

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

GAO90

YEARS 1921-2011
ACCOUNTABILITY * INTEGRITY * RELIABILITY

SUMMARY OF GAO'S
PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2011



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.



**UNITED STATES
GOVERNMENT ACCOUNTABILITY OFFICE**
Budget, Performance, and Financial Snapshot
Fiscal Year 2011

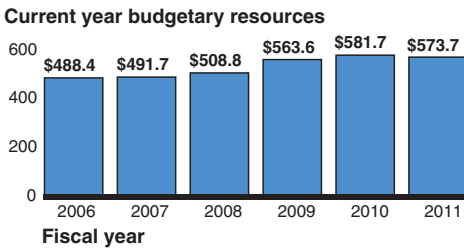
WHO WE ARE

Mission: The Government Accountability Office, the audit, evaluation, and investigative arm of the Congress, 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. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help the Congress make informed oversight, policy, and funding decisions.

Organization and Strategic Focus: To fulfill our mission, we organize and manage our resources to support four broad strategic goals. These include helping to address challenges to the well-being and financial security of the American people, responding to changing security threats and global interdependence, and transforming the federal government to address national challenges. Strategic goal 4 is an internal goal focused on enhancing GAO's value through improving its efficiency, effectiveness, and quality, and institutional stewardship and resource management.

Human Capital: GAO maintains a workforce of highly trained professionals across a breadth of academic and scientific disciplines. In fiscal year 2011, about three-quarters of the approximately 3,200 employees were based at GAO headquarters in Washington, D.C.; the rest were deployed in 11 field offices across the country.

BUDGET AND FINANCIAL SNAPSHOT (DOLLARS IN MILLIONS)



Fiscal Year 2011

Clean opinion on financial statements	Yes
Timely financial reporting	Yes
Material weaknesses	None
Total assets	\$125.3
Total liabilities	\$108.5

Source: GAO.

Note: Current year budgetary resources include appropriations and offsetting collections.

PERFORMANCE SNAPSHOT

Accomplishments: In fiscal year 2011, we met or exceeded 13 of our 15 annual performance targets by, for example, identifying \$45.7 billion in financial benefits for the federal government—a return of \$81 for every dollar we spent—and 1,318 improvements in broad program and operational areas across the government. The rate at which our recommendations were implemented by federal agencies or the Congress was 80 percent, and over two-thirds of the products issued contained recommendations. We did not meet our testimony target but testified at 174 hearings before the Congress on topics across our body of work, a third of which were on areas considered at high risk for fraud, waste, abuse, and mismanagement. For people measures, we met or exceeded all but our new hire rate.

Challenges: In fiscal year 2011, we continued to address three management challenges—physical security, information security, and human capital. For example, we made significant progress on design of a new performance management system. For fiscal year 2012, we have removed physical and information security based on progress in those areas, identified several high-priority actions in the human capital area, and identified a new challenge related to improving the efficiency and effectiveness of our engagements.

KEY GAO PERFORMANCE RESULTS AND TARGETS FOR FISCAL YEARS 2006-2011

To help determine how well we are meeting the needs of the Congress and the nation and maximizing its value as a leading practices agency, we assesses our performance annually using a balanced set of quantitative measures. Below are 9 of the 15 annual performance measures that highlight the agency's performance in significant areas related to the implementation of its mission.

To establish targets for all of our performance measures, we examine our past performance and the external factors that could influence our work and discuss with our senior executives what could be accomplished in the upcoming fiscal year. We may adjust these targets after we initially publish our annual performance plan based on changes in planned work or level of funding.

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 target actual	
Results							
Financial benefits (dollars in billions)	\$51.0	\$45.9	\$58.1	\$43.0	\$49.9	\$42.0	\$45.7
Nonfinancial benefits	1,342	1,354	1,398	1,315	1,361	1,200	1,318
Past recommendations implemented	82%	82%	83%	80%	82%	80%	80%
New products with recommendations	65%	66%	66%	68%	61%	60%	68%
Client							
Testimonies	240	276	298	203	192	200	174
People							
Staff development	76%	76%	77%	79%	79%	76%	79%
Staff utilization	75%	73%	75%	78%	77%	75%	78%
Effective leadership by supervisors	79%	79%	81%	83%	83%	80%	83%
Organizational climate	73%	74%	77%	79%	79%	75%	80%

Source: GAO.

