

Serving the Congress and the Nation
U.S. Government Accountability Office



**Performance and
Accountability Report
Fiscal Year 2010**

Accountability ★ Integrity ★ Reliability

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

ASC	ambulatory surgical center	FMFIA	Federal Managers' Financial Integrity Act of 1982
ATO	Authorization to Operate	FSI	Forensic Audits and Special Investigations
CAO	Chief Administrative Office	FTR	Federal Transportation Regulations
CDL	commercial driver's license	GPRA	Government Performance and Results Act of 1993
CGAB	Comptroller General's Advisory Board	GSA	General Services Administration
CMS	Centers for Medicare and Medicaid Services	HHA	home health agency
CRA	Congressional Review Act	HHS	Department of Health and Human Services
CSRS	Civil Service Retirement System	HUD	Department of Housing and Urban Development
DCAA	Defense Contract Audit Agency	IAFP	International Auditor Fellowship Program
DEA	Drug Enforcement Administration	ICE	Immigration and Customs Enforcement
DHS	Department of Homeland Security	IFPTE	International Federation of Professional and Technical Engineers
DOD	Department of Defense	IG	inspector general
DOJ	Department of Justice	INTOSAI	International Organization of Supreme Audit Institutions
DOL	Department of Labor	IP	intellectual property
DOT	Department of Transportation	IRS	Internal Revenue Service
EPA	Environmental Protection Agency	IT	information technology
FAA	Federal Aviation Administration	LEP	Stockpile Life Extension Program
FCC	Federal Communications Commission	MA	Medicare Advantage
FECA	Federal Employees' Compensation Act	MAS	Multiple Award Schedules
FEGLI	Federal Employees' Group Life Insurance	MDA	Missile Defense Agency
FEHBP	Federal Employees' Health Benefits Program	NARA	National Archives and Records Administration
FEMA	Federal Emergency Management Agency	NASA	National Aeronautics and Space Administration
FERS	Federal Employees' Retirement System	NextGen	Next Generation Air Transportation System
FFETF	Financial Fraud Enforcement Task Force	NFC	National Finance Center
FFMIA	Federal Financial Management Improvement Act of 1996	NIST	National Institute of Standards and Technology
FHA	Federal Housing Administration	NMTC	New Markets Tax Credit
FICA	Federal Insurance Contributions Act	NNSA	National Nuclear Security Administration
FISMA	Federal Information Security Management Act		
FMAP	Federal Medical Assistance Percentage		

NOAA	National Oceanic and Atmospheric Administration
NPOESS	National Polar-orbiting Operational Environmental Satellite System
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	performance and accountability report
QCI	Quality and Continuous Improvement
RAC	recovery audit contractor
SAI	supreme audit institution
SBA	Small Business Administration
TAA	Trade Adjustment Assistance
TARP	Troubled Asset Relief Program
TSA	Transportation Security Administration
UI	Unemployment Insurance
UN	United Nations
USACE	U.S. Army Corps of Engineers
USCIS	U.S. Citizenship and Immigration Service
USPS	United States Postal Service
VA	Department of Veterans Affairs

How to Use This Report

This report describes the U.S. Government Accountability Office's (GAO) performance measures, results, and accountability processes for fiscal year 2010. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our Web site at <http://www.gao.gov/sp.html>.

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

Introduction

This section includes the letter from the Acting Comptroller General and a statement attesting to the reliability of our performance and financial data in this report and the effectiveness of our internal control over our financial reporting. This section also includes a summary discussion of our mission, strategic planning process, organizational structure, 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 2010. 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 2010 and the targets we are aiming for in fiscal year 2011. It also includes an explanation of how we ensure the completeness and reliability of the performance data used in this report.

Financial Information

This section includes details on our finances in fiscal year 2010, including a letter from our Acting 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 kind of information each of our financial statements conveys.

From the Inspector General

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

Appendixes

These sections include summaries of our most significant accomplishments and contributions recorded in fiscal year 2010 and information on certain human capital management flexibilities.

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Serving The Congress And The Nation



Introduction



Source: See Image Sources.

November 15, 2010

I am pleased to present GAO's performance and accountability report for fiscal year 2010. The year presented many opportunities for us to make meaningful contributions to improving the way government works in support of the Congress and the nation. Our products covered a wide spectrum of issues—from national and homeland security to the environment and transportation, from cybersecurity to health care, banking, and housing. We continue to highlight high-risk areas and government challenges for the Congress and the executive branch and call attention to opportunities for cost savings and improvements in federal agency and program management. Throughout the year, we also regularly provided the Congress with the results of our work in carrying out our responsibilities related to the Troubled Asset Relief Program and the American Recovery and Reinvestment Act of 2009. 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.

We again received from independent auditors an unqualified or “clean” opinion on our financial statements for fiscal year 2010. We documented \$49.9 billion in financial benefits—a return of \$87 for every dollar invested in us. We also recorded 1,361 nonfinancial benefits that helped to change laws, such as the Improper Payments Elimination and Recovery Act of 2010; improve services to the public; and promote sound management throughout government. The 111th Congress continued to rely on us to inform its work on national and international issues, with our senior officials testifying at 192 hearings. Getting our message out is crucial; to better serve our clients and the public we developed a mobile Web site for access to GAO's work from smart phones and other small screen devices. We have also piloted an “e-report” format for faster and easier access to key aspects of our reports. The response from our readers has been very positive.

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, we met our clients' needs with 95 percent on-time delivery. Our people and internal operations measures for fiscal year 2010 indicate that our employees feel they have the developmental and training opportunities,

work experiences and work environment, and operational support they need to continue producing high-quality products. We met or exceeded all of the targets we set for our seven people measures—new hire rate, retention rate (with and without retirements), staff development, staff utilization, effective leadership by supervisors, and organizational climate. We ranked second among large agencies according to the 2010 Best Places to Work in the federal government rankings of the Partnership for Public Service and the Institute for the Study of Public Policy Implementation at American University.

We have continued to focus on key internal management challenges—physical security, information security, and human capital—and the external factors that affect them. For example, in fiscal year 2010, we strengthened our recruitment initiatives to reach a more diverse applicant pool, laid the groundwork for revamping our performance management systems, and issued an annual Workforce Diversity Plan. In addition, we strengthened our training on compliance with the Americans with Disabilities Act. We also improved physical security by beginning installation of upgraded electronic security systems in our field offices and information security by supplementing our data protection encryption.

We maintained our productive working relationship with the employees' union, GAO Employees Organization, International Federation of Professional and Technical Engineers, Local 1921, and as of November 1, we finalized negotiations toward completion of 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 2010 was one of our most busy and challenging years—yet we succeeded at performing our mission, responding to mandates, and accomplishing many of our goals. 2011 brings more challenges with additional responsibilities to assess duplicative government programs and opportunities to improve operations and carry out studies and activities related to the implementation of new health care and financial regulatory reform legislation. Our new 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 with these and other new efforts in the coming year.



Gene L. Dodaro
Acting Comptroller General
of the United States

Financial Reporting Assurance Statements

November 15, 2010

We, the 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 of 1982 (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, 2010, was operating effectively and that no material weaknesses exist in the design or operation of the internal control over financial reporting.

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

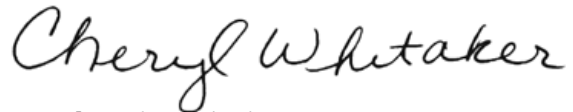
- Our financial reporting is reliable—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- We are in compliance with all applicable laws and regulations—transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

- Our performance reporting is reliable—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information consistent with the criteria set forth in the Government Performance and Results Act of 1993 and related OMB guidance.

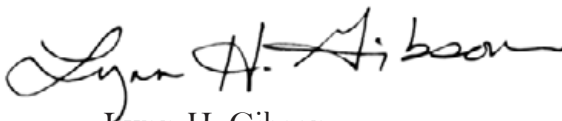
We also believe that (1) these same systems of accounting and internal controls provide reasonable assurance that we are in compliance with the spirit of FMFIA and (2) we have implemented and maintained financial systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level consistent with the requirements in the Federal Financial Management Improvement Act 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
Acting Comptroller General
of the United States



Cheryl Whitaker
Acting Chief Financial Officer



Lynn H. Gibson
Acting General Counsel



Pamela LaRue
Controller



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, the Government Performance and Results Act of 1993 (GPRA), and the Federal Financial Management Improvement Act of 1996 (FFMIA).¹ Accordingly, this performance and accountability report for fiscal year 2010 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.

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. 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.

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.

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

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.

[Figure 2](#) provides examples of this work, which is further described 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.

Figure 1: GAO’s Strategic Planning Hierarchy



Source: GAO.

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: How GAO Assisted the Nation • Fiscal Year 2010**Goal 1: *Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People***

- Identified ways for HHS to strengthen inspections of ambulatory surgical centers leading to a fourfold increase in the proportion of centers found to have deficient practices
- Appointed 49 experts and stakeholders to 3 organizations created in new health care legislation
- Recommended food safety improvements that the Congress included in legislation for USDA's school lunch program
- Facilitated expedited claims process for Labor's black lung benefits program
- Increased EPA focus on environmental threats to children's health
- Identified factors to consider in restructuring Fannie Mae and Freddie Mac
- Proposed changes to improve control of toxic chemicals in consumer products
- Identified hidden fees for air travel that should be disclosed to consumers

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

- Led FEMA to begin developing a strategic plan to improve the national public alert and warning system
- Exposed weaknesses in TSA's behavior-based identification of high-risk air passengers
- Recommended changes that FEMA implemented to better plan for national emergency response capabilities
- Informed DHS's top-level review of weaknesses and risks in the multibillion dollar Secure Border Initiative
- Contributed to a more robust missile defense acquisition policy
- Encouraged reforms in the United Nations' procurement, internal oversight, and employment processes
- Provided insight to the Congress that led to expanding U.S. sanctions against Iran
- Informed development of a framework to reform the U.S. export control system

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

- Informed IRS's decision to extend regulation of paid tax preparers, including requiring them to obtain an identifying number and be tested for competency
- Exposed Energy Star as a self-certification program by obtaining certification for bogus products which led DOE and EPA to adopt improvements in their approval process
- Led GSA to strengthen requirements due to improper spending on premium class government travel
- Surfaced weaknesses in VA outpatient scheduling IT systems
- Developed a methodology adopted by the Congress to efficiently target billions of dollars in Medicaid assistance through the Recovery Act
- Assessed IT risks for the 2010 Census to ensure successful execution
- Profiled selected DHS investments in a 2-page format to provide the Congress with a new, easy reference on acquisition oversight, planning, and execution

Goal 4: *Maximize the value of GAO by enabling quality, timely service to the Congress and Being a leading practices federal agency*

- Implemented leading practices to attract a more diverse workforce and foster an inclusive work environment
- Leveraged technology to facilitate business process improvements in financial and administrative IT systems
- Improved access to our products with a new mobile Web site for users of small screen devices and a new electronic product format
- Collaborated with international accountability organizations to enhance their audit guidelines by incorporating private sector international auditing standards
- Led development of a strategic plan for the international accountability community

Source: GAO.

Additional information on accomplishments by goal is highlighted in Parts II and V of this report.

In July 2010, we updated and began the transition to our strategic plan for fiscal years 2010-2015. 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. 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 annual performance plans since fiscal year 1999 and our performance and accountability reports since fiscal year 2001.

Using the plan as a blueprint, we lay out the areas in which we expect to conduct research, audits, analyses, and evaluations to meet our clients' needs, and we allocate the resources we receive from the Congress accordingly. Given the increasingly fast pace with which crucial issues emerge and evolve, we 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 Web site (<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 ninth consecutive year its Certificate of Excellence in Accountability Reporting for our fiscal year 2009 performance and accountability report. According to the association, this certificate means that we produced an interesting and informative report that achieved the goal of complete and fair reporting. We also received an award from Graphic Design USA for the full version of our fiscal year 2009 performance and accountability report, as well as for its summary version known as the Citizens' Report (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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Professional networks and collaboration • Institutional stewardship and resource management

CORE VALUES

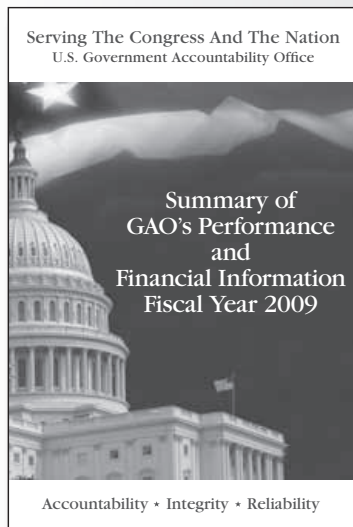
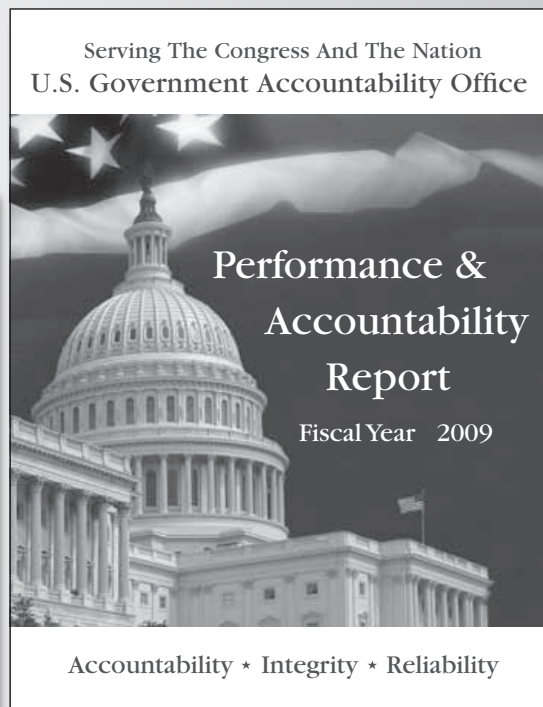
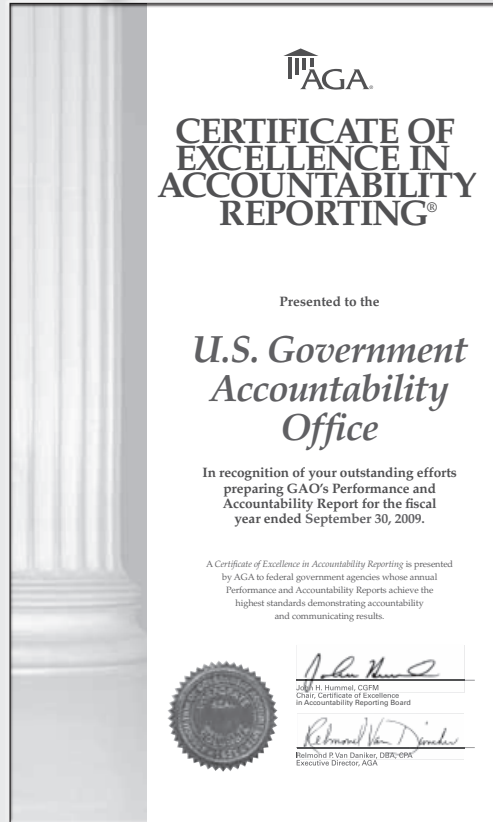
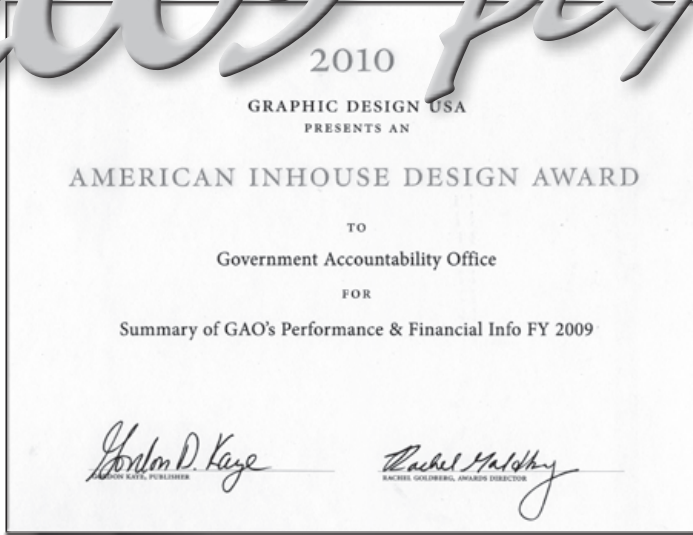
Accountability	Integrity	Reliability
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Source: GAO.

GAO Strategic Plan 2010–2015

Figure 4: GAO's Performance and Accountability Report Awards

2009 P&A Awards



Source: GAO.

Organizational Structure

As the Acting Comptroller General of the United States, Gene L. Dodaro is the head of GAO. On March 13, 2008, he succeeded David L. Walker who resigned before the end of his 15-year term that began in 1998. Mr. Dodaro previously served as GAO's Chief Operating Officer for 9 years, and he retained this position after assuming the top post. Two other executives join Acting Comptroller General Dodaro to form our Executive Committee: Acting Chief Administrative Officer/Chief Financial Officer Cheryl Whitaker and Acting General Counsel Lynn Gibson. Mr. Dodaro has been nominated by the President to serve as the Comptroller General.

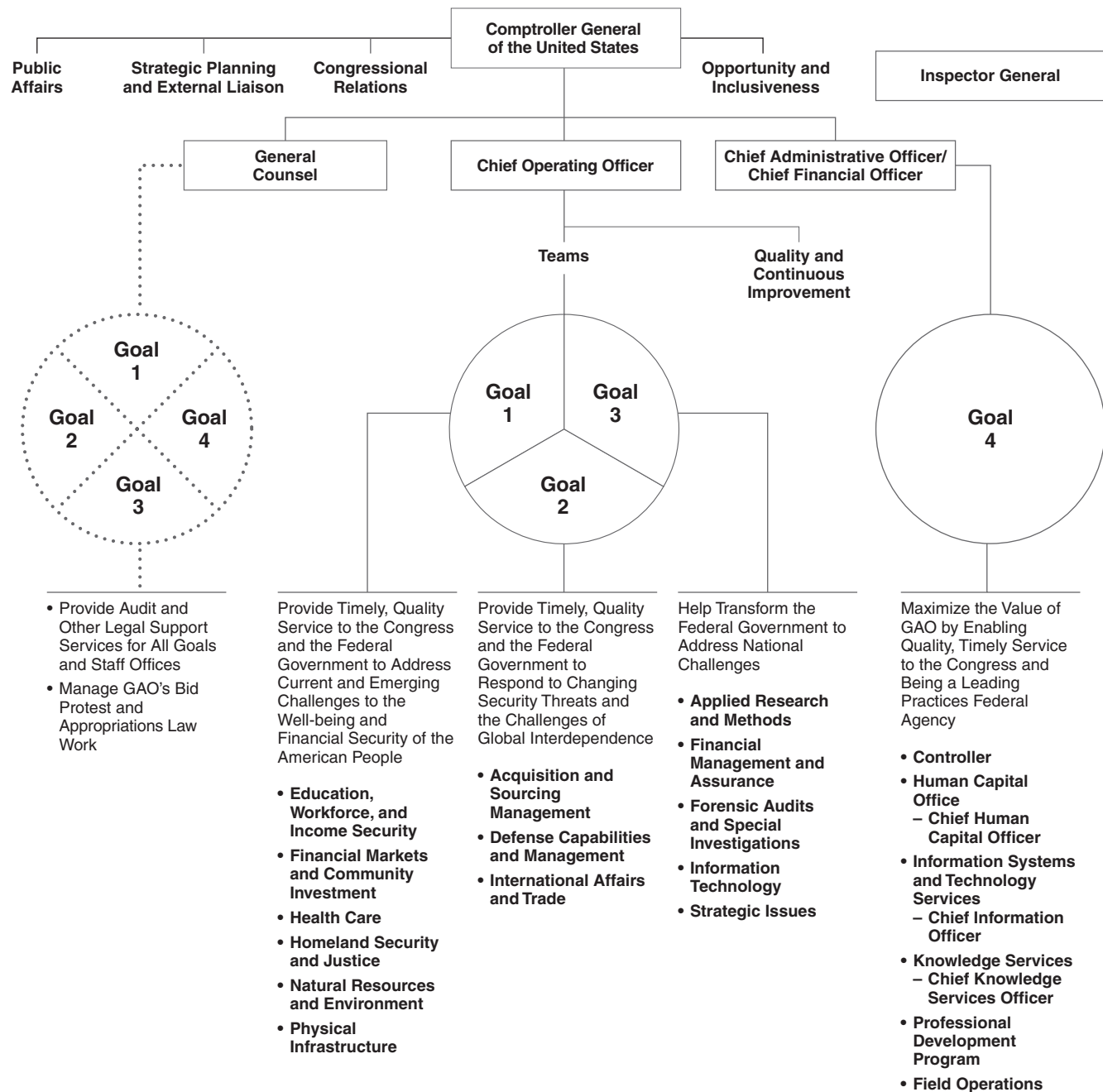
To achieve our strategic goals, our staff are organized as shown in [figure 5](#). For the most part, our 14 evaluation, audit, research, and investigative teams perform the work that supports strategic goals 1, 2, and 3—our three external strategic goals—with several of the teams working in support of more than one strategic goal. In addition to this work, Forensic Audits and Special Investigations (FSI) 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. Also, FSI 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. FSI is an integrated unit composed of investigators, analysts, and auditors who have experience with forensic auditing and data mining and staff in the office of our General Counsel.

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

The General Counsel's office 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 multidisciplinary 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 an independent statutory office within the agency. Under the legislation, 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

Figure 6: GAO’s Office Locations



Source: See Image Sources.

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.

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 and strengthening 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 2010, we devoted 95 percent of our engagement resources to work requested or mandated by the Congress. We devoted the remaining 5 percent of the engagement resources to work we 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 the United States' efforts to secure Afghanistan

and combat terrorism in Pakistan.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, 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. We generally issue around 1,000 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 Web site various information extracted from those reports. Collectively, our products always contain information and often conclusions and recommendations that allow us to achieve our external strategic goals.

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 of these evaluations are reported in terms of the financial benefits and nonfinancial benefits that reflect the value of our work. We actively monitor the status of our open recommendations—those that remain valid but have not yet been implemented—and report our findings annually to the Congress and the public (<http://www.gao.gov/openrecs.html>).

²In fiscal years 2008 and 2009, the work performed under the Comptroller General's authority represented 6 percent and 5 percent, respectively, of our engagement efforts.

³GAO, *The Federal Government's Long-Term Fiscal Outlook: Fall 2009 Update*, GAO-10-137SP (Washington, D.C.: October 2009); GAO, *Bid Protest Overview*, GAO-10-534SP (Washington, D.C.: December 2009); *Principles of Federal Appropriations Law: Third Edition* GAO-09-576SP (Washington, D.C.: August 2009).

Similarly, we use our biennial high-risk report, most recently issued in January 2009, to provide a status report on major government operations that we consider high risk because they are vulnerable to fraud, waste, abuse, and mismanagement or are in need of broad-based transformation. In fiscal year 2010 we updated our high-risk and government management challenges Web site to draw attention to issues of national importance, including preparedness for large-scale public health emergencies; effective representation of U.S. diplomatic interests; and major cost saving opportunities; and the products we issued that address them. These products are valuable planning tools because they help us to identify those areas where our continued efforts are needed to maintain 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) so that the sum of the targets for the goals equals the agencywide targets. For past recommendations implemented and percentage of products with recommendations, we set targets and report performance for the agency as a whole because we want our performance on these measures to be consistent across goals. We track our performance by strategic goal in order to understand why we meet or do not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas for improvement.

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

We set a target at the agencywide level for the number of 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 improve 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 examine what we have been able to achieve in the past (for example, by looking at our 4-year rolling averages) for most of our results measures (see [p. 24](#)) and the external factors that influence our work (see [p. 56](#)).

The teams and offices that are directly engaged in the work discuss their views of what must be accomplished in the upcoming fiscal year with our top executives, who then establish targets for the performance measures.

Once approved by the Comptroller General, the targets become final and are presented in our annual performance plan and budget.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 2010 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 Web site at <http://www.gao.gov/products/GAO-10-598SP>.

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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 2010, the challenges that most urgently engaged the attention of the Congress and the public helped to define our priorities. Our work on nationwide funding provided through the American Recovery and Reinvestment Act of 2009 (Recovery Act) and the Troubled Asset Relief Program (TARP) in response to the economic crisis, national security and wartime commitments, expanded health care coverage for our citizens, and environmental crises helped inform congressional members, the administration, and their staffs in developing new federal policies and programs and overseeing ongoing ones to address these and other issues.

We monitored how well we performed our work and supported our staff using 15 annual performance measures. The results of our efforts are reflected in our solid performance in fiscal year 2010—we met or exceeded all but one of the performance targets we set for each of these measures (see [table 1](#)). We exceeded our financial benefits target of \$42 billion for the fiscal year by \$7.9 billion. This represents an \$87 return on every dollar the Congress invested in us. In addition, we exceeded our target of 1,200 nonfinancial benefits by 161 benefits. We also exceeded our targets for past recommendations implemented by 2 percentage points and for new products with recommendations by 1 percentage point. We did not meet our target of 220 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 all seven of our people measures.

Concerning our two internal operations measures, we will assess our performance related to how well our internal administrative services (e.g., computer support, mail service, and Internet service) help employees get their jobs done or improve employees' quality of work life once data from our November 2010 annual customer satisfaction survey have been analyzed. These measures are directly related to our goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. There will always be a lag in reporting on this measure because our customer feedback survey is distributed after we issue the performance and accountability report. In fiscal year 2009, we exceeded our targets of 4.0 (a composite score based on employees' responses from an internal survey) for our measure to help get the job done and for our quality of work life measure. These scores indicate that our employees were satisfied with the internal administrative services they used during their workday. The survey asked staff to rank the importance of each service to them and indicate their satisfaction with it on a scale from 1 to 5, with 5 being the highest score.

