access to information was in the context of intelligence. The Intelligence Authorization Act for Fiscal Year 2010, Pub. L. No. 111-259, § 348 required the Director of National Intelligence (DNI), in consultation with the Comptroller General, to issue a written directive by May 1, 2011, governing the access of the Comptroller General to information in the possession of an element of the U.S. Intelligence Community (IC). The statutory requirement to develop a directive on

this subject was designed to address the historic challenges that we have experienced in gaining access to information in the IC. The DNI and his staff did consult with us during the development of the directive, and we believe that the resulting directive (Intelligence Community Directive 114) provides a starting point for addressing these challenges. The directive contains a number of provisions designed to promote constructive interaction between us and elements of the IC, such as establishing a presumption of cooperation with us. However, we have concerns with how several terms in the directive could be interpreted, since they are framed as areas where information would generally not be available to us for certain audits or reviews. It is crucial that these terms and the overall directive be carefully implemented and monitored to ensure that we are able to obtain the information we need to assist the Congress in its oversight responsibilities, including responding to requests from the committees on armed services, justice, homeland security, foreign affairs, and appropriations, as well as the congressional intelligence committees.

We have experienced other access issues at certain agencies because of long-standing and erroneous interpretations of our access authority, even where the agencies involved are otherwise generally cooperative. In some cases, agencies have interpreted language in program statutes limiting their disclosure or use of data as restricting our access, notwithstanding our statutory access rights. Examples include an interpretation by the Food and Drug Administration with respect to a provision of the Federal Food, Drug, and Cosmetic Act, as well as an interpretation by the Federal Trade Commission of a provision in the Hart-Scott-Rodino Act, as amended. Legislation currently pending in the House (H.R. 2646) and the Senate (S. 237) would confirm our access rights, refuting agency interpretations that restrict GAO's access in these and other circumstances.

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

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SERVING THE CONGRESS AND THE NATION

PART II

Performance Information



Performance Information by Strategic Goal

In the following sections, we discuss how each of our four strategic goals contributed to our fiscal year 2011 performance results. For goals 1, 2, and 3—our external goals—we present performance results for the three annual measures that we assess at the goal level as well as accomplishments under the strategic objectives for these goals. Most teams and units also contributed toward meeting the targets for the agencywide measures that were discussed in part I of this report. For goal 4—our internal goal—we present selected work for that goal’s strategic objectives as well as program evaluations conducted under this goal. We also present additional accomplishments and contributions for each of the four goals.



Source: See Image Sources.

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

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives was performed primarily by headquarters and field office staff in the following teams: Education, Workforce, and Income Security; Financial Markets and Community Investment; Health Care; Homeland Security and Justice; Natural Resources and Environment; and Physical Infrastructure. In

line with our performance goals and key efforts, goal 1 staff reviewed a variety of programs affecting the nation's health providers and patients, students and educators, employees and workplaces, and social service providers and recipients. In addition, goal 1 staff performed work for our congressional clients related to improving the nation's law enforcement systems and federal agencies' ability to prevent and respond to terrorism and other major crimes.

Selected Work under Goal 1

Since 2008, we have been providing technical assistance to the U.S. Capitol Police (USCP) and the Congress on USCP's acquisition of a new radio system, which has been funded with over \$100 million in appropriations. We have improved the system's technical design by reviewing and providing feedback on the radio system design, including an examination of issues related to system coverage and interference. We have improved the management of the project by reviewing the integrated project schedule and working with USCP and its partner agencies to improve its completeness and accuracy, including identifying and prioritizing program risks in the schedule.

To accomplish our work under these strategic objectives in fiscal year 2011, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies, such as the Departments of Health and Human Services, Education, Energy, Homeland Security, Justice, Transportation, Housing and Urban Development, and the Interior, and developed reports and testimonies on the efficacy and soundness of programs they administer.

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

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

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual	Met/not met	2012 target ^a
Financial benefits (dollars in billions)	\$22.0	\$12.9	\$19.3	\$12.1	\$17.8	\$13.4	\$12.6	Not met	\$11.0
Nonfinancial benefits	268	238	226	224	233	225	243	Met	225
Testimonies	97	125	123	85	86	78	84	Met	85

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target as we have left a portion of the financial benefits target unassigned in 2012. Experience leads us to believe that we can meet the agencywide target but we cannot predict under which goals because of governmentwide resource constraints.

^aOur fiscal year 2012 targets for financial benefits and testimonies have been revised from those we reported in our fiscal year 2012 performance budget in February 2011. Specifically, we have reduced the financial benefits target from \$17.0 billion to \$11.0 billion and the testimony target from 90 to 85. The nonfinancial benefits target remains the same.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year. These averages are shown in [table 10](#). This table indicates that the 4-year average for goal 1 financial benefits has gradually declined since fiscal year 2006. This decline is mostly due to some large financial benefits from earlier years that are reflected in the averages. Goal 1's nonfinancial benefits peaked in fiscal year 2007 and declined until 2010 and then increased slightly in 2011. The average number of hearings at which we testify increased from 2006 through 2008 and remained fairly stable from 2008 through 2010, declining somewhat in 2011.

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

Performance measure	2006	2007	2008	2009	2010	2011
Financial benefits (dollars in billions)	\$22.0	\$19.3	\$17.5	\$16.6	\$15.5	\$15.5
Nonfinancial benefits	254	259	252	239	230	232
Testimonies	88	99	108	108	105	95

Source: GAO.

The following sections describe our performance under goal 1 for each of these three quantitative performance measures and describe the targets for fiscal year 2011.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2011 totaled \$12.6 billion, missing the target we set by \$.8 billion, or 6 percent. Among these accomplishments are large financial savings from our work on the level of funding for the Medicare Advantage program and DOE's Loan Guarantee Program for Innovative Energy Technologies.

Because we expect to have fewer resources with which to follow up on actions to implement our recommendations, we have set the target for fiscal year 2012 at \$11 billion based on discussion with the goal 1 teams about the level of benefits they believe they can achieve.

Example of Goal 1's Financial Benefits

We identified overlap and duplication in 47 federal employment and training programs funded at a total of \$18 billion in 2009, and found that their effectiveness was not always proven. Members of the Congress cited our findings and questioned continued funding at the same levels given the lack of information about their effectiveness. The Congress subsequently enacted the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), which reduced funding for several employment and training programs we identified by a total of more than \$1.1 billion. ([GAO-11-92](#))

Nonfinancial Benefits

Nonfinancial benefits reported for goal 1 in fiscal year 2011 totaled 243, exceeding our target of 225 by 18 benefits, or 8 percent. The majority of goal 1's nonfinancial benefits were in the areas of public safety and security, including programs in the areas of public health, food safety, transportation safety, consumer protection, environmental safety, and telecommunications safety, and in the area of business process and management, including federal real property, human capital management, and facilities management.

For fiscal year 2012, we maintained the 2011 target of 225 for nonfinancial benefits. We believe that we are more likely to achieve a greater number of nonfinancial benefits under goals 2 and 3 over the next few years based on our experience. This target is the same as that we set in our fiscal year 2012 performance plan.

Example of Goal 1's Nonfinancial Benefits

We found that without a coordinated federal strategy, the nation is at risk of investing in biofuel production, distribution infrastructure—such as fueling stations—and biofuel-compatible vehicles that could not be effectively used. As a result, the Biomass Research and Development Board, which includes members from 10 federal agencies and is co-chaired by the Departments of Energy and Agriculture, developed a National Biofuels Action Plan. The plan documents the government's strategies—in collaboration with the private sector—for coordinating biofuel production, fuel distribution, and end use to help ensure effective investment. ([GAO-07-713](#))

Testimonies

Our witnesses testified at 84 congressional hearings related to this strategic goal, which exceeded the fiscal year 2011 target by 6 testimonies, or 8 percent. Among the topics on which we testified were medical devices, Social Security disability, financial literacy, oil and gas, and the U.S. Postal Service. (See [fig. 17](#) for selected testimony topics by goal.) We set our fiscal year 2012 target at 85 testimonies on goal 1 issues based on our experience over the past few years.

Example of Goal 1's Testimonies

Financial Literacy plays an important role in helping ensure the financial health and stability of individuals, families, and our broader national economy. Economic changes in recent years have highlighted the need to empower Americans to make informed financial decisions, yet evidence indicates that many U.S. consumers could benefit from a better understanding of financial matters. For example, recent surveys indicate that many consumers have difficulty with basic financial concepts and do not budget. We testified on (1) the state of the federal government's approach to financial literacy, (2) observations on overall strategies for addressing financial literacy, and (3) the role we can play in addressing and raising awareness on this issue. ([GAO-11-504T](#))

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

Table 11: Goal 1 Accomplishments and Contributions

Health Care Needs and Financing	
1.01 Contributing to Congressional Oversight of Health Care Reform	We contributed to congressional oversight of early implementation of health insurance reforms included in the Patient Protection and Affordable Care Act through 20 reports and 5 testimonies on health insurance and aspects of the Medicaid program significant to its expansion. For example, we testified on how states are using federal grants to bolster their health insurance premium rate reviews and reported on insurers' anticipated responses to new requirements. Our work on the Medicaid program included reviews of managed care, access to services, and efforts to reduce improper payments and adjust the program during the economic downturn. (GAO-11-878T , GAO-11-711 , GAO-11-701 , GAO-11-662)
1.02 Adding a Public Input Process before Approval of Medicaid Demonstrations	States can depart from Medicaid requirements through demonstrations designed to test new approaches for delivering services. The Department of Health and Human Services (HHS) established a policy in 1994 to allow public input during the demonstration approval process but was not implementing it. We recommended that HHS do so and when the department disagreed, we asked the Congress to consider requiring a public input process. In March 2010, the Patient Protection and Affordable Care Act required HHS to ensure that its approval process for pending demonstrations provides for a meaningful level of public input at both state and federal levels. (GAO-02-817)
1.03 Adding Scrutiny of Medicare Home Health and Durable Medical Equipment Providers	Because our reviews of the Medicare home health and durable medical equipment (DME) benefits indicated that they were targets of fraud and abuse, we recommended that the Centers for Medicare & Medicaid Services (CMS) assess the feasibility of verifying the criminal history of all key officials named on a home health agency enrollment application and strengthen enrollment processes for DME providers. Citing the findings of GAO in its final rule, CMS began new screening procedures effective on March 25, 2011, that will involve criminal background checks and other additional scrutiny for new home health and DME providers. (GAO-09-185 , GAO-10-844T , GAO-05-656 , GAO-05-43)

<p>1.04 Improving Consistency and Compatibility of Hospital Infection Data</p>	<p>Our 2008 report on federal efforts to reduce or prevent health-care-associated infections (HAI) in hospitals recommended that HHS establish greater consistency and compatibility of HAI data collected. Consistent with this recommendation, in 2011, HHS began requiring hospitals to report central-line-associated bloodstream infection data to qualify for full Medicare payments and, in 2012, will begin requiring hospitals to report other infection data. HHS is also taking steps to ensure the compatibility of HAI data and to improve the reliability of national estimates of HAIs—for example, by conducting a national prevalence survey. (GAO-08-283)</p>
<p>1.05 Increasing Review of Medicare Suppliers' Compliance with Standards</p>	<p>In a 2005 report, we concluded that CMS must strengthen oversight of suppliers of durable medical equipment. We recommended that inspectors review a minimum number of patient files to determine supplier adherence to standards for maintaining documentation of services and information provided to beneficiaries. Consistent with this recommendation, in 2011, CMS began requiring inspectors to review 5 to 10 beneficiary files to validate that suppliers are in compliance with a new requirement to maintain certain ordering and referring documentation of services and information provided for 7 years. (GAO-05-656)</p>

Lifelong Learning

<p>1.06 Improving Implementation of the Post-9/11 GI Bill</p>	<p>We found that the VA's Post-9/11 GI Bill program to provide education benefits to veterans and servicemembers faced inadequate information systems and program guidance and an increase in improper benefit payments. We recommended that VA provide better information to schools and leverage the experience of officials who administer aid. VA issued guidance to schools, made key data available, and worked with Department of Education officials. In addition, the Senate requested that VA conduct a full accounting of steps that have been taken in response to our report and assess ways to reduce improper payments. (GAO-11-356R)</p>
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Benefits and Protection for Workers, Families and Children

<p>1.07 Integrating Federal Disability Evaluation Systems</p>	<p>We made recommendations to improve the implementation and monitoring of the Integrated Disability Evaluation System (IDES), the DOD and VA pilot program for integrating their disability systems. The agencies implemented our recommendations: DOD contracted for a study of differences in diagnoses between VA and military physicians to assess their prevalence and causes, and VA took steps to improve its ability to track and resolve problems with the sufficiency of medical examinations. We testified twice on IDES's challenges, alerting the Congress to a decline in the timeliness of case completion. (GAO-11-69)</p>
<p>1.08 Preventing Sex Offenders' Access to Children</p>	<p>Using the National Sex Offender Registry, we identified three registered sex offenders who were employed at schools or child care facilities in violation of state laws. We referred these individuals to their respective state oversight bodies; these referrals resulted in all three offenders being removed from their positions, preventing their access to vulnerable children. This work further helped identify the systemic vulnerabilities that allowed registered sex offenders access to schools, and better informed the Congress of opportunities to enhance protections to separate sex offenders from vulnerable school populations. (GAO-11-200, GAO-11-757)</p>

1.09
Ensuring Elder Justice and Well-Being

Our work on elder justice informed reauthorization of the Older Americans Act and drew attention to the challenges of addressing elder abuse. We recommended ways for the HHS to improve data collection on adult protective services and establish a national resource center to make these data accessible and comprehensible. The agency is establishing a national resource center for state adult protective services programs. The Congress also invited us to testify on these issues, which we did. ([GAO-11-384T](#), [GAO-11-208](#), [GAO-11-129SP](#))

1.10
Strengthening Oversight of Social Security Administration's Ticket to Work Program

We found that almost one-third of payments the Social Security Administration (SSA) made to Ticket to Work program service providers, known as employment networks (EN), went to those providing limited or no direct services beyond passing back a portion of the payments to beneficiaries. We also found weaknesses in its process to approve ENs and no performance measures to evaluate them. We recommended ways for SSA to address this. SSA now requires prospective ENs to submit comprehensive business plans, is identifying more specific criteria to assess their qualifications, and has developed performance measures.

