

Serving the Congress and the Nation

U.S. Government Accountability Office



**Performance and
Accountability Report**

Fiscal Year 2013



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: GAO.

Abbreviations	iii
How to Use This Report	v
Introduction	1
From the Comptroller General	2
Financial Reporting Assurance Statements	5
About GAO	7
Mission	7
Strategic Planning and Management Process	8
Organizational Structure	14
Strategies for Achieving Our Goals	17
How We Measure Our Performance	19
Part I: Management’s Discussion and Analysis	23
Assisting the Congress and Benefiting the Nation during Challenging Times	24
Focusing on Our Client	34
Focusing on Our People	36
Focusing on Our Internal Operations	39
GAO’s High-Risk Program	40
Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue	43
Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	44
The Patient Protection and Affordable Care Act	45
The Troubled Asset Relief Program	46
The American Recovery and Reinvestment Act	46
General Counsel Decisions and Other Legal Work	47
Managing Our Resources	49
Strategic Planning and Partnerships	55
Internal Management Challenges	57
Part II: Performance Information	63
Performance Information by Strategic Goal	64
Goal 1 Overview: Address Current and Emerging Challenges to the Well-being and Financial Security of the American People	65
Financial Benefits	67
Other Benefits	67
Testimonies	68

Goal 2 Overview: Respond to Changing Security Threats and the Challenges of Global Interdependence.....	73
Financial Benefits	75
Other Benefits	75
Testimonies	75
Goal 3 Overview: Help Transform the Federal Government to Address National Challenges	79
Financial Benefits	81
Other Benefits	81
Testimonies	82
Goal 4 Overview: Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and by Being a Leading Practices Federal Agency.....	86
Data Quality	93
Verifying and Validating Performance Data	93
Part III: Financial Information	95
From the Chief Financial Officer	96
Audit Advisory Committee’s Report	98
Independent Auditor’s Report	99
Purpose of Each Financial Statement.....	104
Financial Statements.....	105
Notes to Financial Statements.....	109
Other Information	122
Part IV: Inspector General’s View of GAO’s Management Challenges	125
Inspector General’s View of GAO’s Management Challenges	126
Part V: Appendix	127
Data Quality	128
Image Sources	137
Providing Comments on This Report	138
Obtaining Copies of GAO Documents.....	138
Connect with GAO	138

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Abbreviations

APQA	Audit Policy and Quality Assurance
BBEDCA	Balanced Budget and Emergency Deficit Control Act of 1985
CAO	Chief Administrative Officer
CBA	collective bargaining agreement
CIGIE	Council of Inspectors General for Integrity and Efficiency
CMS	Centers for Medicare & Medicaid Services
COR	Contracting Officer Representative
CPI	Continuous Process Improvement
CPP	Capital Purchase and Improvement Program
CRA	Congressional Review Act
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DSH	Disproportionate Share Hospital
EESA	2008 Emergency Economic Stabilization Act
EMS	Engagement Management System
EPA	Environmental Protection Agency
EPLS	Excluded Parties List System
ERS	Engagement Reporting System
ESC	Enterprise Services Center
Ex-Im	Export-Import Bank
FAA	Federal Aviation Administration
FAIS	Forensic Audits and Investigative Service
FDA	Food and Drug Administration
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefit Program
FEMA	Federal Emergency Management Agency
FERPA	Family Educational Rights and Privacy Act of 1974
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FINRA	Financial Industry Regulatory Authority
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FRA	Federal Railroad Administration
FTE	full-time equivalent
FVRA	Federal Vacancies Reform Act
GE	genetically engineered
GPRA	Government Performance and Results Act as amended

GSA	General Services Administration
HCL	high-containment laboratory
HERA	Housing and Economic Recovery Act of 2008
HHS	Department of Health and Human Services
HRSA	Health Resources and Services Administration
HUD	Department of Housing and Urban Development
ICD	Intelligence Community Directive
IED	improvised explosive device
IFPTE	International Federation of Professional and Technical Engineers
IG	inspector general
INTOSAI	International Organization of Supreme Audit Institutions
IRS	Internal Revenue Service
ISSAI	International Standards of Supreme Audit Institutions
IT	information technology
LIHEAP	Low-income Home Energy Assistance Program
LRP	local and regional procurement
MOA	memorandum of agreement
MOU	memorandum of understanding
NASA	National Aeronautics and Space Administration
NFC	National Finance Center
NFIP	National Flood Insurance Program
NGEN	Next Generation Enterprise Network
NIAF	National Intergovernmental Audit Forum
NOAA	National Oceanic and Atmospheric Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	performance and accountability report
PBC	performance-based compensation
PBGC	Pension Benefit Guarantee Corporation
PEPFAR	President's Emergency Plan for AIDS Relief
PPACA	Patient Protection and Affordable Care Act
SAI	supreme audit institution
SEC	Securities and Exchange Commission
SES	Senior Executive Service
SSA	Social Security Administration
TARP	Troubled Asset Relief Program
TSA	Transportation Security Administration
UAS	unmanned aircraft systems
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USDA	Department of Agriculture
VA	Department of Veterans Affairs
WMATA	Washington Metropolitan Area Transit Authority