Table 1: Agencywide Summary of Annual Measures and Targets

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 target actual		Met/not met	2011 target
Results								
Financial benefits (dollars in billions)	\$51.0	\$45.9	\$58.1	\$43.0	\$42.0	\$49.9	met	\$42.0
Nonfinancial benefits	1,342	1,354	1,398	1,315	1,200	1,361	met	1,200
Past recommendations implemented	82%	82%	83%	80%	80%	82%	met	80%
New products with recommendations	65%	66%	66%	68%	60%	61%	met	60%
Client								
Testimonies	240	276	298	203	220	192	not met	200
Timeliness ^a	93%	95%	95%	95%	95%	95%	met	95%
People								
New hire rate	94%	96%	96%	99%	95%	95%	met	95%
Retention rate								
With retirements	90%	90%	90%	94%	90%	94%	met	90%
Without retirements	94%	94%	93%	96%	94%	96%	met	94%
Staff development ^{b,c}	76%	76%	77%	79%	76%	79%	met	76%
Staff utilization ^{b,d}	75%	73%	75%	78%	75%	77%	met	75%
Effective leadership by supervisors ^{b,e}	79%	79%	81%	83%	80%	83%	met	80%
Organizational climate ^b	73%	74%	77%	79%	75%	79%	met	75%
Internal operations^f								
Help get job done	4.1	4.05	4.0	4.03	4.0	N/A	N/A	4.0
Quality of work life	4.0	3.98	4.01	4.01	4.0	N/A	N/A	4.0

Source: GAO.

Note: Information explaining all of the measures included in this table appears in the [Data Quality and Program Evaluations](#) section in part II of this report.

^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 2010 is 29 percent, and 99 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.

^cBeginning in fiscal year 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question.

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

^eIn 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 their immediate supervisors’ leadership. In fiscal year 2010, we changed one of the questions for this measure.

^fFor our internal operations measures, we ask staff to rank 33 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 38](#) of this report. We will report actual data for fiscal year 2010 once data from our November 2010 internal customer satisfaction survey have been analyzed. N/A indicates that the data are not yet available.

Our fiscal year 2011 targets for 14 of 15 of our performance measures are the same as those targets we reported in our fiscal year 2010 performance plan in January 2010. We believe that these targets are challenging yet realistic for our staff. For example, we did not increase our financial benefits target for 2011 above our fiscal year 2010 actual because we cannot always predict whether agencies or the Congress will implement our recommendations or the benefits that may accrue from these actions in a given year. Thus, we believe our target of \$42 billion for financial benefits for fiscal year 2011 (shown on [p. 23](#)) is an achievable, conservative estimate.

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 from fiscal year

2006 through fiscal year 2010, our averages for financial benefits and new products with recommendations remained fairly stable during this period. However, the average number of nonfinancial benefits we recorded declined from fiscal years 2008 to 2009 and increased again in fiscal year 2010.

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 because the members usually only meet for a short session at the end of the calendar year, and then they reorganize in the following months, providing fewer opportunities for us to testify. In 2010, our experience was different than expected due to 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 have therefore set a lower target for congressional testimonies in 2011 than in 2010.

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

Performance measure	2006	2007	2008	2009	2010
Results					
Financial benefits (billions)	\$43.0	\$45.10	\$48.7	\$49.5	\$49.2
Nonfinancial benefits	1,248	1,325	1,376	1,352	1,357
New products with recommendations	61%	64%	65%	66%	65%
Client					
Testimonies	206	228	248	254	242

Source: GAO.

Focusing on Results

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

Financial Benefits and Nonfinancial Benefits

We describe many of the results produced by our work as either financial or nonfinancial benefits. Both types of benefits result from our efforts to provide information to the Congress that helped to (1) change laws and regulations, (2) improve services to the public, and (3) promote sound agency and governmentwide management. In many cases, the benefits we claimed in fiscal year 2010 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

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

Financial Benefits

Our findings and recommendations produce measurable financial benefits for the federal government after the Congress acts on or agencies implement them and the funds are made available to reduce government expenditures or are reallocated to other areas.

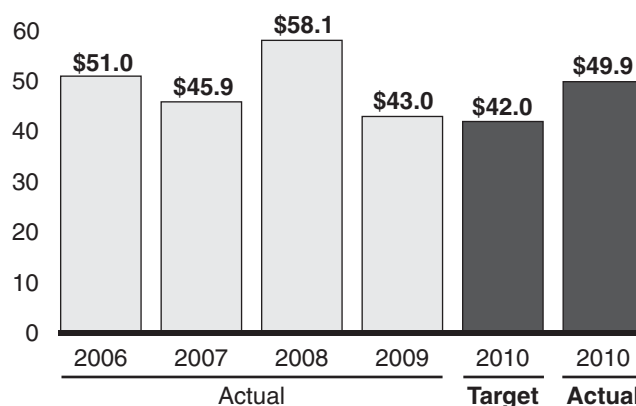
The monetary effect realized can be the result of

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

Financial benefits result if, for example, the Congress reduces the annual cost of operating a federal program, lessens the cost of a multiyear program or entitlement, or reallocates funds to other areas. Financial benefits could also result from increases in federal revenues—due to changes in laws, user fees, or asset sales—that our work helped to produce.

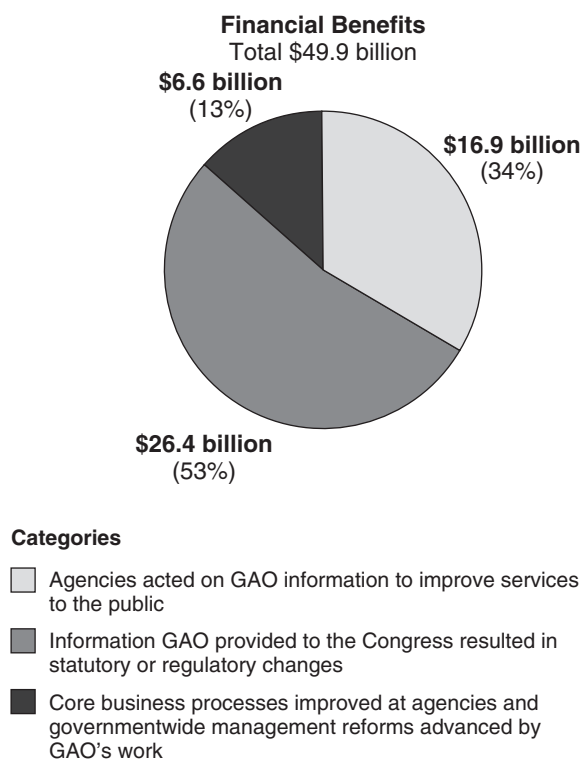
In fiscal year 2010, our work generated about \$49.9 billion in financial benefits (see [fig. 7](#)). We exceeded our target by almost 19 percent due to several large unanticipated accomplishments. Part II of this report provides more information on these accomplishments by goal. Of the total amount documented in fiscal year 2010, about \$26.4 billion (or approximately 53 percent) resulted from changes in laws or regulations (see [fig. 8](#)).

Figure 7: Financial Benefits GAO Recorded
Dollars in billions



Source: GAO.

Figure 8: Types of Financial Benefits Recorded in Fiscal Year 2010 from Our Work



Source: GAO.

Financial benefits included in our performance measures are net benefits—that is, estimates of financial benefits that have been reduced by the 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.

To document financial benefits, our staff complete reports documenting accomplishments that are linked to specific recommendations or actions. Each accomplishment report for financial benefits is documented and reviewed by (1) another GAO staff member not involved in the work and (2) a senior executive in charge of the work. Also, a separate unit, our Quality and Continuous Improvement (QCI) office, reviews all financial benefits and approves benefits of \$100 million or more, which amounted to 95 percent of the total dollar value of benefits recorded in fiscal year 2010. In fiscal year 2010, financial accomplishments of \$100 million or more were also reviewed by independent second and third reviewers with knowledge of our accomplishment reporting policies and procedures. (See the [financial benefits section in table 15](#) in part II of this report for more details about our process for reviewing accomplishment reports claiming financial benefits.) [Figure 9](#) describes several examples of our major financial benefits for fiscal year 2010. Additional examples of financial benefits can be found in [Part II: Performance information by goal](#), and [Part V, appendix 1](#) of this report.

Figure 9: GAO's Selected Major Financial Benefits Reported in Fiscal Year 2010



Source: See Image Sources.

Description	Amount (Dollars in billions)
<p>Canceling the Manned Ground Vehicle Portion of the Army's Future Combat System. Our body of work on the Army's Future Combat System (FCS) has continuously identified concerns regarding the program's technology maturity, requirements definition, and affordability, and that alternatives to the FCS program may need to be considered. In 2009, the Secretary of Defense effectively made a no-go decision regarding the program when he recommended canceling the manned ground vehicle portion of the program-8 of 14 systems-and directed the Army to pursue an alternative program. The President's budget request for 2010 reflected this recommendation and, in explaining the rationale for this decision, OMB cited our work. The estimated financial benefit, even after a replacement program is initiated, is \$3.742 billion from 2010 through 2012. (GAO-09-288)</p>	\$3.7
<p>Eliminating Seller-Funded Assistance for Federal Housing Administration Mortgages. We previously reported that Federal Housing Administration (FHA)-insured mortgages with seller-funded down payment assistance had relatively high delinquency and insurance claim rates and tended to inflate the sales prices of homes. We recommended that FHA take steps to mitigate the risks of this type of assistance. In 2007, we testified that loans with this assistance were contributing to FHA's deteriorating financial condition. Citing our work, in 2008 Congress enacted legislation prohibiting seller-funded down payment assistance. The estimated financial benefit associated with reduced insurance claims from this provision is \$3.53 billion in fiscal year 2010. (GAO-06-24)</p>	\$3.5
<p>Enhancing Tax Compliance Involving Foreign Accounts. Our work on international tax compliance supported Congress's deliberations. The work included reviews of: the Internal Revenue Service's qualified intermediary program, the civil statute of limitations for offshore transaction cases, the use of accounts and company subsidiaries in countries considered to be tax havens, and information on company ownership. The Joint Committee on Taxation estimated the provisions will increase revenue by about \$3 billion in net present value from 2010 to 2014. (GAO-08-99, GAO-08-778)</p>	\$3.0

<p>Reducing Compensation to Federal Crop Insurance Providers. We found that administrative and operating allowances and underwriting gains paid to providers of federal crop insurance are excessive. As a result, Congress authorized the U.S. Department of Agriculture (USDA) to reexamine this compensation. At our urging, USDA used this authority to reduce compensation to the providers and better align it with profitability of comparable private property and casualty insurance. The reduced compensation is estimated to yield a financial benefit of \$2.75 billion from 2011 through 2015. USDA stated that our contributions were instrumental in achieving these savings. (GAO-09-445, GAO-07-944T, GAO-07-819T)</p>	\$2.8
<p>Improving Accountability Over U.S. Assistance to Pakistan. We have reported and testified on the need for greater accountability over Coalition Support Funds (CSF) that are provided to Pakistan. In 2008, we found that the Department of Defense (DOD) did not consistently apply existing CSF guidance to document that claimed costs were valid, actually incurred, or correctly calculated. We recommended that DOD consistently implement existing oversight criteria and implement additional controls, and in response, DOD revised its guidance for processing CSF claims. Under this revised guidance, DOD has thus far denied over \$690 million worth of Pakistani claims for CSF reimbursements. (GAO-08-806)</p>	\$0.7

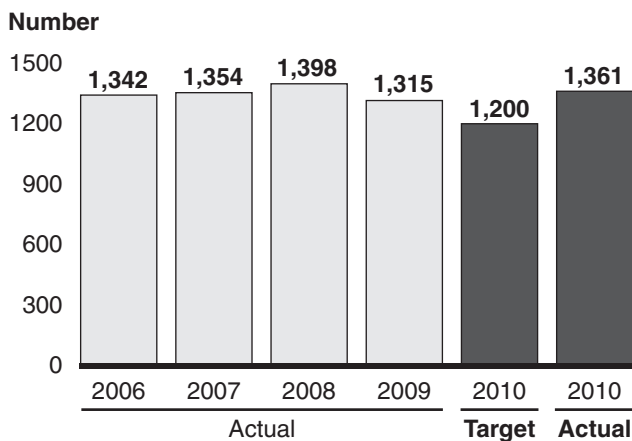
Source: GAO.

Note: Additional examples of fiscal year 2010 financial benefits can be found in [Part II: Performance Information](#) and [Part V, appendix 1: Accomplishments and Other Contributions](#).

Nonfinancial Benefits

Many of the benefits that result from our work cannot be measured in dollar terms. During fiscal year 2010, we recorded a total of 1,361 nonfinancial benefits (see [fig. 10](#)). We exceeded our target by over 13 percent due largely to a number of accomplishments we documented that related to the nation’s defense and security, environmental, and national infrastructure programs.

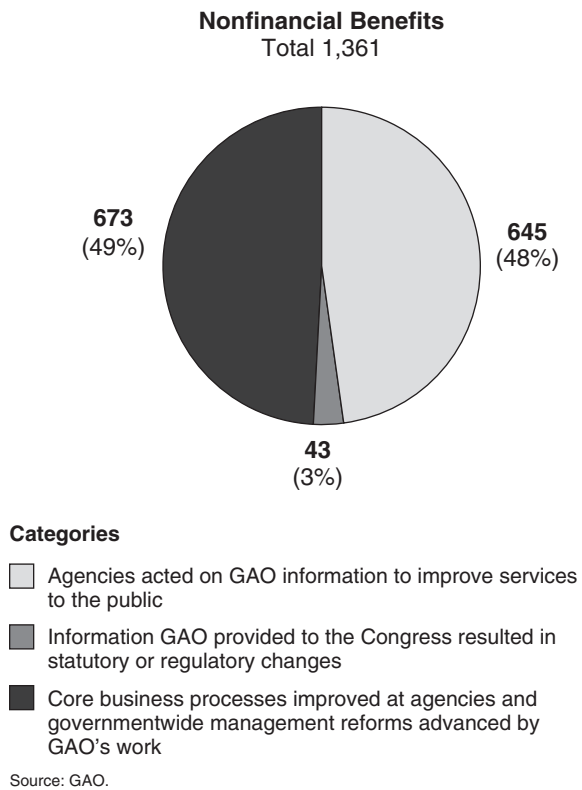
Figure 10: Nonfinancial Benefits GAO Recorded



Source: GAO.

In fiscal year 2010 we documented 645 instances where federal agencies used our information to improve services to the public, 43 instances where the information we provided to the Congress resulted in statutory or regulatory changes enacted in fiscal year 2010, and 673 instances where agencies improved core business processes or governmentwide reforms as a result of our work (see [fig. 11](#)). These actions covered a variety of issues, such as improving oversight of nursing home care, identifying fraud at the SBA’s business development program, and improving foreign service officers’ language skills. In [figure 12](#), we provide examples of nonfinancial benefits we claimed as accomplishments in fiscal year 2010. Additional examples of nonfinancial benefits can be found in [Part II: Performance information by goal](#), and [Part V, appendix 1](#) of this report.

Figure 11: Types of Nonfinancial Benefits Documented in Fiscal Year 2010 from Our Work



Source: GAO.

Figure 12: GAO's Selected Nonfinancial Benefits Reported in Fiscal Year 2010



Source: See Image Sources.

Nonfinancial benefits that helped to change laws	
Worker, Homeownership, and Business Assistance Act of 2009 (Public Law 111-92)	<p>Strengthening First-Time Homebuyer Credit Provisions. Since 2008, Congress enacted three versions of the First-time Homebuyer Credit (FTHBC) to assist the real estate market. Taxpayers claiming the 2008 credit (up to \$7,500) must repay the credit over 15 years, but subsequent claimants (up to \$8,000) generally do not have to repay the credit. Based on our work, Congress granted IRS the statutory authority to apply math error checks that allow IRS to automatically deny ineligible FTHBC claims. This includes allowing IRS to use the prior year return information to verify compliance with the 2008 payback provision and ensuring taxpayers do not claim the credit in multiple years. (GAO-09-1026)</p>
Patient Protection and Affordable Care Act (Public Law 111-148)	<p>Expediting Black Lung Benefits Claims. The Department of Labor's Black Lung Benefits Program provides medical and income assistance to miners who suffer disability or death from lung disease caused by coal dust, and their survivors. We found that certain claims took a long time to process, and claimants had difficulty proving eligibility, finding legal representation and developing supporting evidence. Congress considered our recommendations and in 2010 enacted the Patient Protection and Affordable Care Act (P. L. 111-148) to expedite the claims process and make eligibility easier for survivors and widows to prove. (GAO-10-7)</p>
Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, P.L. 110-417	<p>Standardizing governmentwide policy on contractor personal conflicts of interest. Congress enacted a provision directing the Office Federal Procurement Policy (OFPP) at OMB to establish a governmentwide policy to prevent personal conflicts of interest by contractor employees performing acquisition functions involving the development, award, and administration of federal agency contracts. In March 2008, we reported that contractor employees often perform critical acquisition functions, such as developing contract requirements, assisting on source selection, and making award-fee determinations. The OFPP policy, to apply governmentwide, expands upon our findings and will require all government contractors whose employees perform acquisition functions to screen their financial disclosures to prevent personal conflicts of interest, and will prohibit contractor employees from using non-public government information for personal gain. (GAO-08-169)</p>

Nonfinancial benefits that helped to improve services to the public

<p>Improved Oversight of Federal Oil and Gas Resources</p>	<p>Our reviews of Interior’s oversight of oil and gas resources led Interior to take action. Our finding that the U.S. government received less value than many other countries for oil and gas extracted from federal lands led Interior to launch a major study of revenue collection. Our finding that Interior does less to encourage development of federal oil and gas leases than other landowners led Interior to raise costs for nonproducing leases. Our finding that Interior was forgoing revenues for gas royalties contributed to Interior’s decision to end the royalties-in-kind program—potentially saving on receiving and reselling oil and gas. (GAO-09-744, GAO-09-74)</p>
<p>Improved Oversight of Care in Nursing Homes</p>	<p>Over more than a decade, we have made numerous recommendations to improve oversight of care in nursing homes and other facilities where states conduct on-site inspection surveys. As a result, the Centers for Medicare & Medicaid (CMS) has taken a number of actions to improve oversight. For example, in 2009, we found that states had not surveyed 13 percent of facilities at the frequency required by CMS, which can increase the risk of not detecting quality problems. Subsequently, CMS required states failing to meet survey requirements to develop a plan of correction. (GAO-09-64)</p>
<p>Strengthened Security of Networks and Information Systems at Federal Agencies</p>	<p>We identified numerous weaknesses in federal systems that make them vulnerable to a broad range of cyber threats and pinpointed technical and procedural improvements to better safeguard sensitive information and assets. We made over 330 recommendations to better protect the confidentiality, integrity, and availability of federal systems, including some of the most sensitive information possessed by the federal government. Based on our recommendations, key agencies, including OMB, Treasury, and IRS, bolstered their security programs and strengthened controls to prevent, limit, and detect unauthorized access to information resources. (GAO-09-546, GAO-10-355)</p>
<p>Improved Foreign Service Officers’ Language Skills</p>	<p>We examined the foreign language proficiency of the Department of State’s (State) approximately 3,600 Foreign Service officers in positions requiring proficiency and found that 31 percent did not meet language requirements. We also found that State’s method for calculating the percentage of officers who meet foreign language requirements is potentially misleading. As a result of our work, State has begun enhancing its foreign language requirements process and expanding its language training efforts. (GAO-09-955)</p>

Nonfinancial benefits that helped to promote sound agency and governmentwide management

<p>Improved Treasury’s Debt Management</p>	<p>Treasury’s borrowing needs have increased greatly in response to the financial crisis and the recession. We have recommended increasing transparency of auctions and expanding Treasury’s Inflation Protected Securities (TIPS) to diversify funding sources and reduce the cost of borrowing. As a result, Treasury increased from once to twice a month the publication of the types of investors who purchase securities at auction. Treasury also reaffirmed its commitment to the TIPS program by increasing issuance amounts and frequency of auctions, and replacing the 20-year TIPS with 30-year TIPS. (GAO-10-498, GAO-09-932)</p>
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<p>Identified Vulnerabilities in the Energy Star Certification Process</p>	<p>By submitting fake products for certification, we showed that the Energy Star program is vulnerable to fraud and abuse. We obtained Energy Star certifications for 10 bogus products, including a gas-powered alarm clock. The Energy Star program is meant to identify and certify products that decrease greenhouse emissions and lower energy costs, and is promoted through tax credits, appliance rebates, and required federal purchasing. As a result of our investigation, DOE and EPA announced planned improvements to program controls that will revise the program that was vulnerable to fraud to a certification program. (GAO-10-470)</p>
<p>Assessed the Cost and Progress of the 2010 Census</p>	<p>In March 2008, we designated the 2010 Census a high-risk area, in part, because of weaknesses in managing information technology (IT) and untested field operations. Our oversight of the 2010 Census helped the U.S. Census Bureau mitigate IT risks and improve the accuracy of census data. Consistent with our recommendations on the need to finalize test plans and schedules for key decennial systems and operations, the Bureau improved performance of a critical field-data collection system. Based on our field observations, the Bureau also issued additional guidance to ensure housing units were properly counted. (GAO-10-324)</p>

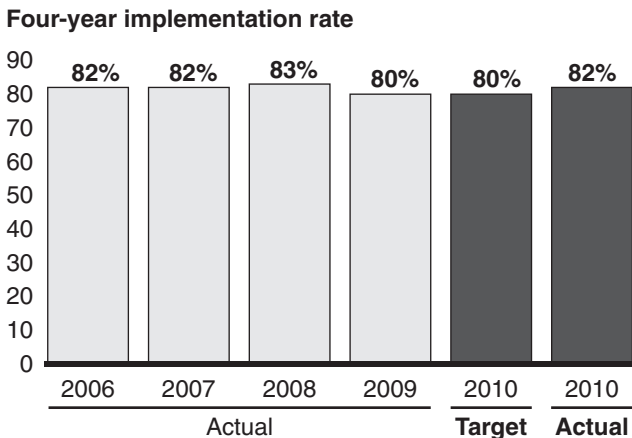
Source: GAO

Note: Additional examples of fiscal year 2010 nonfinancial benefits can be found in [Part II: Performance Information](#) and [Part V, Appendix 1: Accomplishments and Other Contributions](#).

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 2010, 82 percent of the recommendations we made in fiscal year 2006 had been implemented (see [fig. 13](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

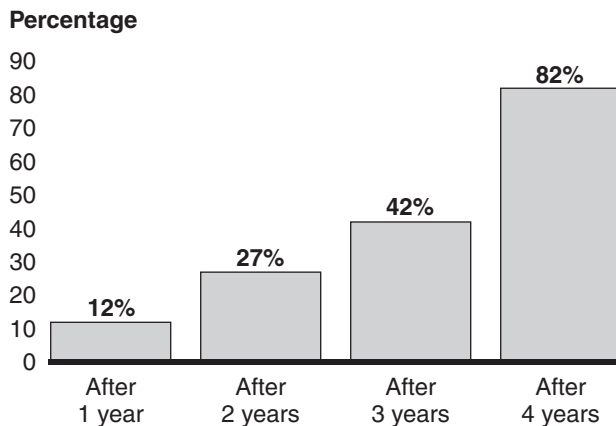
Figure 13: Percentage of Past Recommendations Implemented



Source: GAO.

The 82 percent implementation rate for fiscal year 2010 exceeded our target for the year. As [figure 14](#) 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 14: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2006

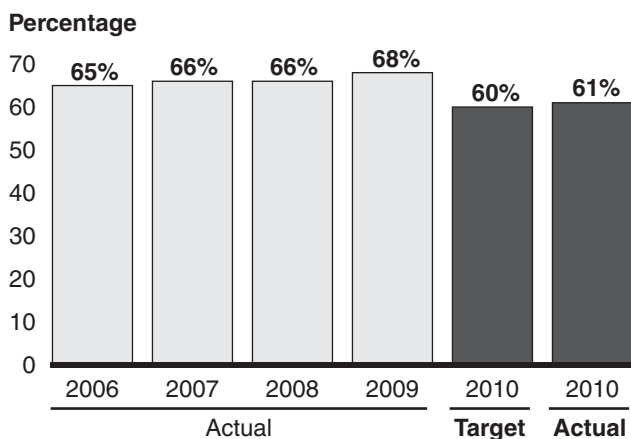


Source: GAO.

New Products Containing Recommendations

In fiscal year 2010, about 61 percent of the 601 written products we issued (excluding testimonies) contained recommendations (see [fig. 15](#)). 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 slightly exceeded our target of 60 percent by 1 percentage point. However, we set our target again in fiscal year 2011 at 60 percent because we recognize that our products do not always include recommendations and that 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 15: Percentage of New Products with Recommendations



Source: GAO.

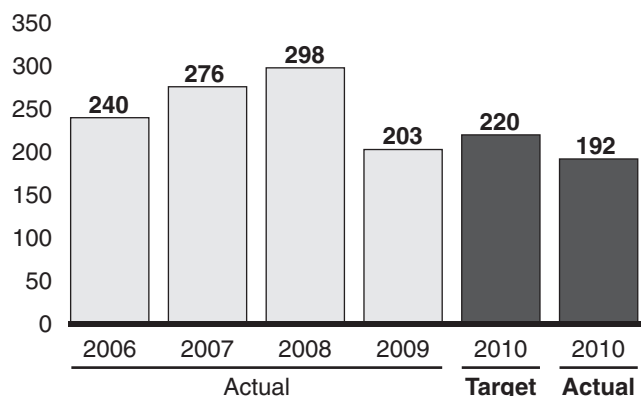
Focusing on Our Client

To fulfill the Congress’s information needs, we strive to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we assisted the Congress extremely well, by testifying about the same number of times we did in 2009 and delivering most of our products on time based on the feedback from our client.