Financial Security for An Aging Population

1.11
Ensuring Key Information Is Available to Defined Contribution Plan Sponsors

Our work found that participants in defined contribution plans, such as 401(k) and 403(b) plans, have limited information to compare investment options and invest wisely. We recommended that the Department of Labor (DOL) ensure that information, such as fees and expenses, is made available. DOL issued a rule requiring plan administrators and their service providers to disclose certain information regarding investments to plan sponsors. The regulation is intended to ensure that beneficiaries have the information they need to manage their retirement savings. ([GAO-08-222T](#), [GAO-07-21](#))

Responsive, Fair, and Effective System of Justice

1.12
Managing Overlap Among Federal Law Enforcement Agencies' Crime-Fighting Efforts

Four Department of Justice (DOJ) law enforcement components share authority for addressing certain crimes, including those that involve explosives. Over a third of the DOJ agents we surveyed reported differences with agents from other components when determining roles and responsibilities during investigations, which negatively affected the investigations to some degree. In response to our 2011 recommendation, DOJ has promoted greater use of an existing deconfliction system and committed to holding periodic meetings among the four components to identify differences, discuss conflict resolution mechanisms, and improve information sharing. ([GAO-11-314](#))

1.13
Identifying Opportunities to Enhance Investigations of Online Child Pornography

Our March 2011 report on federal efforts to address online child pornography highlighted for the Congress challenges to law enforcement in investigating these crimes. We also discussed efforts to address challenges through assisting electronic service providers in identifying and reporting pornography, making tips to law enforcement more useful, better coordinating investigations, and ensuring that steps taken to analyze digital evidence are cost-effective. As of June 2011, DOJ senior management said the agency is addressing our recommendation to assess costs and benefits of the forensic process and plans to update the Congress on progress in late 2011. ([GAO-11-334](#))

Viable Communities

1.14
Collecting Information on Tribes' Plans for Improving Housing-related Infrastructure

In 2010, we recommended that the Department of Housing and Urban Development (HUD) collect information on tribes' plans to address housing-related infrastructure needs in revising the reporting form for Native American Housing Assistance and Self-Determination Act of 1996 grant recipients. Developing infrastructure is an eligible grant activity and a pressing need for many tribes. Our review of the draft form showed that HUD would not be tracking grantees' plans specifically for infrastructure. In 2011, OMB approved HUD's new form, which will allow tribes to identify and detail their housing plans, including improving the quality of existing infrastructure or of substandard housing units. ([GAO-10-326](#))

1.15
Improving Contracting Opportunities for Small Businesses

In 2011, we examined federal small business contracting efforts and recommended that agencies comply with reporting requirements for Office of Small and Disadvantaged Business Utilization (OSDBU) directors, consider collecting data on small businesses in federal mentor-protégé programs after program completion, and improve the reliability of data on actions that help small businesses access federal contracts. In response, certain agencies have begun to take actions, including revising the reporting structure for the OSDBU director, collecting data on protégé achievements, and updating guidance for reporting and verifying data. ([GAO-11-418](#), [GAO-11-548R](#), [GAO-11-549R](#))

Stable Financial System and Consumer Protection

1.16
Increasing Securities Regulators' Use of DOD's Information on Banned Sales Agents

In 2005, we recommended that securities regulators make use of information that the DOD maintains on individuals or firms that have been sanctioned by the military for improper solicitation practices. The SEC recently reported using such information to conduct investigations and targeted examination sweeps of securities firms that market products to members of the military. These efforts, based on our recommendation, enhance financial regulators' ability to identify instances of problematic financial product sales to military members. ([GAO-06-23](#))

1.17
Improving the Federal Response to the Foreclosure Crisis

In 2011, we issued several reports on the housing foreclosure crisis. Two reports provided previously unavailable information on foreclosure actions that were abandoned or processed without proper legal documentation. The Congress and federal regulators are considering recommendations we made to help reduce the negative effects of these actions on families and communities. In response to recommendations in another report, the Department of the Treasury now penalizes mortgage servicers for not suitably processing loan modifications for distressed borrowers and has increased monitoring of servicers' complaint-handling practices. ([GAO-11-338T](#), [GAO-11-367R](#), [GAO-11-93](#), [GAO-11-433](#))

1.18
Strengthening the Federal Reserve's Management of Emergency Assistance

On numerous occasions in 2008 and 2009, the Federal Reserve Board invoked emergency authority under the Federal Reserve Act of 1913 to authorize new, broad-based programs and financial assistance to individual institutions to stabilize financial markets. In a 2011 report, we helped increase transparency of the Federal Reserve by providing information on its actions in response to the financial crisis. This report represents the first time the Federal Reserve's emergency lending activities have been audited by us. We identified opportunities to improve the management of vendors, risks, conflicts of interest, and documentation related to the emergency programs. The Federal Reserve Board agreed that our recommendations would benefit its response in the event of a future crisis and agreed to strongly consider them. ([GAO-11-696](#))

Stewardship of Natural Resources and the Environment

1.19 Informing the Congress about Emerging Technologies

To better inform the Congress about emerging technologies with important implications for the nation, we have issued a series of technology reports—most recently, a congressionally requested assessment of emerging climate engineering technologies. For this report we developed a multidisciplinary approach with an assessment of the technologies' maturity and potential consequences; foresight efforts (e.g., scenarios to elicit views on future directions); and consideration of issues such as public engagement. The first report in the series informed the Intelligence Reform and Terrorism Prevention Act of 2004. ([GAO-11-71](#), [GAO-03-174](#))

1.20 Strengthening Efforts to Protect Consumers from Lead Contamination

Elevated lead levels in the District of Columbia's water raised questions about how well consumers are protected nationwide. Our report on the Environmental Protection Agency's (EPA) lead testing and treatment requirements revealed regulatory weaknesses, a lack of public information, and other problems. In response to our recommendations on these issues, EPA proposed regulatory changes to strengthen testing, treatment, and consumer notification requirements. In addition, EPA conducted an outreach campaign and provided tools to help schools and child care facilities assess and take steps to address lead contamination in their drinking water. ([GAO-06-148](#))

1.21 Developing a Strategy for Using Long-term Stewardship Contracts

Federal land management agencies are increasingly using a tool known as stewardship contracting to conduct land management projects, such as thinning forests to reduce the risk of wildland fire. This tool was designed to help the agencies work more efficiently by using any of several innovative contracting approaches. To ensure the tool's appropriate use and funding, we recommended that the agencies develop a strategy for its use that recognizes certain risks of these contracts and addresses the circumstances in which they should be used. In response, the Bureau of Land Management developed a strategy to address these risks and enhance the tool's use. ([GAO-09-23](#))

1.22 Strengthening Controls Over Federal Farm Program Payments

Farmers receive federal farm program payments for crop subsidies, conservation practices, and disasters. We found that the Department of Agriculture (USDA) made \$1.1 billion in farm program payments in the names of about 173,000 deceased individuals from 1999 through 2005. As a result, the Congress directed USDA to strengthen its controls over such payments through the Food, Conservation, and Energy Act of 2008. In response, USDA implemented computer matching with data from SSA to verify that individuals receiving payments are not deceased and improved payment guidance to its 2,200 local offices. ([GAO-07-818](#), [GAO-07-1137T](#))

Viable National Infrastructure

1.23 Improving Oversight of Broadband Programs

In reports and testimonies following passage of the Recovery Act, we identified weaknesses in the Rural Utilities Service's oversight plans for the Broadband Initiatives Program, which funded broadband infrastructure in rural areas. We reported that the agency may be unable to ensure that all recipients of program funds complete their projects as required, since the Recovery Act did not provide funding beyond September 30, 2010. We recommended that the agency develop contingency plans and incorporate variability of funding into its oversight plans, and our work helped the agency develop an oversight plan that will guard against waste, fraud, and abuse. ([GAO-11-371T](#), [GAO-10-823](#), [GAO-10-80](#), [GAO-10-192T](#))

<p>1.24 Monitoring the U.S. Investment in Chrysler and General Motors</p>	<p>In exchange for providing \$62 billion in restructuring assistance to Chrysler and General Motors through the Troubled Asset Relief Program, Treasury received an equity stake in the companies. Following our November 2009 report on the importance of having sufficient expertise to monitor its investment, Treasury hired two additional employees and a financial advisor, better positioning it to maximize its return. Treasury sold a portion of its General Motors equity in the company's initial public offering in November 2010, and fully divested its Chrysler equity in July 2011, recouping a substantial amount of its investment. (GAO-10-151, GAO-11-471)</p>
<p>1.25 Improving Governance at the Smithsonian Institution</p>	<p>After a number of highly publicized governance and accountability breakdowns, the Smithsonian's Board of Regents initiated a governance reform effort in 2007. In a subsequent series of reports and testimonies, we monitored and evaluated the board's efforts, and made recommendations related to improving communication, transparency, and accountability. In response, the board has put in place governance structures and policies that will allow it to exercise its oversight functions and help to ensure that it can be an effective steward for the institution. (GAO-08-632, GAO-08-250T, GAO-10-190R, GAO-10-297T)</p>
<p>1.26 Improving Security at National Icons and Parks</p>	<p>In 2009, we reported that the National Park Service faced several challenges in protecting national icons and parks from the threat of terrorism. These challenges related to managing risk, using technology, sharing information, measuring performance, and managing human capital. Our work led to improvements in all of these areas and influenced other organizational changes, including a reorganization of the U.S. Park Police and the creation of an Icon Protection Council within the National Park Service. As a result of these efforts, the service is better equipped to protect national icons and parks, as well as the millions of people who visit them. (GAO-09-983)</p>
<p>1.26 Improving Air Passenger Rights</p>	<p>In 2010, we reported that the Department of Transportation (DOT) did not have a policy on airlines' compensation of passengers for mishandled bags. Also, federal agencies that assess airline ticket fees were not clearly disclosing which fees were reimbursable for unused nonrefundable tickets. We recommended that the agencies improve disclosure. In 2011, following our report, DOT issued rules for baggage compensation, and two agencies that assess fees—the Departments of Homeland Security and Agriculture—issued guidance that their fees are refundable. Passengers will now benefit from more compensation for mishandled bags and reimbursement of fees. (GAO-10-785, GAO-10-885T)</p>
<p>1.27 Reducing Unneeded Federal Real Property</p>	<p>For years, we have reported that the federal government spent billions of dollars on unneeded real property. Real property holding-agencies have retained unneeded real property because of underlying obstacles—such as competing stakeholder interests and various legal and budgetary limitations—that have hampered real property reform efforts. We recommended that OMB develop an action plan to address the underlying obstacles. In 2011, the administration proposed the Civilian Property Realignment Act to address the underlying obstacles and help agencies reduce their unneeded real property, which could save taxpayers billions of dollars. (GAO-07-349)</p>

Source: GAO.

Strategic Goal 2

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

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

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

Selected Work under Goal 2

The Joint Strike Fighter (JSF) is DOD's most costly and ambitious acquisition; life-cycle costs are projected to exceed \$1 trillion. Since 2001, we have chronicled the program's poor performance, substantial cost increases, persistent schedule delays, and the cost and benefits of a competitive engine strategy. We've recommended numerous ways to improve management, control costs, and reduce risks. DOD is now restructuring the JSF program consistent with our recommendations. Our several assessments of the competitive engine strategy have provided the Congress with timely and objective assessments on a contentious and long-standing issue. ([GAO-11-325](#), [GAO-11-903R](#))

To accomplish our work in fiscal year 2011 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to international and domestic programs that took us across multiple continents. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 12](#), we exceeded our fiscal year 2011 performance targets for financial and nonfinancial benefits, but we did not meet the target for testimonies.

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

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual	Met/not met	2012 target ^a
Financial benefits (dollars in billions)	\$12.0	\$10.3	\$15.4	\$12.4	\$20.5	\$13.9	\$25.9	Met	\$11.4
Nonfinancial benefits	449	468	468	457	444	345	447	Met	450
Testimonies	68	73	93	67	58	65	48	Not met	50

Source: GAO.

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

^aOur fiscal year 2012 target for all three performance measures differs from those we reported in our fiscal year 2012 performance budget in February 2011. Specifically, we decreased financial benefits from \$14.0 billion to \$11.4 billion, and testimonies from 70 to 50 and increased nonfinancial benefits from 345 to 450.

To help us examine trends for these measures over time, we look at their 4-year averages, which minimize the effect of an unusual level of performance in any single year and are shown in [table 13](#). This table indicates that over the past 5 years goal 2 financial benefits reached the highest level in 2011, and average nonfinancial benefits and testimonies increased steadily from 2006 to 2009 and declined in 2010 and 2011.

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

Performance measure	2006	2007	2008	2009	2010	2011
Financial benefits (dollars in billions)	\$10.4	\$11.2	\$12.7	\$12.5	\$14.7	\$18.6
Nonfinancial benefits	364	413	438	461	459	454
Testimonies	57	63	67	75	73	67

Source: GAO.

The following sections describe our performance under goal 2 for each of our quantitative performance measures and describe the targets for fiscal year 2011.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2011 totaled \$25.9 billion, which exceeded our target by \$12 billion, or 86 percent. Among these accomplishments are large financial benefits, including DOD's termination of the Army's Future Combat System manned ground vehicle program and the Transformational Satellite Communications System.

Example of Goal 2's Financial Benefits

We identified the potential costs and risks of transitioning the Logistics Civil Augmentation Program from LOGCAP III to the LOGCAP IV contract during the final stages of the drawdown of U.S. forces from Iraq and recommended that the Army conduct an analysis of the costs and benefits of this transition. The Army analysis recommended the continued use of LOGCAP III. In May 2010 the Army announced that it would continue to use the LOGCAP III contract to support U.S. Forces in Iraq until December 2011. According to the Army this decision will result in cost avoidance of about \$77.5 million. ([GAO-10-376](#))

We expect our work on defense and acquisition issues to continue to produce economies and efficiencies, but we do not expect the same level of benefits as in the past 2 years because of large savings from termination of a portion of DOD's Future Combat System and its Transformational Satellite Communications System that will not continue in future years. Therefore, we set our fiscal year 2012 target at \$11.4 billion, which is more consistent with the trend in prior years.