How to Use This Report

This report describes the U.S. Government Accountability Office's performance measures, results, and accountability processes for fiscal year 2013. In assessing our performance, we compared actual results against targets and goals that were set in our annual performance plan and performance budget and were developed to help carry out our strategic plan. Our complete set of strategic planning and performance and accountability reports is available on our website at <http://www.gao.gov/sp.html>.

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

Introduction

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

Management's Discussion and Analysis

This section discusses our agencywide performance results and use of resources in fiscal year 2013. 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 2013 and the targets we are aiming for in fiscal year 2014. It also includes a summary of our program evaluation for the fiscal year.

Financial Information

This section includes details on our finances in fiscal year 2013, including a letter from our Chief Financial Officer, audited financial statements and notes, and the reports from our external auditor and Audit Advisory Committee. This section also includes an explanation of the information each of our financial statements conveys.

Inspector General's View of GAO's Management Challenges

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

Appendix on Data Quality

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

This page intentionally left blank

Serving the Congress and the Nation



Introduction



Source: GAO.

December 16, 2013

I am pleased to present GAO's performance and accountability report for fiscal year 2013. GAO's mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people. During the past fiscal year, our work yielded significant results across the government; for example, we documented \$51.5 billion in financial benefits for the federal government—a return of about \$100 for every dollar invested in us. We also recorded 1,314 other program and operational benefits across the government in the areas of public safety and security, program efficiency and effectiveness, public insurance and benefits, acquisition and contract management, tax law administration, and business process and management.

We received requests for our work from 95 percent of the standing committees of the Congress and almost two-thirds of their subcommittees. We issued 709 reports, made 1,430 new recommendations in this fiscal year, and 79 percent or 1,438 of the recommendations that we made during the past 4 years were implemented. Our senior officials also testified at 114 hearings on key topics, such as personnel security clearances, information technology investments, the U.S. Postal Service's financial condition, and veterans' health care. Additionally, the findings of our work were often cited in House and Senate deliberations and committee reports to support congressional action, including improving federal programs on our high risk list; addressing duplication, overlap, and fragmentation; and reviewing border security and immigration issues.

Our work spans the full breadth and scope of the federal government's responsibilities and responds to the extensive interests of the Congress. During fiscal year 2013, we reported on a broad range of issues including financial regulatory reform; addressing food safety; foreclosure mitigation; Medicare, Medicaid, and health care reform; defense weapons systems; counterterrorism; and cybersecurity. We continued to build on our bodies of work in many areas, through reports, testimonies, and accomplishments in the following areas:

- **Protection of children.** We reported on a broad range of critical issues such as evaluating health risks to children, addressing food safety in school lunches, accessing education records for children in foster care, and collecting reliable data related to pediatric medical devices.
- **Veterans.** We also continued to report on a range of issues impacting veterans, including the veterans' health care budget, support services for transitioning veterans, patient safety risks for veterans and servicemembers, veterans' employment and training, and challenges to the timely processing of veterans' disability benefits.