Testimonies

Our clients often invite us to testify on our current and past work as it relates to issues that committees are examining through the congressional hearing process. During fiscal year 2010, experts from our staff testified at 192 congressional hearings covering a wide range of complex issues. We did not meet our target of 220 hearings at which we testify (see [fig. 16](#)) by 28 hearings. This measure is client-driven based on their invitation to testify and we cannot always anticipate their specific subject area interests. The 192 hearings at which the Congress asked our executives to testify in fiscal year 2010 covered a broad range of issue areas. (See [fig. 17](#) for selected topics we testified on by strategic goal in fiscal year 2010.) 67 of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on [page 40](#).

Figure 16: Testimonies
Hearings at which GAO testified



Source: GAO.

Figure 17: Selected Testimony Topics • Fiscal Year 2010

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

- Unemployment Insurance Trust Funds
- Social Security Disability
- Underfunded Pension Plans
- Proprietary Schools
- Medicare High-Cost Drugs
- Toxic Substance Abuses Disease Registry
- Concussions in High School Athletes
- Children's Access to Medicaid Dental Services
- Corporate Crime
- DOJ's Civil Rights Division Enforcement Efforts
- Community Emergency Preparedness
- Fannie Mae & Freddie Mac
- Interior's Oversight of Oil & Gas
- Clean Water Act Enforcement Efforts
- U.S. Postal Service Financial Viability
- Federal Facilities Security
- High Speed Rail Projects
- Commercial Aviation Consumer Fees

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

- Financial Markets Regulation
- National Flood Insurance Program
- Climate Change
- Alien Smuggling Along U.S. Southwest Border
- Aviation Security Advanced Imaging Technology
- Terrorist Watchlist Screening
- Combating Nuclear Smuggling
- Iran Sanctions
- Counternarcotics and Anticrime Efforts in Mexico
- Global Food Security
- Intellectual Property Enforcement Efforts
- Afghanistan Security Force Capacity
- DOD Military and Civilian Employee Compensation
- Warfighter Contract Support
- Joint Strike Fighter Challenges

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

- Defense Space Acquisitions
- Military Language Skills
- Interagency Collaboration for National Security Interagency Contracting Strategies
- NASA Management and Program Challenges
- Balancing the Government-to-Contractor Workforce
- Iraq and Afghanistan Contract and Grant Management
- Recovery Act Oversight
- First Time Homebuyer Tax Credit
- Equal Employment Opportunity at DHS
- 2010 Census Management Challenges
- U.S. Government Financial Statements
- DHS Financial Management Systems Consolidation
- Protecting Federal Information Systems
- Environmental Satellites
- Debt Settlement Risks to Consumers
- Service Disabled Veteran-Owned Small Business Program Fraud Prevention
- HEAD START Program Fraud
- Defense Contract Audit Agency Vulnerabilities

Source: GAO.

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

We believe that our fiscal year 2011 target of testimonies at 200 hearings is a reasonable estimate given the Congress’s continuing interest in U.S. financial and housing markets, conflicts in Iraq and Afghanistan, and antiterrorism efforts in Pakistan.

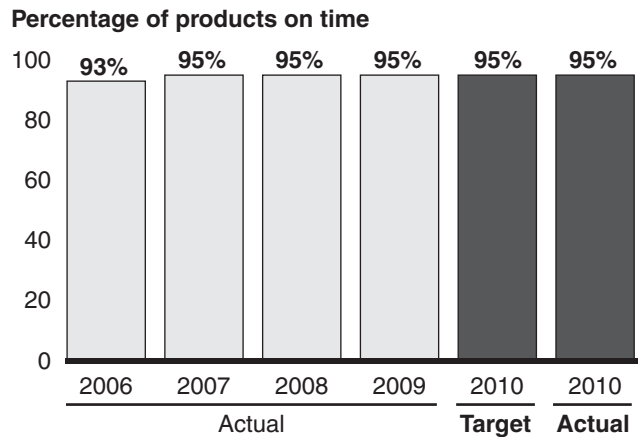
Timeliness

To be useful to the Congress, our products must be available when our clients need them. 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 management⁵ and those expected to reach 500 staff days or more), which represented about 60 percent of the congressionally requested written products we issued in fiscal year 2010. 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 2010, of the forms returned to us, 99 percent of the congressional staff responding answered the question on timeliness. Overall, the response rate to our entire form was 29 percent, though we received feedback on 58 percent of the products for which we sent forms.

⁵As 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.

In fiscal year 2010, we met our timeliness target of 95 percent. We have set a high target for timeliness because it is important for us to meet congressional needs when they occur, and we set our fiscal year 2011 target at the same 95 percent level.

Figure 18: 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 2010. 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 2010, we met or exceeded all 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 [Verifying and Validating Performance Data on page 80](#) 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. The Chief Operating Officer, the Chief Administrative Officer, the Deputy Chief Administrative Officer, the Chief Human Capital Officer, and the Controller meet monthly, or more frequently if needed, to monitor progress against the workforce plan. Adjustments to the plan are made throughout the year, if necessary, to reflect changing needs and conditions. In fiscal year 2010, our adjusted plan was to hire 260 staff. We were able to bring on board 248 staff by year-end. [Table 3](#) shows that we met our target of 95 percent of our goal for new hires. Consistent with fiscal year 2009, our success in achieving a 95 percent new hire rate resulted from a continuation of the focused recruiting initiatives from last year to effectively address workload requirements and succession planning needs.

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 survey shows that staff who retire do so for family, life, or health considerations; whereas nonretirees leave for new opportunities to work elsewhere, family reasons, or to make better use of their skills. [Table 4](#) shows that prior to fiscal year 2009 and 2010, we consistently met the 90 percent target rate for overall retention (with retirements), and in fiscal year 2010 we exceeded that rate for a second consecutive year by 4 percentage points. As in fiscal year 2009, the slowdown in the overall economy has caused some staff to delay retirement and reduced other attrition via resignations or transfers to other agencies.

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

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

Source: GAO.

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 target	2010 actual
People						
Retention rate						
With retirements	90%	90%	90%	94%	90%	94%
Without retirements	94%	94%	93%	96%	94%	96%

Source: GAO.

Similarly, for retention without retirements, in fiscal year 2010 we again exceeded the target by 2 percentage points. As with the overall retention rate, we attribute this increase to a slowdown in the overall economy, which has also slowed attrition via resignations and transfers.

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, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate 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. In fiscal year 2010, to better ensure confidentiality of individual responses, we used the same outside contractor that administered the survey to also analyze the data. (See [Part II of this report on pp. 82-85](#) 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 2010

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 target	2010 actual
People						
Staff development ^b	76%	76%	77%	79%	76%	79%
Staff utilization	75%	73%	75%	78%	75%	77%
Effective leadership by supervisors ^c	79%	79%	81%	83%	80%	83%
Organizational climate	73%	74%	77%	79%	75%	79%

Source: GAO.

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

^bBeginning in fiscal year 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question.

^cIn 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.

performance on all of these measures was very consistent with our fiscal year 2009 results. Our performance on the staff development, leadership, and organizational climate measures was the same as last year, and staff utilization was lower by 1 percentage point. Given our performance on these measures over the last 5 years, we decided to retain our fiscal year 2010 targets for fiscal year 2011 (see [table 1](#)).

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 33 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 goal 4 strategic objectives of continuously enhancing our business and management processes and becoming a professional services employer of choice. The first measure encompasses 20 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 13 services that affect quality of work life, such as assistance related to pay and benefits, building security and maintenance, and workplace safety and health. Using survey responses, we calculate a composite score for each service category that reflects employee ratings for (1) satisfaction with the service and (2) importance of the service.

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

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

Source: GAO.

Note: We will report actual data for fiscal year 2010 once the data from our November 2010 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 increasingly 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. For example, our focus on high-risk issues contributed to the Congress enacting a series of governmentwide reforms to address critical human capital challenges, strengthen financial management, improve IT practices, and instill a more results-oriented focus. 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. As of the end of fiscal year 2010, our high-risk list highlighted 31 troubled areas across government. [Table 7](#) lists each current high-risk area and the year it was added to the list.

Our 2010 high-risk area work:

- 151 reports
- 67 testimonies
- \$27 billion in financial benefits
- 522 nonfinancial benefits

In fiscal year 2010, we issued 151 reports, delivered 67 testimonies to the Congress, and prepared several other products, such as briefings and presentations, related to our high-risk work. In addition, we documented nearly \$27 billion in financial benefits and 522 nonfinancial benefits related to high-risk areas. These results are based on reviews spanning a wide range of issues such as implementing and transforming the Department of Homeland Security, revamping federal oversight of food safety, executing the 2010 Census, and managing federal real property. Our next biennial high-risk update is planned for January 2011. More information on the high-risk series is available on our Web site at <http://www.gao.gov/highrisk>.

Major Government Challenges

In addition to high-risk issues, we also identify other major government challenges.

Other challenges of great national and international concern are Strengthening Preparedness for Large-Scale Public Health Emergencies; Advancing U.S. Efforts in Iraq, Afghanistan, and Pakistan; and Ensuring Effective Representation of U.S. Diplomatic Interests and Image.

Agency-by-Agency Issues focus on a range of distinctive major challenges affecting the mission, budget, and programs of 28 federal agencies. Increased demand for better government performance and responsiveness as well as greater accountability makes agency challenges all the more important.

Major Cost-Saving Opportunities exist to limit costs, reduce waste across agencies and programs, and collect revenues already due the government. We identify key areas where the Congress and the administration could make major strides in conserving fiscal resources

Table 7: GAO's High-Risk List as of September 30, 2010

High-risk area	Year designated
Strengthening the Foundation for Efficiency and Effectiveness	
■ Modernizing the Outdated U.S. Financial Regulatory System ^a	2009
■ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	2009
■ Funding the Nation's Surface Transportation System ^a	2007
■ 2010 Census	2008
■ Strategic Human Capital Management ^a	2001
■ Managing Federal Real Property ^a	2003
Transforming DOD Program Management	
■ DOD Approach to Business Transformation ^a	2005
■ Business Systems Modernization	1995
■ Personnel Security Clearance Program	2005
■ Support Infrastructure Management	1997
■ Financial Management	1995
■ Supply Chain Management	1990
■ Weapon Systems Acquisition	1990
Ensuring Public Safety and Security	
■ Implementing and Transforming the Department of Homeland Security	2003
■ Establishing Effective Mechanisms for Sharing Terrorism-Related Information to Protect the Homeland	2005
■ Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	1997
■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests ^a	2007
■ Revamping Federal Oversight of Food Safety ^a	2007
■ Protecting Public Health through Enhanced Oversight of Medical Products	2009
■ Transforming EPA's Process for Assessing and Controlling Toxic Chemicals ^a	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 ^a	1990
■ IRS Business Systems Modernization	1995
Modernizing and Safeguarding Insurance and Benefit Programs	
■ Improving and Modernizing Federal Disability Programs ^a	2003
■ Pension Benefit Guaranty Corporation Insurance Programs ^a	2003
■ Medicare Program ^a	1990
■ Medicaid Program ^a	2003
■ National Flood Insurance Program ^a	2006

Source: GAO.

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

for high-priority programs and new initiatives addressing fundamental long-term fiscal imbalances.

Management Challenges Across the Government include capacity building and management capabilities to improve operational efficiency and effectiveness and address current and emerging demands. Although agencies have made progress in improving their operations in recent years, they often lack the management capabilities needed to effectively and efficiently implement new programs and policies. We identify several key areas such as acquisition, human capital, and financial management.

Our nation's Long-Term Fiscal Outlook will be shaped largely by rising health care costs and the aging population. These trends will result in an unsustainable imbalance between expected spending and tax revenues over the long term. We analyze and monitor the long-term fiscal outlook.

Our Web site includes our analysis and recommendations for addressing these areas, key reports for further research, video messages from our experts, and contacts for specific areas.

The Troubled Asset Relief Program

The Congress created the \$700 billion Troubled Asset Relief Program (TARP) in October 2008, passing the Emergency Economic Stabilization Act to restore liquidity and stability in the financial system. The act gave us a statutory oversight role with broad monitoring and reporting responsibilities, including a requirement to report at least every 60 days. The Dodd-Frank Wall Street Reform and Consumer Protection Act of July, 2010, set a new spending ceiling for TARP-in effect, prohibiting Treasury from incurring any

additional obligations for programs that were not initiated prior to June 25, 2010.

In fiscal year 2010, we issued 17 products and made over 50 recommendations on issues such as: (1) the nature and purpose of activities that have been initiated under TARP and ongoing challenges; (2) the process for making decisions related to unwinding TARP programs, and (3) indicators of credit conditions in markets targeted by TARP programs. Recommendations from these reviews have generally followed three themes: monitoring the use of funds to meet the Act's objectives; articulating a better communication strategy; and ensuring effective Treasury management. Specifically, we reviewed strategies for monitoring and divesting financial interests in Chrysler Group and General Motors Company ([GAO-10-151](#)), government assistance to AIG and the company's financial condition ([GAO-10-475](#)), implementation of foreclosure mitigation programs ([GAO-10-634](#)), and guiding principles for government assistance to the private sector ([GAO-10-719](#)).

For the second consecutive year, we audited the annual financial statements of the entity established to implement TARP—the Department of the Treasury's Office of Financial Stability within the Office of Domestic Finance.

To perform this work in 2010, we continued to make use of interdisciplinary teams to leverage the wide range of technical skills of our staff, including financial market and public policy analysts, accountants, lawyers, and economists who combined resources across the agency.

The American Recovery and Reinvestment Act

The Congress passed the Recovery Act in February 2009 to address the nation's most serious economic crisis since the Great

Depression. The act included 12 mandates for GAO and required bimonthly reviews on the uses of and accountability for Recovery Act funds in selected states and localities. We have conducted in-depth reviews in 16 states, selected localities in those states, and the District of Columbia—jurisdictions containing about 65 percent of the U.S. population and receiving an estimated two-thirds of the intergovernmental Recovery Act assistance. In addition, we have commented quarterly on the required reports from nonfederal recipients of Recovery Act funds, including grants, contracts, and loans. These reports are to include 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 2010, we issued reports fulfilling these ongoing mandates in November 2009 ([GAO-10-223](#)), December 2009 ([GAO-10-231](#)), March 2010 ([GAO-10-437](#)), May 2010 ([GAO-10-604](#)), and September 2010 ([GAO-10-999](#)).

Since our first bimonthly review in April 2009, we have made 63 recommendations to improve management and strengthen accountability over Recovery Act funds at eight federal departments and agencies, including the Departments of Transportation, Housing and Urban Development, Labor, Education, Health and Human Services, and the Treasury; the Environmental Protection Agency; and the Office of Management and Budget (OMB). Our recommendations covered several programs receiving Recovery Act funds, such as highways, housing, job training, education, clean and safe drinking water, energy efficiency and weatherization, as well as several recommendations to improve audit and program management oversight processes. In response, the agencies have implemented nearly half of our recommendations to date, such as providing additional guidance to fulfilling reporting requirements, improving

the monitoring of recipients and subrecipients of Recovery Act funds, and clarifying approaches states can take to recover administrative costs associated with the wide range of activities to comply with the Recovery Act. Further, all of the 13 recommendations we made on carrying out the recipient reporting requirements have been implemented. For example, OMB clarified how to calculate jobs, issued frequently asked questions, and improved notification of available Recovery Act funds to recipients.

In addition, we have made a number of suggestions to states and localities for improvement in their use of Recovery Act funds. Our presence in the selected states and localities has further heightened the level of vigilance, including influencing officials to make real-time improvements to head off problems before they could occur. For example, suggestions our audit team made in Texas were acted upon and resulted in the Department of Energy providing training to state and local officials responsible for weatherization work at multifamily units. Based on another suggestion, the state of Mississippi now requires engineers to visit and inspect federally funded projects, including those funded by the Recovery Act, at least twice a week during working hours if construction is in progress and at least once a week if construction is not ongoing. Our capacity to continue this work has been enhanced by the strong and productive working relationships established with both state and local government leaders.

Our oversight of Recovery Act programs has resulted in the issuance of more than 60 related products by several of our teams for the Congress. This year, our reports covered a wide spectrum of program and policy areas, including opportunities to strengthen oversight of the broadband stimulus programs ([GAO-10-823](#) and [GAO-10-80](#)), lessons and oversight for high-speed rail investment ([GAO-10-625](#)), improving the public's understanding of Recovery Act fund

use and expected outcomes in education and other areas (GAO-10-807 and GAO-10-581), improving contracting approaches and oversight (GAO-10-809), use of highway and transit funds (GAO-10-312T), the influence of certain federal regulations on Recovery Act project selection and starts (GAO-10-383), officials' views on impact of Davis-Bacon Act prevailing wage provisions in the Recovery Act (GAO-10-421), implications of the Recovery Act in the Temporary Assistance for Needy Families program (GAO-10-525), challenges in evaluation compliance with maintenance-of-effort and similar provisions (GAO-10-247), and ensuring adequate oversight for clean water projects (GAO-10-761T).

For a second year, we have maintained a separate page on our external Web site devoted to our Recovery Act work. In one place (<http://www.gao.gov/recovery>), the public can find information and updates on Recovery Act outlays such as our bimonthly reviews and reports on each of the selected states and the District of Columbia, related podcasts, and can 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, the Congress and the public also benefited from our legal work in fiscal year 2010 in the following ways:

- The Procurement Law Division within the Office of General Counsel received nearly 2,300 bid protests during the course of fiscal year 2010.⁶ 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 2010, we issued more than 440 decisions on the merits, that addressed a wide range of issues involving compliance with, and the interpretation of, procurement statutes and regulations. As a result of the detailed insight we gain through our protest work, we were asked to testify about lessons learned and procurement trends in a hearing before the House Appropriations Committee's Subcommittee on Defense. In addition, bid protest attorneys are involved in a significant outreach effort to the contracting community, federal government agencies, and the private bar. In particular, we have provided briefings on developments in federal procurement law, and conducted training on federal contract issues throughout the federal government, including for such civilian agencies as the Departments of Education and the Treasury; various branches of the military; and the Judge Advocate General School in Charlottesville, Virginia, which trains military attorneys.

- 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 on contracting officer decisions with respect to any contract entered into by a legislative branch agency. Board members are responsible for developing the record, holding hearings where requested, and preparing a decision where necessary to resolve the wide range of contract disputes presented. In addition to using alternative dispute resolution procedures to resolve appeals, the board published five decisions in fiscal year 2010, which appear on our

⁶In comparison, there were 1,900 bid protests filed in fiscal year 2009, and 1,600 in fiscal year 2008.

Web site. As of the end of the fiscal year there were 19 appeals pending on the board's docket.

- We issued appropriations law and other legal decisions on, among other things, the purposes for which appropriated funds may be used, potential and actual Antideficiency Act⁷ violations, and the obligational consequences of various interagency agreements. Some decisions and opinions stand out. Two opinions, issued in response to legislative mandates, concluded that agencies had violated the Antideficiency Act. One opinion found that the U.S. Secret Service violated the act when it used funds without properly notifying the House and Senate Appropriations Committees of a reprogramming.⁸ The other opinion found that the U.S. Army violated the act by failing to accurately record obligations for certain personnel actions in its Military Personnel appropriation.⁹ We issued two opinions to Members of the Congress concluding that NASA had not violated the Impoundment Control Act, or statutory prohibitions against creating or initiating a new program, project, or activity, and barring it from terminating or eliminating particular programs, projects, or activities.¹⁰ We issued another opinion to Members of the Congress concluding that the Department of Health and Human Services did not violate the antilobbying or publicity or propaganda prohibitions when it used its Web site (www.healthreform.gov) to gauge public support for the administration's health reform initiatives.¹¹

- For fiscal year 2010, we received 10 Antideficiency Act reports for our repository and made selected information from these reports publicly available on our Web site. Since the Congress amended the Antideficiency Act in December 2004, requiring agencies to send us a copy of reports of Antideficiency Act violations, we have maintained the official repository of Antideficiency Act reports.
- We continued to report under the Congressional Review Act (CRA) to the standing committees of jurisdiction of both Houses of the Congress on major rules proposed by federal agencies. For fiscal year 2010, we issued 103 reports. In addition, we continued to track executive branch regulations that were published in the *Federal Register* but not submitted to us, and subsequently notified OMB and the relevant agencies in order to assist them in meeting their CRA requirements.
- The General Counsel's Legal Services group served on the negotiating team for the agency's first master Collective Bargaining Agreement with the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE), Local 1921. Legal Services also served on the negotiating team for the 2010 analyst pay increases. The group also participated in informal, weekly meetings with IFPTE, at which a range of labor management relations issues were discussed.

To enhance education on appropriations law and promote a common understanding of and compliance with legal requirements, we published an electronic Index and Table of Authorities for the third edition of *Principles of Federal Appropriations Law*, commonly known as the Red Book. The Red Book is available to the public on our Web site and is considered the primary resource for appropriations law

⁷The Antideficiency Act is a funds control statute that prohibits the obligation and expenditure of funds in advance or excess of appropriations or apportionment. It contains both administrative and criminal penalties. Agencies must report all violations to the Congress with a copy to GAO.

⁸B-319009, April 27, 2010.

⁹B-318724, June 22, 2010.

¹⁰B-320091, July 23, 2010; B-319488, May, 21, 2010.

¹¹B-319075, April 23, 2010.

guidance in the federal financial community. The Red Book averages 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 access 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 the Office of the 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. This year we increased the number of sessions to 25 and had participation from staff at 11 agencies as well as a number of congressional staff. In addition, appropriations lawyers taught several 1-day seminars on specialized appropriations law topics for 5 agencies, and spoke on our appropriations law work at conferences and training hosted by 4 agencies. To further communication within the appropriations law community across all agencies and within the three branches of government, we hosted our sixth annual appropriations law forum in March 2010. This included an analysis of significant decisions and opinions from 2009 and interactive sessions on personal versus official expenses and the intersection of appropriations and contract law.

In addition, we taught our new course, Appropriations Law for Analysts and Auditors, which is designed primarily for senior analysts and auditors to enable them to identify appropriations law issues that may arise in their audit work, and to ensure accurate use of budget and appropriations law terminology in our products. The course was offered 15 times this fiscal year, including six classes at three field offices.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2010 Performance Goals

Our financial statements for the fiscal year ending September 30, 2010, were audited by an independent auditor, Clifton Gunderson, LLP, and received an unqualified opinion. They 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, they 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 94](#) in this report.¹² [Table 8](#) summarizes key data.

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

In fiscal year 2010, our budgetary resources included new appropriations of \$558 million as well as \$20.8 million available through fiscal year 2010 to cover program reviews required by the Recovery Act. We also received \$7.5 million in reimbursement from the Treasury to support activities related to monitoring the implementation of TARP including bimonthly reporting and conducting an annual audit of

¹²[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.

the Office of Financial Stability's financial statements for TARP.

Our total assets were \$122 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 balance in Funds with the U.S. Treasury decreased by \$13.5 million, a result of the combination of fully expending the remaining balance of the Recovery Act funds offset by an increase in reimbursable funds collected. Total liabilities of \$111 million were composed largely of employees' accrued annual leave, employees' salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable. The greatest change in our liabilities is an increase of \$3.8 million in nongovernmental accounts payable due primarily to the timing of billings on service contracts resulting in a larger accrual this fiscal year as compared to last fiscal year. The

decrease in capital lease liability of \$2.2 million is a result of paying down the existing leases.

Our net cost of operating during fiscal year 2010 and fiscal year 2009 was approximately \$603 million and \$559 million, respectively. Expenses for salaries and related benefits accounted for 79 percent of our net cost of operations in both fiscal years 2010 and 2009. We report net cost of operations according to our four strategic goals, consistent with our strategic plan. Overall, our net costs of operations increased by \$44 million, due primarily to increases in salaries and benefits. The increase in costs for goal 1 (Well-being and financial security of the American people) and goal 3 (Transforming the federal government to address national challenges) can be substantially attributed to the increase in Recovery Act efforts this fiscal year. [Figure 19](#) shows how our fiscal year 2010 costs break down by category.

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

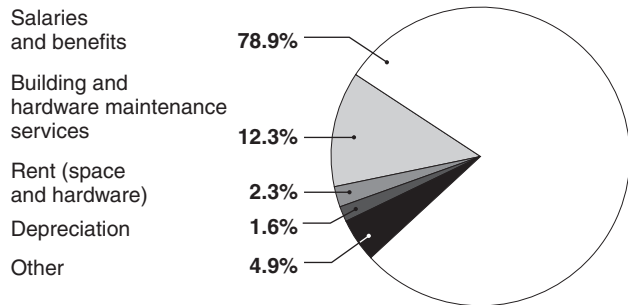
	Fiscal year 2010	Fiscal year 2009
Total budgetary resources ^a	\$613.0	\$580.6
Total outlays ^a	\$593.8	\$539.9
Net cost of operations		
Goal 1: Well-being/financial security of the American people	\$210.1	\$191.3
Goal 2: Changing security threats/challenges of global interdependence	173.5	168.4
Goal 3: Transform the federal government to address national challenges	196.5	177.1
Goal 4: Maximizing the value of GAO	29.4	27.7
Less reimbursable services not attributable to goals	(6.6)	(5.7)
Total net cost of operations^a	\$602.9	\$558.8
Actual FTEs	3,347	3,204

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.

Figure 19: Use of Fiscal Year 2010 Funds by Category

Percentage of total net costs

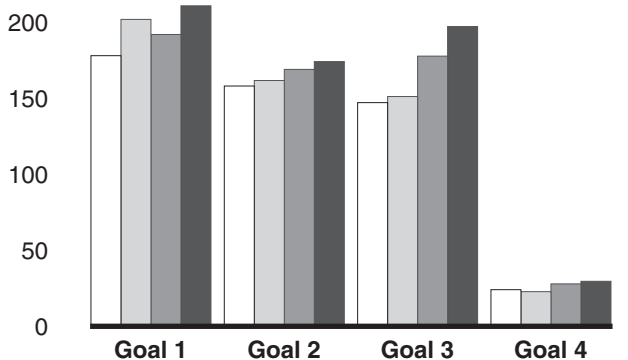


Source: GAO.