Nonfinancial Benefits

The nonfinancial benefits reported for goal 2 in fiscal year 2011 totaling 447 nonfinancial benefits, exceeded our target by 102 benefits, or 30 percent. The majority of goal 2's nonfinancial accomplishments were in the areas of public safety and security for programs, including homeland security and justice, international aid, national defense and foreign policy, and acquisition and contract management at DOD, NASA, and DOE. Based on our recent experience, and our 4-year rolling average, we set our fiscal year 2012 target at 450. This target is close to our recent experience and our 4-year average.

Example of Goal 2's Nonfinancial Benefits

We continued to review development efforts in Afghanistan with our 2010 report on U.S. support of water projects. In response to five of our recommendations on planning, coordination, and project monitoring, the U.S. Agency for International Development established a mechanism to enhance interagency and international project coordination, improved interagency planning among U.S. agencies and the Afghan government, began a routine review of water project performance data, improved its efforts to establish annual targets for all performance indicators, and distributed guidance for project monitoring in high-threat environments. ([GAO-11-138](#))

Testimonies

Our witnesses testified at 48 congressional hearings related to this strategic goal in fiscal year 2011, missing our target of 65 by 17 hearings, or 26 percent. Goal 2 testimony topics included DHS 10 years after 9/11, flood insurance, space acquisitions, DOD personnel security clearances, defense space acquisitions, and diplomatic security. (See [fig. 17](#) for selected testimony topics by goal.) We have set our target at 50 for presenting testimony based on our experience over the past 2 years.

Example of Goal 2's Testimonies

Corresponding with the 10-year anniversary of 9/11, we testified on our comprehensive report assessing progress made by DHS in implementing its missions, and operational weaknesses that contributed to delays and problems. We noted areas that have affected DHS's implementation efforts, such as the need for DHS to better lead and coordinate the efforts of its homeland security partners, strengthen its management functions, and strategically manage risks and adjust, as needed, its efforts to address current and evolving threats. ([GAO-11-919T](#))

Table 14 provides examples of goal 2 accomplishments and contributions.

Table 14: Goal 2 Accomplishments and Contributions

Protect and Secure the Homeland	
2.01. Encouraging Changes to Container Staffing Model Resulted in Financial Benefits	Our reviews of U.S. Customs and Border Protection's (CBP) Container Security Initiative (CSI) revealed that CBP did not consider whether some functions performed by staff at overseas ports could be performed remotely in the United States nor did it consider the optimal number of staff that should be placed overseas as opposed to in the United States. We recommended that CBP revise its staffing model. As a result, CBP began transferring CSI positions from overseas ports to the United States in January 2009. Foreign staffing levels for CSI decreased from 170 in January 2009 to 86 in April 2011, resulting in net financial benefits of \$35.4 million. (GAO-05-557 , GAO-08-187)
2.02. Leading DHS to Scale Back Flawed Advanced Radiation Detector Program	The United States deploys radiation detectors to prevent the smuggling of nuclear and radiological materials. The Department of Homeland Security's (DHS) Advanced Spectroscopic Portals (ASP) are second-generation radiation detectors designed to replace detectors already deployed. In a series of products since 2006 about problems with the cost, testing, and performance of ASPs, we found that ASPs would be significantly more expensive than current-generation detectors but had not been shown to be more effective. Our work led DHS to significantly scale back the scope of the ASP program, resulting in estimated financial benefits of \$1.2 billion. (GAO-10-252T , GAO-09-804T , GAO-09-655 , GAO-08-979)
2.03. Framing the National Flood Insurance Program Debate	In 2011, we testified before House and Senate committees and reviewed the Federal Emergency Management Agency's (FEMA) management of the National Flood Insurance Program (NFIP). We reported that in order for NFIP to become financially sound, premium rates must fully reflect the risk of loss, and that FEMA needs to address management weaknesses in multiple areas. We evaluated proposed changes to the program against a framework we developed for federal involvement in natural catastrophe insurance, pointing out the benefits and challenges of different approaches. Our work in this area has helped frame the ongoing NFIP reform debate. (GAO-11-297 , GAO-11-670T , GAO-11-429T)
2.04. Identifying Internal Control Weaknesses in Transportation Worker Credentialing	In May 2011 we reported on internal control weaknesses in the DHS program to provide credentials to transportation workers who require access to secure areas of maritime facilities and vessels. We reported that control weaknesses in the program hindered the achievement of the program's security objectives. We recommended that DHS perform an assessment of control-related weaknesses and risks and determine actions needed to correct or compensate for them. This work informed both the congressional and public discussion about the program. (GAO-11-657)
2.05. Ensuring Accountability for FEMA to Develop Metrics to Aid in Assessing Preparedness	In 2010, we reported that FEMA had not yet developed national preparedness capability requirements based on established metrics as required by the Post-Katrina Emergency Management Reform Act. Citing our work, the Senate report accompanying the Redundancy Elimination and Enhanced Performance for Preparedness Grants Act of 2010 requires FEMA to report the results of its plans, including a specific timetable, for developing a set of quantifiable performance metrics to assess the effectiveness of preparedness grant programs, thus establishing accountability for FEMA's actions. (GAO-11-51R)

2.06. Ensuring An Authorized U.S. Workforce

In response to ongoing congressional interest, we reported and testified several times since 2005 on DHS's progress and challenges in implementing E-Verify, an electronic employment verification tool. We reported that DHS had improved E-Verify's accuracy, but the system remained vulnerable to fraud and work site enforcement resources were limited. We made recommendations to help DHS further reduce E-Verify errors, better ensure compliance with E-Verify rules, and plan for expansion of E-Verify. Our work was widely cited by the Congress and in the media, and has helped frame the debate on whether the E-Verify system is ready for mandatory use. ([GAO-11-146](#))

2.07. Enhancing Federal Desktop Computer Security

In FY 2010, we recommended that 22 major federal agencies fully implement the federal desktop core configuration—a set of strong security settings for Windows-based workstations. In fiscal year 2011, a number of agencies have acted to implement the stronger security settings, ensure contractual language is in place so that new acquisitions include the settings, and document and approve any deviations. As a result, these agencies have significantly improved their ability to protect the confidentiality, integrity, and availability of sensitive information maintained on agency workstations. ([GAO-10-202](#))

Military Capabilities and Readiness

2.08. Identifying Potential Defense Budget Savings

In our annual review of DOD's procurement and research, development, evaluation and test budgets for selected weapon systems, we examined the President's fiscal year 2011 budget requests for 146 defense acquisition programs. In performing this work, we identified approximately \$6 billion in potential fiscal year 2011 budget reductions and restrictions as well as excess prior year appropriations. The Congress used this information to make budgetary decisions resulting in about \$3 billion in budget reductions and rescissions.

2.09. Highlighting Risks in DOD Weapon System Acquisitions

We continue to be one of the primary sources of information for the Congress and the public on the risks associated with individual weapon system programs and the performance of the defense acquisition system. Our annual assessment of DOD weapon programs is a comprehensive independent examination and a key oversight tool for the Congress. In 2010, we found that weapon system acquisition costs have grown by over \$135 billion over the past 2 years and that most of the 71 programs we reviewed were still not fully adhering to a knowledge-based acquisition approach, putting them at higher risk of cost growth and schedule delays. ([GAO-11-233SP](#))

2.10. Assessing DOD's Ability to Provide Trained and Ready Forces for Military Operations

In numerous reports on training and military operations, we identified issues with DOD's ability to improve training management skills, readiness reporting, and coordination of language and culture training; enhance Army brigade support to advise missions; manage and oversee its processes for responding to urgent needs in Iraq and Afghanistan; and distribute supplies and equipment to the forces in Afghanistan. Our work helped frame significant issues for congressional and public debate, and prompted DOD and the Congress to take action. For example, the Army and the Marine Corps have improved the consistency of their readiness reporting. ([GAO-11-760](#), [GAO-11-456](#), [GAO-11-273](#), [GAO-11-526](#), [GAO-11-673](#))

<p>2.11. Assessing DOD’s Expanding Cyber Mission</p>	<p>Our work identified key challenges in DOD’s cybersecurity efforts. Our recommendations were designed to strengthen DOD’s cyber-related joint doctrine, develop common definitions, improve guidance on command and control relationships, gain a complete picture of cyberspace capabilities and gaps, clarify policy on which personnel can perform cyber operations, define mission requirements, and develop full-spectrum cyberspace budget estimates. DOD has generally agreed with our recommendations and in some cases outlined steps it plans to take in response. Our work has also assisted the Congress in its oversight of this evolving threat. (GAO-11-75, GAO-11-421, GAO-11-695R)</p>
<p>2.12. Improving Global Defense Posture Management</p>	<p>Since 2006, we have reported on issues related to DOD’s overall global posture strategy and management practices, and the transformation of military posture in Europe and Asia. Those reports make numerous recommendations to improve DOD’s management of these efforts and the information about them that DOD makes available to the executive branch and congressional committees. Our reports have highlighted the need for comprehensive cost information that can be used to fully evaluate investment requirements and affordability of posture initiatives. In many cases, DOD has agreed with our recommendations and has begun to implement them. (GAO-11-316, GAO-09-706R, GAO-06-852, GAO-11-131)</p>
<p>2.13. Removing DOD’s Personnel Security Clearance Program from Our High-Risk List</p>	<p>Our oversight—through continuous monitoring, reporting, and participation in 14 congressional hearings—contributed to our ability to remove DOD’s personnel security clearance program from our high-risk list. We designated DOD’s program as high-risk in 2005 because of significant processing delays, and kept the program on the list in 2007 and 2009 for continued delays and quality issues. As a result, DOD improved timeliness, worked with executive agencies to develop a strategic framework, implemented quality assessment tools, issued guidance, and committed to reform. Our work brought attention and correction to issues that have a governmentwide impact.</p>
<p>Advance U.S. Foreign Policy Interests</p>	
<p>2.14. Improving Monitoring and Evaluation of Projects to Combat Human Trafficking</p>	<p>In response to our 2007 recommendations, the Department of State (State), DOL, and USAID strengthened monitoring and evaluation of projects to combat human trafficking. State improved project design and baseline data collection and developed indicators for program outputs and outcomes. USAID published an evaluation framework for antitrafficking and victim protection programs and is developing guidance for more effective evaluations. DOL updated its evaluation procedures and training plans, and revised its terms of reference for contracting evaluations. It also pilot tested a tool that may strengthen performance data reliability and validity. (GAO-07-1034)</p>
<p>2.15. Combating Arms Trafficking to Mexico</p>	<p>In 2009, we reported that U.S. agencies were not coordinating efforts to combat the arms trafficking to Mexico. To address our recommendations, the Bureau of Alcohol, Tobacco, Firearms and Explosives and U.S. Immigration and Customs Enforcement signed an agreement that resulted in collaboration and information sharing on investigations of firearms trafficking and possession of firearms by illegal aliens. The U.S. Attorney General and State also acted in response to our recommendations by supporting the Mexican government in disseminating an electronic firearms tracing system to Mexican law enforcement agencies. (GAO-09-709)</p>

**2.16.
Improving DOD and
State's Management
of Security Assistance
Programs**

DOD and State have used Section 1206 and 1207 funding authorities to help other countries respond to threats of terrorism and instability through military and nonmilitary assistance projects. In response to our findings and recommendations, DOD significantly improved its guidance for developing Section 1206-funded military projects and is establishing a system for evaluating them. Furthermore, in fiscal year 2011, the Congress did not reauthorize funding for Section 1207 nonmilitary projects, which we reported as being virtually indistinguishable from those of other foreign assistance programs but more costly and slower to implement. ([GAO-10-431](#))

Respond to Global Market Forces

**2.17.
Improving Duty
Collections**

In 2008, we reported on problems in collecting antidumping and countervailing (AD/CV) duties. Over \$600 million was uncollected from fiscal years 2001 through 2007. We identified weaknesses in communication between the Department of Commerce (Commerce) and CBP; as a result, agencies took steps to improve timeliness and clarity. Commerce also developed a human capital plan to address challenges affecting AD/CV duty operations. We suggested that the Congress require Commerce and other agencies to evaluate the relative merits of prospective versus retrospective duty collection systems. Commerce did so in 2010 in response to congressional direction. ([GAO-08-391](#))

Source: GAO.



Source: See Image Sources.

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

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

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

Selected Work under Goal 3

Our work helped inform the public debate on the debt limit and budget controls to address the long-term fiscal challenge. We reported on the debt limit and explained that failure to raise it in a timely manner could have serious negative consequences for the federal government and the Treasury market. We testified on ways the budget process can help enforce budget decisions and we expanded our web page to include answers to key questions about federal debt. This page and the debt limit report were frequently used by Congress, the press, and the public during the year. (GAO-11-203, GAO-11-451SP, GAO-11-626T, Debt Frequently Asked Questions (http://www.gao.gov/special_pubs/longterm/debt))

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

As shown in [table 15](#), we did not meet our fiscal year 2011 performance targets for this goal’s financial benefits, we missed our target for nonfinancial benefits by two, and we did not meet our target for testimonies for this goal.

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

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target	2011 actual	Met/ not met	2012 target ^a
Financial benefits (dollars in billions)	\$17.0	\$22.8	\$23.4	\$18.5	\$11.6	\$14.7	\$7.2	Not met	\$7.3
Nonfinancial benefits	625	648	704	634	684	630	628	Not met	525
Testimonies	73	74	76	49	45	54	39	Not met	40

Source: GAO.

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

^aOur fiscal year 2012 target for all three performance measures differs from those we reported in our fiscal year 2012 performance budget in February 2011. Specifically, we decreased financial benefits from \$11.0 billion to \$7.3 billion, nonfinancial benefits from 630 to 525, and testimonies from 57 to 40.

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 16](#)—which minimize the effect of an unusual level of performance in any single year. [Table 16](#) indicates that over the 6-year period from 2006 through 2011, financial benefits increased steadily from 2006 through 2009, decreased somewhat in 2010, and decreased substantially in 2011. Nonfinancial benefits rose from 2006 through 2008, decreased in 2009, increased in 2010, and decreased in 2011. The trend in the average number of hearings during which our senior executives testified on goal 3 issues also rose from 2006 through 2008, remained stable in 2009, and declined substantially in 2010 and 2011.