Notes: See table 1 on page 9 for information on all of our performance measures.

Information explaining all of the measures included in this table appears in the Appendix on Data Quality on page 126 of our [full fiscal year 2011 performance and accountability report](#) or at <http://www.gao.gov/products/GAO-12-4SP>.



From the Comptroller General

Source: See Image Sources.

January 2012

I am pleased to present GAO's summary of the 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 practices.

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 ranked third among large agencies, and first in supporting diversity, in the Best Places to Work in the federal government rankings of the Partnership for Public Service.

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. 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



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 the Federal Managers’ Financial Integrity Act of 1982 (FMFIA), the Government Performance and Results Act (GPRA), as amended, 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

(see figs. 1 and 2). 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.

Figure 1: 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

Source: GAO.

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
- 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 10 years after 9/11
- 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

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
- 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

- Completed training for all staff on diversity and inclusion awareness issues
- Began implementing our first Master Collective Bargaining Agreement with GAO's Employees Organization, IFPTE, Local 1921
- Received a clean opinion on our third international triennial peer review

Source: GAO.

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

Fiscal Year 2011 Performance

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.² 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 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 indicate their satisfaction with internal services. 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.

²A 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 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^e									
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 on page 126 of the [full 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 17. 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.

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.

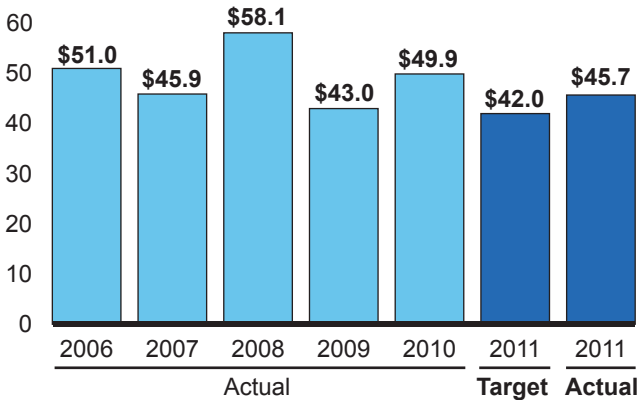
Financial Benefits

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. 3](#)). We exceeded our target by almost 9 percent because of several large unanticipated accomplishments. Part II of the [full report](#) provides more information on these accomplishments by goal. 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 3: Financial Benefits GAO Recorded

Dollars in billions



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.

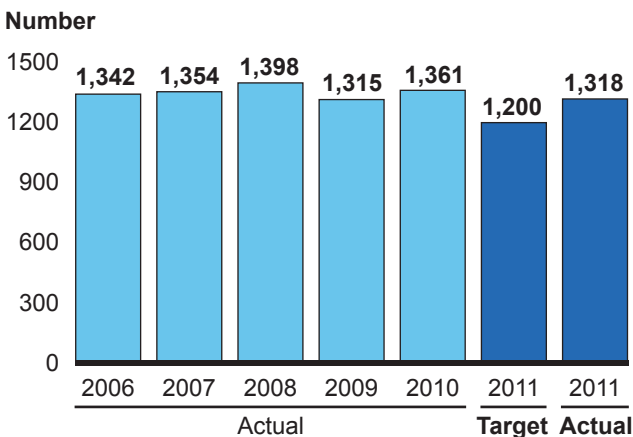
Estimates used to calculate our financial benefits come from non-GAO sources. These non-GAO sources are typically the agency that acted on our work, a congressional committee, or the Congressional Budget Office. Additional examples of financial benefits can be found in Part II of the [full report](#).

Selected Fiscal Year 2011 Financial Benefits
■ Termination of Future Combat System (FCS) Manned Ground Vehicle: \$11.2 billion
■ Department of Defense (DOD) Transformational Satellite (TSAT) Communications System Termination: \$5.3 billion
■ Reductions in Payments to Medicare Advantage (MA) Plans: \$3.6 billion
■ DOD Terminates Multiple Kill Vehicle (MKV) Program: \$2.7 billion
■ Congress Transfers Funds into "Cash for Clunkers" Program: \$2 billion
■ DOD Ensures Validity of Pakistani Reimbursement Claims: \$1.1 billion

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. 4](#)). 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.