Figures 20 and 21 show our net costs by goal for fiscal year 2007 through fiscal year 2010. Figure 20 shows costs unadjusted for inflation, while figure 21 shows the same costs in 2010 dollars, that is, adjusted for inflation.

Figure 20: Net Cost by Goal, Unadjusted for Inflation

Dollars in millions

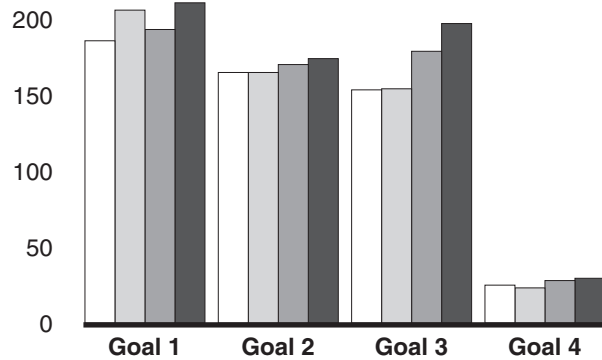


2007	177.4	157.5	146.6	23.9
2008	201.2	161.1	150.6	22.6
2009	191.3	168.4	177.1	27.7
2010	210.1	173.5	196.5	29.4

Source: GAO.

Figure 21: Net Cost by Goal, Adjusted for Inflation

Dollars in millions



2007	185.2	164.4	153.0	24.9
2008	205.3	164.4	153.7	23.1
2009	192.6	169.6	178.3	27.9
2010	210.1	173.5	196.5	29.4

Source: GAO.

Summary of Financial Systems Strategies and Financial Management System Framework

We migrated our financial management system processing in October 2007 to 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 and 170 System’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 we can produce timely, useful and reliable financial information and strengthen internal controls.

Going forward, we are planning to implement a new Budget Formulation/Workforce Planning system during the fiscal year 2011-2013 time period. Oracle's Hyperion system and Pentaho data base will form the basis of this project. In fiscal year 2011 we plan on "standing up" the project's phase 1, which will be a limited access budget formulation module and a 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 A-123, *Management's Responsibility for Internal Control*, which provides guidance for agencies' assessments of internal control over financial reporting. We performed this assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2010, 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, 2010. We made this assessment based on criteria established under FFMIA and guidance issued by OMB.

Our Inspector General (IG) also conducts audits and investigations that are internally focused. During fiscal year 2010, the IG examined compliance with our policy and procedures for conflicts-of-interest determinations and conducted reviews of our information security program. In addition, the IG managed an internal hotline for use by our employees and contractors to report potential fraud, waste, and abuse of GAO government property, assets, and resources and other potentially serious problems in our operations, including the possible violation of any law or regulation. Finally, the IG reported on its work independently testing our compliance with procedures related to the fiscal year 2009 results for

two of our performance measures—financial accomplishment reports of over \$1 billion and testimonies. No material weaknesses were reported by the IG.

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:

- Sheldon S. Cohen (Chairman), a certified public accountant and practicing attorney in Washington, D.C.; a former Commissioner and Chief Counsel of the Internal Revenue Service (IRS); and a Senior Fellow of the National Academy of Public Administration.
- Judith H. O'Dell, CPA CVA, President of O'Dell Valuation Consulting LLC, Chair of the Financial Accounting Standards Board's Private Companies 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 93](#).

Limitation on Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements in this report rests with our managers. The statements were prepared to report our financial position and results of operations, consistent with the requirements of the Chief Financial Officers Act, as amended (31 U.S.C. 3515). The statements were prepared from our financial records in accordance with the formats prescribed in OMB Circular A-136, *Financial Reporting Requirements*. These financial statements differ from the financial reports used to monitor and control our budgetary resources. However, both were prepared from the same financial records.

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

Planned Resources to Achieve Our Fiscal Year 2011 Performance Goals

As with the rest of the federal government, GAO is operating under a continuing resolution appropriation—at fiscal year 2010 levels—through December 3, 2010, pending enactment of the final fiscal year 2011 appropriations bills. Although final congressional action on our request is still pending, indications are that we will be operating at or near our fiscal year 2010 appropriated level and additional funding to support our Recovery Act oversight responsibilities, previously funded by the

Recovery Act legislation, will not be provided in fiscal year 2011. On July 1, 2010 the Subcommittee on Legislative Branch, House Committee on Appropriations approved direct appropriations of \$560.7 million, an increase of \$3.8 million (0.7 percent) over fiscal year 2010.¹³ On September 16, 2010 the Senate Committee on Appropriations approved \$556.8 million—the same level as our fiscal year 2010 appropriation. The Subcommittees on Legislative Branch of both the House and Senate Appropriations Committees have emphasized that the legislative branch should lead by example and serve as a model for the executive branch by tightening its belt wherever possible, employing best practices, finding efficiencies, and improving business practices. In keeping with this goal, we are continuing best practices already in place, such as guidelines to minimize administrative costs, maximizing the use of travel dollars, and using a hiring strategy that targets succession planning needs to fill critical positions. We are also assessing the impact of anticipated funding levels to ensure that we provide the appropriate balance of staff and support to continue to assist the Congress and meet our performance goals as outlined in our strategic plan through fiscal year 2015.

Strategic and Annual Work Planning

Achieving our strategic goals and objectives requires us to coordinate with other 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 our internal operations. During fiscal year 2010, the agendas of the Comptroller General advisory entities (i.e., the Comptroller General's Advisory Board (CGAB), the Domestic Working Group, the Global Working Group, the Educators Advisory Panel, and the Accountability Advisory Council) revolved around the theme of economic recovery and accountability. The CGAB, with over 40 members from the public, private, and nonprofit sectors, has broad expertise in areas related to our strategic objectives. The CGAB 2010 meeting was particularly helpful to us in updating our strategic plan and planning work in response to significant new congressional mandates on health care, financial regulatory reform, and overlap and duplication among federal programs and activities.

¹³Our fiscal year 2011 budget request totaled \$601.1 million.

Through the 18th Biennial Forum of Government Auditors, jointly hosted by the National Intergovernmental Audit Forum and the Southwestern Intergovernmental Audit Forum, we brought together the accountability community in May 2010 to discuss transparency, the changing economic environment, and other topics, such as fiscal sustainability. We further extended the knowledge shared at the event by providing the biennial forum's programming via online video to our staff and the wider intergovernmental audit community. We organized eight meetings and seminars in the various Intergovernmental Audit Forum regions where our staff serve as executive directors to promote dialogue regarding common issues, opportunities, and challenges. We also convened a meeting with the leaders and members of the Council of Inspectors General for Integrity and Efficiency to discuss emerging issues.

Typically, the Acting Comptroller General also meets annually with the 18-member Domestic Working Group. In 2010, based on the fiscal condition across the country, we instead convened a teleconference in April with the Domestic Working Group members to discuss key topics of interest and leverage the knowledge of and network with the heads of select federal, state, and local audit institutions.

During the fiscal year 2010 annual meeting of the Global Working Group, comprised of the Acting Comptroller General and 18 heads of national audit offices, we gained information and knowledge relating to the experiences and lessons learned of national audit offices and their respective countries in past financial crises and the current global financial crisis. We also gained insights into emerging issues related to fraud and corruption, changes in the role of national audit offices, and environmental audits.

In fiscal year 2010, we updated our strategic plan for 2010 through 2015. Our Strategic Planning and External Liaison office worked closely with all the teams and units across the agency to update our four strategic goals and identify eight key trends that affect the work we do for the Congress. We also developed and incorporated new approaches into our strategic planning process. For example, we

- implemented a Web-based survey to solicit and track internal comments on the plan,
- leveraged our networks with key stakeholders and external advisory entities to validate and fine tune the plan, and
- improved the format and readability of the plan

Networks, Collaborations, and Partnerships

By collaborating with our domestic and global networks, we have acquired, expanded, and shared our knowledge and expertise, which continued to help to build capacity within our agency and among our collaborative partners. On the domestic front, collaboration has become increasingly important because monitoring Recovery Act spending through the federal, state and local levels required increased coordination with federal inspectors general and state and local audit offices. For example, we helped coordinate and participated in monthly and sometimes weekly teleconferences hosted by the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) to bring together representatives of the federal Inspectors General, OMB, the Recovery Accountability and Transparency Board, and state and local auditors. The relationships built through these channels, as well as through the intergovernmental audit forums, have proven particularly valuable for our staff

as they continue to conduct a wide range of audit work in the states. On the international front, coordination and collaboration has also been important since many of our domestic challenges require global interaction and our staff are engaged in work that requires them to obtain information from foreign governments and officials.

Through the International Organization of Supreme Audit Institutions (INTOSAI), we are leaders and active members of international teams working on the strategic plan goals of enhancing professional standards, capacity building, knowledge sharing, and good governance. Through our participation in the Professional Standards Committee and subcommittees, we are able to stay abreast of changes in international accounting, auditing, and reporting standards. In participating in the knowledge sharing working groups (i.e., Public Debt, Information Technology, Environmental Auditing, Program Evaluation, Fight Against International Money Laundering and Corruption, and Key National Indicators) and task forces, we acquire knowledge and build a network of professionals and experts in other countries that we can access. In 2010, we organized meetings of GAO representatives to the INTOSAI working groups to facilitate knowledge sharing among our representatives in order to better disseminate knowledge gained through our INTOSAI working groups throughout GAO.

We continued to advance and support implementation of the INTOSAI Donors Funding Initiative and Capacity Building Goal to expand capacity building in the international accountability community. The October 2009 signing of an international memorandum of understanding with INTOSAI and 15 donor organizations marked the willingness of all parties to work in a coordinated way to support Supreme

Audit Institutions capacity building in developing countries. In 2010, the Acting Comptroller General was named as Vice Chair of the INTOSAI steering committee for, continuing his leadership role on this issue.

We also continued to chair the Task Force on the Global Financial Crisis: Challenges to Supreme Audit Institutions. The task force met via teleconference in April, and in person in September 2010, and plans to submit a status report at the 20th INTOSAI Congress scheduled for November, 2010 to summarize its results. The task force has provided a forum to share information and knowledge about the effect of the financial crisis globally and helped expand our knowledge about the causes of the financial crisis, the stimulus initiatives that had been implemented, the impact on the real economy, and challenges to the national audit offices.

We continued to publish INTOSAI's quarterly *International Journal of Government Auditing* in five languages to foster global understanding of professional standards, best practices, and technical issues. In fiscal year 2010, we enhanced the Journal Web site by developing an automated system to manage e-mail subscriptions, and we completed digitization of the Journal's archives.

As a contribution to building capacity in national audit offices around the world, we conduct an annual International Auditor Fellowship Program (IAFP) for mid- to senior-level staff from other countries. The IAFP is our flagship multilateral capacity building assistance initiative and has completed its 31st year. This program is designed to strengthen the ability of the national audit offices to fulfill their missions and to enhance accountability and governance worldwide. Since the program's inception, over 463 mid- to senior-level officials

from counterpart offices of more than 103 countries have graduated. Several of them have become auditors general, deputy auditors general, or government ministers. Through this program, our instructors, mentors, and sponsors become part of a global network that helps support our engagements. In addition, it has strengthened professional networks among SAIs donors, and other accountability partners providing an ongoing and growing community of good government professionals and experts across nations. The goodwill engendered by this program supports our country's image abroad.

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. (See part IV of this report for the [IG's assessment](#).)

In fiscal year 2010, we continued to address three priority management challenges—physical security, information security, and human capital. Each of these areas is affected by external factors that could impact our

performance and we need to continuously identify ways to adapt and improve our internal operations.

Physical Security Challenge

Domestic and international events, both ongoing and anticipated, present challenges in terms of physical security of our staff and facilities, emergency preparedness, and continuity of operations. To ensure our ability to protect our people and our assets, we must constantly assess our physical security profile to identify and implement improvements. To address this challenge in fiscal year 2010, we

- awarded several contracts to obtain upgraded technology for
 - 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 and
 - encrypted mobile radios and radio antennas and repeaters for our contract security unit and emergency preparedness staff to support headquarters emergency operations;
- replaced an antiquated electronic security system at one of our field offices to avoid a system failure;
- strengthened our protective measures for our hearing impaired employees in headquarters by providing them with mobile devices to alert them of evacuations and adding procedures for ensuring their safe evacuation from the building;
- enhanced protection for our headquarters building and employees through a revised guard force contract;

- enhanced our adherence to Homeland Security Presidential Directive 12 standards for federal building access by conducting about 630 minimum background investigations of government and contractor staff;
- strengthened our emergency preparedness through required annual continuity awareness training; and
- took steps to enhance visitor management by reviewing our processes and identifying ways to leverage technology to strengthen controls and eliminate manual processes.

In fiscal year 2011, we plan to

- continue replacement of electronic security systems in field offices and begin to integrate them with our headquarters' system;
- finalize and issue our Facility Security Plan; and
- conduct necessary background investigations to comply with minimum federal building access requirements.

Information Security Challenge

Our audit mission has moved from a papercentric world to a global electronic environment. This electronic evolution has resulted in security challenges to information and information systems. Through our physical and electronic information security programs, we continuously assess threats; identify enhancements to policy, procedures, and technology; and ensure that the steps we take to address these threats limit risks to the agency. We have implemented information security programs consistent with current guidance from the National Institute of Standards and Technology (NIST), the Federal Information Security Management

Act (FISMA), and other agencies' information security policies to protect data that they share with us. While we are not required by law to comply with FISMA or Executive Branch information policies, we have adopted them to help us ensure physical and information system security.

Our overall goal is to ensure that information protection requirements extend across the life cycle of audit work from data collection, report production, and data transmission and storage, to the eventual archiving and disposal of data. In support of this goal, our Information Security and Information Systems Security programs address the full range of requirements associated with securely accessing, handling, storing, and disposing of classified and sensitive national security information stored electronically and on paper. They also work hand in hand to educate staff on handling sensitive information and raise awareness of the need to maintain appropriate security.¹⁴

To address this challenge in fiscal year 2010, we

- provided better access control to our network and information through additional data protection encryption and identity management options;
- increased our vigilance in the auditing of network servers and devices through the use of automated tools;
- enhanced adherence to OMB, NIST, and FISMA guidance by revising our policies and procedures;
- improved our ability to respond to changing threats through refined security processes and procedures, enhanced

¹⁴ We have implemented FISMA requirements and made them a routine part of our business operations. We believe it is no longer necessary to provide a separate appendix on our FISMA-related efforts.

incident response capability, and new technologies;

- enhanced our configuration and change management capabilities by consolidating our automated monitoring process across all network systems;
- enhanced initial security awareness training to better prepare new staff to properly handle and protect sensitive and classified government information; and
- began addressing best practices relating to the mandatory declassification of classified products by coordinating with the National Archives and Records Administration (NARA) on development of a declassification program.

In fiscal year 2011, we plan to

- consolidate information systems monitoring to maintain the confidentiality of information, the availability of information systems, and the integrity of our data network;
- refine our security controls, enhance our contingency operations, and identify and implement appropriate new technologies to improve our ability to respond to changing threats;
- implement new and updated security guidance from NIST and OMB, and monitor systems in accordance with OMB, NIST, and FISMA guidance;
- revise annual security awareness training required for all staff handling both classified and sensitive unclassified information; and
- formalize a memorandum of understanding with NARA to initiate systematic declassification of our reports under mandatory guidelines

Human Capital Challenge

We depend on a talented and diverse, high-performing, knowledge-based workforce to accomplish our work and carry out our mission in support of the Congress. However, like the rest of the federal government, we face new and complex 21st century challenges that affect our ability to attract and retain such a high quality workforce, including long-term fiscal constraints, changing demographics, emerging civil service reform initiatives, and evolving public attitudes about the federal workforce. To sustain the quality of our services and the demand for our work, we must continue to focus our efforts on recruiting, developing, and retaining our workforce. We must also continue to build on our efforts to promote a work environment that is fair, unbiased, and inclusive, as well as one that offers opportunities for all employees to realize their full potential. To strengthen our human capital programs and processes to address this challenge in 2010, we

- negotiated the majority of the articles for our master collective bargaining agreement with the GAO Employees Organization, IFPTE, Local 1921 using interest based bargaining;
- implemented actions in our Workforce Diversity Plan to improve recruitment, such as increasing the use of the student career experience program (SCEP), establishing partnerships with intern programs representing diverse populations, and expanding outreach activities to campuses and professional associations with diverse members and affiliates;
- enhanced our recruiting, hiring, and retention programs by developing a strategic recruiting framework, and

streamlining the student loan repayment program process;

- completed a review of our performance management system in response to concerns from staff that it was not working well, briefed all employees on the findings, and awarded a contract for development of a new performance management system; and
- expanded supervisory and leadership training to improve how managers and staff elicit, receive, and give feedback, and introduced new courses to develop and refine skills on teamwork, improving communication, and coaching.

In fiscal year 2011, we plan to

- complete a master collective bargaining agreement with IFPTE, Local 1921;
- leverage social media tools to further enhance our recruiting and outreach efforts to address changing technologies and communication norms;
- continue to focus on attracting and retaining staff of certain population groups identified in our Workforce Diversity Plan with low representation in our workforce—Hispanics, veterans, and people with disabilities;
- ensure consistency of our human capital practices and procedures with Office of Personnel Management’s civil service reform initiatives, to the extent practicable;
- ensure the integrity of personnel-related data in our human resource information systems;
- optimize the utility of our human resource information systems by better aligning technology solutions with critical business processes;

- continue to align our learning activities with organizational priorities and leverage technology to deliver, track, and report on them;
- finalize a strategic plan for providing human capital services for the next 5 years that aligns with our strategic plan; and
- complete the redesign of our performance management system and implement short and long-term recommendations from the Performance Appraisal Study.

Mitigating External Factors

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; resource constraints; and access to agency information. We mitigate these factors in several ways.

While demand for our work is very high, with nearly 1,000 congressional requests and new mandates in fiscal year 2010, as the Congress responds to current and unforeseen events, the mix of work we are asked to perform can and does change. To be prepared to address timely and relevant issues, in our 2010 strategic planning process, we identified 8 broad trends to guide our work plans. We determined these trends through literature review, discussions with advisors and experts, and input from mission teams. We communicate frequently with our congressional clients to stay abreast of their interests. In addition, each year we conduct a limited number of evaluations 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 recent mandates for work related to the Recovery Act and TARP in fiscal year 2010, we employed multidisciplinary teams composed of staff from across the agency. We devoted almost 40 percent of our audit resources to mandates in fiscal year 2010. We expect the level of demand for our work to continue as we fulfill ongoing requirements under mandates and other responsibilities. For example, recent health care and financial regulatory reform legislation include many new mandates for us. Moreover, all Senate committees are required to review programs within their jurisdiction to root out fraud, waste, and abuse in program spending—giving particular scrutiny to issues raised in our reports—and develop recommendations for improved government performance, and 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. 39](#) for more information about our high-risk list areas and programs.)

Federal funding and resource constraints could also affect our ability to serve the Congress and meet our performance targets. To improve our ability to work efficiently and make the best use of resources, we are focused on leveraging technology and enhancing our quality assurance processes. For example, in fiscal year 2010, we upgraded the capability of several information systems used by our engagement teams to manage their work.

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. Some of these are agency specific, stemming from long-standing processes and procedures that impede our access; others reflect misinterpretations of our authorities. 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 2010, there were some positive developments on the access front stemming from these discussions. In the past year, DHS took the significant step of finalizing its new DHS Management Directive and implementing instruction for responding to our requests for information and interviews. In particular, the new protocols are designed to provide us with direct access to designated program officials for the purpose of requesting and receiving documents, information, and interviews, rather than working through liaisons. When fully implemented, these processes should result in key improvements in our access to records and knowledgeable program officials at DHS.

The Department of Justice (DOJ) in recent years has also employed a centralized process for screening our access requests, resulting in delays and occasional denials of access to information. Given this, in 2010 we held discussions with senior officials at DOJ about options for streamlining our access to information. We have agreed to initiate a pilot with target time frames for DOJ production of documents and for the scheduling of

interviews with agency officials. We are hopeful that the pilot will lead to a more efficient and effective working relationship with DOJ.

We have sometimes experienced issues at certain agencies due to 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 that passed the House earlier this year (the Government Accountability Office Improvement Act of 2010, H.R. 2646) and pending in the Senate (S. 2991) would confirm our access rights, refuting agency interpretations that restrict our 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.

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 2010 performance results. Specifically, for goals 1, 2, and 3—our external goals—we present performance

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



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 Web site 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 schools, 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

Attacks on federal facilities in 2010 demonstrate the continued vulnerability of federal facilities. In a series of reports, we identified a number of challenges that hamper the Federal Protective Service's ability to protect about 9,000 federal facilities from a potential terrorist attack or other act of violence. On the basis of our work, legislation was introduced in Congress to improve the protection of federal facilities and employees. DHS also used our work to help support moving the Federal Protective Service to another component within the department. ([GAO-10-901](#), [GAO-10-341](#))

To accomplish our work under these strategic objectives in fiscal year 2010, 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 (DHS), 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 exceeded all three of the goal 1 performance targets we set for fiscal year 2010 financial and 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 target	2010 actual	Met/not met	2011 target ^a
Financial benefits (dollars in billions)	\$22.0	\$12.9	\$19.3	\$12.1	\$13.4	\$17.8	met	\$13.4
Nonfinancial benefits	268	238	226	224	225	233	met	225
Testimonies	97	125	123	85	80	86	met	78

Source: GAO.

^aOur fiscal year 2011 targets for all three performance measures are the same as those we reported in our fiscal year 2011 performance budget in January 2010.

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 declined steadily 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 have also declined since then. The average number of hearings at which we testify increased from 2006 through 2008 and has remained fairly stable from 2008-2010.

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

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

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 2010 totaled \$17.8 billion, which exceeded the target we set by \$4.4 billion. Among these accomplishments are large financial savings from our work on the level of funding for the Medicare Advantage program and insurance claims for Federal Housing Administration-insured mortgages. We further describe financial accomplishments in the [goal 1 section of appendix 1](#).

While we exceeded our target in 2010, we do not expect this level of performance to continue based on our recent experience and our 4-year average. We have set the target for fiscal year 2011 at \$13.4 billion—the same level we set for fiscal year 2010.

Example of Goal 1's Financial Benefits

Spending on the Medicare Advantage (MA) program—a private health option under Medicare—increased rapidly after 2003, rising 64 percent from 2004 to 2006. We found that in 2007 some beneficiaries enrolled in MA plans likely experienced higher cost sharing than if they were enrolled in Medicare fee-for-service. Further, in 2006, MA plans spent less on medical expenses than they projected, leading to greater than estimated profits. The 2008 Medicare Improvements for Patients and Providers Act reduced payments to MA plans, resulting in estimated reductions of \$3.4 billion for fiscal years 2010-2011. ([GAO-08-359](#), [GAO-09-132R](#))

Nonfinancial Benefits

Nonfinancial benefits reported for goal 1 in fiscal year 2010 included 222 actions taken by federal agencies to improve their services to the public in response to our work and another 11 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 233 nonfinancial benefits exceeded our target of 225. We further describe our nonfinancial accomplishments in the [goal 1 section of appendix 1](#).

For fiscal year 2011, we have set a target of 225 for nonfinancial benefits. This target is the same as our fiscal year 2010 target, as 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 prior experience. This target is the same as that we set in our fiscal year 2011 performance plan.

Example of Goal 1's Nonfinancial Benefits

Our work has been the cornerstone for numerous legislative proposals in both the House and Senate to amend the Toxic Substances Control Act—the primary federal law to protect the American public from the threats of harmful chemicals in consumer products. Our body of work on the regulations controlling the manufacture and use of dangerous chemicals continues to be at the forefront in influencing the Congress to strengthen U.S. chemical control laws and to keep pace with the European Union and other countries in protecting the public. ([GAO-09-428T](#), [GAO-07-825](#))

Testimonies

Our witnesses testified at 86 congressional hearings related to this strategic goal, which exceeded the fiscal year 2010 target by 6 testimonies, or 8 percent. Among the topics on which we testified were unemployment insurance trust funds; concussions in high school athletes; corporate crime; Interior's oversight of oil and gas, and high-speed rail projects. (See [p. 34](#) for selected testimony topics by goal.) We set our fiscal year 2011 target at 78 testimonies on goal 1 issues because 2011 is the first year of a new Congress and we generally have fewer hearing requests in those years.

Example of Goal 1's Testimonies

We testified on the state of Unemployment Insurance (UI) trust funds, which we found to have outstanding loans totaling \$38.9 billion from the federal government to pay benefits. At the end of 2009, no state had enough reserves to cover 12 months of benefits, and net reserves are projected to remain negative for several years. We identified options to improve state UI trust fund financial conditions, such as raising and indexing the taxable wage base, adjusting state tax rates more frequently, and raising solvency targets before lowering rates. ([GAO-10-692T](#))



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 Web site 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

Since 2005 we have reviewed FEMA's preparedness grant-allocation methodologies and its efforts to implement a national system of emergency-response planning, exercises, and capability assessment. In 2010, in response to our Recommendations, FEMA enhanced its project planning for implementation of the Comprehensive Assessment System, obtained information from past principal level exercises and conducted remedial action tracking and long-term trend analysis, and included the National Council on Disability on committees involved in the design and execution of national level exercises for issues related to populations with special needs.

To accomplish our work in fiscal year 2010 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to programs that took us across multiple continents, including Europe, Africa, Asia, South America, and North America. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 11](#), we exceeded our fiscal year 2010 performance targets for financial and nonfinancial benefits, but we did not meet the target for testimonies.

Table 11: Strategic Goal 2's Annual Performance Results and Targets

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 target	2010 actual	Met/not met	2011 target ^a
Financial benefits (dollars in billions)	\$12.0	\$10.3	\$15.4	\$12.4	\$13.8	\$20.5	met	\$13.9
Nonfinancial benefits	449	468	468	457	345	444	met	345
Testimonies	68	73	93	67	73	58	not met	65

Source: GAO.