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

Performance measure	2006	2007	2008	2009	2010	2011
Financial benefits (dollars in billions)	\$10.1	\$14.6	\$18.6	\$20.4	\$19.1	\$15.2
Nonfinancial benefits	630	654	686	653	668	663
Testimonies	59	64	68	68	52	52

Source: GAO.

The following sections describe our performance under goal 3 for each of our quantitative performance measures and describe the targets for fiscal year 2011.

Financial Benefits

The financial benefits reported for this goal in fiscal 2010 totaled \$7.2 billion, missing our target of \$14.7 billion by \$7.5 billion. Among these accomplishments are benefits from eliminating the advanced earned income tax credit, reducing governmentwide improper payments, and improving oversight of a critical border surveillance system acquisition.

Because we have missed our target for this goal for the past 2 years, we are modifying our approach for 2012. We have set our 2012 target at \$7.3 billion based on the steady decline in financial benefits for this goal over the past 4 years. We have also left a portion of our agencywide target unallocated rather than increasing the target for each goal. Our experience leads us to believe that we can meet the target, but we are uncertain under which goals.

Example of Goal 3's Financial Benefits

We found that the VA had significant weaknesses in its information systems and technology architecture. We recommended that the department implement the earned value management (EVM) practices that addressed the detailed weaknesses we had identified, as well as take action to reverse negative performance trends to mitigate a potential cost overrun. In response, the department began to formulate policies as part of the Program Management and Accountability System that incorporate critical practices of EVM. Based on these new policies, the department found the Vista-FM program to be poorly planned and managed; we also reported that this program had weaknesses. Following this evaluation and our recommendations, the department eliminated the program, resulting in a net financial benefit totaling \$385.3 million from fiscal years 2010 to 2014. ([GAO-10-2](#))

Nonfinancial Benefits

Nonfinancial benefits reported for goal 3 in fiscal year 2010 totaled 628, missing our target by 2 benefits, or less than 1 percent. The majority of goal 3's benefits were in the area of business process and improvement, including federal agency financial audits; federal information systems; business systems modernization; and in public safety and security, including critical infrastructure. We set our 2012 target at 525 benefits. While we recognize that this target is lower than our fiscal year 2011 actual performance and 4-year average for this measure, we believe it is a realistic estimate based on our projected goal 3 work.

Example of Goal 3's Nonfinancial Benefits

As part of our ongoing series of investigations into tax delinquents who receive federal benefits, we identified 224,000 tax delinquent individuals who received passports and 3,700 tax delinquent contractors and grantees that received Recovery Act funds. These investigations are used as a tool by the Congress to help explore new ways to increase collection of unpaid taxes and to prevent the award of federal funds to tax delinquents ([GAO-11-272](#), [GAO-11-485](#))

Testimonies

Our witnesses testified at 39 congressional hearings related to this strategic goal in fiscal year 2011, missing the target of 54 by 15 hearings, or 28 percent. Among the testimony topics covered were tax system complexity and taxpayer compliance, tax delinquent Recovery Act contractors, DOD financial management, and information technology investment oversight. (See [fig. 17](#) for selected testimony topics by goal.) For fiscal year 2012, we have set a target of testifying at 40 hearings based on the decline in hearings in this goal over the past 2 years.

Example of Goal 3's Testimonies

As the Congress considers the role and design of appropriate budget enforcement mechanisms in changing the government's fiscal path, we testified on some elements that could facilitate debate and contribute to efforts to place the government on a more sustainable long-term fiscal path. We discussed broad principles for a more transparent and effective budget process, the history of budget enforcement mechanisms, and options to consider going forward. We noted that carefully designed mechanisms can enforce agreements that have already been made and ensure compliance. ([GAO-11-626T](#))

[Table 17](#) provides examples of goal 3 accomplishments and contributions.

Table 17: Goal 3 Accomplishments and Contributions

Analyze the Government's Fiscal Position	
3.01. Eliminating the Advance Earned Income Tax Credit	Our work found that few taxpayers claimed the Advance Earned Income Tax Credit (AEITC) and noncompliance with requirements was high. Both the President's fiscal year 2010 and 2011 budgets proposed elimination of this credit and our work was cited as justification. In August 2010, the AEITC was eliminated, and our analysis of Joint Committee on Taxation data showed that the federal government will save about \$569 million from fiscal years 2011 through 2015. (GAO-07-1110)
3.02. Adjusting Internal Revenue Service (IRS) Penalties for Inflation	In August 2007, we reported that civil tax penalties are not indexed for inflation and recommended that the Congress consider requiring IRS to periodically adjust penalties for inflation to account for the decrease in real value over time. In two separate acts, the Congress took action consistent with our recommendation and increased the fixed value of three penalties. Together, according to estimates by the Joint Committee on Taxation, these increases in the value of the penalties will result in additional federal revenues of about \$233 million over the first 5 years after their enactment. (GAO-07-1062)
3.03. Improving User Fee Compliance	Our User Fee Design Guide identifies key principles to consider when designing and implementing cost-based fees. In applying these principles, we identified numerous ways to improve the efficiency and effectiveness of various fees and the operations they support. For example, we recommended that DHS and the U.S. Army Corps of Engineers ensure timely payment of harbor maintenance fees by charging interest for late payments and sharing information to monitor fee compliance. The agencies implemented our recommendations, and fee collections increased by over \$26 million as of April 2011. (GAO-08-321 , GAO-08-386SP , GAO-09-180 , GAO-07-1131 , GAO-09-70)

**3.04.
Improving Federal
Financial Reporting
and Related Internal
Controls**

Our financial audit work helped promote improved transparency and more complete and accurate financial reporting concerning unsustainable federal fiscal policy, uncertainties surrounding the costs of federal actions taken to stabilize the nation's financial markets, and uncertainties surrounding social insurance costs. In addition, our work furthered a number of significant improvements in financial reporting, including improved reporting on the reconciliation of overall federal net operating costs with reported unified budget deficit amounts, and agency-level improvements in financial reporting internal controls (including controls at IRS and the Federal Deposit Insurance Corporation). ([GAO-11-363T](#), [GAO-11-536](#), [GAO-11-687R](#))

Identify Fraud, Waste, and Abuse

**3.05.
Avoiding Unnecessary
Redundancies and
Improving Efficiencies
in Defense Programs**

We identified five defense areas for congressional consideration related to duplication, overlap, or fragmentation, such as opportunities to avoid unnecessary redundancies and improve efficiencies in the military medical command and warfighter urgent-needs acquisitions. The Congress has directed several actions in fiscal year 2011 related to this work. For example, DOD began an evaluation of its urgent-needs processes as mandated by the Congress. This evaluation will examine areas of duplication we identified and report on needed improvements. ([GAO-11-441T](#), [GAO-11-714T](#))

**3.06.
Preventing Fraud
in SBA's HUBZone
Program**

In 2008, we identified substantial vulnerabilities in SBA's HUBZone program application and monitoring process, clearly demonstrating that the program is vulnerable to fraud and abuse. We also identified 29 cases of eligibility fraud by program participants, which we referred to SBA. In response to our referrals, 20 participants were removed from the program, preventing them from receiving contracts meant for truly disadvantaged businesses. Based on this work and other related engagements, the Congress has taken steps to strengthen punishments for businesses that misrepresent their eligibility for such small business set-aside programs.

**3.07.
Identifying Improper
Payments Through the
Use of Information
Technology**

We reported that CMS faced challenges in developing and implementing a centralized data warehouse, the Integrated Data Repository. We made recommendations to help ensure that required data are incorporated into the system. Accordingly, the Congress included language that requires CMS to incorporate prepayment data by the end of 2012 and Medicaid data by the end of 2014 in the Medicare and Medicaid Fighting Fraud and Abuse to Save Taxpayers' Dollars Act, which was introduced in June 2011. If enacted, this action should help ensure that CMS's systems provide capabilities needed to predict and detect improper payments in Medicare and Medicaid, thus preventing the loss of billions of taxpayer dollars. ([GAO-11-475](#), [GAO-11-822T](#))

Address Major Management Challenges and Program Risks

**3.08.
Improving Oversight
of a Critical Border
Surveillance System
Acquisition**

We have reported on a range of management challenges facing the Secure Border Initiative Network (SBInet). In a series of reports, we highlighted numerous cost, schedule, and performance risks, and concluded that DHS had not economically justified its investment in SBInet. After initiating a departmentwide assessment of the SBInet program, the DHS Secretary froze SBInet funding and, at the completion of the assessment in January 2011, the Secretary decided to end SBInet as originally conceived. The Secretary's actions resulted in a total financial benefit of \$1.61 billion. ([GAO-10-340](#), [GAO-10-158](#), [GAO-10-588SP](#), [GAO-09-896](#), [GAO-09-1013T](#))

3.09. Improving Census Cost Estimates and Productivity	Our recommendations helped the U.S. Census Bureau reduce costs and improve operations for the 2010 Census. For example, the bureau updated its cost estimate for the nonresponse follow-up operation using better assumptions and identified savings of approximately \$602 million. The bureau also increased productivity during the address canvassing operation by enhancing the reliability of handheld computers used to collect data. As a result, the bureau saved an estimated \$98 million. (GAO-11-193 , GAO-11-154 , GAO-11-45 , GAO-11-496T , GAO-08-554)
3.10. Issuing Major Update to Government Auditing Standards	The 2011 revision to the Government Auditing Standards—applicable to audits of government programs and entities—is the first major update since 2007. The revision modernized and updated the standards to reflect recent developments in the accountability and auditing profession applicable in the government environment, and represents a major step in achieving greater consistency with international and U.S. auditing standards. Further, the revision includes a principles-based framework for analyzing threats to auditor independence and applying safeguards to help ensure a strong, ethical, and independent foundation for all government audits.
3.11. Establishing a Foundation for Effective DOD Financial Management and Accountability	In 2011, our DOD work helped focus the department’s efforts to establish a sound foundation and the top-level support critical to effectively improving its financial management operations and achieving financial statement auditability. Our work helped focus attention on actions needed to address long-standing financial management challenges, such as those in the areas of leadership, oversight, and systems development. In particular, our work helped focus congressional oversight on DOD financial management issues, including establishing a panel dedicated to addressing these issues and holding five oversight hearings on the topic this past year. (GAO-11-851 , GAO-11-830 , GAO-11-932T , GAO-11-933T)
3.12. Improving Methods for Obtaining Sensitive Policy Information	We earlier proposed an innovative method for obtaining sensitive policy-relevant information in self-report surveys while protecting respondent privacy—and explored this in response to a congressional request. This approach is now being used to study illegal immigration, in a methodology grant awarded to the University of Chicago by the National Science Foundation. With this method, each respondent’s answer applies to a group of survey items (including a sensitive item) shown on two cards. No answer identifies an individual respondent with the sensitive item, but that item can be estimated indirectly for the population as a whole. (GAO-06-775)
3.13. Improving Oversight of NASA through Transparent Budget Documentation	Based on our work on NASA’s major projects, we have found that NASA does not provide the Congress with enough information for it to conduct oversight of NASA’s \$69 billion portfolio and hold NASA accountable for results. For example, the lack of specific project information on plans to use funding leaves the Congress with little information with which to hold NASA accountable for achieving what it says it will in any given year. As a result of our work, we were asked by the Congress to provide a blueprint of information to increase the transparency of NASA budget documentation. This information was included in the fiscal year 2012 House appropriations report language for NASA. (GAO-11-239SP , GAO-11-364R , GAO-11-216T , GAO-10-227SP)

3.14. Improving the Government's Process for Reimbursing Basic Research Cost	In 2010, we found that the government's policies for setting indirect cost rates—the basis of federal government payments—for universities performing basic research needed to be updated. In response, OMB established an interagency task force to review and update the federal government's process to establish the universities' indirect cost rates. We also identified the need for DOD, whose basic research funding mostly goes to universities, to increase its oversight of indirect cost reimbursements based on those rates. As a result, DOD issued new requirements in November 2010 to help ensure accurate reimbursement of research costs. (GAO-10-937)
3.15. Improving Planning and Implementation of Federal Data Center Consolidation	In 2010, OMB announced plans for 24 federal agencies to consolidate 800 data centers by 2015, an initiative intended to address a dramatic rise in the number of centers and a corresponding increase in operational costs. Our report reviewed the agencies' asset inventories and consolidation plans, identified weaknesses, and made recommendations to address the weaknesses. This work helped focus congressional, administration, and agency attention on the key elements of consolidation planning and resulted in increased oversight of the plans enacted by each agency. (GAO-11-565)
3.16. Improving HUD IT Modernization Management	Since 2008, we have assisted the Congress with oversight of HUD's IT modernization efforts. We identified the status and risks of these efforts, including weaknesses related to key IT management controls, and made recommendations to address them. This work helped focus congressional and administration attention on this important initiative, and resulted in HUD reducing the number of its modernization projects from 29 to 7. This allowed the department to more effectively manage its modernization projects relative to the progress made in establishing critical IT management controls (GAO-11-72 , GAO-11-762)
3.17. Improving the Regulatory Process	To improve the effectiveness and transparency of agencies' reviews of existing regulations, we recommended that the OMB develop guidance, policies, and procedures incorporating multiple elements. All of our recommendations were prominent features of an executive order and related OMB guidance issued in 2011. For example, the order and guidance directed agencies to prioritize plans for retrospective reviews of existing regulations, include public input when planning and conducting the reviews, and write future regulations in ways that will facilitate evaluation of their consequences. (GAO-07-791)

Source: GAO.



Strategic Goal 4

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

Source: See Image Sources.

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

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed under the direction of the Chief Administrative Officer through the following offices: the Controller and Administrative Services, Field Operations, Human Capital, Information Systems and Technology Services, Knowledge Services, and the Professional Development Program. Assistance on specific key efforts is provided by the Special Assistant for Diversity Issues; the Applied Research and Methods team; and other offices, including Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Quality and Continuous Improvement, Public Affairs, and General Counsel. To accomplish our work under these four objectives, we performed internal studies and completed projects that further the strategic goal. As shown in [table 6](#) on page 38, while our internal operations did not meet our targets for services and functions that help employees get their jobs

Selected Work under Goal 4

We broadened the use of social media technologies to help reach new external audiences by launching Facebook and Flickr pages. We also tested use of quick response, or “QR” codes, on our products to quickly link users to our website.