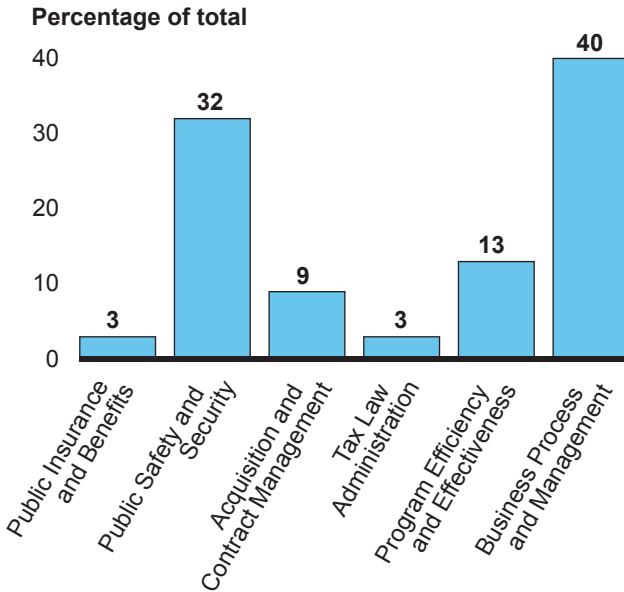
Figure 4: Nonfinancial Benefits



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 processes and management, such as improved oversight of federal oil and gas resources and detection of fraud, waste, and abuse (see [fig. 5](#)). Additional examples of nonfinancial benefits can be found in part II of the [full report](#).

Figure 5: Types of Fiscal Year 2011 Nonfinancial Benefits



Source: GAO.

Note: These categories closely align with those in our high-risk list on page 39 of the [full report](#).

Examples of programs included in categories:

- **Public Insurance and Benefits:** Medicare, Medicaid, Department of Veterans Affairs and Department of Defense (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.

Selected Fiscal Year 2011 Nonfinancial Benefits
Public Insurance and Benefits
■ Enforcement Actions Posted on Nursing Home Compare
Public Safety and Security
■ HHS Finalized Antiviral Guidance for Pharmaceutical Interventions during Influenza Pandemic
Acquisition and Contract Management
■ Reduced Risk in Government Contracting
Tax Law Administration
■ Congress Increased the Statute of Limitations for Internal Revenue Service Audits of Offshore Financial Activity
Program Efficiency and Effectiveness
■ Small Business Administration Decertified Companies from Historically Underutilized Business Zone Program
Business Process and Management
■ OMB Set Milestones for Implementation of the Infrastructure Needed for Use of Personal Identity Verification Cards

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 [table 1](#)), primarily by executive branch agencies. The 80 percent implementation rate for fiscal year 2011 met our target for the year. Agencies need time to act on recommendations, and 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.

New Products Containing Recommendations

In fiscal year 2011, about 68 percent of the 592 written products we issued (excluding testimonies) contained recommendations (see [table 1](#)). 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.

Client Measures

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.

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 by 26 hearings (see [table 1](#)). 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. 6](#) 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. (See page 39 of the [full report](#).)

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 [table 1](#)). 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. We have reduced our fiscal year 2012 target to 90 percent because of resource constraints that may affect our on-time delivery.

People Measures

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. 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.

Figure 6: 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
- State Oversight of Private Health Insurance Rates
- Potential Overlap and Duplication in Government Programs
- Incapacitated Adults
- Federal Workers' Compensation
- Military and Veterans Disability System
- Financial Literacy
- Mortgage Foreclosures Regulatory Oversight
- Federal Oil and Gas Restructuring
- Improvements Needed for Safe Drinking Water
- Airport and Airway Trust 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
- Visa Overstay Enforcement
- Combating 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
- Coast Guard Deepwater Program
- Contract Oversight of non-U.S. Vendors in Afghanistan
- 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
- Federal Information Technology Spending
- GPRM Modernization Act Implementation
- Budget Enforcement Mechanisms
- 2010 Census Lessons Learned
- Tax System Complexity and Taxpayer Compliance

Source: GAO.

Note: Additional information on selected testimonies can be found in part II, pp. 70, 78, and 86 of the [full 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. 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 1](#) shows that we did not meet our target of 95 percent of our goal for new hires, achieving an 84 percent new hire rate.

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. In fiscal year 2011, we exceeded our overall retention (with retirements) 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.