^aOur fiscal year 2011 target for testimonies differs from the targets we reported in our fiscal year 2011 performance budget in January 2010. Specifically, we decreased the number of testimonies by six.

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 12](#). This table indicates that over the past 5 years goal 2 financial benefits reached the highest level in 2010, and average nonfinancial benefits and testimonies increased steadily from 2006 to 2009 and declined slightly in 2010.

Table 12: Four-Year Rolling Averages for Strategic Goal 2

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

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 2010 totaled \$20.5 billion which exceeded our target by \$6.7 billion. Among these accomplishments are large financial benefits from our work, including reductions DOD made to the Army's Future Combat System vehicle program and the Missile Defense Agency's cancellation of the Kinetic Energy Interceptor program and second airborne laser aircraft prototype. We further describe financial accomplishments in the [goal 2 section of appendix 1](#).

Given the large portion of the U.S. budget that defense spending consumes, we expect our work under this goal to continue to

produce economies and efficiencies; however we set our fiscal year 2011 target at \$13.9 billion based on an assessment of our recent results and our 4-year rolling average.

Example of Goal 2's Financial Benefits

Our prior work identified issues such as excessive payments of enlistment and reenlistment bonuses to servicemembers in occupations that exceeded their authorized levels while other occupations were underfilled. We made recommendations that DOD assess reasons for occupations being over- or underfilled and justify use of financial incentives for overfilled occupations. On the basis of our work, DOD developed a more rigorous approach to managing and overseeing its recruiting and retention budget, resulting in a financial benefit of \$947.3 million. ([GAO-06-134](#))

Nonfinancial Benefits

The nonfinancial benefits reported for goal 2 in fiscal year 2010 included 423 actions taken by federal agencies to improve their services to the public and business processes in response to our recommendations and another 21 in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 444 nonfinancial benefits exceeded our target by 99. Our success in this area arose from our increased emphasis on follow-up efforts and increased monitoring of our progress toward the targets throughout the year. We further describe nonfinancial accomplishments in the [goal 2 section of appendix 1](#).

Looking ahead, our assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to set our fiscal year

2011 target at 345, which is the same as we reported for goal 2 in our fiscal year 2011 performance plan. While this target is lower than our fiscal year 2010 actual performance and 4-year average for this measure, we believe that this is a realistic estimate based on the level of our outstanding goal 2 recommendations.

Example of Goal 2's Nonfinancial Benefits

In fiscal year 2006, we analyzed how well multiple Department of Homeland Security (DHS) components were basing their security efforts on risk management—a systematic process for assessing threats and taking steps to address them. We recommended that DHS standardize its risk management approach, better link local and national risk assessment efforts, provide guidance on using risk management to develop performance measures, and integrate risk management activities with resource allocation. DHS has taken action to implement these recommendations, and as a result is better positioned to allocate its resources to those areas of highest risk. ([GAO-06-91](#), [GAO-08-627SP](#))

Testimonies

Our witnesses testified at 58 congressional hearings related to this strategic goal in fiscal year 2010, missing our target of 73 hearings. Goal 2 testimony topics included financial markets regulation, TARP, aviation security, global food security, DOD military and civilian compensation, and defense space acquisitions. (See [p. 34](#) for selected testimony topics by goal.) We have set our target at 65 for presenting testimony at hearings in fiscal year 2010—7 more hearings than our fiscal year 2010 actual performance. We anticipate an increase in hearings due to ongoing work of the Congress on these and other defense and global interdependence issues.

Example of Goal 2's Testimonies

We testified on U.S. governmentwide efforts to address global food security. We found that while the U.S. government supports a wide variety of programs and activities in this area—totaling at least \$5 billion in fiscal year 2008—it lacks readily available comprehensive funding data and cannot determine precisely the total amount. The administration is making progress toward a governmentwide global food security strategy, but the lack of a commonly accepted governmentwide operational definition of global food security programs and activities and comprehensive data on programs and funding make it hard to establish a baseline for planning. ([GAO-10-494T](#))



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 Web site 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 Special Investigations, 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 General Counsel's Office.

Selected Work under Goal 3

We advocated increased congressional scrutiny of problematic, major IT projects intended to modernize the Department of Veterans Affairs' (VA) systems for outpatient appointment scheduling as well as asset and financial management. In multiple reports, we identified weaknesses in IT management capabilities that were undermining the department's efforts to develop and implement new systems. Our work spurred improvements to the appointment-scheduling and asset management system projects and contributed to VA's decision to terminate its financial management system project. ([GAO-10-579](#), [GAO-10-40](#))

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 13](#), we did not meet our fiscal year 2010 performance targets for this goal's financial benefits, we exceeded our target for nonfinancial benefits, and we did not meet our target for testimonies for this goal.

Table 13: Strategic Goal 3's Annual Performance Results and Targets

Performance measure	2006 actual	2007 actual	2008 actual	2009 actual	2010 target	2010 actual	Met/not met	2011 target ^a
Financial benefits (dollars in billions)	\$17.0	\$22.8	\$23.4	\$18.5	\$14.8	\$11.6	not met	\$14.7
Nonfinancial benefits	625	648	704	634	630	684	met	630
Testimonies	73	74	76	49	59	45	not met	54

Source: GAO.

^aOur fiscal year 2011 target for testimonies differs from the target we reported in our fiscal year 2011 performance budget in January 2010. Specifically, we decreased the number of testimonies by five.

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 14](#)—which minimize the effect of an unusual level of performance in any single year. [Table 14](#) indicates that over the 5-year period from 2006-2010, financial benefits increased steadily from 2006-2009 and decreased somewhat in 2010. Nonfinancial benefits rose from 2006-2008, decreased in 2009, and increased again in 2010. The trend in the average number of hearings during which our senior executives testified on goal 3 issues also rose from 2006-2008, remained stable in 2009, and declined substantially in 2010.

Table 14: Four-Year Rolling Averages for Strategic Goal 3

Performance measure	2006	2007	2008	2009	2010
Financial benefits (dollars in billions)	\$10.1	\$14.6	\$18.6	\$20.4	\$19.1
Nonfinancial benefits	630	654	686	653	668
Testimonies	59	64	68	68	49

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 \$11.6 billion, missing our target of \$14.8 billion by about \$3.2 billion. We further describe financial accomplishments in the [goal 3 section of appendix 1](#).

While we did not meet our fiscal year 2010 target, we have kept our fiscal year 2011 target for financial benefits at \$14.7 billion, which is the same as the target we reported in our fiscal year 2011 performance plan, as we expect more financial benefits from our work on information technology, financial management, and government operations.

Example of Goal 3's Financial Benefits

We have reported on the continuing cost, schedule, and management challenges facing the acquisition and development of the National Polar-orbiting Operational Environmental Satellite System (NPOESS)—a tri-agency program managed by NOAA, DOD, and NASA. In a series of reports, we found that ineffective and inefficient executive management over the program led to the continuing unresolved cost increases and schedule delays. After forming a task force to assess options and identify a governance structure to address these problems, in February 2010, the Director of the Office of Science and Technology Policy disbanded the NPOESS program, announcing that it could not be successfully executed with the current management and budget structure. After the decision to disband the program, the President's fiscal year 2011 budget excluded any further NOAA funding for NPOESS for a total benefit of about \$1.6 billion. ([GAO-10-558](#), [GAO-09-564](#))

Nonfinancial Benefits

Nonfinancial benefits reported for goal 3 in fiscal year 2010 included 673 instances in which agencies' core business processes were improved or governmentwide management reforms were advanced because of our work. In addition, there were 11 instances in which information we provided to the Congress resulted in statutory or regulatory changes. This total of 684 nonfinancial benefits exceeded our target by 54. We further describe nonfinancial accomplishments in the [goal 3 section of appendix 1](#).

Our forward-looking assessments of the executive branch's current efforts to implement our recommendations made under this goal led us to keep our fiscal year 2011 target at 630, the same level that we set in our 2011 performance plan. While we recognize that this target is lower than our fiscal year 2010 actual performance and 4-year average for this measure, we believe it is a realistic estimate based on our outstanding recommendations from our goal 3 work.

Example of Goal 3's Nonfinancial Benefits

We developed a methodology adopted by the Congress to efficiently target billions of dollars in Medicaid assistance through the Recovery Act. Initial estimates showed that the act would provide about \$87 billion in increased federal support through the Federal Medical Assistance Percentage (FMAP)—the rate states are reimbursed for Medicaid costs. About 38 percent of the \$87 billion total is provided by a percentage increase targeted to states based on changes in each state's unemployment rate, a measure closely correlated with recession-induced increased state Medicaid expenditures. Most of the remaining 62 percent is provided through an across-the-board percentage increase in the FMAP. For the targeted portion of the increased Medicaid assistance, the legislation is based on our strategy for allocating supplemental federal Medicaid assistance during economic downturns—according to when and to what extent states' unemployment rates increase. The Congress sought our input in designing the targeted allocation of supplemental Medicaid assistance for the Recovery Act. As a result, about \$33 billion in grants to states are allocated according to where, when, and how severely they are impacted by recession-induced increases in Medicaid costs. ([GAO-09-320R](#), [GAO-07-97](#))

Testimonies

Our witnesses testified at 45 congressional hearings related to this strategic goal in fiscal year 2010, missing the target of 59 by 14 hearings. Among the testimonies presented were those related to the Recovery Act, DOD financial management, strategies for balancing the government-to-contractor workforce at federal agencies, and fraud in the Service Disabled Veteran-Owned Small Business Program. (See [p. 34](#) for selected testimony topics by goal.) For fiscal year 2011, we have set a target of testifying at 54 hearings, which is somewhat less than the target we set in our fiscal year 2011 performance plan. While this target is higher than our actual 2010 results, it is more consistent with our experience over the past several years.

Example of Goal 3's Testimonies

Our 2010 review on use of recovery audit contractors (RAC) in Medicare found that the Centers for Medicare & Medicaid Services lacked an adequate process for using RAC findings to address vulnerabilities that led to over \$230 million dollars in improper payments to Medicare providers. This influenced the Congress to add a provision to the Improper Payments Elimination and Recovery Act of 2010. All agencies that use RACs are now required to report yearly to the Office of Management and Budget and the Congress on actions taken to address RAC recommendations on how to reduce vulnerabilities leading to improper payments. ([GAO-10-864T](#))



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.

Selected Work under Goal 4

To attract more applicants from demographic groups with low representation in our workforce, we implemented a number of leading practices in our recruitment program. We issued a diversity recruitment strategy to guide recruiting activities. We also trained diverse teams of staff representing all of our mission teams, locations, and affinity groups to recruit at college campuses and recruiting events.

To deliver training more cost effectively to staff in our headquarters and field offices, we implemented virtual classroom courses or Webinars, and converted four key leadership courses from standard classroom to virtual courses. We certified 29 staff to teach these courses and trained 10 technicians to assist with course delivery.

To support our analysts in conducting their work efficiently, we improved capabilities of several engagement support systems used by our analysts for required audit documentation, and we upgraded our document management system to streamline the user interface.

To make our work more accessible to users of small-screen electronic devices, we created a simplified version of our Web site to provide easy access to our most frequently viewed products—reports, testimonies, and legal decisions. We also piloted a new electronic format for presenting our reports online.

To reduce energy consumption in our headquarters building, we replaced ceiling light fixtures with energy efficient fixtures and installed energy efficient gas boilers for heating that should reduce annual costs by more than \$.75 million.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our Web site at <http://www.gao.gov/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, our internal operations exceeded out targets for services and functions that help employees get their jobs done and improve the quality of their work life. Goal 4 contributions are highlighted throughout this report and in [appendix 1](#).

Data Quality and Program Evaluation

Verifying and Validating Performance Data

Each year, we measure our performance with 14 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 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 15](#).

Table 15: 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 monetary effect 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. Financial benefit amounts vary depending on the nature of the benefit, and we can claim financial benefits over multiple years based on a single agency or congressional action.</p> <p>Financial benefits are linked to specific recommendations or other work. To claim that financial benefits have been achieved, our staff must file an accomplishment report documenting that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within 2 fiscal years prior to the filing of the accomplishment report, (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed, and (4) estimates of financial benefits were based on information obtained from non-GAO sources. 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 decide to claim it 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 Quality and Continuous Improvement office (QCI) for its review. Once accomplishment reports are approved, they are compiled by QCI, which annually tabulates total financial benefits agencywide and by goal.</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 workpapers to support accomplishments with evidence that meets our evidence standard, supervisors review the workpapers, and an independent person within GAO reviews the accomplishment report. For all financial accomplishment reports the managing director prepares a memorandum addressed to the Chief Quality Officer attesting that the accomplishment report meets GAO 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 GAO procedures. In fiscal year 2010, the teams were 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 2010, QCI approved accomplishment reports covering 95 percent of the dollar value of financial benefits we reported.</p> <p>In fiscal year 2010, accomplishments of \$100 million or more were also reviewed by independent second and third reviewers (reemployed GAO annuitants), who have substantial experience and knowledge of GAO accomplishment reporting policies and procedures. GAO’s total fiscal year 2010 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 compiled by QCI, which annually tabulates total other (nonfinancial) benefits agencywide and by goal.</p>

Verification and validation	<p>Our policies and procedures require us to use the Accomplishment Reporting System to record the nonfinancial benefits that result from our findings and recommendations. Staff in the team file accomplishment reports to claim that benefits have resulted from our work. The team develops workpapers to support accomplishments with evidence that meets our evidence standard. Supervisors review the workpapers; an independent person within GAO reviews the accomplishment report; and the team’s managing director or director approves the accomplishment report to ensure the appropriateness of the claimed accomplishment, including attribution to our work.</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. Additionally, on a periodic basis, the IG independently tests compliance with our process for claiming nonfinancial benefits. For example, the IG tested this process in fiscal year 2005 and found it to be reasonable. In response to the IG’s recommendations, we strengthened the documentation of our nonfinancial benefits.</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 benefits it produced. However, we feel that this is not a significant limitation on the data because the data represent a conservative measure of our overall contribution toward improving government.</p>
Percentage of products with recommendations	
Definition and background	<p>We measure the percentage of our written products (chapter and letter reports and numbered correspondence) issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive for recommendations that are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and that are specific, feasible, and cost-effective. Some products we issue contain no recommendations and are strictly informational in nature.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations and that the Congress and agencies often find such informational reports just as useful as those that contain recommendations. For example, informational reports, which do not contain recommendations, can help to bring about significant financial and nonfinancial benefits.</p>
Data sources	<p>Our Documents Database records recommendations as they are issued. The database is updated daily.</p>
Verification and validation	<p>Through a formal process, each team identifies the number of recommendations included in each product and an external contractor enters them into a database. We provide our managers with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated. Additionally, on a periodic basis, the IG independently tests the teams’ compliance with our policies and procedures related to this performance measure. For example, during fiscal year 2006, the IG tested and determined that our process for determining the percentage of written products with recommendations was reasonable. The IG also recommended actions to improve the process for developing, compiling, and reporting these statistics. We have implemented the IG’s recommendations for fiscal year 2007. Since then, we have used the same procedures to compute and report this measure.</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

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 2010 implementation rate is the percentage of recommendations made in fiscal year 2006 products that were implemented by the end of fiscal year 2010). Experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.

This measure assesses action on recommendations made 4 years previously, rather than the results of our activities during the fiscal year in which the data are reported. For example, the cumulative percentage of recommendations made in fiscal year 2006 that were implemented in the ensuing years is as follows: 12 percent by the end of the first year (fiscal year 2007), 27 percent by the end of the second year (fiscal year 2008), 42 percent by the end of the third year (fiscal year 2009), and 82 percent by the end of the fourth year (fiscal year 2010).

Data sources

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

Verification and validation

Through a formal process, each team identifies the number of recommendations included in each product, and an external contractor enters them into a database.

Policies and procedures specify that our staff must verify, with sufficient supporting documentation, that an agency's reported actions are adequately being implemented. Staff update the status of the recommendations on a periodic basis. To accomplish this, our staff may interview agency officials, obtain agency documents, access agency databases, or obtain information from an agency's IG. Recommendations that are reported as implemented are reviewed by a senior executive in the unit and by QCI.

Summary data are provided to the units that issued the recommendations. The units check the data regularly to make sure that the recommendations they have reported as implemented have been accurately recorded. We also provide to the Congress a database with the status of recommendations that have not been implemented, and we maintain a publicly available database of open recommendations that is updated daily.

Additionally, on a periodic basis, the IG independently tests our process for calculating the percentage of recommendations implemented for a given fiscal year. For example, based on the IG's last review of this measure, the IG determined that our process was reasonable for calculating the percentage of recommendations that had been made in our fiscal year 2002 products and implemented by the end of fiscal year 2006. The IG also recommended actions to improve the process for developing, compiling, and reporting this statistic. In fiscal year 2007, we implemented the IG's recommendation for calculating the percentage of recommendations that had been made and implemented. Since then, we have continued to use this approved process to compute and report this measure.

Data limitations

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

Client measures	
Testimonies	
Definition and background	The Congress may ask us to testify at hearings on various issues, and these hearings are the basis for this measure. Participation in hearings is one of our most important forms of communication with the Congress, and the number of hearings at which we testify reflects the importance and value of our institutional knowledge in assisting congressional decision making. When multiple GAO witnesses with separate testimonies appear at a single hearing, we count this as a single testimony. We do not count statements submitted for the record when a GAO witness does not appear.
Data sources	The data on hearings at which we testified are compiled in our Congressional Hearing System managed by staff in Congressional Relations.
Verification and validation	The units responding to requests for testimony are responsible for entering data in the Congressional Hearing System. After a GAO witness has testified at a hearing, Congressional Relations verifies that the data in the system are correct and records the hearing as one at which we testified. Congressional Relations provides weekly status reports to unit managers, who check to make sure that the data are complete and accurate. Additionally, on a periodic basis, the IG independently verifies the total number of hearings at which we testified. As a result of the IG's most recent review, we adjusted the figure for the number of hearings we testified at in fiscal year 2008 from 304 to 298. We also are improving the guidance and documentation for recording hearings at which we testify.
Data limitations	This measure does not include statements for the record that we prepare for congressional hearings. Also, this measure may be influenced by factors other than the quality of our performance in any specific year. The number of hearings held each year depends on the Congress's agenda, and the number of times we are asked to testify may reflect congressional interest in work in progress as well as work completed that year or the previous year. To mitigate this limitation, we try to adjust our target to reflect cyclical changes in the congressional schedule. We also outreach to our clients on a continuing basis to increase their awareness of our readiness to participate in hearings.
Timeliness	
Definition and background	The likelihood that our products will be used is enhanced if they are delivered when needed to support congressional and agency decision making. To determine whether our products are timely, we compute the proportion of favorable responses to a question related to timeliness that appears on our electronic client outreach form. 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 GAO 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.”

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 GAO's Documents Database maintained by a contractor. To identify appropriate recipients of the form for products meeting our criteria, we ask the engagement teams to provide in GAO's Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into 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 GAO 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 Congressional 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 a hard copy of a released GAO product or access its electronic version 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 any obvious typing errors and resend the e-mail message or contact the congressional staff person directly for the correct e-mail address and then resend the message. The IG reviewed the timeliness performance measure in fiscal year 2009, and as a result of this work, we have clarified the description of this measure and are documenting our procedures.

Data limitations We do not measure the timeliness of all of our external products because we do not wish to place too much burden on busy congressional staff. Testimonies and written products that met our criteria for this measure represented about 60 percent of the congressionally requested written products we issued during fiscal year 2010. 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 29 percent, and 99 percent of those who responded answered the timeliness question. We received responses from one or more people for about 58 percent of the products for which we sent a form in fiscal year 2010. In our timeliness calculations for fiscal years 2004 through 2007, we inadvertently included nonresponses to the timeliness question and therefore recalculated the results for these fiscal years. While the percentage of favorable responses did not change significantly, the recalculation did result in us meeting our target (from 94 to 95 percent).

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 Acting Comptroller General, Acting Chief Administrative Officer, the Deputy Chief Administrative Officer, the Chief Human Capital Officer, and the 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.

Data sources The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by the Chief Administrative Officer (CAO). 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 GAO and other agencies.

Verification and validation The CAO maintains a database that monitors and tracks all our hiring offers, declinations, and accessions. In coordination with our Human Capital Office, our CAO staff input workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, CAO staff provide monthly reports to the Acting Comptroller General and the CAO to monitor progress by GAO units 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. In addition, on a periodic basis, the IG examines our process for calculating the new hire rate. During fiscal year 2008, the IG independently reviewed this process and recommended actions to improve the documentation of the process used to calculate this measure. In fiscal year 2009, we developed standard operating procedures to document how we calculate and ensure quality control over data relevant to this measure.

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 Chief Administrative Office database that contains some data from the NFC database, which handles payroll and personnel data for GAO and other agencies.

Verification and validation CAO staff continually monitor and review accessions and attritions against their database that contains NFC data and they follow up on any discrepancies. In addition, on a periodic basis, the IG examines our process for calculating the retention rate. During fiscal year 2008, the IG reviewed this process and recommended actions to improve the documentation of the process used to calculate this measure. In fiscal year 2009, we developed standard operating procedures 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

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 2010 the contractor also analyzed the data.

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

Data sources

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

Beginning in fiscal year 2006 we changed the way that the staff development people measure was calculated. Specifically, we dropped one question regarding computer-based training because we felt such training was a significant part of (and therefore included in) the other questions the survey asked regarding training. We also modified a question on internal training and changed the scale of possible responses to that question. We show the fiscal year 2004 and 2005 data on a separate line to indicate that those data are not comparable to the data beginning in fiscal year 2006.

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 2010, 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.

In addition, on a periodic basis, the IG independently reviews the reliability and validity of the staff development measure. The IG's most recent evaluation showed that for fiscal year 2007 we accurately calculated the measure.

Data limitations

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

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

Staff utilization

Definition and background

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

Data sources

These data come from our staff’s responses to an annual Web-based survey. The survey questions we used for this measure ask staff how often the following occurred in the last 12 months: (1) my job made good use of my skills; (2) GAO provided me with opportunities to do challenging work; and (3) in general, I was utilized effectively. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either “always or almost always” or “most of the time.” Responses of “no basis to judge” or “no answer” were excluded from the calculation. Including “no basis to judge/not applicable” or “no answer” in the calculation (in those few instances where it occurred) would not 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

See [Staff development](#), [Verification and validation](#). The IG’s most recent evaluation showed that for fiscal year 2007 we accurately calculated the measure.

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. (For background information about our entire employee feedback survey, see [Staff development, Definition and background.](#))

Data sources

These data come from our staff's responses to an annual Web-based survey. The survey questions we used for this measure ask staff about empowerment, trust, recognition, decisiveness, leading by example, and work life as they pertain to the respondent's immediate supervisor. Specifically, the survey asked staff the following questions about their immediate supervisor during the last 12 months: (1) gave me the opportunity to do what I do best; (2) treated me fairly; (3) acted with honesty and integrity toward me; (4) ensured that there was a clear link between my performance and recognition of it; (5) gave me the sense that my work is valued; (6) provided me meaningful incentives for high performance; (7) made decisions in a timely manner; (8) demonstrated GAO's core values of accountability, integrity, and reliability; (9) implemented change effectively; and (10) dealt effectively with equal employment opportunity and discrimination issues. (Beginning with the 2010 survey, question 10 will not be used for this measure and we will substitute a question on respecting and valuing differences among individuals. We are making this change because there is a large number of respondents who answer "no basis/not applicable" to the Equal Employment Opportunity/discrimination question. We believe this is due to GAO having so few discrimination cases and the safeguarding of private information, thus many employees do not have direct knowledge about how supervisors deal with such issues.) From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either "always or almost always" or "most of the time." 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

See [Staff development, Verification and validation.](#) The IG's most recent evaluation showed that for fiscal year 2007 we accurately calculated the measure.

Data limitations

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

Organizational climate

Definition and background

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

Data sources These data come from our staff’s responses to an annual Web-based survey. The survey questions we used for this measure ask staff to think back over the last 12 months and indicate how strongly they agree or disagree with each of the following statements: (1) a spirit of cooperation and teamwork exists in my work unit; (2) I am treated fairly and with respect in my work unit; (3) my morale is good; (4) sufficient effort is made in my work unit to get the opinions and thinking of people who work here; and (5) overall, I am satisfied with my job at GAO. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either “strongly agree” or “generally agree.” Responses of “no basis to judge” or “no answer” were excluded from the calculation. Including the “no basis to judge/not applicable” or “no answer” in the calculation (in those few instances where it occurred) would not 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 See [Staff development, Verification and validation](#). The IG’s most recent evaluation showed that for fiscal year 2007 we accurately calculated the measure.

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

Internal operations measures

Help get job done and quality of work life

Definition and background To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct an annual Web-based survey in November. The customer satisfaction survey on administrative services, conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey we encourage our staff to indicate how satisfied they are with 20 services that help them get their jobs done and another 13 services that affect their quality of work life.

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

Data sources These data come from our staff’s responses to an annual Web-based survey. To determine how satisfied GAO employees are with internal administrative services, we calculate composite scores for two measures. One measure reflects the satisfaction with the 20 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 13 services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and workplace safety and health. The composite score represents how employees rated their satisfaction with services in each of these areas relative to how they rated the importance of those services to them. The importance scores and satisfaction levels are both rated on a scale of 1 (low) to 5 (high).

Verification and validation

The satisfaction survey on administrative services is housed on a Web site maintained by an outside contractor, and only the contractor has the ability to link the survey results with individual staff. Our survey response rate was 54 percent in 2009. To ensure that the results are largely representative of the GAO population, we analyze the results by demographic representation (unit, tenure, location, band level, and job type). Each GAO unit responsible for administrative services conducts follow-on work, including analyzing written comments to gain a better understanding of the information from the survey. In addition, on a periodic basis, the IG independently assesses the internal operations performance measures. The IG examined the measures during fiscal year 2007 and found the measures reasonable. The IG also recommended actions to improve the measures' reliability and objectivity. To address these recommendations, we worked with a contractor to implement an automated process for following up with survey nonrespondents, while maintaining their anonymity. This significantly increased our response rate and reliability. To enhance objectivity, we have more explicitly disclosed our survey response rate and other data limitations consistent with our reporting on the response rate and data limitations for our people measures.