We implemented a mandatory e-learning course for managers of staff who telework to ensure that managers understand federal requirements, policy, and relevant terms of the collective bargaining agreement with our Employees Organization, IFPTE, Local 1921.

For the first time in 10 years, we conducted a study of our field office structure to evaluate the degree to which it is configured in a manner that realizes changing conditions and is producing long-term efficiencies in how we do our work today.

The energy-efficient lighting that was installed in the Headquarters building last year resulted in a 20 percent energy usage reduction for a savings of over \$210,000, and reducing air conditioning used in the building on weekends resulted in more than \$100,000 in savings.

done and improve the quality of their work life, the scores of 3.94 against our target of 4.0 indicate that our staff are largely satisfied with the services they receive. [Table 18](#) provides examples of goal 4 accomplishments and contributions and additional examples are included throughout this report.

Table 18: Goal 4 Accomplishments and Contributions

Improve Efficiency and Effectiveness	
<p>4.01. Enhancing Support for Conducting, Managing, and Reporting on Our Work</p>	<p>To expand functionality and address user requests, we eliminated unnecessary system constraints in a key engagement-management system. We also implemented 14 standard graphic templates that will decrease turnaround time, ensure consistency, and reduce rework. As part of a longer-term effort, we completed requirements definition for the first phase of a multiphase effort to consolidate and streamline essential engagement management functions that currently rely on three outdated, stand-alone systems. In addition, we implemented a new search engine to provide enhanced search functionality for internal and external users.</p>
<p>4.02. Monitoring Factors Affecting the Federal Government and Demands for Our Work</p>	<p>To stay abreast of changing issues that could affect our work, we participated in a series of Anticipatory Governance workshops organized by the National Defense University with the intention of increasing the government’s capacity to anticipate and plan for crosscutting national challenges. We also established an internal “Wiki” page to share foresight resources (e.g. critical thinking concerning long-term developments) throughout the agency, such as publications and presentations that provide insight into emerging issues and potentially changing demands for our work. In addition, we hosted several experts who spoke with our staff through the Comptroller General’s Speaker Series to explore and understand current trends and strategic challenges.</p>
Enhance Recruitment, Development, Retention, and Rewards	
<p>4.03. Strengthening Recruiting Initiatives to Attract a Diverse Workforce</p>	<p>To ensure that our recruitment efforts are aligned with workforce and diversity needs and changing agency priorities and resources, we developed a recruiting plan that creates a strong linkage between the recruitment program and organizational needs, increases the diversity of staff serving as recruiters, provides enhanced support to recruiting staff, and institutes stronger program management and accountability processes, particularly over recruitment-related expenditures. Even though we curtailed hiring due to our constrained fiscal year 2011 budget, we maintained critical relationships with our educator advisory partners and addressed needs identified in our annual Workforce Plan by increasing the percentage of staff with disabilities.</p>
<p>4.04. Improving Our Performance Management Systems</p>	<p>To ensure fairness and equity in our performance management process, we completed implementation of all the short-term recommendations from our recent Performance Appraisal Study. For example, we standardized midpoint feedback by providing updated guidance, and we developed a new training course to ensure that all staff receive required feedback and that the feedback addresses required elements. In addition, we made significant progress on the design of a new performance management system by conducting job analyses and developing draft rating criteria, a new rating scale, and performance expectation tools.</p>

4.05. Enhancing Efforts to Develop the Workforce

To continue to develop and support staff outside of their primary assignments, we revised our mentoring program and launched a new cohort of participants. Major changes included adding a midpoint evaluation for mentors and mentees, improving the process for matching mentors and mentees, and facilitating a panel discussion of current and former mentors and mentees on how to mentor effectively. We also piloted a “speed mentoring” program to provide another method for staff to get advice without going through the formal, 6-month-long program. To continue to enhance employees’ report-writing skills, we added a new advanced writing workshop for our analysts that received very high reviews from participants, and we updated content for two other writing courses.

4.06. Supporting an Unbiased Environment That Values Opportunity and Inclusiveness

To continue our commitment to ensuring an inclusive and inviting workplace, we completed delivery of Part I and began delivery of Part II of our diversity training, which is focused on discussing team-specific areas of concern regarding diversity and inclusion, and developing solutions. We also created a new Diversity and Inclusion statement for the agency that was publicized broadly upon its issuance. In addition, we provided communications to staff to ensure that they are aware of the many counseling services and other programs to support work-life balance that we offer.

Expand Networks, Collaborations, and Partnerships

4.07. Enhancing Professional Accounting and Auditing Standards

We met with the new Chairman of the Public Company Accounting Oversight Board to promote collaboration with this professional audit standards-setting body. We worked with INTOSAI on using the INTOSAI Journal to ensure broad understanding of the new INTOSAI standards. We also helped strengthen public sector accounting and auditing standards by providing comments on INTOSAI’s guide for peer review. We leveraged technology to enable our experts to provide “virtual presentations” at several intergovernmental audit forums, saving travel time and dollars.

4.08. Enhancing Information Sharing and Collaboration with Others to Expand Audit Knowledge

We refreshed membership on the Comptroller General’s Advisory Board, and the Domestic Working Group on current and emerging issues, such as financial market regulation and health care reform. We also leveraged relationships with leading organizations and experts to convene Comptroller General’s Forums to gather perspectives in two areas of our work—municipal ratings and financial literacy. In addition to annual coordination meetings, we sponsored separate meetings with CIGIE to share information about areas of ongoing work. We also worked with NASACT and ALGA to facilitate our research on engagements requiring information and access to state and local government officials.

Human, Information, Fiscal, Technological, and Physical Resources

4.09. Proactively Protecting Physical and Information Security

To continue our efforts to align our physical security procedures with Homeland Security Presidential Directive 12 guidelines, and in anticipation of a lower fiscal year 2012 budget, we accelerated our minimum background investigation work and completed investigations for more than half of our employees who required them in fiscal year 2012. To ensure timely notification and dissemination of critical information to emergency response team members, we implemented an application that allows designated Blackberry users to contact all key emergency response members even when the Blackberry server is down.

<p>4.10. Leveraging Technology to Achieve Business Process Improvement and Efficiency Gains</p>	<p>We implemented a new web-based system in our Workforce Relations Office that provides automated case-management tracking. We developed a workforce planning system that will help eliminate redundant systems and enhance our decision-making processes through enhanced analytical capabilities provided by a modern, integrated business intelligence solution. We invested significant effort in optimizing use of our recently purchased human resources system to enable it to become the single authoritative source for accurate and reliable human capital data and support all essential human capital functions. Program implementation for this system is under way with go-live scheduled by mid-fiscal year 2012. In addition, we indexed our entire legislative histories collection, which dramatically improves search results. We began implementing an enterprise storage and backup solution for our network, which is a critical step toward necessary upgrades. We expanded use of our software to support web-based data collection for a number of internal programs, such as mentoring, student loan repayment, and the Senate financial disclosure process. Lastly, we enabled staff to use personally owned, non-Blackberry smart phones to access their e-mail.</p>
<p>4.11. Improving Management of Key Administrative Processes</p>	<p>To strengthen internal controls over our time-and-attendance reporting process, we added a statement to our electronic reporting system for employees to attest to the accuracy of their time-and-attendance submissions. We also strengthened controls over the use of travel charge cards by implementing procedures to more closely manage the number of staff with cards and the spending limit on individual cards. In addition, we significantly strengthened procedures for addressing staff with delinquent travel card accounts and established a target for the agency's delinquency rate. This enabled us to achieve a very low delinquency rate that is well under our target. To strengthen our strategic planning process, we conducted a "lessons learned" exercise on the development of our fiscal year 2010 to 2015 strategic plan to evaluate strengths and areas for improvement. Lastly, to address fiscal year 2011 funding reductions, we implemented a number of actions to streamline our operations, reduce discretionary costs, and leverage technology to help us achieve our mission more efficiently and effectively. For example, we reduced our travel costs by over 25 percent by focusing on immediate travel needs to support congressional commitments, making strategic staffing decisions, reducing the number of travelers on necessary trips, and using technology in lieu of traveling. We also reduced administrative support services in areas such as office cleaning, facilities management, security, IT, and human capital support. We curtailed recruiting activities, recognition and retention incentives, and training. In addition, we reduced investments not resulting in a short-term payback, deferred them, or both..</p>
<p>4.12. Enhancing Information- sharing and Collaboration with Internal Employee Organizations</p>	<p>We finalized the first comprehensive collective bargaining agreement with IFPTE, Local 1921, that sets the agreed-upon working conditions, processes, and rights of the parties. Through the year, we negotiated with IFPTE in good faith and worked constructively with our Employee Advisory and Diversity Advisory Committees to reach agreement on several specific agency actions that affect employee working conditions, such as annual performance-based compensation for fiscal year 2011 and upgrades to a key engagement database and to our operating system. We also implemented training for our managers on the collective bargaining agreement to ensure consistent understanding and application of the requirements of managers under the agreement.</p>

Source: GAO.

Data Quality and Program Evaluation

Verifying and Validating Performance Data

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

Program Evaluation

To assess our progress toward our mission-based strategic goals 1 through 3 and related objectives and to update them for our strategic plan, we evaluate actions taken by federal agencies and the Congress in response to our recommendations. The results of these evaluations are conveyed in this performance and accountability report as financial benefits and nonfinancial benefits from our work. In addition, we actively monitor the status of our open recommendations—those that remain valid but have not yet been implemented—and report our findings annually to the Congress and the public (see <http://www.gao.gov/openrecs.html>). We use this analysis to determine the need for further work in specific issue areas. For example, if an agency has not implemented a recommendation based on our audit work, we may decide to pursue further action with agency officials or congressional committees, or we may decide to undertake additional work in that area. We also use our biennial high-risk report to update the status of areas we consider vulnerable to fraud, waste, abuse, and mismanagement or in need of broad-based transformation. The report serves as an evaluation and planning tool to help us to identify areas where our continued efforts are needed to maintain focus on important policy and management issues facing the nation. (See <http://www.gao.gov/docsearch/featured/highrisk.html>.)

Under strategic goal 4, we also conduct management studies and projects to examine internal issues, operations, and processes affecting all four of our strategic goals. Our management improvement initiatives, first identified in 2008, have addressed a range of human capital and engagement management areas and have continued to evolve as projects within specific offices, such as development of our product line and the evaluation of our performance management system. These projects are now covered under the performance information by strategic objective for goal 4. In fiscal year 2011, we

- deployed to analysts wide-screen or dual computer monitors that can display two documents side by side, which has speeded up our process for checking our draft reports against the evidence supporting our message. We also began pilot testing desktop video technology to reduce travel costs and facilitate work between headquarters and field office staff. In addition, we fielded several procedural changes to streamline our engagement management process. This ongoing engagement streamlining initiative focuses on streamlining our engagement processes—especially those activities

performed by mission team analysts—and increasing efficiency through the use of IT, while still adhering to our high standards for product quality and timeliness. The engagement streamlining team comprises mission team analysts, technical staff, and representatives from our Offices of Quality and Continuous Improvement, Information Systems and Technology Services, and Knowledge Services and our employee organizations.

- enhanced our quality assurance processes in response to the findings of internal inspections. We simplified and clarified some of our key processes to help ensure compliance with our professional standards. These changes included enhancements to our policies on (1) conducting and documenting supervisory review of engagement documentation, (2) conducting limited investment engagements, and (3) preparing engagement management and product files. We updated our online Words @ Work resource, which provides analysts with authoritative guidance on our product types and their elements. We also developed and released a revised web-based data reliability course which covers and elaborates on *Assessing the Reliability of Computer-Processed Data* [GAO-09-680G](#). We provided an additional 28 mandatory quality assurance training classes for our audit staff. The quality assurance improvements and the web-based training provided our staff with clear guidance on a variety of key policies to help ensure compliance with our professional standards.
- engaged an international team of senior representatives from five national audit institutions to conduct a peer review of our performance and financial audit practices for the year ended December 31, 2010. This review was our third international peer review and the first to examine both financial and performance audits. In previous years, private sector auditing firms conducted the financial audit reviews. The external peer review offers feedback on the quality of reports and work processes. Generally Accepted Government Auditing Standards (GAGAS) requires that an external peer review be done every 3 years; the main purpose is to ensure that we and other audit organizations comply with GAGAS (GAGAS 3.56). The peer review identified good practices that may interest other audit institutions and identified some areas that may need attention from management.
- assessed the requirements of the GPRA Modernization Act of 2010 (GPRA 2010)—although we are not subject to these requirements, we intend to implement the spirit of the law as a matter of policy. We identified financial and nonfinancial benefits as our priority measures and developed a new presentation of nonfinancial benefits to provide readers with more information on the program and operational areas in which these benefits are achieved. In keeping with the GPRA 2010 requirement to improve transparency of priority-area performance results, concurrent with the issuance of this report, we updated our website on strategic planning, performance, and accountability to include data on our priority performance measures (<http://www.gao.gov/about/strategic.html>). The Comptroller General designated the Chief Operating Officer as the Performance Improvement Officer for mission areas and the Chief Administrative Officer as the Performance Improvement Officer for internal operations. In addition, beginning with this report, we will no longer print hard copies of the full performance and accountability report. It will be available electronically at <http://www.gao.gov/products/GAO-12-4SP>.

- completed our annual evaluation of financial management practices and processes. Each year, we monitor internal financial management controls through the use of reviews that include identification of key controls over financial reporting and assessment of the operating effectiveness of those controls. We review control objectives across all cycles¹⁵ and, where applicable, implement consolidated end-to-end testing of some processes (e.g., budget, procurement, property, and disbursement cycles). We also develop corrective action plans for any identified control issues and monitor the plans until the issue is resolved. Our program meets the objectives of the Federal Managers' Financial Integrity Act of 1982, even though, as a legislative branch agency, we are not legally required to do so. We report the results of our analyses to the appropriate internal control working groups and the Senior Assessment Team, composed of senior agency managers and chaired by our Chief Financial Officer, that actively oversee the process. Additionally, our review of financial management systems is consistent with OMB Circular A-127 and includes an analysis of the Standards for Attestation Engagements No. 16 (SSAE 16) Audits for our shared service providers. The review also includes our auditor's opinions on our financial statements and on internal controls over financial reporting and the auditor's report on compliance with laws and regulations.