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. 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. In fiscal year 2011, about 70 percent of our employees completed the survey and we exceeded all four targets (see [table 1](#)). 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](#)).

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 on page 39 of the [full report](#) lists each current high-risk area and the year it was added to the list.

In our February 2011 high-risk update, 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. We also designated one new high-risk area—Management of Federal Oil and Gas Resources. More information on our high-risk program is available on our website at <http://www.gao.gov/highrisk>.

Our 2011 high-risk area work:

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

Duplication Mandate

In 2010, a new statutory requirement 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.³

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

³Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

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 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, and 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 could help determine 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.

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, making 15 recommendations to various financial regulators in the following areas:

- Mortgages, including appraisals and the effect of the act's requirements on the mortgage market, and 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.
- Securities markets, including the risks and regulation of proprietary trading by banking entities, the movement of former Securities and Exchange employees to regulated firms, and the role of the Governmental Accounting Standards Board in the municipal securities market.
- Financial institutions, including the implementation of the prompt corrective action framework for troubled institutions, an audit of the Federal Reserve System's emergency program activities, and bankruptcy and orderly liquidation processes for financial companies and international coordination related to the bankruptcy of these companies.
- Consumer protection issues, such as oversight issues related to financial planners, the regulatory requirements for mutual fund advertisements, regulatory approaches for person-to-person lending, and methods and strategies for improving financial literacy.

More information on our work on the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 can be found on page 42 of the [full report](#).

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 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. Each of these recipient reports included a list of projects or activities 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 several reports fulfilling these two ongoing mandates—on Recovery Act funding for Head Start, Energy Efficiency and Conservation Block Grants, transportation and water infrastructure projects, and education programs. In addition to fulfilling our bimonthly and recipient reporting mandates, our fiscal year 2011 Recovery Act-related reports have covered funding in a wide spectrum of program and policy areas ranging from broadband to port security to Medicaid assistance to states during economic downturns.

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. 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. 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.

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 FFMA. 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 of the [full report](#).⁴

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

⁴Note 14 to the financial statements on page 122 of the [full report](#) describes our Davis-Bacon Act trust function. For more detailed Davis-Bacon Act financial information, contact our General Counsel's Office.

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.

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, [GAO/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 committee's report appears on page 100 of the [full report](#).

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. For example, our participation in the INTOSAI 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. Through other 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.

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. Under strategic goal 4, several performance goals and underlying key efforts focus attention on each of our management challenges. 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 have removed the first two challenges, identified several high-priority actions in the human capital area, and identified a new challenge related to improving the efficiency and effectiveness of our engagements and delivery of timely and quality information to the Congress. Additional information on these areas is available on pages 56 through 61 of the [full report](#).

Physical Security Challenge

We removed physical security as a management challenge because 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. While we still have several projects under way or planned to enhance our safety, security, and emergency preparedness functions, we are confident that we have the ability to respond to and address new threats and emergencies as they arise.

Information Security

We also removed information security as a management challenge because we have an information systems security program that comprehensively addresses risks and provides for continuous evolution of our processes and controls. 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. 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 are continuing to report human capital as a management challenge as demand for our work remains high while we are facing an era of austere budgets and the associated impact on our ability to hire, retain, and motivate a top-performing workforce. 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 the GAO Employees Organization, International Federation of Professional and Technical Engineers (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 the [full report](#).

Looking forward, the overarching human capital challenge we face 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, targeted training and hiring, and rewards and recognition.

Engagement Efficiency Challenge

For fiscal year 2012, we have identified a new management challenge related to efficiency in how we conduct our mission work. 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, having received 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 requires 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 steps to address these areas in fiscal year 2012—managing and conducting engagements, utilizing resources, and communicating our message.

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 communicate frequently with our congressional clients to stay abreast of their interests. In addition, each year we conduct a very small percentage of our 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.

The extent to which we can obtain access to agency information also plays an essential role in our ability to report on issues of importance to the Congress and the American people. 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. For example, the Department of Justice initiated a pilot program designed to improve its responsiveness to our requests and has agreed to make the key piloted procedures permanent. In addition, the Director of National Intelligence issued a written directive (Intelligence Community Directive 114), which contains a number of provisions designed to promote constructive interaction between us and elements of the Intelligence Community, such as establishing a presumption of cooperation with us. These developments and other access to information issues are described in more detail on pages 61 through 63 of the [full report](#).

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