Data limitations

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

The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result, 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 keyed into a database by someone other than the respondent.

Source: GAO.

Program Evaluation

To assess our progress toward our mission-based strategic goals (1-3) 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 recommended action that we consider to be worthwhile, we may

decide to pursue further action with agency officials or congressional committees, or we may decide to undertake additional work in that area. We also use our biennial high-risk report to update the status of the 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>.)

In fiscal year 2010, under strategic goal 4, we conducted management studies to examine internal issues, operations, and processes affecting all four of our strategic goals. We also continued our management improvement initiatives and reported on several projects

completed within five priority areas identified in fiscal year 2008: Recognizing and Valuing Diversity; Reassessing the Performance Appraisal System; Managing Workload, Quality, and Streamlining Processes; Enhancing Staffing Practices and Developing the Workforce; and Strengthening Recruitment and Retention Initiatives. The results of some of these projects led to longer-term initiatives such as our engagement streamlining initiative and development of a new product line.

■ **Engagement streamlining initiative.**

This initiative focuses on streamlining our engagement processes—especially those activities performed by mission team analysts—and increasing efficiency through the use of information technology, while still adhering to our high standards for product quality and timeliness.

The engagement streamlining team is comprised of 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. The team is identifying short-term and longer-term improvements that can be addressed through changes in technology, refinements in policy and processes, or a combination of the two.

- **Product line modernization.** This initiative focuses on modernizing our product line's format and dissemination methods to more effectively meet the information needs of our clients and the public and reach a wider audience in an increasingly wireless, multimedia, and Web-based communications environment. The Steering Committee is comprised of mission team representatives and staff from the Offices of Quality and Continuous Improvement, Information

Systems and Technology Services, Knowledge Services, Applied Research and Methods, Congressional Relations, General Counsel, Human Capital, and Public Affairs and our employee organizations. The team is identifying short-term improvements for better communicating our existing product line to our various audiences as well as long-term improvements to adapt our product line to modern Web-based communications. During fiscal year 2010, we began a series of audio podcasts on significant issues we reviewed and our new reports; launched a mobile version of our Web site geared for easy access with smart phones and other small-screen electronic devices; and piloted a Web-based reporting format to make our products more accessible, useful, and recognizable for users. We also added a "Share/Save" feature on our home page to make it easier for users to alert their colleagues and others about our products.

■ **Quality assurance improvements.**

In response to the findings of internal inspections and suggestions resulting from our most recent external peer review, we enhanced our quality assurance framework in several areas to simplify and clarify some of our key processes and to help ensure compliance with our professional standards. These changes included development of a new framework for categorizing our work, enhancements to our policy for obtaining comments on our draft products from external entities, revisions to how we document data reliability assessments, a new approach to organizing engagement documentation, enhancements to documenting the assessment of the collective evidence, and clarifications on how to document referencing of draft products. In preparation for our next external peer

review in 2011, we have also conducted mandatory quality assurance training for our audit staff.

We also 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 analyses of Statement on Auditing Standards (SAS) number 70, Service Organizations audit reports for our shared service providers. The review also includes the results of 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 2010, 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.

Serving The Congress And The Nation



Part III

Financial Information



Source: See Image Sources.

November 15, 2010

I am pleased to report that during fiscal year 2010, the U.S. Government Accountability Office continued to honor its commitment to lead by example in government financial management. For the 24th 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 2009 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.

In fiscal year 2010, we continued to implement our oversight activities under the American Recovery and Reinvestment Act of 2009 (Recovery Act), reviewing the use of Recovery Act funds by states and localities. In fiscal year 2009, in order to quickly begin work under the act, we used current, permanent staff who were well versed in GAO practices, were knowledgeable about state and local practices, and had contacts in the states and localities, and also hired more than 80 temporary staff and federal retirees to assist with this work. We sustained this investment through most of fiscal year 2010, although all temporary and annuitant staff were released before the end of the fiscal year. For fiscal year 2011, we are conducting a revised scope of work under the Recovery Act using permanent GAO staff funded by our annual appropriations.

In fiscal year 2010, we completed phase 2 of our financial system implementation. Under this phase, we fully integrated our travel management processes with the agencywide implementation of an eGov travel system, GovTrip. We successfully tested and implemented the GovTrip travel system, through a phased-in approach, adding the final group of users to the system in August. In addition to providing a more intuitive user interface, automatic routing of approved authorizations to the travel agent, online travel guidance, and electronic submission of receipts,

GovTrip provides travelers with the option to book flights, hotels, and rental cars online without travel agent assistance. Travel is critical to enabling GAO to carry out its work in support of the Congress, and the improved transaction efficiency achieved through the integration of travel activity directly with the financial system benefits both the traveler and the agency.

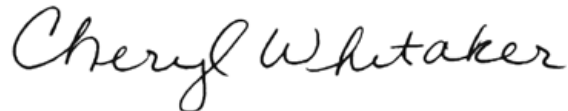
The third and final phase of our financial system implementation focuses on automating budget formulation and workforce planning functions. This year we researched and evaluated budget formulation and workforce planning software tools available to improve data integration, provide analytical tools, and increase the efficiency of decision making and reporting. We selected Oracle Hyperion as the analytic tool, which will be supplemented by a consolidated, integrated data repository. These tools will allow GAO to automate manual processes, eliminate redundant systems, and provide enhanced analytical capabilities through a modern, integrated business intelligence solution.

This year we continued to expand our internal control testing and monitoring for end-to-end transaction testing to include budget and property, along with the procurement and disbursement cycles started last year. Through testing of the integrity of data through the life cycle flow of transactions, we were able to ensure that proper procurement requests; procurement processes; receipts of goods and services; and appropriate approval authority for these transactions were operating as designed. Also, in fiscal year 2010, we further enhanced self-monitoring of programs, particularly in vulnerable areas such as purchase cards, disbursements, and property. Program managers now review or monitor performance metrics and determine how best to use them in their specific control environments. These enhancements to the self-monitoring of programs improved efficiencies in the operations of internal controls. We also continue to review the independent auditors' reports on our service providers to ensure that we are able to proactively address any issues with appropriate compensating controls. All of these efforts contributed to our independent auditors providing a positive opinion on the effectiveness of our internal controls again this year.

Looking ahead to fiscal year 2011, we will continue implementing new systems and initiatives to ensure efficient and effective financial operations. We plan to implement the budget formulation and workforce planning tool to facilitate data integration and better enable analysis, planning, and management of GAO resources. Also, we will continue to expand our internal control testing and monitoring of critical human capital systems to enhance the quality of human capital data. In addition, we will continue our commitment to the Engagement Streamlining Initiative (ESI), which is identifying ways to streamline GAO's engagement processes and increase

efficiency through the use of information technology, while adhering to our high standards for product quality and timeliness. ESI's major emphasis is to make data and information more accessible, findable, and actionable for our analyst staff performing GAO's core mission.

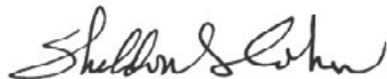
It has been my privilege to serve as the Acting Chief Financial Officer, following the retirement of Sallyanne Harper this past September, to ensure that GAO continues to be a leading practices agency and effectively and efficiently supports the Congress in improving the performance and accountability of the federal government.



Cheryl Whitaker
Acting 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 (GAO) financial operations. As part of that responsibility, the Committee meets with agency management and its internal and external auditors to review and discuss GAO's external financial audit coverage, the effectiveness of GAO's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact GAO's financial statements. GAO's external auditors are responsible for expressing an opinion on the conformity of GAO's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the internal and external auditors, and GAO's responses to those findings, to ensure that GAO's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft Performance and Accountability Report, including its financial statements, and provides comments to management who have primary responsibility for the Performance and Accountability Report. The Committee met three times with respect to its responsibilities as described above. During two of 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 2010 Performance and Accountability Report.



Sheldon S. Cohen
Chairman
Audit Advisory Committee

Independent Auditor's Report



Independent Auditor's Report

Acting Comptroller General of the United States

In our audits of the Government Accountability Office (GAO) for fiscal years 2010 and 2009, 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, 2010 and 2009, 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, 2010 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).

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, 2010, 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, 2010, 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, 2010. 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 FFMA 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, 2010. 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 Henderson LLP

Calverton, Maryland
November 9, 2010

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, 2010 and 2009

(Dollars in thousands)

	<u>2010</u>	<u>2009</u>
Assets		
Intragovernmental		
Funds with the U.S. Treasury (Note 3)	\$88,244	\$101,710
Accounts receivable	871	983
Total Intragovernmental	<u>89,115</u>	<u>102,693</u>
Property and equipment, net (Note 4)	32,824	32,684
Other	<u>328</u>	<u>307</u>
Total Assets	<u>\$122,267</u>	<u>\$135,684</u>
Liabilities		
Intragovernmental		
Accounts payable	\$11,573	\$14,857
Employee benefits (Note 6)	4,404	3,662
Workers' compensation (Note 7)	<u>2,620</u>	<u>2,764</u>
Total Intragovernmental	18,597	21,283
Accounts payable and other	16,286	12,500
Salaries and benefits (Note 6)	23,365	23,069
Accrued annual leave (Note 5)	35,178	33,351
Workers' compensation (Note 7)	15,217	16,332
Capital leases (Note 9)	<u>2,637</u>	<u>4,814</u>
Total Liabilities	<u>111,280</u>	<u>111,349</u>
Net Position		
Unexpended appropriations	28,531	48,330
Cumulative results of operations	<u>(17,544)</u>	<u>(23,995)</u>
Total Net Position (Note 13)	<u>10,987</u>	<u>24,335</u>
Total Liabilities and Net Position	<u>\$122,267</u>	<u>\$135,684</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, 2010 and 2009
(Dollars in thousands)

	<u>2010</u>	<u>2009</u>
Net Costs by Goal (Note 2)		
Goal 1: Well-Being/Financial Security of American People	\$210,295	\$191,316
Less: reimbursable services	(145)	-
Net goal costs	<u>210,150</u>	<u>191,316</u>
Goal 2: Changing Security Threats/Challenges of Global Interdependence	178,479	173,645
Less: reimbursable services	(5,008)	(5,283)
Net goal costs	<u>173,471</u>	<u>168,362</u>
Goal 3: Transform the Federal Government to Address National Challenges	208,315	182,384
Less: reimbursable services	(11,802)	(5,255)
Net goal costs	<u>196,513</u>	<u>177,129</u>
Goal 4: Maximize the Value of GAO	29,441	27,658
Less: reimbursable services	-	-
Net goal costs	<u>29,441</u>	<u>27,658</u>
Less: reimbursable services not attributable to goals	<u>(6,619)</u>	<u>(5,672)</u>
Net Cost of Operations (Note 10)	<u>\$602,956</u>	<u>\$558,793</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, 2010 and 2009
(Dollars in thousands)

	<u>2010</u>	<u>2009</u>
Cumulative Results of Operations, Beginning of fiscal year	(\$23,995)	(\$21,146)
Budgetary Financing Sources - Appropriations used	576,126	530,184
Other Financing Sources		
Intragovernmental transfer of property and equipment	(14)	(1)
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	<u>33,295</u>	<u>25,761</u>
Total Financing Sources	609,407	555,944
Net Cost of Operations	<u>(602,956)</u>	<u>(558,793)</u>
Net Change	6,451	(2,849)
Cumulative Results of Operations, End of fiscal year	<u>(17,544)</u>	<u>(23,995)</u>
Unexpended Appropriations, Beginning of fiscal year	48,330	24,064
Budgetary Financing Sources and Uses		
Current year appropriations	557,849	556,000
Permanently not available	(1,522)	(1,550)
Appropriations used	<u>(576,126)</u>	<u>(530,184)</u>
Total Unexpended Appropriations, End of fiscal year	<u>28,531</u>	<u>48,330</u>
Net Position	<u>\$10,987</u>	<u>\$24,335</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, 2010 and 2009
(Dollars in thousands)

	<u>2010</u>	<u>2009</u>
Budgetary Resources (Note 11)		
Unobligated balance, brought forward October 1	\$30,373	\$6,756
Recoveries of prior year unpaid obligations	<u>2,344</u>	<u>2,370</u>
Budget authority		
Appropriations	557,849	556,000
Spending authority from offsetting collections		
Earned and collected	24,139	16,299
Change in receivable from federal sources	(133)	373
Change in unfilled customer orders - advance received	(86)	433
Change in unfilled customer orders - without advance	<u>1</u>	<u>(125)</u>
Subtotal	581,770	572,980
Permanently not available	<u>(1,522)</u>	<u>(1,550)</u>
Total Budgetary Resources	<u>\$612,965</u>	<u>\$580,556</u>
Status of Budgetary Resources		
Obligations incurred		
Direct	\$581,262	\$536,692
Reimbursable	<u>20,865</u>	<u>13,491</u>
Subtotal	602,127	550,183
Unobligated balance - Apportioned	6,515	26,463
Unobligated balance not available	<u>4,323</u>	<u>3,910</u>
Total Status of Budgetary Resources	<u>\$612,965</u>	<u>\$580,556</u>
Change in Obligated Balances		
Obligated balance, net:		
Unpaid obligated balance, brought forward October 1	\$72,317	\$64,448
Uncollected customer payments from federal sources, brought forward October 1	<u>(978)</u>	<u>(730)</u>
Total, unpaid obligations, net, brought forward October 1	71,339	63,718
Obligations incurred	602,127	550,183
Less: Gross outlays	(593,836)	(539,944)
Recoveries of prior-year unpaid obligations, actual	(2,344)	(2,370)
Change in uncollected customer payments from federal sources	132	(248)
Obligated balance, net, end of period:		
Unpaid obligations	78,264	72,317
Uncollected customer payments from federal sources	<u>(846)</u>	<u>(978)</u>
Total, unpaid obligations, net, end of period	<u>\$77,418</u>	<u>\$71,339</u>
Net Outlays		
Gross outlays	\$593,836	\$539,944
Less: Offsetting collections	<u>(24,053)</u>	<u>(16,733)</u>
Net Outlays	<u>\$569,783</u>	<u>\$523,211</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 U.S. Government Accountability Office (GAO). GAO, an agency in the legislative branch of the federal government, supports the Congress in carrying out its constitutional responsibilities. GAO carries out its mission primarily by conducting audits, evaluations, analyses, research, and investigations and providing the information from that work to the Congress and the public in a variety of forms. The financial activity presented relates primarily to the execution of GAO's congressionally approved budget. GAO's budget consists of an annual appropriation covering salaries and expenses and revenue from reimbursable audit work and rental income. The revenue from audit services and rental income is presented on the statements of net cost as "reimbursable services" and included as part of "spending authority 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 death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GAO employees under FECA are administered by the Department of Labor (Labor) 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 longterm in nature. Sick leave and other types of leave are expensed as leave is taken. All leave is funded when expensed.

Contingencies

GAO has certain claims and lawsuits pending against it. 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, and expenses and in the note disclosures. Actual results could differ from these estimates.

Note 2. Intragovernmental Costs and Exchange Revenue

Intragovernmental costs arise from exchange transactions made between two reporting entities within the federal government in contrast with public costs, which arise from exchange transactions made with a nonfederal entity. Intragovernmental costs and exchange revenue for the periods ended September 30, 2010, and September 30, 2009, are as follows:

Dollars in thousands

	2010	2009
Goal 1: Well-Being/Financial Security of American People		
Intragovernmental costs	\$56,875	\$49,421
Public costs	<u>153,420</u>	<u>141,895</u>
Total goal 1 costs	<u>210,295</u>	<u>191,316</u>
Goal 1 intragovernmental earned revenue	<u>(145)</u>	<u>–</u>
Net goal 1 costs	<u>210,150</u>	<u>191,316</u>
Goal 2: Changing Security Threats/Challenges of Global Interdependence		
Intragovernmental costs	47,997	44,368
Public costs	<u>130,482</u>	<u>129,277</u>
Total goal 2 costs	<u>178,479</u>	<u>173,645</u>
Goal 2 intragovernmental earned revenue	<u>(5,008)</u>	<u>(5,283)</u>
Net goal 2 costs	<u>173,471</u>	<u>168,362</u>
Goal 3: Transform the Federal Government to Address National Challenges		
Intragovernmental costs	53,042	45,260
Public costs	<u>155,273</u>	<u>137,124</u>
Total goal 3 costs	<u>208,315</u>	<u>182,384</u>
Goal 3 intragovernmental earned revenue	<u>(11,802)</u>	<u>(5,255)</u>
Net goal 3 costs	<u>196,513</u>	<u>177,129</u>
Goal 4: Maximize the Value of GAO		
Intragovernmental costs	9,510	10,084
Public costs	<u>19,931</u>	<u>17,574</u>
Total goal 4 costs	<u>29,441</u>	<u>27,658</u>
Earned revenue not attributable to goals		
Intragovernmental	(6,315)	(5,534)
Public	<u>(304)</u>	<u>(138)</u>
Total earned revenue not attributable to goals	<u>(\$6,619)</u>	<u>(\$5,672)</u>

Goal 4 has no associated year-to-date intragovernmental revenues and all public earned revenue collected is not attributable to goals. The Government Accountability Office Act of 2008 provided GAO the authority to bill for costs related to certain audit work provided to other government entities, this resulted in additional revenue in fiscal year 2010 under Goal 3.

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, 2010, and September 30, 2009, is as follows:

Dollars in thousands

	2010	2009
Unobligated balance		
Available	\$6,515	\$26,461
Unavailable	4,311	3,910
Obligated balances not yet disbursed	<u>77,418</u>	<u>71,339</u>
Total funds with U.S. Treasury	<u>\$88,244</u>	<u>\$101,710</u>

A significant portion of the unobligated balance available in fiscal year 2009 (approximately \$20,800,000) is due to the remaining unobligated balance of GAO's supplemental multiyear appropriation for efforts that include reviewing states' uses of the American Recovery and Reinvestment Act (Recovery Act) funds.

Note 4. Property and Equipment, Net

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>

The composition of property and equipment as of September 30, 2009, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Building	\$15,664	\$13,158	\$2,506
Land	1,191	–	1,191
Building improvements	109,841	96,780	13,061
Computer and other equipment and software	40,258	30,360	9,898
Leasehold improvements	6,238	6,037	201
Assets under capital lease	<u>20,954</u>	<u>15,127</u>	<u>5,827</u>
Total property and equipment	<u>\$194,146</u>	<u>\$161,462</u>	<u>\$32,684</u>

Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's balance sheets as of September 30, 2010, and September 30, 2009, 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, 2010, and September 30, 2009, is as follows:

Dollars in thousands

	2010	2009
Intragovernmental liabilities—Workers' compensation	\$2,620	\$2,764
Salaries and benefits—Comptrollers' General retirement plan*	1,878	1,961
Accrued annual leave	35,178	33,351
Workers' compensation**	15,217	16,332
Capital leases	<u>2,637</u>	<u>4,814</u>
Total liabilities not covered by budgetary resources	<u>\$57,530</u>	<u>\$59,222</u>

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

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

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 Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) Program and may continue to participate after retirement. GAO makes contributions through OPM to FEHBP and FEGLI Program 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. As a result of OPM adopting Statement of Federal Financial Accounting Standards No. 33, *Pensions, Other Retirement Benefits, and Other Post Employment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, our estimated future pension costs increased from a change in the cost factors (see [federal employee benefits costs table](#) below).

Amounts owed to OPM and Treasury as of September 30, 2010, and September 30, 2009 are \$4,404,000 and \$3,662,000, 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, 2010, and September 30, 2009, are as follows:

Dollars in thousands

Federal Employee Benefits Costs	2010	2009
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$15,816	\$9,372
Estimated future postretirement health and life insurance (FEHBP/FEGLIP)	<u>17,479</u>	<u>16,389</u>
Total	<u>\$33,295</u>	<u>\$25,761</u>
Pension expenses (CSRS/FERS)	\$36,386	\$33,895
Health and life insurance expenses (FEHBP/FEGLIP)	\$19,283	\$17,377
FICA and Medicare payments made by GAO	\$21,796	\$19,436
Thrift Savings Plan – matching contribution by GAO	\$12,898	\$11,436

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 \$1,878,000 as of September 30, 2010, and \$1,961,000 as of September 30, 2009, 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 September 30, 2009	\$1,961
Expense:	
Interest on the liability balance	127
Actuarial loss:	
From experience	95
From assumption changes	20
Total expense	242
Less benefits paid	(325)
Actuarial liability as of September 30, 2010	<u>\$1,878</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, 2010, and September 30, 2009, which is expected to be paid in future periods. This estimated liability of \$15,217,000 and \$16,332,000 as of September 30, 2010, and September 30, 2009, respectively, is reported on GAO's balance sheets. GAO also recorded a liability for amounts paid to claimants by Labor as of September 30, 2010, and September 30, 2009, of \$2,620,000 and \$2,764,000, respectively, but not yet reimbursed to Labor by GAO. The amount owed to Labor is reported on GAO's balance sheets as an intragovernmental liability.

Note 8. Building Lease Revenue

In fiscal year 2010 the current 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 agreement begins 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 2010 and 2009 was \$5,338,000 and \$5,264,000, respectively. These amounts are included in reimbursable services shown on the statements of net costs. Total rental revenue for the period of the new 10-year lease is as follows:

Dollars in thousands

Fiscal year ending September 30	Total Projected Receipts*
2011	\$6,845
2012	6,928
2013	7,014
2014	7,102
2015	7,194
2016 - 2020	<u>37,452</u>
Total	<u><u>\$72,535</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, 2010, and September 30, 2009, the capital lease liability was \$2,637,000 and \$4,814,000, respectively.

These lease agreements are written as contracts with a base year and option years. The option years are subject to the availability of funds. Early termination of the leases for reasons other than default is subject to 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
2011	\$2,437
2012	272
2013	<u>38</u>
Total estimated future lease payments	2,747
Less: imputed interest	<u>(110)</u>
Net capital lease liability	<u><u>\$2,637</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 2010 and fiscal year 2009 amounted to approximately \$13,963,000 and \$11,780,000, respectively. Leases for equipment under operating leases are generally less than 1 year therefore there are no associated future minimum lease payments. Estimated future minimum lease payments for field office space under the terms of the leases are as follows:

Dollars in thousands

Fiscal year ending September 30	Total
2011	\$8,653
2012	6,995
2013	5,709
2014	4,909
2015	3,620
2016 and thereafter	7,855
Total estimated future lease payments	<u>\$37,741</u>

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

Note 10. Net Cost of Operations

Expenses for salaries and related benefits for fiscal year 2010 and fiscal year 2009 amounted to \$475,530,000 and \$441,438,000, respectively, about 79 percent of GAO's annual net cost of operations in fiscal year 2010 and fiscal year 2009. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$33,295,000 in fiscal year 2010 and \$25,761,000 in fiscal year 2009.

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 2010 and fiscal year 2009 amounted to \$23,574,000 and \$16,210,000, 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 2010 include current year appropriations; prior years' unobligated balances, including almost \$21,000,000 available through fiscal year 2010 to cover program reviews required by the Recovery Act; and 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.

Earned reimbursements consist primarily of rent collected from USACE for lease of space and related services in the GAO building and program and financial audits of federal entities, including the Department of the Treasury, Securities and Exchange Commission, Federal Deposit Insurance Corporation, 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 2009 and 2010 budgetary resources do not include any transfers of budget authority.

Comparison of GAO's fiscal year 2009 statement of budgetary resources with the corresponding information presented in the 2011 President's Budget is as follows:

Dollars in thousands

	Budgetary Resources	Obligations Incurred
Fiscal year 2009 Statement of Budgetary Resources	\$580,556	\$550,183
Unobligated balances, beginning of year – (funds activity, expired accounts)	(5,756)	-
Recovery of prior-year unpaid obligations	(2,370)	-
Obligations incurred – expired years	-	(2,836)
Permanently not available –(funds activity, expired accounts)	1,550	-
Spending Authority from offsetting collections (funds activity, expired accounts)	(461)	-
Other – rounding in President's Budget	(519)	(347)
2011 President's Budget – fiscal year 2009, actual	<u>\$573,000</u>	<u>\$547,000</u>

As the fiscal year 2012 President's Budget will not be published until February 2011, a comparison between the fiscal year 2010 data reflected on the statement of budgetary resources and fiscal year 2010 data in the President's Budget cannot be performed, though we expect similar differences will exist. The fiscal year 2012 President's Budget will be available on the OMB's Web site and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2010 and the end of fiscal year 2009 totaled \$24,906,000 and \$20,670,000, respectively. GAO's apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2010 and 2009 are as follows:

Dollars in thousands

Fiscal year ending September 30	2010	2009
Direct – Category A	\$581,262	\$536,692
Reimbursable – Category A	<u>20,865</u>	<u>13,491</u>
Total obligations incurred	<u>\$602,127</u>	<u>\$550,183</u>

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, 2010, and 2009, are as follows:

Dollars in thousands

Fiscal year ending September 30	2010	2009
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	\$602,127	\$550,183
Less: spending authority from offsetting collections and recoveries	<u>(26,265)</u>	<u>(19,351)</u>
Obligations net of offsetting collections and recoveries	<u>575,862</u>	<u>530,832</u>
Other resources		
Intragovernmental transfer of property and equipment	(14)	(1)
Federal employee retirement benefit costs paid by OPM imputed to GAO	<u>33,295</u>	<u>25,761</u>
Net other resources used to finance activities	<u>33,281</u>	<u>25,760</u>
Total resources used to finance activities	<u>609,143</u>	<u>556,592</u>
Resources used to finance items not part of the net cost of operations		
Change in unliquidated obligations	(4,320)	(5,127)
Reduction in lease liability and other	(2,177)	(2,203)
Assets capitalized	(9,975)	(3,784)
Net decrease/(increase) in receivables not generating resources until collected and other adjustments	<u>17</u>	<u>(17)</u>
Total resources used to fund items not part of the net cost of operations	<u>(16,455)</u>	<u>(11,131)</u>
Total resources used to finance net cost of operations	<u>592,688</u>	<u>545,461</u>
Components of net costs that will not require or generate resources in the current period		
Decrease in workers' compensation	(1,259)	(104)
Increase in accrued annual leave	1,827	2,398
Decrease in other liabilities	<u>(83)</u>	<u>(14)</u>
Total components of net costs that will not require or generate resources in the current period	<u>485</u>	<u>2,280</u>
Costs that do not require resources		
Depreciation and other	<u>9,783</u>	<u>11,052</u>
Net cost of operations	<u><u>\$602,956</u></u>	<u><u>\$558,793</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, 2010, and 2009, are as follows:

Dollars in thousands

	2010	2009
Investment in property and equipment, net	\$32,824	\$32,684
Net reimbursable funds activity	6,892	2,378
Other – supplies inventory	270	165
Liabilities not covered by budgetary resources	<u>(57,530)</u>	<u>(59,222)</u>
Cumulative results of operations	<u>(\$17,544)</u>	<u>(\$23,995)</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, Labor investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If Labor concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the 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, 2010 and 2009, totaled approximately \$4,937,000 and \$4,781,000, 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 \$801,000 in fiscal year 2010 and \$528,000 in fiscal year 2009.