¹⁵In fiscal year 2011, GAO operations were segmented into 10 business cycles: Entity-wide Controls, IT Controls, Property, Travel, Procurement, Disbursements, Budget, Fund Balance with Treasury, Financial Reporting, and Payroll/Human Capital.

SERVING THE CONGRESS AND THE NATION

PART III

Financial Information





Source: See Image Sources.

November 15, 2011

I am pleased to report that during fiscal year 2011, the U.S. Government Accountability Office continued to honor its commitment to lead by example in federal financial management. For the 25th consecutive year, independent auditors gave us an unqualified opinion on our financial statements, citing no material weaknesses or 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 (PAR) 45 days after the end of the fiscal year. Our fiscal year 2010 PAR received a certificate of excellence in accountability reporting from the Association of Government Accountants, an honor we have received each year since we first applied in fiscal year 2001.

Our financial management system continues to be centered on Oracle Federal Financials, hosted and supported by the Enterprise Services Center (ESC) at the Department of Transportation. ESC maintains the accounting system and related subsidiary systems and performs the bulk of our daily transaction processing. The implementation of a workforce planning system is underway; this system will help eliminate redundant systems and enhance our decision-making processes through enhanced analytical capabilities provided by a modern, integrated business intelligence solution. The optimization of our human resources system, HR Connect, is also under way. HR Connect will serve as the single integrated system that supports virtually all of the human capital functions and processes performed by us. When fully implemented, HR Connect will serve as the primary source for timely and accurate human capital data and our personnel system of record. It will also establish a human capital data architecture that enables the right information to be available to the right people at the right time, thereby enhancing the timeliness and accuracy of personnel actions, and support more timely and informed decision making. Given that our staff account for more than 80 percent of our budget, efficient and effective human capital management is critical.

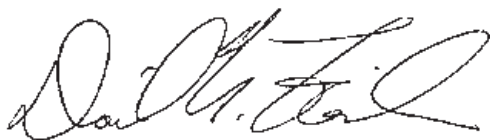
In the area of internal controls, we continue to perform rigorous testing in accordance with Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, Appendix A, including

end-to-end transaction testing (following a transaction through the budget, procurement, disbursement, and property business cycles). These tests validate compliance, effectiveness and efficiency, and proper financial reporting, as well as act as a compensating control for accounting activities performed at the various shared service providers. These efforts contributed to our independent auditor providing a positive opinion on the effectiveness of our internal controls as well as management providing the assurances regarding our financial reporting and internal controls as provided in detail on [page 4](#) of this report.

In anticipation of funding constraints in fiscal years 2011 and 2012, we began implementing actions in fiscal year 2010, fiscal year 2011, and continuing in fiscal year 2012 to reduce our staffing, streamline our operations, reduce administrative expenses, and leverage technology to improve our efficiency and effectiveness. To achieve these goals, we constrained hiring; offered voluntary separation incentives and early retirement opportunities; reduced and deferred investments; and reduced discretionary spending in human capital, engagement support (including travel), and infrastructure support operations, including facilities management, information technology, and other administrative services. We also continued to identify and implement additional energy efficiency measures.

To improve the efficiency of our mission work, we took several significant steps to more effectively use staff time and leverage technology. For example, we eliminated unnecessary system constraints in a key engagement management system and created graphics templates to standardize and expedite development of report graphics. We also clarified responsibilities and procedures for coordinating with external entities, such as state and local audit offices, which provide an important resource for engagement teams to expand their reach into key areas. In addition, we leveraged technology and use of social media tools to help reach new audiences and provide external users with additional ways to access our products. We are currently studying our end-to-end engagement management process to identify additional opportunities for process efficiency and are establishing a new management challenge that addresses this area.

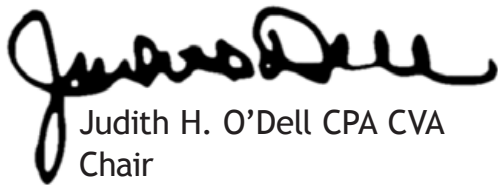
While our constrained fiscal environment continues to be challenging, GAO will continue to meet the highest-priority needs of the Congress and implement our strategic goal 4 objectives to provide quality, timely service to the Congress and be a leading practices agency.



David M. Fisher
Chief Financial Officer

Audit Advisory Committee's Report

The Audit Advisory Committee (the Committee) assists the Comptroller General in overseeing the U.S. Government Accountability Office's financial operations. As part of that responsibility, the Committee meets with agency management and its internal and external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. GAO's external auditors are responsible for expressing an opinion on the conformity of GAO's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the internal and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft performance and accountability report, including its financial statements, and provides comments to management who have primary responsibility for the performance and accountability report. The Committee met twice with respect to its responsibilities as described above. During these sessions, the Committee met with the internal and external auditors without GAO management being present and discussed with the external auditors the matters that are required to be discussed by generally accepted auditing standards. Based on procedures performed as outlined above, we recommend that GAO's audited statements and footnotes be included in the 2011 performance and accountability report.



Judith H. O'Dell CPA CVA
Chair
Audit Advisory Committee

Independent Auditor's Report



Independent Auditor's Report

Comptroller General of the United States

In our audits of the Government Accountability Office (GAO) for fiscal years 2011 and 2010, we found:

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

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

Opinion on Financial Statements

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, GAO's assets, liabilities, and net position as of September 30, 2011 and 2010, and net costs; changes in net position; and budgetary resources for the years then ended.

Opinion on Internal Control

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected and corrected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d), the Federal Managers' Financial Integrity Act (FMFIA), the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control, and GAO's Standards for Internal Control in the Federal Government, as required by OMB audit guidance.

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

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Opinion on FFMIA Compliance

In our opinion, GAO's financial management systems, as of September 30, 2011, substantially complied with the following requirements of FFMIA: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the *United States Government Standard General Ledger* (SGL) at the transaction level. Our opinion is based on criteria established under FFMIA for federal financial management systems, accounting principles generally accepted in the United States of America, and the SGL.

Compliance with Laws and Regulations

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

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

Consistency of Other Information

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

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

Objectives, Scope, and Methodology

Management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) establishing and maintaining effective internal control over financial reporting, and evaluating its effectiveness, (3) ensuring that GAO's financial management systems substantially comply with FFMIA requirements, and (4) complying with applicable laws and regulations. GAO management evaluated the effectiveness of GAO's internal control over financial reporting as of September 30, 2011, based on criteria established under FFMIA. GAO management's assertion is included in the Financial Reporting Assurance Statements section of the Performance and Accountability Report.

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 the overall financial statement presentation.

We are responsible for planning and performing our examination to obtain reasonable assurance about whether management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011. Our examination included obtaining an understanding of the entity and its operations, including its internal control over financial reporting; considering GAO's process for evaluating and reporting on internal control over financial reporting the GAO is required to perform by FMFIA; assessing the risk that a material misstatement exists in the financial statements and the risk that a material weakness exists in internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; testing relevant internal controls over financial reporting; and performing such other procedures as we considered necessary in the circumstances. We did not test all internal controls relevant to operating objectives as broadly defined by the FMFIA.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

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

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

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements. We did not test compliance with all laws and regulations applicable to GAO. We limited our tests of compliance to selected provisions of those laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We conducted our audits and examinations in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and OMB audit guidance. We believe that our audits and examinations provide a reasonable basis for our opinions.

Clifton Gunderson LLP

Calverton, Maryland
November 10, 2011

Purpose of Each Financial Statement

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

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

Financial Statements
U.S. Government Accountability Office
Balance Sheets
As of September 30, 2011 and 2010
(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Intragovernmental		
Funds with the U.S. Treasury (Note 3)	\$84,253	\$88,244
Accounts receivable	3,820	871
Total Intragovernmental	<u>88,073</u>	<u>89,115</u>
Property and equipment, net (Note 4)	36,745	32,824
Other	504	328
Total Assets	<u>\$125,322</u>	<u>\$122,267</u>
Liabilities		
Intragovernmental		
Accounts payable	\$8,288	\$11,573
Employee benefits (Note 6)	4,632	4,404
Workers' compensation (Note 7)	2,554	2,620
Total Intragovernmental	15,474	18,597
Accounts payable and other	17,249	16,286
Salaries and benefits (Note 6)	24,375	23,365
Accrued annual leave (Note 5)	32,241	35,178
Workers' compensation (Note 7)	16,181	15,217
Capital leases (Note 9)	23	2,637
Note payable (Note 5)	2,931	-
Total Liabilities	<u>108,474</u>	<u>111,280</u>
Net Position		
Unexpended appropriations	29,701	28,531
Cumulative results of operations	(12,853)	(17,544)
Total Net Position (Note 13)	<u>16,848</u>	<u>10,987</u>
Total Liabilities and Net Position	<u>\$125,322</u>	<u>\$122,267</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, 2011 and 2010
(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Net Costs by Goal (Note 2)		
Goal 1: Well-being/Financial Security of American People	\$247,123	\$218,277
Less: reimbursable services	<u>(2,089)</u>	<u>(5,153)</u>
Net goal costs	245,034	213,124
Goal 2: Changing Security Threats/Challenges of Global Interdependence	147,330	171,597
Less: reimbursable services	<u>-</u>	<u>-</u>
Net goal costs	147,330	171,597
Goal 3: Transforming the Federal Government's Role	177,402	207,215
Less: reimbursable services	<u>(13,211)</u>	<u>(11,802)</u>
Net goal costs	164,191	195,413
Goal 4: Maximize the Value of GAO	20,094	29,441
Less: reimbursable services	<u>-</u>	<u>-</u>
Net goal costs	20,094	29,441
Less: reimbursable services not attributable to goals	<u>(7,152)</u>	<u>(6,619)</u>
Net Cost of Operations (Note 10)	<u>\$569,497</u>	<u>\$602,956</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, 2011 and 2010
(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Cumulative Results of Operations, Beginning of fiscal year	(\$17,544)	(\$23,995)
Budgetary Financing Sources - Appropriations used	543,327	576,126
Other Financing Sources		
Intragovernmental transfer of property and equipment	-	(14)
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	<u>30,861</u>	<u>33,295</u>
Total Financing Sources	574,188	609,407
Net Cost of Operations	<u>(569,497)</u>	<u>(602,956)</u>
Net Change	4,691	6,451
Cumulative Results of Operations, End of fiscal year	<u>(12,853)</u>	<u>(17,544)</u>
Unexpended Appropriations, Beginning of fiscal year	28,531	48,330
Budgetary Financing Sources and Uses		
Current year appropriations	547,349	557,849
Permanently not available	(2,852)	(1,522)
Appropriations used	<u>(543,327)</u>	<u>(576,126)</u>
Total Unexpended Appropriations, End of fiscal year	<u>29,701</u>	<u>28,531</u>
Net Position	<u>\$16,848</u>	<u>\$10,987</u>

The accompanying notes are an integral part of these statements.

Financial Statements
U.S. Government Accountability Office
Statements of Budgetary Resources
For Fiscal Years Ended September 30, 2011 and 2010
(Dollars in thousands)

	<u>2011</u>	<u>2010</u>
Budgetary Resources (Note 11)		
Unobligated balance, brought forward October 1	\$10,838	\$30,373
Recoveries of prior year unpaid obligations	<u>7,361</u>	<u>2,344</u>
Budget authority		
Appropriations	547,349	557,849
Spending authority from offsetting collections		
Earned and collected	21,048	24,139
Change in receivable from federal sources	2,978	(133)
Change in unfilled customer orders - advance received	206	(86)
Change in unfilled customer orders - without advance	<u>4,589</u>	<u>1</u>
Subtotal	576,170	581,770
Permanently not available	<u>(2,852)</u>	<u>(1,522)</u>
Total Budgetary Resources	<u>\$591,517</u>	<u>\$612,965</u>
Status of Budgetary Resources		
Obligations incurred		
Direct	\$550,308	\$581,262
Reimbursable	<u>22,315</u>	<u>20,865</u>
Subtotal	572,623	602,127
Unobligated balance - apportioned	8,479	6,515
Unobligated balance not available	<u>10,415</u>	<u>4,323</u>
Total Status of Budgetary Resources	<u>\$591,517</u>	<u>\$612,965</u>
Change in Obligated Balances		
Obligated balance, net:		
Unpaid obligated balance, brought forward October 1	\$78,264	\$72,317
Uncollected customer payments from federal sources, brought forward October 1	<u>(846)</u>	<u>(978)</u>
Total, unpaid obligation, net, brought forward October 1	77,418	71,339
Obligations incurred	572,623	602,127
Less: Gross outlays	(569,743)	(593,836)
Recoveries of prior year unpaid obligations, actual	(7,361)	(2,344)
Change in uncollected customer payments from federal sources	<u>(7,567)</u>	<u>132</u>
Obligated balance, net, end of period:		
Unpaid obligations	73,783	78,264
Uncollected customer payments from federal sources	<u>(8,413)</u>	<u>(846)</u>
Total, unpaid obligations, net, end of period	<u>\$65,370</u>	<u>\$77,418</u>
Net Outlays		
Gross outlays	\$569,743	\$593,836
Less: Offsetting collections	<u>(21,254)</u>	<u>(24,053)</u>
Net Outlays	<u>\$548,489</u>	<u>\$569,783</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Accounting

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

Assets

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

Funds with the U.S. Treasury

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

Accounts Receivable

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

Property and Equipment

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

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

Liabilities

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

Accounts Payable

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

Federal Employee Benefits

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

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

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

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

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

Annual, Sick, and Other Leave

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

Contingencies

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

Estimates

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

Reclassifications

Certain prior year amounts in the statement of net costs have been reclassified to conform to the current year presentation.