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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



Office of the Inspector General
United States Government Accountability Office

O I G

Memorandum

Date: October 28, 2010

To: Acting Comptroller General – Gene L. Dodaro

From: Inspector General – Frances Garcia *Frances Garcia*

Subject: GAO Management Challenges and Performance Measures

We have considered management's assessment of GAO's management challenges. Based on our work and institutional knowledge, we agree that physical security, information security, and human capital continue to be management challenges that may affect GAO's performance. We also agree with management's assessment of progress made in addressing these challenges. At the same time, given that current management challenges have remained unchanged since 2002, we believe an examination by GAO management in the coming year is warranted 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.

During fiscal year 2010, we completed work on two performance measures. First, we reviewed accomplishment reports that claimed \$1 billion or more in fiscal year 2009 financial benefits and recommended GAO consider steps that could assist its staff in complying with agency policies.¹ In response, GAO initiated two actions that address the issues raised in the report, including a requirement that teams consult with GAO's Center for Economics on the calculation for financial benefits of \$500 million or more. Second, we reviewed the agency's testimony performance measure and found that the number of hearings was slightly less than the 304 reported by the agency for fiscal year 2008.² We recommended that specific steps for addressing the type of issues identified in our review be included in its revised procedures. GAO agreed with our recommendation and has issued revised procedures to address the issues discussed in this report. In addition, the agency has revised the number of hearings that it reports for fiscal year 2008.

¹GAO/OIG, *Performance Measure: GAO Had a Reasonable Basis for Reporting Its Largest Financial Benefits for Fiscal Year 2009*, GAO/OIG-10-4, May 21, 2010.

²GAO/OIG, *Testimony Measure: Verification of Performance Data Could Be Improved*, GAO/OIG-10-1, November 18, 2009.

Serving The Congress And The Nation



Part V

Appendixes

1. Accomplishments and Other Contributions

This appendix provides details on selected accomplishments and contributions we documented in pursuing our strategic goals during fiscal year 2010. In reporting financial benefits, nonfinancial benefits, and other contributions, we are holding ourselves accountable for the resources we received to implement our strategic plan.

Typically, the accomplishments describe work we completed in prior fiscal years because it takes time to implement recommendations, realize benefits, and document them.

Contributions, which generally refer to work completed in fiscal year 2010, describe cases in which we provided information or recommendations that substantially aided congressional decision making or informed the public debate. At the end of each accomplishment and contribution summary, we list the product numbers associated with the work discussed. In the electronic version of this document, readers can link directly to these products for more information on the issue.



Source: See Image Sources.

Health Care Needs and Financing

1.01. Reducing Vulnerability to Improper Payments Identified by Recovery Auditors:

Our 2010 review on use of recovery audit contractors (RAC) in Medicare found that the Centers for Medicare & Medicaid Services (CMS) lacked an adequate process to use RAC findings to address vulnerabilities that led to over \$230 million in improper payments to Medicare providers. This influenced the Congress to add a provision to the Improper Payments Elimination and Recovery Act of 2010. All agencies that use RACs are now required to report yearly to the Office of Management and Budget and the Congress on actions taken to address RAC recommendations on how to reduce vulnerabilities leading to improper payments. ([GAO-10-143](#), [GAO-10-864T](#))

1.02. Strengthening Oversight of Infection Control Practices in Surgical Centers: Because there was no nationwide information on infections transmitted in ambulatory surgical centers (ASC), we recommended that the Department of Health and Human Services (HHS) strengthen its routine inspections of ASC facilities by collecting detailed information on practices that reduce the risk of transmitting infections, and conduct inspections on a random sample of ASCs to determine how

well these practices were followed. As a result, HHS enhanced its inspection process in 2009, leading to a fourfold increase in the proportion of facilities found to have deficient infection control practices—up to 61 percent in fiscal year 2010. ([GAO-09-213](#))

1.03. Strengthening Oversight of Medicare Home Health Agencies: Our February 2009 report on improper payments made by Medicare home health agencies (HHA) noted that gaps in screening allow problem providers to enter the program, leading to fraud and abuse. In response, the Centers for Medicare & Medicaid Services issued regulations strengthening enrollment requirements. For example, HHAs whose Medicare billing privileges are deactivated are now required to obtain an initial state survey or accreditation before their billing privileges can be reactivated. ([GAO-09-185](#))

1.04. Improving the Medicare Program: Our recommendations have led to many improvements to Medicare. For example, in 2009 we found that some Medicare Advantage (MA) plans charged beneficiaries more for certain covered services if the plans were not notified before service delivery. Due to our report, this practice was prohibited, which will protect over 11 million beneficiaries enrolled in MA plans. In 2000, we recommended that private insurers provide information on their enrollees to

improve identification of beneficiaries with other insurance. This became a requirement in 2007, with an estimated financial benefit to Medicare of \$447 million in fiscal years 2010 through 2014. ([GAO-09-25](#), [GAO-10-304](#))

1.05. Improving Administration of Health Care for Veterans: Our work at the Department of Veterans Affairs (VA) has led the agency to implement changes to more efficiently plan and conduct its mission to provide care to veterans. In response to our recommendations on improving strategic planning for veterans' long term care, VA strengthened its September 2009 long-term care strategic plan by including information on estimated demand for and growth in institutional and noninstitutional services. As a result of our recommendation to examine its process for checking physician credentials, VA determined that the process could be simplified and has adjusted its policies for obtaining the information. ([GAO-09-145](#), [GAO-10-26](#))

Lifelong Learning to Enhance U.S. Competitiveness

1.06. Enhancing Classroom Instruction: We reported on the use of Recovery Act funds for classroom instruction, and the Department of Education's role in supporting programs that prepare and develop teachers to instruct all students, including those with disabilities and English language learners; student access to arts education; and instructional practices that help students achieve academic standards. The Congress is deliberating the reauthorization of the Elementary and Secondary Education Act. ([GAO-09-593](#), [GAO-09-573](#), [GAO-09-286](#), [GAO-10-18](#))

Benefits and Protection for Workers, Families, Children

1.07. Improving Child Nutrition: In light of recent concerns about the safety of foods provided through domestic nutrition assistance programs, particularly among programs targeting children, we made several recommendations to improve food safety in the National School Lunch Program. The Senate-passed Healthy, Hunger-Free Kids Act, which reauthorizes federal child nutrition programs, includes provisions to implement our recommendations. We also identified areas of potential program overlap that could lead to more efficient delivery of nutrition assistance programs, and USDA has agreed to consider studying potential inefficiencies among its smaller programs. ([GAO-10-346](#), [GAO-09-649](#), [GAO-09-814](#))

1.08. Improving Disability Evaluation System: In 2008, we reported on the Departments of Defense (DOD) and Veterans Affairs (VA) early efforts to improve their disability evaluation systems through a joint pilot of a merged system. We recommended that DOD and VA sustain executive focus on the pilot and develop more complete plans for evaluating the merits of large-scale implementation. Subsequently, the Congress extended DOD and VA's Senior Oversight Committee, and DOD and VA created offices to coordinate related policy. As follow-up, we advised DOD, VA, and the Congress of key implementation issues to inform decisions and plans for worldwide expansion. ([GAO-08-1137](#))

1.09. Addressing Insolvency in Unemployment Insurance Trust Funds: We gave the Congress information on the state of Unemployment Insurance (UI) trust funds, which we found to have outstanding loans totaling \$38.9 billion from the federal government to pay benefits. At the end of 2009, no state had enough reserves to cover

12 months of benefits, and net reserves are projected to remain negative for several years. We identified options to improve state UI trust-fund financial conditions, such as raising and indexing the taxable wage base, adjusting state tax rates more frequently, and raising solvency targets before lowering rates. As a result of this work, the Congress asked us to testify in late 2010. ([GAO-10-440](#), [GAO-10-692T](#))

Financial Security for an Aging Population

1.10. Disclosing More Information on 401(k) Fees: Our recent work found that 401(k) plan participants bear the majority of a plan's fees and possess limited information to invest wisely, and that the Department of Labor (DOL) lacks the information to ensure effective oversight. We recommended better fee disclosure by plan sponsors to participants and by plan service providers to plan sponsors. Subsequently, the Congress added provisions calling for better fee disclosure and DOL issued regulations on fees and information that service providers must disclose. ([GAO-10-153T](#), [GAO-09-641](#), [GAO-08-222T](#), [GAO-08-95T](#))

Responsive, Fair, Effective System of Justice

1.11. Improving Accountability for Civil Rights Division's Workload: Our review of the Justice Department's Civil Rights Division, which enforces federal laws prohibiting discrimination, informed the Congress about matters and cases the division pursued, but exposed that the division did not record data about the protected class (e.g., race and sex) and subject (alleged discrimination) involved. We maintained that the division needed to record these data in its case management system to be able to monitor its activities and be accountable to the Congress, and as a

result, in January 2010, the division required that such data be recorded. ([GAO-09-938R](#), [GAO-10-75](#), [GAO-10-256T](#))

Viable Communities

1.12. Improving Federal Efforts to Combat Foreclosure Rescue Schemes:

In 2009, the administration created the Financial Fraud Enforcement Task Force (FFETF), led by the Department of Justice (DOJ), to combat financial crimes, including schemes that promise but do not provide relief to vulnerable homeowners facing pending foreclosure. In 2010, we reported that the FFETF's Mortgage Fraud Working Group had developed an action plan that articulated the group's purpose and activities but did not contain long-term strategies and performance measures. DOJ agreed with our recommendations to incorporate long-term strategies and metrics and consider developing strategies specific to foreclosure rescue schemes. ([GAO-10-787](#))

1.13. Improving Collaboration of Federal Agencies on Matters Related to Homelessness Programs:

We reported that limited collaboration among federal agencies on matters related to differences in definitions and terminology regarding homelessness and the linking of housing and supportive services may impede the effective delivery of services to those experiencing homelessness. We recommended that the Departments of Education, Housing and Urban Development (HUD), and Health and Human Services (HHS) develop a common vocabulary for homelessness and that HUD and HHS explore further opportunities to link housing and supportive services. Our work provides constructive steps to improve collaboration to effectively deliver homelessness services. ([GAO-10-702](#), [GAO-10-724](#))

Stable Financial System and Consumer Protection

1.14. Identifying Options to Reform the Long-Term Structures of Fannie Mae and Freddie Mac: Fannie Mae and Freddie Mac, two government sponsored housing enterprises, were placed in conservatorships in September 2008 by the Federal Housing Finance Agency out of concern that their deteriorating financial condition would destabilize the financial system. Based on the amount of government financial support, the Congressional Budget Office estimates that the conservatorships could cost taxpayers nearly \$400 billion. Our report identified several potential options to strengthen the enterprises' long-term structures as well as some of the associated trade-offs. Congress has used the report in considering a structural reform strategy. ([GAO-09-782](#))

Natural Resources and Environment

1.15. Increasing Focus on Children's Environmental Health: Our report and testimony on children's environmental health issues resulted in the Environmental Protection Agency (EPA) reorganizing and elevating its Office of Children's Health to report directly to the EPA Administrator and more proactively use its Children's Health Advisory Committee to increase the federal government's focus on children's health issues. In addition, the Congress cited our work in introducing legislation to protect children from dangerous chemicals. ([GAO-10-205](#), [GAO-10-545T](#))

1.16. Assessing the Interdependence between Energy and Water: Energy and water are inexorably linked—large quantities of water are needed to develop energy, and energy is needed to pump, treat,

and transport water. Energy and water may face serious constraints as demand for both continues to rise. In 2010, we assessed the amount of water required to generate electricity in thermoelectric power plants and to cultivate and convert feedstocks, such as corn, into biofuels. We identified key research and data needed to better understand these vital links and testified on these issues before the House Committee on Science and Technology. ([GAO-10-116](#), [GAO-10-23](#), [GAO-09-862T](#))

Viable National Infrastructure

1.17. Identifying Options to Restructure the U.S. Postal Service (USPS): USPS faces a deteriorating financial situation due to continuing mail volume decline and changing use of the mail. We added USPS's financial condition to our high-risk list in 2009, stating that USPS urgently needs to restructure to address its current and long-term financial viability. We asked USPS to develop and implement a restructuring plan. In response, USPS published its plan in 2010, which included some options to improve its financial viability that we identified. Congressional hearings on USPS's financial viability focused on our work and the plan as the Congress and other stakeholders continue to concentrate on key aspects of the plan. ([GAO-09-937SP](#), [GAO-10-191T](#), [GAO-10-455](#), [GAO-10-538T](#), [GAO-10-601T](#))

1.18. Monitoring the Implementation of the Next Generation Air Transportation System: We testified before the Congress in fiscal year 2010 on the Federal Aviation Administration's (FAA) efforts to implement the satellite-based Next Generation Air Transportation System (NextGen). Our work assisted the Congress in overseeing FAA's progress and keeping members aware of critical issues that threaten timely

implementation of NextGen, which is expected to reduce flight delays and save time and fuel. For example, we found a lack of integration and coordination within FAA, and across federal partners and other stakeholders, and a lack of clear goals and metrics to guide NextGen. ([GAO-10-188T](#), [GAO-10-649T](#), [GAO-10-629](#))

1.19. Increasing the Likelihood That High-Speed Rail Projects Will Achieve Public Benefits: With \$3.6 billion in federal funds set aside for projects in California and Florida, the U.S. is anticipated to have high-speed rail, similar to that in other countries. Following our recent work on potential economic viability, funding, and leadership and accountability challenges to building and sustaining these systems, our 2010 report assessed how states may be able to overcome these challenges, and plans for federal oversight. These reports can help policymakers and those planning rail investments assess whether high-speed rail proposals will likely benefit the public and justify their large costs. ([GAO-10-625](#), [GAO-09-317](#))

1.20. Improving Emergency Communications: Emergency communications are critical during war, terrorist attacks, and natural disasters, yet the nation depends on an antiquated, unreliable alert system. In 2009, we reported that the Federal Emergency Management Agency (FEMA) has made little progress in modernizing the alert system, with project milestones being left undefined since 2006. We recommended that FEMA ensure the dependability of systems used to disseminate alerts and update its strategic goals, implementation plans, and performance measures. As a result, FEMA is developing a strategic plan to achieve a solution for a national public alert and warning system. ([GAO-09-834](#), [GAO-09-1044T](#))

1.21. Improving Amtrak's Management and Performance: In response to continued heavy reliance on federal subsidies, we reported in 2005 on the National Railroad Passenger Corporation's (Amtrak) management and performance. We found systemic problems in a range of areas, including strategic planning and financial management, that hindered efficiency, effectiveness, and accountability. In 2009 and 2010, Amtrak addressed some of our recommendations by issuing strategic guidance and developing new financial management tools. These actions have helped to mitigate the systemic problems we found and contribute to improved management and performance at Amtrak. ([GAO-06-145](#))

1.22. Improving Air Travel for Consumers: Our 2010 work on consumer air travel resulted in recommendations to the Department of Transportation (DOT) and the FAA. We reported that airlines do not fully reveal the full cost of travel to consumers because of hidden fees, and DOT is considering our recommendation to help consumers by requiring airlines to standardize disclosure of fees. We reported on FAA efforts to reduce airport delays and found that seven airports accounted for 80 percent of departure delays. We recommended that FAA set airport-specific on-time performance targets, and FAA is developing these airport targets. ([GAO-10-785](#), [GAO-10-885T](#), [GAO-10-542](#), [GAO-10-543SP](#))



Source: See Image Sources.

Protect and Secure the Homeland

2.01. Using the Terrorist Watch List

Process to Strengthen Aviation Security: The December 25, 2009, attempted bombing of flight 253 raised questions about the U.S. government's ability to protect the homeland, including the commercial aviation system. We conducted numerous briefings with House and Senate committees and testified on how the U.S. government uses the terrorist watch list to screen individuals and how failure to do so contributed to the attempted attack. Our work helped the Congress better understand the complexities of the watch listing process and the challenges associated with deploying enhanced explosive-detection technology, such as advanced-imaging technology, in airports. ([GAO-10-401T](#))

2.02. Improving the Department of Homeland Security's (DHS) Secure Border Initiative: Since 2006, we have reviewed DHS's Secure Border Initiative—a multibillion dollar program aimed at securing U.S. borders through technology and fencing. We reported on continued delays and program management weaknesses and risks. DHS's actions to address our recommendations could reduce these program weaknesses and risks and improve accountability. DHS is analyzing alternatives and costs to ensure it employs the most efficient and effective border security

solutions. As of October 2010, the first stage of the assessment is complete and DHS senior management was reviewing the results.

2.03. Exposing Weaknesses in Behavior Based Identification of High-Risk

Aviation Passengers: In response to a Congressional request, in May 2010 we reported weaknesses in the Transportation Security Administration's (TSA) program to identify high-risk air passengers based on their behaviors. We reported that the underlying science is unproven, potential threats need to be better identified, and TSA missed opportunities to study terrorist behaviors. We recommended that TSA conduct an independent review of the program's scientific basis, better use information it collects, and study terrorist behaviors using airport video recordings. TSA is taking action to address these issues. ([GAO-10-763](#))

2.04. Strengthening DHS's Efforts to Implement Its Management Functions: Our work identified ongoing challenges in DHS's acquisition, information technology, financial, and human capital management functions. We found that most acquisition programs we reviewed experienced significant cost growth and schedule delays. We also reported that DHS's major information technology programs had not met capability, benefit, cost, and schedule expectations. DHS had also not yet implemented a consolidated departmentwide financial management system to provide

reliable financial data and faced difficulties in human capital management, including improving its foreign language capabilities. Our work drew congressional and agency attention to DHS management challenges, and the department is taking steps to improve implementation of its management areas. ([GAO-10-911T](#), [GAO-10-588SP](#), [GAO-10-76](#), [GAO-10-714](#))

Ensure Military Capabilities and Readiness

2.05. Improving Shipbuilding Programs through the Adoption of Best Practices:

Our May 2009 report on best practices in shipbuilding highlighted changes needed to overcome billions of dollars in cost overruns. Our report called for relying on fixed price contracts, constraining requirements, stabilizing ship design, and expanding workforce capability. As a result, the Navy is building the Joint High Speed Vessel under a fixed-price contract and new ship designs recognize affordability in setting requirements. The Senate passed a provision in 2010 incorporating metrics we suggested for design stability. Further, the Navy added 400 positions to the command responsible for managing shipbuilding programs. ([GAO-09-322](#))

2.06. Not Building European Missile Defense Sites Will Save \$1.4 Billion: In 2009, we identified likely cost growth in military construction, base operations, and support for planned missile defense sites in Poland and the Czech Republic, and the administration later terminated plans for the sites based, in part, on that work. Our prior work had influenced the Congress to require DOD to review its ballistic defense policy and strategy to determine the most effective approach to ballistic missile defense in the region. Terminating these plans resulted in a financial benefit of over \$1.4 billion through

fiscal year 2013 by avoiding planned military construction and the costs to operate and support the sites. ([GAO-09-771](#))

2.07. Contributing to Properly Funding the Military's Needs: In several reviews, we analyzed DOD's base budget request for fiscal year 2010 and DOD's approach to requesting funds and reporting obligations for overseas contingency operations. Our analysis of unobligated balances—funding that has been approved or is available, but not yet committed for a particular purpose—and execution trends for operation and maintenance, and military personnel expenditures resulted in financial benefits of about \$2.3 billion. DOD subsequently took steps to improve the transparency of its funding requests and the reliability of its cost reporting, resulting in financial benefits of about \$670 million. ([GAO-10-288R](#), [GAO-10-562R](#))

2.08. Assessing DOD's Ability to Provide Trained and Ready Forces for Military Operations: In numerous reports and testimonies on military operations and readiness, we identified issues with DOD's ability to provide trained and ready forces, supply and reset equipment, improve processes to address urgent needs identified by ground commanders in Iraq and Afghanistan, strengthen force protection for deployed forces, and plan for troop drawdown. Our work in framing these issues for congressional and public debate triggered action by DOD and the Congress. For example, the Navy is now required to report the impact of changes in crew size and training on ship readiness and life spans and any plans to address it. ([GAO-10-376](#), [GAO-10-460](#), [GAO-10-465](#), [GAO-10-592](#), [GAO-10-842T](#))

2.09. Assessing DOD's Management and Oversight of the Recruiting and Retention Budget: Our prior work identified issues such as excessive payments of enlistment and reenlistment bonuses to servicemembers in

occupations that exceeded their authorized levels while other occupations were underfilled. We made recommendations that DOD assess reasons for occupations being over- or underfilled and justify use of financial incentives for overfilled occupations. On the basis of our work, DOD developed a more rigorous approach to managing and overseeing its recruiting and retention budget, resulting in a financial benefit of \$947.3 million. ([GAO-09-256](#), [GAO-06-134](#))

2.10. Assessing DOD's Management of Operational Contractor Support: In 2006, we identified long-standing problems with DOD's management of contractor support on the battlefield, including insufficient predeployment training of military personnel on the use of and oversight for such support and failure to develop a repository for lessons learned on working with contractors. In response to our recommendations on these issues, DOD provided training on the use of operational contract support, integrated contractors in rehearsal exercises in 2008, developed a DOD-wide lessons learned program in 2007, and an Operational Contract Support Community of Interest in 2009. ([GAO-10-829T](#))

2.11. Revamping Missile Defense Acquisition Policy: The Missile Defense Agency (MDA) was established with unprecedented funding and decision-making flexibility. For years, we have reported that missile defense testing was less productive than anticipated due to a lack of robust planning, and that cost progress could not be assessed because MDA had no full cost baselines. Over the past year, MDA has incorporated more knowledge-based approaches to testing missile defense systems through development of a new test plan and revamped acquisition policies including reporting some baselines. As a result of our

work, MDA is in a better position to more effectively manage and oversee its acquisitions. ([GAO-10-311](#), [GAO-08-448](#), [GAO-06-327](#), [GAO-09-338](#), [GAO-08-113](#))

2.12. Improving the Nuclear Weapons Stockpile Life Extension Process: The National Nuclear Security Administration (NNSA) manages the Stockpile Life Extension Program (LEP), the purpose of which is to extend the operational lives of the weapons in the nuclear stockpile. Each of NNSA's life extensions has experienced significant problems, and we have recommended changes to the LEP process to better assess cost, schedule and technical risk. As a result, in 2009 NNSA improved its accounting for LEP costs, thereby providing greater transparency for program management. In 2010, NNSA has taken formal steps to better assess and manage technical risk early in its next planned LEP. ([GAO-09-385](#), [GAO-03-583](#))

Advance U.S. Foreign Policy Interests

2.13. Improving the Security of U.S. Travel Documents: Travel document security depends on well-designed security features and inspection procedures that utilize these features. We found deficiencies in the design process and recommended that the Department of State (State) conduct testing and evaluation of the passport and border-crossing cards and address any problems found. Further, DHS is not fully realizing the security benefits from the use of e-passports, and we recommended that DHS implement the systems needed to read and fully validate the data stored on e-passports at U.S. ports of entry. State and DHS agreed with the recommendations, which will help prevent U.S. travel document fraud. ([GAO-10-96](#), [GAO-10-589](#))

2.14. Encouraging Management Reform and U.S. Participation in the United Nations:

Consistent with our recommendations, State and the United Nations (UN) have strengthened UN management by improving UN procurement processes, strengthening internal oversight, and boosting U.S. employment. The UN, with an annual procurement budget of about \$3.5 billion, made its procurement processes more accountable and transparent. The UN Office of Internal Oversight Services adopted a risk assessment framework and operations work plans, and State continues to advocate more budgetary independence for this office. State also has developed a roster of qualified American candidates and better targeted its recruiting efforts. (GAO-10-168, GAO-08-1094, GAO-07-597, GAO-07-14, GAO-06-988)

2.15. Improving International Food Assistance:

Since 2007, our work on international food assistance, including six testimonies before the Congress, has contributed to multiple operational improvements. Consistent with our recommendations to improve the efficiency and effectiveness of U.S. food aid, agencies have enhanced monitoring and evaluation, quality control, and transportation and logistics, saving several million dollars annually through improved contracting practices. Our 2008 and 2010 reports on global food security have contributed to efforts to develop a governmentwide global food security strategy, including an interagency coordination mechanism and implementation guide. (GAO-10-352, GAO-09-977SP, GAO-09-570, GAO-08-680, GAO-07-560)

2.16. Making U.S. Sanctions against Iran More Effective: Ongoing concerns about nuclear weapons proliferation and terrorism have led the Congress to expand both

sanctions against Iran and related reporting requirements. Its actions underscore the importance of a comprehensive assessment of the effectiveness of U.S. sanctions. We have reported and testified on the challenges to preventing illegal transshipment of U.S. goods to Iran, restricting foreign investment in Iran's energy sector, and maintaining accurate data on U.S. exports to Iran. As a result, the U.S. Census Bureau has taken steps to improve the accuracy of its exports data, and the Congress cited our work in passing new legislation on Iran sanctions. (GAO-10-375, GAO-10-515R, GAO-10-639R, GAO-10-967R, GAO-10-928T)

2.17. Improving Long-Term Management of New Embassy Compounds:

In 2006, we found that the size and complexity of new embassy compounds significantly increased operations and maintenance costs compared to the prior facilities, but State did not clearly identify or project these costs. In 2010, in response to our recommendation, State issued its first Long-Range Overseas Maintenance Plan, outlining the required financial resources to meet the maintenance requirements for the new embassy compounds. The plan provides greater transparency to congressional policymakers for the resources needed to protect the U.S. government's multibillion dollar investment in overseas facilities. (GAO-06-641)

Respond to Global Market Forces

2.18. Reforming the U.S. Export Control System: Over the past decade, we have identified significant weaknesses in the U.S. export control system and in our 2007 high-risk series, we called for a fundamental reexamination of programs designed to protect critical technologies, including export controls. While agencies have implemented

recommendations in several areas, other significant changes still need to be made. In April 2010, the President proposed a framework to reform the export control system. State and Commerce officials noted the value of our reports in guiding this effort, including our May 2010 observations on selected foreign countries' export control systems. ([GAO-10-557](#), [GAO-09-767T](#), [GAO-07-1103](#), [GAO-07-265](#), [GAO-02-120](#))

2.19. Strengthening the Framework for Providing Financial Assistance to Private Companies: In 2010, we identified underlying principles to protect the government's interests when considering large-scale federal assistance efforts. These principles—including coordinating actions on a global and comprehensive basis, mitigating perceived or potential conflicts, ensuring transparency by establishing an effective communication strategy, establishing strong systems of accountability, and mitigating moral hazard—build on those we developed following financial crises of the 1970s and 1980s. Together, the principles provide a guide for government action should intervention in the private market be necessary in the future. ([GAO-10-719](#))

2.20. Increasing Regulatory Attention to Identifying and Monitoring Systemwide Leverage: Leverage played a considerable role in the financial crisis, but no regulator was clearly responsible for monitoring either the potential effects of a buildup in leverage in the system or the collective activities of institutions to deleverage. We suggested that the Congress task the new systemic risk regulator with this responsibility. The Congress's Dodd-Frank Act of 2010 created the Financial Stability Oversight Council with authority to identify and respond to emerging systemic threats. By collecting and sharing information among the regulators,

the council can better monitor systemwide leverage and its implications. ([GAO-09-739](#), [GAO-10-555T](#))

2.21. Strengthening Protection of Intellectual Property Rights: In a series of products, we have found weaknesses in federal agencies' efforts to protect intellectual property (IP) and limitations in studies of the economic effects of counterfeiting and piracy. Informed by this work, the Congress revised the federal IP enforcement structure, enhanced agency resources, and required a new interagency strategic plan for IP enforcement. Key agencies have taken steps to improve their collection and analysis of IP enforcement data and renew their commitment to an interagency mechanism for coordinating the IP-related activities of multiple law enforcement agencies. ([GAO-10-219T](#), [GAO-10-423](#), [GAO-08-157](#), [GAO-07-735](#), [GAO-07-74](#))



Source: See Image Sources.

Analyze the Government's Fiscal Position

3.01. Improving Federal Financial Reporting and Related Internal Controls:

We furthered a number of significant improvements in federal financial reporting and related internal control. Based on our work, Treasury significantly improved information presented in the U.S. government's consolidated financial statements. These statements now include more complete and accurate information concerning actions taken to stabilize the financial system and disclosures on federal liabilities, contingencies, and social insurance. Further, our IRS financial audit work resulted in actions to address long-standing weaknesses in internal controls over financial reporting as well as tax revenue and refunds.

3.02. Improving the Effectiveness of Tax Expenditures:

We recommended changes to the design of two major tax expenditures—the Research Credit and New Markets Tax Credit (NMTC)—to improve their effectiveness. We suggested to the Congress that the Research Credit be changed to limit windfalls now received by those who would have spent on additional research without the credit. For the NMTC, we suggested to the Congress that a grant program be tested to replace the credit because we found that with grants more investment would reach the targeted low-income communities. Both

reports received wide attention among tax professionals and have helped shape the debate about the future of these credits. ([GAO-10-334](#), [GAO-10-136](#))

3.03. Enhancing the Internal Revenue Service's Ability to Improve Tax Compliance:

Consistent with our suggestions to the Congress, the Worker, Homeownership, and Business Assistance Act of 2009 (1) required certain paid tax return preparers to file tax returns electronically and (2) granted IRS authority to automatically verify compliance with the first-time homebuyer credit's provisions. Additionally, our work on paid preparers supported IRS's decision to extend regulation of paid tax return preparers, including requiring them to obtain an identifying number and be tested for competency. These changes should substantially improve tax compliance by improving the quality of tax return preparation. ([GAO-09-1026](#), [GAO-08-567](#), [GAO-08-781](#), [GAO-07-27](#))

3.04. Analyzing the Fiscal Year 2010 Appropriation for the USCIS:

Our work showed that the U.S. Citizenship and Immigration Service's (USCIS) budget request would provide two sources of funding for processing and adjudicating refugee, asylum, and military naturalizations: tax-funded appropriations and application-fee surcharges. Based on this work, the Congress

appropriated \$151 million less than the \$206 million requested and restricted \$50 million until a final rule eliminating the application-fee surcharge was issued. The Congress provided the remaining \$5 million to USCIS for processing military naturalizations. These actions resulted in a better use of taxpayer resources.

3.05. Informing the Nation's Response to Long-Term Fiscal Challenges: Our 2010 reports on state and local fiscal conditions helped frame the policy debate regarding long-term fiscal challenges by informing congressional planning for a response to the long-term fiscal challenges facing all levels of government. Our state and local fiscal model attracted the attention of numerous outside experts and publications. Our report on state and local fiscal pressures and the interconnectedness that defines intergovernmental programs generated intense interest among state budget officers and local officials as they implement health care reform and continue efforts to balance their budgets. ([GAO-10-358](#), [GAO-10-899](#), [GAO-10-604](#), [GAO-10-231](#), [GAO-10-437](#))

Identify Fraud, Waste, and Abuse

3.06. Strengthening Efforts to Reduce Governmentwide Improper Payments: Over the past decade, our work has helped to better identify and minimize federal improper payments, including payments to individuals who used invalid information to improperly receive federal disaster assistance. For fiscal year 2009, 22 federal agencies reported estimated improper payments totaling \$98.7 billion, and we estimate a reduction of over \$1 billion for agencies that reported prior amounts and took steps to reduce them. Our work and recommendations contributed to the enactment of the Improper Payment

Elimination and Recovery Act in fiscal year 2010, which calls for enhanced reporting and recouping of improper payments. ([GAO-02-749](#), [GAO-04-99](#), [GAO-06-347](#), [GAO-07-92](#), [GAO-09-442](#))

3.07. Identifying Fraud in the Small Business Administration (SBA) 8(a)

Program: SBA helps socially and economically disadvantaged small businesses gain access to federal contracting opportunities through its 8(a) program. By investigating complaints to our fraud hotline and reviewing SBA data, we identified \$325 million in set-aside and sole-source contracts awarded to firms that were not eligible to participate in the program. Most of the improper awards we identified were obtained through fraudulent schemes, such as underreporting income and assets or misrepresenting ethnicity. Our investigators were also able to obtain 8(a) certification for a bogus firm using fabricated business information. ([GAO-10-425](#))

3.08. Improving Defense Contract Audits' Ability to Protect Public Interest:

A September 2009 GAO report uncovered pervasive quality problems with Defense Contract Audit Agency (DCAA) audits rooted in a flawed management environment and culture. In response, DOD revised DCAA's mission statement to clearly focus on protecting hundreds of billions in taxpayer dollars, assigned new agency leadership, rescinded over 80 DCAA audit reports, removed over 200 contractors' ability to submit invoices for payment without government review, and moved to better meet audit standards with a risk-based audit approach. DOD actions are important steps toward performing quality audits that better protect the public's interests. ([GAO-08-857](#), [GAO-09-468](#))

Address Major Management Challenges and Program Risks

3.09. Contributing to the Debate Over U.S. Human Spaceflight: We reported in 2009 that U.S. human spaceflight is at risk as NASA continues to experience setbacks in its Constellation Program, which is expected to cost about \$100 billion through 2020. We found that over \$10 billion had been obligated since 2005, and due to aggressive schedules, technical challenges, funding issues, cost increases, and changing requirements, NASA did not establish a sound business case for the program. Our work led NASA to delay milestones and restructure contracts to limit risk and helped spur an independent review of U.S. human spaceflight that was the basis for the President's proposal to cancel the program. ([GAO-10-387T](#), [GAO-10-227SP](#), [GAO-09-844](#), [GAO-09-436T](#), [GAO-09-306SP](#))

3.10. Advancing DHS Efforts to Improve Acquisition Management: We have reported on DHS's continuing struggle to implement acquisition oversight for its expanding portfolio of complex investments worth hundreds of billions of dollars. This year, in our first-time-ever assessment of selected major acquisitions, we found that most programs reviewed experienced significant cost growth and schedule delays and that contracts were awarded before approval of key documents, such as the mission need statement. Our work drew congressional and agency attention to the issues facing DHS, and the department is taking steps to improve implementation of its acquisition review processes. ([GAO-10-588SP](#))

3.11. Providing the Impetus for Cost Savings and Improved Interagency Contract Management: In 2010, the administration cited our work in calling for reduced use of high-risk contract vehicles to

achieve substantial governmentwide savings. We have identified opportunities for cost savings and improved management in a series of reports on high-risk and interagency contract vehicles covering a range of defense and civilian agencies. We highlighted opportunities to increase competition, realize savings, ensure that risky contracts types are used only when necessary, and improve visibility and management of interagency contracts. We also highlighted GSA's need to improve management of its multiple award schedules program. ([GAO-10-833](#), [GAO-10-367](#), [GAO-09-792](#), [GAO-09-921](#), [GAO-09-579](#))

3.12. Increasing Choice in Rigorous Evaluation Methods: To help the Congress assess efforts to identify programs with rigorous evidence of effectiveness, we examined how well randomized studies can assess the effectiveness of different types of programs. We found that requiring evidence from randomized studies will likely exclude many potentially effective and worthwhile programs, while other rigorous methods are appropriate when random assignment is not possible. A broad set of methods can inform OMB's planned interagency effort to develop governmentwide evaluation guidance that gives agencies flexibility to choose methods suited to the specific needs of their programs. ([GAO-10-30](#))

3.13. Implementing Improved Government Auditing Standards: Since our 2007 major revision to the Government Auditing Standards, we have conducted extensive outreach and training to hundreds of federal, state, and local auditors, as well as public accounting firms conducting government audits, to guide their application of these standards, including providing extensive training. We have also continued to work closely with other audit standard-setting organizations and advisory councils

focused on ensuring that accountability professionals rise to the increasingly critical challenge of producing high-quality and efficient audits. In August 2010, we issued an exposure draft proposing additional refinements to the standards.

3.14. Improving the Medical Certification Process for Commercial Drivers’

Licenses (CDLs): Based on a comparison of federal disability recipients and state CDL holders, we identified nearly 600,000 individuals holding CDLs despite having a medical condition giving them full federal disability benefits. We referred these individuals to state licensing agencies, several of which revoked CDLs from drivers with physical impairments preventing safe vehicle operation. As a result of our work, the Department of Transportation finalized a new rule requiring commercial drivers to furnish a medical examiner’s certificate to their state licensing agency to prevent uncertified drivers from operating commercial vehicles.

3.15. Improving Management and Oversight of Governmentwide Premium Class Travel:

In 2007, we found that breakdowns in internal controls and a weak control environment resulted in at least \$146 million in improper first- and business-class travel governmentwide. Based on statistical sampling, we estimated that two-thirds of premium class travel was not properly authorized or justified. In response to our recommendations, GSA amended the Federal Transportation Regulations (FTR) to strengthen authorization and justification requirements and to help agencies comply with existing FTR requirements. These amendments will help reduce waste in premium-class travel costs across the federal government. ([GAO-07-1268](#))

3.16. Improving Oversight of a Critical Satellite Acquisition:

Since 2002, we have assisted the Congress with oversight of the National Polar-orbiting Operational Environmental Satellite System, a \$15 billion satellite acquisition expected to assist weather forecasting and climate monitoring for the next two decades. Our reports and testimonies have identified the status and risks of satellite development, including those related to recent plans to disband the program, and made recommendations to address these risks. This work helped focus congressional, administration, and agency attention onto this important program, and resulted in more active oversight of the planned programmatic changes. ([GAO-10-558](#), [GAO-10-858T](#), [GAO-09-772T](#), [GAO-09-564](#), [GAO-08-899T](#))

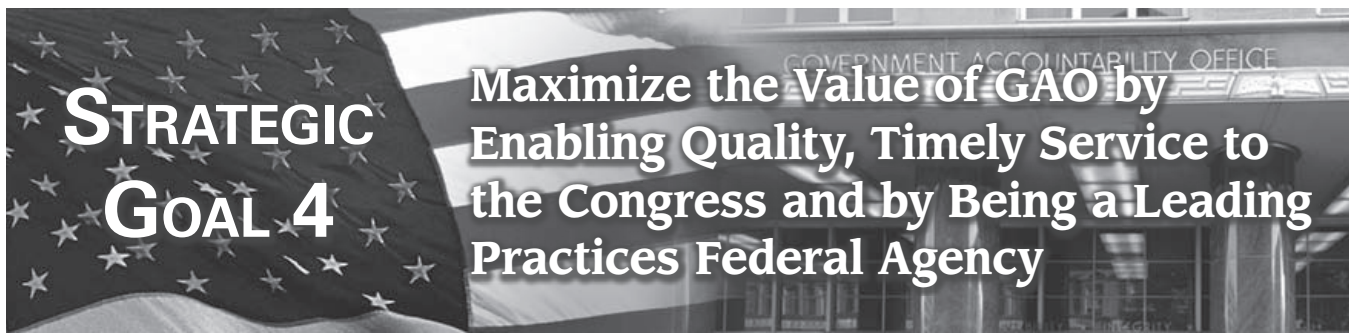
3.17. Improvements to IT Oversight and Transparency:

Enhancements to OMB’s IT Dashboard: Federal IT spending is projected to reach \$79 billion in fiscal year 2011. We have issued a series of reports and testimonies with recommendations to OMB for improving its oversight and transparency of growing federal IT investments. In June 2009, OMB deployed a “dashboard,” which is a Web site clearinghouse of information that provides details on all major federal IT investments and provides OMB and others with the ability to track the progress of these investments. More recently, in July 2010, we identified areas of the dashboard that needed improvements, and OMB has efforts under way to make these improvements. ([GAO-10-701](#), [GAO-09-624T](#), [GAO-08-1174T](#), [GAO-08-1051T](#), [GAO-08-925](#))

3.18. Increasing Visibility of Veterans Affairs Information Management

Weaknesses: We advocated increased congressional scrutiny of problematic, major IT projects intended to modernize the Department of Veterans Affairs’ (VA) systems

for outpatient appointment scheduling as well as asset and financial management. In multiple reports, we identified weaknesses in IT management capabilities that were undermining the department's efforts to develop and implement new systems. Our work spurred improvements to the appointment-scheduling and asset management system projects and contributed to VA's decision to terminate its financial management system project. ([GAO-10-40](#), [GAO-10-579](#))



Source: See Image Sources.

Improve Efficiency and Effectiveness

4.01. Enhancing Support for Managing our Engagements: To improve usability and expand IT system functionality for our analysts, we

- upgraded our document management system to streamline the user interface and integrate it with our new e-mail program;
- improved capabilities of several engagement support systems widely used by our analysts to record congressional contacts, record information on hearings, and research weapon systems; and
- modified the capabilities of our survey software for easier use by survey design specialists.

Enhance Recruitment, Development, Retention, and Rewards

4.02. Strengthening Recruiting Initiatives to Attract a Diverse Workforce: To ensure that our recruitment efforts are aligned with workforce and diversity needs, we implemented a number of leading practices that supported our goal for a diverse workforce and inclusive work environment. For example, we

- issued a recruitment strategy that guided all recruiting activities in fiscal year 2010 and improved outreach to diverse candidates;
- conducted mandatory training to communicate our recruitment strategy and reinforce our expectation that recruiters will develop networks with student and professional organizations;
- ensured that diverse, well-trained teams of staff representing all of our mission teams, locations, staff levels, and affinity groups recruited on college campuses and at recruiting events;
- increased use of the student career experience program (SCEP) and established relationships with two programs—the Public Policy and International Affairs Fellowship Program and the Hispanic Association of Colleges and Universities National Internship Program;
- participated in targeted job fairs and conferences, such as the Career Expo for People with Disabilities and the Annual Federal Hispanic Career Advancement Summit, to help recruit people from population groups with low representation in GAO's workforce; and

- centralized program direction for the analyst intern program, which serves as the primary pipeline for GAO hiring, to ensure that interns received consistent experiences throughout the agency.

4.03. Improving Our Performance

Management Systems: To ensure fairness and equity in our performance management processes, we implemented most of the short-term recommendations from our November, 2009 performance appraisal study. We also developed a detailed statement of requirements, with broad stakeholder input, and selected a vendor to design a new performance system.

4.04. Enhancing Efforts to Develop the Workforce:

To facilitate cost-effective, interactive delivery of training to headquarters and field locations, we implemented virtual classroom courses—or Webinars—converted four key leadership courses from standard classroom to virtual courses; certified 29 staff members to teach these courses; and trained 10 technicians to assist with course delivery. To strengthen management and leadership skills, we redesigned two courses for analysts and analyst-related staff on audit documentation and appropriations law, and developed a new course for managerial analysts. We also expanded access to language training to all staff to assist those who review programs in other countries.

4.05. Promoting a Fair and Unbiased Environment that Values Opportunity and Inclusiveness:

To continue to strengthen our commitment to diversity and inclusion and to enhance understanding of diversity across the agency, we

- implemented diversity training for all staff;
- developed a course to assist new employees with the transition to our workplace and culture;

- signed a memorandum of understanding with the Library of Congress to obtain access to its Assistive Technology Demonstration Center to help address reasonable accommodation requests;
- prepared transcripts of our podcasts and accessible versions of legal decisions and opinions, and began captioning live broadcasts, such as selected congressional hearings, to make information on our Web site accessible to people with disabilities;
- posted information on our intranet home page to recognize special observances such as Native American Heritage Month, Veterans Day, and African American History Month; and
- updated our training on compliance with the Americans with Disabilities Act and our reasonable accommodation process to promote better understanding of the requirements of the law and to assist eligible employees.

Expand Networks, Collaborations, and Partnerships

4.06. Enhancing Professional Accounting and Auditing Standards: To strengthen worldwide financial auditing of public sector entities, we worked with INTOSAI to incorporate key components from private-sector International Standards on Auditing into INTOSAI financial audit guidelines and helped draft the guidelines. INTOSAI has adopted 38 of these financial audit guidelines. To enhance international accounting and auditing standards more broadly, we provided comments on International Standards for Supreme Audit Institutions (SAIs) and INTOSAI Guidance for Good Governance. Many of these comments were

incorporated into (1) high level transparency, accountability, and quality control principles for SAIs; (2) guidance on the role and use of internal auditors in SAIs; and (3) comprehensive international guidelines for conducting financial, performance, and compliance audits.

4.07. Building the Capacity of Domestic and International Accountability

Communities: We helped build a permanent capacity for strategic planning at INTOSAI by providing important leadership on the development of INTOSAI's 2011-2016 plan. Our input helped to ensure that the plan was crafted in accordance with leading practices and circulated to appropriate stakeholders for comment. We also provided substantial leadership in drafting and developing consensus for an international memorandum of understanding for INTOSAI's task force on donor funding to move this initiative forward.

To expand information sharing in the international accountability community, we launched several electronic enhancements to the quarterly *International Journal of Government Auditing*, which, as the primary conduit for information sharing across audit staff and managers around the world, plays a critical role in fostering global understanding of professional standards, best practices, and technical issues. These changes included publishing the Journal in other formats for easier downloading in other countries, completing digitization of issues of the Journal back to the 1970s for all of INTOSAI's five official languages, and working with INTOSAI partners to expedite translating the Journal into Arabic.

4.08. Sharing Information and Expertise through Government Networks:

To share our experiences with using social media outlets such as Twitter and YouTube, we met with representatives from our sister

agencies—the Congressional Research Service and the Congressional Budget Office—and discussed legal, logistical, and policy issues to consider when using such tools. We also participated in two sessions sponsored by the Partnership for Public Service to share information on hiring and onboarding employees and discuss best practices.

Human, Information, Fiscal, Technological, and Physical Resources

4.09. Proactively Protecting Physical and Information Security:

Consistent with addressing our management challenges in protecting our people and assets, we continued implementation of two major initiatives to align our physical security procedures with Homeland Security Presidential Directive-12 guidelines. We awarded a contract for upgrading the electronic security systems in our field offices and integrating them with our headquarters system, and continued conducting minimum background investigations on our employees and contractor staff to comply with federal requirements.

To ensure our information systems and assets are protected and continue our work addressing FISMA requirements, we

- updated “Authorization to Operate” (ATO) for 32 systems so that all of our FISMA systems now have a current ATO, which is necessary to meet certification and accreditation requirements under FISMA, and
- completed Certification and Accreditation (C&A's) and Security Tests and Evaluations (ST&E's) for 13 systems and completed the validation of security controls for all of our FISMA systems.

We also implemented other actions to strengthen information security controls, including

- completing replacement of our managed Internet security contract, which includes failover capabilities;
- replacing intrusion detection systems to improve capabilities and access to vendor support; and
- upgrading controls to provide more effective warnings for site access and anti-virus/anti-malware support for Web surfing.

To ensure appropriate responses to any type of emergency and the ability to maintain our operational capability in the likelihood of significant and sustained absenteeism or the need for off-site operations, we established an agencywide pandemic plan, as well as individual unit pandemic plans, and completed all employee and manager training in continuity operations.

4.10. Supporting Federal Environmental Sustainability Goals and Reducing Costs and Waste: To reduce energy consumption and waste, we:

- completed a headquarters-wide retrofit of energy-efficient ceiling light fixtures to reducing power consumed by about 21 percent, resulting in an estimated \$200,000 in savings per year;
- installed energy-efficient gas boilers in headquarters for building heating, replacing an inefficient steam system, and reducing heating costs by an estimated 50 percent, leading to about \$600,000 in annual savings;

- developed environmental baseline metrics for use of information technology (IT), which will enable us to monitor and manage energy use of IT equipment over time; and
- began a “Greening Your Printing” pilot project to reduce paper use and printing costs.

4.11. Leveraging Technology to Achieve Business Process Improvement and Efficiency Gains:

We replaced our manual travel booking system with a new, fully integrated online reservation booking and document processing travel system to

- reduce transaction fees;
- help ensure compliance with Federal Travel Regulations;
- improve financial management processes and reporting through integration with our financial management system;
- address external audit recommendations on replacing the outdated database with its associated security concerns; and
- provide enhanced travel information for our employees.

We also implemented a number of technical projects that provide improved service to users or enhance underlying systems that support our engagement or management functions. For example, we

- implemented a new e-mail system to increase hardware/software interoperability, expand calendaring functionality, improve junk e-mail filters and features that disable links and warn about threatening content within an e-mail message, and provide access to a greater pool of expert technical support;

- migrated all intranet content to a new intranet infrastructure to provide a consistent navigation structure for users, improve search functionality, and facilitate real-time changes across the site, and enable management to communicate directly to employees and reinforce our core values;
- procured taxonomy software to improve search results for products on our external Web site and reduce processing time to apply search terms, created rules for indexing, and indexed our entire report collection;
- developed a database to improve collecting, monitoring, and reporting on implementation of mission support activities in our strategic plan; and
- completed independent verification and validation of our Enterprise Architecture Program, which is a key requirement for achieving “stage 4 maturity” of our Enterprise Architecture Management.

4.12. Improving Management of Key Administrative Processes: To enhance customer service and management in our contracting and human resource functions, we

- began conducting quarterly customer satisfaction surveys of staff receiving services from our contracting unit to obtain timely customer feedback and facilitate timely responses and improvements in operations, if necessary, and
- implemented a new help desk customer service model to improve responsiveness to employees’ human resources questions.

To optimize use of our work space, we renovated 16,000 square feet in our headquarters building for a technical library that improves work space, realigns utilization from stacks of reference materials to computer-based research, and provides four additional video conference rooms—a 25 percent capacity increase—to handle increased demand from across the agency. We also completed office renovations in the Chicago, Los Angeles, and San Francisco field offices to optimize productivity of work space and align space utilization with current staffing plans.

2. GAO's Report on Personnel Flexibilities

As required by section 11(a) of the GAO Human Capital Reform Act of 2004 (Pub. L. No. 108-271, July 7, 2004), we reported on actions the agency took under sections 2, 3, 4, 6, 7, 9, and 10 of the act in our performance and accountability reports for fiscal years 2005 through 2009. In July 2010, we issued the final required report on agency actions under section 11. This report was required to provide (1) a summary of the information included in GAO annual performance and accountability reports for the fiscal year 2005 through 2009 reporting cycle for sections 2, 3, 4, 6, 7, 9, and 10; (2) recommendations for any legislative changes to sections 2, 3, 4, 6, 7, 9, or 10; and (3) any assessment furnished by the GAO Personnel Appeals Board or any interested groups or associations representing officers and employees of GAO. The final report, *GAO Human Capital Reform Act of 2004: Final Report on GAO's Use of Provisions in the GAO Human Capital Reform Act of 2004*, [GAO-10-811SP](#), was submitted to the Congress on July 6, 2010, and is available on our Web site.

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