Note 2. Intragovernmental and Public Costs and Exchange Revenue

Intragovernmental costs arise from exchange transactions made between two reporting entities within the federal government in contrast with public costs, which arise from exchange transactions made with a nonfederal entity. Intragovernmental and public costs and exchange revenue for the periods ended September 30, 2011, and September 30, 2010, are as follows:

Dollars in thousands

	2011	2010
Goal 1: Well-being/Financial Security of American People		
Intragovernmental costs	\$65,880	\$59,127
Public costs	<u>181,243</u>	<u>159,150</u>
Total goal 1 costs	<u>247,123</u>	<u>218,277</u>
Goal 1 intragovernmental earned revenue	<u>(2,089)</u>	<u>(5,153)</u>
Net goal 1 costs	<u>245,034</u>	<u>213,124</u>
Goal 2: Changing Security Threats/Challenges of Global Interdependence		
Intragovernmental costs	39,505	46,069
Public costs	<u>107,825</u>	<u>125,528</u>
Total goal 2 costs	<u>147,330</u>	<u>171,597</u>
Goal 3: Transform the Federal Government to Address National Challenges		
Intragovernmental costs	42,276	52,717
Public costs	<u>135,126</u>	<u>154,498</u>
Total goal 3 costs	<u>177,402</u>	<u>207,215</u>
Goal 3 intragovernmental earned revenue	<u>(13,211)</u>	<u>(11,802)</u>
Net goal 3 costs	<u>164,191</u>	<u>195,413</u>
Goal 4: Maximize the Value of GAO		
Intragovernmental costs	6,288	9,510
Public costs	<u>13,806</u>	<u>19,931</u>
Total goal 4 costs	<u>20,094</u>	<u>29,441</u>
Earned revenue not attributable to goals		
Intragovernmental	(6,983)	(6,315)
Public	<u>(169)</u>	<u>(304)</u>
Total earned revenue not attributable to goals	<u>(\$7,152)</u>	<u>(\$6,619)</u>

Goals 2 and 4 have no associated year-to-date intragovernmental revenues and all public earned revenue collected is not attributable to goals.

Note 3. Funds with the U.S. Treasury

GAO's funds with the U.S. Treasury consist of only appropriated funds. The status of these funds as of September 30, 2011, and September 30, 2010, is as follows:

Dollars in thousands

	2011	2010
Unobligated balance		
Available	\$8,479	\$6,515
Unavailable	10,404	4,311
Obligated balances not yet disbursed	<u>65,370</u>	<u>77,418</u>
Total funds with U.S. Treasury	<u>\$84,253</u>	<u>\$88,244</u>

In fiscal year 2011, GAO collected amounts for reimbursable services that it did not have authority to spend. This restriction of spending authority of these funds added to the increase in the unobligated-unavailable balance.

Note 4. Property and Equipment, Net

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

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$14,411	\$1,253
Land	1,191	–	1,191
Building improvements	122,900	100,825	22,075
Computer and other equipment and software	44,365	33,013	11,352
Leasehold improvements	4,340	4,222	118
Assets under capital lease	<u>18,557</u>	<u>17,801</u>	<u>756</u>
Total property and equipment	<u>\$207,017</u>	<u>\$170,272</u>	<u>\$36,745</u>

The composition of property and equipment as of September 30, 2010, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$13,784	\$1,880
Land	1,191	—	1,191
Building improvements	115,736	99,530	16,206
Computer and other equipment and software	41,059	30,513	10,546
Leasehold improvements	6,203	5,982	221
Assets under capital lease	<u>19,432</u>	<u>16,652</u>	<u>2,780</u>
Total property and equipment	<u>\$199,285</u>	<u>\$166,461</u>	<u>\$32,824</u>

Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's balance sheets as of September 30, 2011, and September 30, 2010, 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, 2011, and September 30, 2010, is as follows:

Dollars in thousands

	2011	2010
Intragovernmental liabilities—Workers' compensation	\$2,554	\$2,620
Salaries and benefits—Comptrollers' General retirement plan*	1,431	1,878
Accrued annual leave	32,241	35,178
Workers' compensation**	16,181	15,217
Capital leases	-	2,637
Notes payable	<u>2,931</u>	<u>-</u>
Total liabilities not covered by budgetary resources	<u>\$55,338</u>	<u>\$57,530</u>

* See [Note 6](#) for further discussion of the Comptrollers' General retirement plan.

** See [Note 7](#) for further discussion of workers' compensation.

In fiscal year 2011, GAO fully funded the balance of outstanding capital leases. This fiscal year GAO also entered into an agreement to finance the replacement of the building's hot water boilers under the Federal Energy Management Program following Section 201(a)(3) of the Federal Property Act. Financing guidance under this program allows participating agencies to obligate only the annual payments. The balance of the note payable is scheduled to be paid in fiscal years 2012 through 2015 with annual payments, including interest of approximately \$733,000.

Note 6. Federal Employee Benefits

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

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

Amounts owed to OPM and Treasury as of September 30, 2011, and September 30, 2010, are \$4,632,000 and \$4,404,000, respectively, for FEHBP, FEGLI, FICA, FERS, and CSRS contributions and are shown on the balance sheets as an employee benefits liability.

Details of the major components of GAO's federal employee benefit costs for the periods ended September 30, 2011, and September 30, 2010, are as follows:

Dollars in thousands

Federal employee benefits costs	2011	2010
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$13,444	\$15,816
Estimated future postretirement health and life insurance (FEHBP/FEGLI)	<u>17,417</u>	<u>17,479</u>
Total	<u>\$30,861</u>	<u>\$33,295</u>
Pension expenses (CSRS/FERS)	\$37,971	\$36,386
Health and life insurance expenses (FEHBP/FEGLI)	\$20,640	\$19,283
FICA and Medicare payments made by GAO	\$20,762	\$21,796
Thrift Savings Plan – matching contribution by GAO	\$13,188	\$12,898

Comptrollers general and their surviving beneficiaries who qualify and so elect to participate are paid retirement benefits by GAO under a separate retirement plan. These benefits are paid from current year appropriations. Because GAO is responsible for future payments under this plan, the estimated present value of accumulated plan benefits of \$1,431,000 as of September 30, 2011, and \$1,878,000 as of September 30, 2010, is included as a component of salary and benefit liabilities on GAO's balance sheets. The following summarizes the changes in the actuarial liability for current plan year:

Dollars in thousands

Actuarial liability as of 9/30/2010	\$1,878
Expense:	
Interest on the liability balance	78
Actuarial (gain)/loss:	
From experience	(241)
From assumption changes	17
Total gain	(146)
Less benefits paid	(301)
Actuarial liability as of 9/30/2011	<u>\$1,431</u>

Note 7. Workers' Compensation

GAO utilizes the services of an independent actuarial firm to calculate its FECA liability. GAO recorded an estimated liability for claims incurred but not reported as of September 30, 2011, and September 30, 2010, which is expected to be paid in future periods. This estimated liability of \$16,181,000 and \$15,217,000 as of September 30, 2011, and September 30, 2010, respectively, is reported on GAO's balance sheets. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2011, and September 30, 2010, of \$2,554,000 and \$2,620,000, 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

At the end of fiscal year 2010 the existing 10-year lease with the U.S. Army Corps of Engineers (USACE) expired and GAO entered into a new 10 year lease agreement to continue to lease the entire third floor and part of the sixth floor of the GAO building. The period of this new agreement began with fiscal year 2011 with an option to renew each year through fiscal year 2020. Total rental revenue to GAO includes a fixed base rent plus operating expense reimbursements, with escalation clauses each year, if the option years are exercised.

Rent received by GAO for fiscal years 2011 and 2010 was \$6,845,000 and \$5,338,000, respectively. These amounts are included in reimbursable services shown on the statements of net cost. Total rental revenue for the future periods of the new 10-year lease is as follows:

Dollars in thousands

Fiscal year ending September 30	Total projected receipts*
2012	\$6,928
2013	7,014
2014	7,102
2015	7,194
2016	7,288
2017 - 2020	<u>30,164</u>
Total	<u><u>\$65,690</u></u>

*If option years are exercised.

Note 9. Leases

Capital Leases

GAO has entered into capital leases for office equipment and computer equipment under which the ownership of the equipment covered under the leases transfers to GAO when the leases expire. When GAO enters into these leases, the present value of the future lease payments is capitalized, net of imputed interest, and recorded as a liability. The acquisition value and accumulated depreciation of GAO's capital leases are shown in [Note 4](#), Property and Equipment, Net. As of September 30, 2011, and September 30, 2010, the capital lease liability was \$23,000 and \$2,637,000, respectively. In fiscal year 2011, GAO paid off balances of the majority of these leases.

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

Dollars in thousands

Fiscal year ending September 30	Total
2012	\$24
2013	<u>2</u>
Total estimated future lease payments	26
Less: imputed interest	<u>(3)</u>
Net capital lease liability	<u><u>\$23</u></u>

Operating Leases

GAO leases office space, predominately for field offices, from the General Services Administration and has entered into various other operating leases for office communication and computer equipment. Lease costs for office space and equipment for fiscal year 2011 and fiscal year 2010 amounted to approximately \$12,619,000 and \$13,963,000, respectively. Leases for equipment under operating leases are generally for less than 1 year; therefore there are no associated future minimum lease payments. Estimated future minimum lease payments for field office space under the terms of the leases are as follows:

Dollars in thousands

Fiscal year ending September 30	Total
2012	\$9,115
2013	6,240
2014	5,401
2015	4,113
2016	3,289
2017 and thereafter	5,356
Total estimated future lease payments	\$33,514

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 2011 and fiscal year 2010 amounted to \$467,064,000 and \$475,530,000, respectively, about 82 and 79 percent of GAO's net cost of operations in fiscal year 2011 and fiscal year 2010, respectively. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$30,861,000 in fiscal year 2011 and \$33,295,000 in fiscal year 2010.

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 2011 and fiscal year 2010 amounted to \$22,452,000 and \$23,574,000, 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 available to GAO during fiscal year 2011 include current year appropriations, prior years' unobligated balances, reimbursements earned by GAO from providing goods and services to other federal entities for a price (reimbursable services), and cost-sharing arrangements with other federal entities. In fiscal year 2010, in addition to the appropriation and reimbursements earned, the prior year's unobligated balance includes almost \$21,000,000 available through fiscal year 2010 to cover program reviews required by the American Recovery and Reinvestment Act of 2009.

Earned reimbursements consist primarily of rent collected from USACE for lease of space and related services in the GAO headquarters building and program and financial audits of federal entities, including the Department of the Treasury, Securities and Exchange Commission, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, and Federal Housing Finance Agency. Earned revenue from rent is available indefinitely, subject to annual obligation ceilings, and must be used to offset the cost of operating and maintaining the GAO headquarters building. Reimbursements from program and financial audits are available without limitations on their use and may be subject to annual obligation ceilings. GAO's pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law. The costs and reimbursements for cost-sharing arrangements from other federal entities for the support of the Federal Accounting Standards Advisory Board are not included in the statements of net cost.

Fiscal years 2011 and 2010 budgetary resources do not include any transfers of budget authority.

Comparison of GAO's fiscal year 2010 statement of budgetary resources with the corresponding information presented in the 2012 President's Budget is as follows:

Dollars in thousands

	Budgetary resources	Obligations incurred
Fiscal year 2010 statement of budgetary resources	\$612,965	\$602,127
Unobligated balances, beginning of year – (funds activity, expired accounts)	(5,384)	-
Recovery of prior year unpaid obligations	(2,344)	-
Obligations incurred – expired years	-	(1,831)
Permanently not available –(funds activity, expired accounts)	1,522	-
Spending authority from offsetting collections (funds activity, expired accounts)	861	-
Other – rounding in President's Budget	<u>380</u>	<u>(296)</u>
2012 President's Budget – fiscal year 2010, actual	<u>\$608,000</u>	<u>\$600,000</u>

As the fiscal year 2013 President's Budget will not be published until February 2012, a comparison between the fiscal year 2011 data reflected on the statement of budgetary resources and fiscal year 2011 data in the President's Budget cannot be performed, though

we expect similar differences will exist. The fiscal year 2013 President's Budget will be available on the OMB's website and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2011 and the end of fiscal year 2010 totaled \$21,269,000 and \$24,906,000, respectively. GAO's apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2011 and 2010 are as follows:

Dollars in thousands

Fiscal year ending September 30	2011	2010
Direct – Category A	\$550,308	\$581,262
Reimbursable – Category A	22,315	20,865
Total obligations incurred	\$572,623	\$602,127

Note 12. Reconciliation of Net Costs of Operations to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ending September 30, 2011 and 2010, are as follows:

Dollars in thousands

Fiscal year ending September 30	2011	2010
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	\$572,623	\$602,127
Less: spending authority from offsetting collections and recoveries	(36,182)	(26,265)
Obligations net of offsetting collections and recoveries	<u>536,441</u>	<u>575,862</u>
Other resources		
Intragovernmental transfer of property and equipment	-	(14)
Federal employee retirement benefit costs paid by OPM imputed to GAO	30,861	33,295
Net other resources used to finance activities	<u>30,861</u>	<u>33,281</u>
Total resources used to finance activities	<u>567,302</u>	<u>609,143</u>
Resources used to finance items not part of the net cost of operations		
Net decrease/(increase) in unliquidated obligations	8,432	(4,320)
Net increase/(decrease) in lease liability and other	317	(2,177)
Assets capitalized	(14,057)	(9,975)
Net (increase)/decrease in receivables not generating resources until collected and other adjustments	<u>(154)</u>	<u>17</u>
Total resources used to fund items not part of the net cost of operations	<u>(5,462)</u>	<u>(16,455)</u>
Total resources used to finance net cost of operations	<u>561,840</u>	<u>592,688</u>
Components of net costs that will not require or generate resources in the current period		
Increase/(decrease) in workers' compensation	898	(1,259)
(Decrease)/increase in accrued annual leave	(2,937)	1,827
Decrease in other liabilities	<u>(447)</u>	<u>(83)</u>
Total components of net costs that will not (generate) or require resources in the current period	<u>(2,486)</u>	<u>485</u>
Costs that do not require resources		
Depreciation and other	<u>10,143</u>	<u>9,783</u>
Net cost of operations	<u><u>\$569,497</u></u>	<u><u>\$602,956</u></u>

Note 13. Net Position

Net position on the balance sheets comprises unexpended appropriations and cumulative results of operations. Unexpended appropriations are the sum of the total unobligated appropriations and undelivered goods and services. Cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of GAO's cumulative results of operations for the fiscal years ended September 30, 2011, and 2010, are as follows:

Dollars in thousands

	2011	2010
Investment in property and equipment, net	\$36,745	\$32,824
Net reimbursable funds activity	5,355	6,892
Other – supplies inventory and accounts receivable from public	385	270
Liabilities not covered by budgetary resources	<u>(55,338)</u>	<u>(57,530)</u>
Cumulative results of operations	<u>(\$12,853)</u>	<u>(\$17,544)</u>

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

Note 14. Davis-Bacon Act Trust Function

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act revenue and costs related to beneficiary payments and prepares separate audited financial schedules for this fund. GAO maintains this fund to pay claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Under these acts, DOL investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If DOL concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the claimant. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets and liabilities under GAO's administration as of September 30, 2011 and 2010, totaled approximately \$5,037,000 and \$4,937,000, respectively. These assets are not the assets of GAO or the federal government and are held for distribution to appropriate claimants. Revenues and costs related to beneficiary payments in the trust amounted to \$1,264,000 in fiscal year 2011 and \$801,000 in fiscal year 2010.

SERVING THE CONGRESS AND THE NATION

PART IV

Inspector General's View of GAO's Management Challenges



Inspector General's View of GAO's Management Challenges



United States Government Accountability Office

Memorandum

Date: October 27, 2011

To: Comptroller General Gene L. Dodaro

From: Inspector General Frances Garcia *Frances Garcia*

Subject: GAO Management Challenges

In October 2010, the OIG reported that the management challenges identified by GAO had remained unchanged for many years. We are pleased to report that GAO responded to our recommendations to determine whether (1) significant actions have been taken in the areas of physical security, information security, or human capital to justify removal of any of these management challenges and (2) other risks have emerged that may also warrant designation as GAO management challenges.

We reviewed management's assessment and decision to remove physical and information security and to retain human capital as management challenges for fiscal year 2011. Based on our work and institutional knowledge, we believe that GAO has taken sufficient action to establish an appropriate framework of policies, processes, procedures, and personnel to effectively comply with federal requirements intended to mitigate physical and information security risks and adapt as new threats evolve. As a result, we support management's decision to remove physical security and information technology as management challenges that may affect GAO's performance. Further, we agree that while improvements have been made in GAO's human capital management, this area continues to represent a management challenge for the agency as it strives to maintain an agile and effective workforce.

In 2011, GAO identified "engagement efficiency" as a new management challenge in recognition of its need to find ways to improve its efficiency in producing quality work in support of the Congress within a declining resource environment. We concur with GAO's decision to recognize the importance of these efforts by designating engagement efficiency as a management challenge.

SERVING THE CONGRESS AND THE NATION

PART V

Appendix on Data Quality



Data Quality

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

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

Verification and validation	<p>Our policies and procedures require us to use the Accomplishment Reporting System to record the financial benefits that result from our work. They also provide guidance on estimating those financial benefits. The team identifies when a financial benefit has occurred as a result of our work. The team develops estimates based on non-GAO sources, such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office, and files accomplishment reports based on those estimates. When non-GAO estimates are not readily available, teams may use GAO estimates—developed in consultation with our experts, such as the Chief Economist, Chief Actuary, or Chief Statistician, and corroborated with a knowledgeable program official from the executive agency involved. The estimates are reduced by significant identifiable offsetting costs. The team develops documentation to support accomplishments with evidence that meets our evidence standard, supervisors review the documentation, and an independent person within GAO reviews the accomplishment report. For all financial accomplishment reports the managing director prepares a memorandum addressed to the Chief Quality Officer attesting that the accomplishment report meets our standards for accomplishment reporting. The memorandum specifically (1) addresses how linkage to GAO is established and (2) attests that the financial benefits are claimed in accordance with our procedures. Beginning in fiscal year 2010, teams are also required to consult with our Center for Economics on the calculation for financial benefits of \$500 million or more. For each of the financial accomplishment reports, an economist reviewed and approved the methodology for calculating the proposed financial benefit. The assessment results were documented in the accomplishment’s supporting documentation and provided to the second reviewers.</p> <p>The team’s managing director is authorized to approve financial accomplishment reports with benefits of less than \$100 million. The team forwards the report to QCI, which reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. In fiscal year 2011, QCI approved accomplishment reports covering 96 percent of the dollar value of financial benefits we reported.</p> <p>In fiscal year 2011, accomplishments of \$500 million or more were also reviewed by independent second and third reviewers (reemployed GAO annuitants), who have substantial experience and knowledge of our accomplishment reporting policies and procedures. Our total fiscal year 2011 reported financial benefits reflect the views of the independent reviewers.</p>
Data limitations	<p>Not every financial benefit from our work can be readily estimated or documented as attributable to our work. As a result, the amount of financial benefits is a conservative estimate. Estimates are based on information from non-GAO sources and are based on both objective and subjective data, and as a result, professional judgment is required in reviewing accomplishment reports. We feel that the verification and validation steps that we take minimize any adverse impact from this limitation.</p>
Nonfinancial benefits	
Definition and background	<p>Our work—including our findings and recommendations—may produce benefits to the government that cannot be estimated in dollar terms. These nonfinancial benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations. Nonfinancial benefits generally result from past work that we completed.</p> <p>Nonfinancial benefits are linked to specific recommendations or other work that we completed over several years. To claim that nonfinancial benefits have been achieved, staff must file an accomplishment report that documents that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within the past 2 fiscal years of filing the accomplishment report, and (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed.</p>
Data sources	<p>Our Accomplishment Reporting System provides the data for this measure. Teams use this automated system to prepare, review, and approve accomplishments and forward them to QCI for its review. Once accomplishment reports are approved, they are entered into ERS, which is the official reporting system.</p>

Verification and validation	<p>We use the Accomplishment Reporting System to record the nonfinancial benefits that result from our findings and recommendations. Staff in the team file accomplishment reports to claim benefits resulting from our work. The team develops documentation to support accomplishments with evidence that meets our standards. Supervisors review the documentation; an independent staff person checks the facts of the accomplishment report; and the team's managing director, director, or both approve the accomplishment report to ensure its appropriateness, including attribution to our work.</p> <p>The team forwards the report to QCI, where it is reviewed for appropriateness. QCI provides summary data on nonfinancial benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments from their staff have been accurately recorded.</p>
Data limitations	<p>The data may be underreported because we cannot always document a direct cause-and-effect relationship between our work and the resulting benefits. Therefore, the data represent a conservative measure of our overall contribution toward improving government.</p>
Percentage of products with recommendations	
Definition and background	<p>We measure the percentage of our written reports and numbered correspondence issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive to ensure that recommendations are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and are specific, feasible, and cost-effective. Some of our products are informational and do not contain recommendations.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations.</p>
Data sources	<p>Our Publications Database incorporates recommendations from products as they are issued. The database is updated daily.</p>
Verification and validation	<p>Our Information Management team enters data on recommendations into a "staging" system where they are reviewed for accuracy and completeness. Once reviewed, the data are posted to the Publications Database. We provide our managers with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated.</p>
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 nonfinancial benefits, the Congress or federal agencies must implement these recommendations. As part of our audit responsibilities under generally accepted government auditing standards, we follow up on recommendations we have made and report to the Congress on their status. Experience has shown that it takes time for some recommendations to be implemented. For this reason, this measure is the percentage rate of implementation of recommendations made 4 years prior to a given fiscal year (e.g., the fiscal year 2011 implementation rate is the percentage of recommendations made in fiscal year 2007 products that were implemented by the end of fiscal year 2011). Our experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.</p>
Data sources	<p>Our Publications Database incorporates recommendations as products are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.</p>

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

Data sources	To identify the products that meet our criteria (testimonies and other products that are high interest or expected to reach 500 staff days or more), we run a query against our Publications Database, which is maintained by a contractor. To identify appropriate recipients of the form for products meeting our criteria, we ask the engagement teams to provide in our Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into another database that is managed by QCI. This database then combines product, form recipient, and data from our Congressional Relations staff and creates an e-mail message with a web link to the form. (Congressional Relations staff serve as the contacts for form recipients.) The e-mail message also contains an embedded client password and unique client identifier to ensure that a recipient is linked with the appropriate form. Our Client Feedback Database creates a record with the product title and number and captures the responses to every form sent back to us electronically.
Verification and validation	QCI staff review released GAO products to check the accuracy of the addressee information in the QCI database. QCI staff also check the congressional staff directory to ensure that form recipients listed in the QCI database appear there. In addition, our Congressional Relations staff review the list of form recipients entered by the engagement teams and identify the most appropriate congressional staff person to receive a form for each client. E-mail messages that are inadvertently sent with incorrect e-mail addresses automatically reappear in the form approval system. When this happens, QCI staff correct the errors and resend the e-mail message.
Data limitations	Testimonies and written products that met our criteria for this measure represented about 56 percent of the congressionally requested written products we issued during fiscal year 2011. We exclude from our timeliness measure low, and medium-interest reports expected to take fewer than 500 staff days when completed, reports addressed to agency heads or commissions, some reports mandated by the Congress, classified reports, and reports completed under the Comptroller General’s authority. Also, if a requester indicates that he or she does not want to complete a form, we will not send one to this person again, even though a product subsequently requested meets our criteria. The response rate for the form is 25 percent, and 98 percent of those who responded answered the timeliness question. We received responses from one or more people for about 50 percent of the products for which we sent a form in fiscal year 2011.

People measures

New hire rate

Definition and background	This performance measure is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account our strategic goals; projected workload changes; and other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires. The Chief Operating Officer, Chief Administrative Officer, Deputy Chief Administrative Officer, Chief Human Capital Officer, and Controller meet monthly to monitor progress toward achieving the workforce plan. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.
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Data sources	The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by the Chief Administrative Officer. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from the Department of Agriculture’s National Finance Center (NFC) database, which handles payroll and personnel data for us and other agencies.
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Verification and validation	The Chief Administrative Officer maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our CAO staff enter workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, CAO staff provide monthly reports to the Chief Operating Officer and the Chief Administrative Officer that allow them to monitor progress by unit in achieving workforce plan hiring targets. The CAO continually monitors and reviews accessions maintained in the NFC database against its database to ensure consistency and to resolve discrepancies.
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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.
Retention rate	
Definition and background	We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the complement of attrition. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements.
Data sources	Data on retention—that is, people who are on board at the beginning of the fiscal year and people on board at the end of the fiscal year—are taken from a CAO database that contains some data from the NFC database, which handles payroll and personnel data for us and other agencies.
Verification and validation	CAO staff continually monitor and review accessions and attritions against their database that contains NFC data and follow up on any discrepancies. In fiscal year 2009, we developed standard operating procedures, which are still in effect, to document how we calculate and ensure quality control over data relevant to this measure.
Data limitations	See New hire rate , Data limitations .
Staff development	
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. To further ensure confidentiality, in fiscal year 2011 the contractor also analyzed the data.</p> <p>This measure is based on staff’s favorable responses to three of the six questions related to staff development on our annual employee survey. This subset of questions was selected on the basis of senior management’s judgment about the questions’ relevance to the measure and specialists’ knowledge about the development of indexes. Staff were asked to respond to three questions on a five-point scale or choose “no basis to judge/not applicable” or “no answer.”</p>
Data sources	The survey questions we used for this measure ask staff how much positive or negative impact (1) external training and conferences and (2) on-the-job training had on their ability to do their jobs during the last 12 months. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either “very positive impact” or “generally positive impact.” In addition, the survey question asked how useful and relevant to your work did you find internal (Learning Center) training courses. From staff who expressed an opinion, we calculated the percentage of staff selecting the three categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were “very greatly useful and relevant,” “greatly useful and relevant,” and “moderately useful and relevant.” Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including “no basis to judge/not applicable” or “no answer” in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

Verification and validation	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. In fiscal year 2011, our response rate to this survey was about 70 percent, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey.
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 rather than entering the data into a database, thus eliminating a potential source of error.</p>
Staff utilization	
Definition and background	This measure is based on staff's favorable responses to three of the six questions related to staff utilization on our annual employee survey. This subset of questions was selected on the basis of senior management's judgment about the questions' relevance to the measure and specialists' knowledge about the development of indexes. Staff were asked to respond to these three questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." (For background information about our entire employee feedback survey, see Staff development .)
Data sources	These data come from our staff's responses to an annual web-based survey. The survey questions we used for this measure ask staff how often the following occurred in the last 12 months: (1) my job made good use of my skills; (2) GAO provided me with opportunities to do challenging work; and (3) in general, I was utilized effectively. See also Staff development , Data sources .
Verification and validation	See Staff development , Verification and validation .
Data limitations	See Staff development , Data limitations .
Effective leadership by supervisors	
Definition and background	This measure is based on staff's favorable responses to 10 of 20 questions related to six areas of supervisory leadership on our annual employee survey. 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." In fiscal year 2009 we changed the name of this measure from "Leadership" to its current nomenclature to clarify that the measure reflects employee satisfaction with the immediate supervisor's leadership.

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

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

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

Organizational climate

Definition and background This measure is based on staff’s favorable responses to 5 of the 13 questions related to organizational climate on our annual employee survey. 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.”

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

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

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

Internal operations measures

Help get job done and quality of work life

Definition and background To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct an annual web-based survey in November. The customer satisfaction survey on administrative services, conducted by an outside contractor, is administered to all of our employees. Through the survey we encourage our staff to indicate how satisfied they are with 17 services that help them get their jobs done and another 15 services that affect their quality of work life.

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

Data sources	These data come from our staff's responses to an annual web-based survey. To determine how satisfied our employees are with internal administrative services, we calculate composite scores for two measures. One measure reflects the satisfaction with the 17 services that help employees get their jobs done. These services include Internet and intranet services, information technology customer support, mail services, and voice communication services. The second measure reflects satisfaction with another 15 services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and workplace safety and health. The composite score represents how employees rated their satisfaction with services in each of these areas relative to how they rated the importance of those services to them. The importance scores and satisfaction levels are both rated on a scale of 1 (low) to 5 (high).
Verification and validation	The satisfaction survey on administrative services is housed on a website maintained by a contractor, and only the contractor has the ability to link the survey results with individual staff. Our survey response rate was 56 percent in 2010. To ensure that the results are largely representative of our population, we analyze them by demographic representation (unit, tenure, location, band level, and job type). Each unit responsible for administrative services conducts follow-on work, including analyzing written comments to gain a better understanding of the information from the survey.
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. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result, for example, from respondents misinterpreting a question or entering their data incorrectly. Such errors can introduce unwanted variability into the survey results. We limit the chances of introducing nonsampling errors by using a web-based survey for which respondents enter their answers directly into an electronic questionnaire. This eliminates the need to have the data entered into a database by someone other than the respondent, thus eliminating a potential source of error.</p>

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