- **Food safety.** We examined federal oversight of genetically engineered crops after unauthorized releases into the food supply, reviewed efforts to modernize meat and poultry inspections, and recommended action to ensure that schools are notified directly of emergency food recalls.
- **Health care reform.** Our reports related to the Patient Protection and Affordable Care Act included a review of the status of the Administration's efforts to implement the federally facilitated health insurance exchanges where eligible individuals can compare and select health insurance plans. This work also discussed the federal data services hub that is intended to provide access to federal, state, and third party data sources needed to verify consumer eligibility information.
- **High risk work.** We issued the biennial update of our high-risk report that focuses attention on government operations that are high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges. This report offers solutions to 30 identified high-risk problems and the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. government.
- **Overlap, duplication, and fragmentation.** We issued our third annual report identifying 31 new areas where agencies may be able to achieve greater efficiency or effectiveness pursuant to a law passed by Congress in 2010. Within these 31 areas, we identified 81 actions that the executive branch and the Congress could take to reduce fragmentation, overlap, and duplication, as well as other cost savings and revenue enhancement opportunities. This work identifies opportunities for the federal government to save billions of dollars. We also maintain a scorecard and action tracker on GAO's external website where the Congress, federal agencies, and the public can monitor progress being made to address GAO's findings. Federal agencies and the Congress have made some progress in addressing the 131 areas we identified and the 300 actions that we recommended in our 2011 and 2012 reports.
- **Wall Street reform.** We issued nine reports in response to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 intended to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. Among other things, the act required GAO to conduct over 40 studies on a broad range of regulatory, oversight, and consumer protection issues. By the end of fiscal year 2013, we had responded to all of the mandates due on or before that date.

We also continued to regularly report the results of our work on the Troubled Asset Relief Program and have a wide range of other high profile work underway, which is discussed in more detail throughout this report.

We know that getting our message out is crucial. To help facilitate this, we enhanced GAO's Watchdog website for congressional clients to improve their ability to track our ongoing work. We also launched a Key Issues website to allow both our clients and the public to browse information by topic, agency, or collection of GAO products. In addition, we continued to expand our presence in digital and social media, increased GAO's followers on Twitter by 38 percent, created a new mobile application for Android users, and produced 39 new audio podcasts. The total downloads of GAO podcasts reached 93,126 this past year.

We depend upon our professional, diverse, and multidisciplinary staff to meet our clients' needs. Our people enable us to fulfill our mission to support the Congress and ensure that the federal government is accountable to the American people. Through the hard work and dedication of our staff, we achieved 94 percent on-time product delivery. Our performance measures continue to indicate that our employees have the support they need to produce high-quality work. We met or exceeded our annual targets for our people measures—staff development, staff utilization, effective leadership by supervisors, organizational climate, and retention, but did not meet our target for new hires because of a fiscally constrained budget and the effects of sequestration. This year our staffing level remained below 3,000 and reached its lowest level since 1935. Even with the increased pressure on our staff to produce quality work with shrinking resources, GAO remained an employer of choice. We were named again this year as one of the 50 Great Places to Work in Washington by *Washingtonian Magazine*. We have also maintained our reputation as one of the best places to work in government as reported by the Partnership for Public Service and have remained among the Partnership's top five agencies since 2005.

Within an uncertain budget environment, we continued to focus on two internal management challenges, human capital and engagement efficiency. In the area of human capital, we recruited for and filled critical positions, implemented a new performance management system, expanded our enhanced telework program, and negotiated a grievance/arbitration procedure for the administrative professional and support staff—a new bargaining unit added in fiscal year 2012. We continued to work with the union and various employee groups on several issues, as well as continued to expand our diversity efforts.

Fiscal year 2013 provided many opportunities for GAO to address complex issues facing the Congress and the nation. We met these challenges and continued to accomplish our objectives under constrained budgetary circumstances, including the impacts of sequestration and the federal government shutdown. We again received from independent auditors an unmodified or “clean” opinion on our financial statements for fiscal year 2013. The detailed performance and financial information in this report is complete and reliable, and meets our high standards for accuracy and transparency.

During fiscal year 2014, we plan to deliver our fourth annual report on overlap, duplication, and fragmentation across government and continue our work on financial regulatory reform and health insurance issues, among other pressing matters. We will also issue our strategic plan for serving the Congress for fiscal years 2014-2019. We look forward to continuing to serve the Congress and the public in the coming years through our work on issues and programs affecting the lives of all Americans.



Gene L. Dodaro
Comptroller General
of the United States

Financial Reporting Assurance Statements

December 16, 2013

We, as GAO's executive committee, are responsible for preparing and presenting the financial statements and other information included in this performance and accountability report. The financial statements included herein are presented in accordance 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 maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Our internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles.

We evaluated the effectiveness of our internal control over financial reporting as of September 30, 2013, consistent with the criteria in 31 U.S.C. 3512 (c), (d) (commonly referred to as the Federal Managers' Financial Integrity Act (FMFIA)) and in Appendix A of Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control. Based on that evaluation, we conclude that, as of September 30, 2013, our internal control over financial reporting was effective and that no material weaknesses exist in the design or operation of internal control over financial reporting.

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

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

We also believe that (1) these same systems of accounting and internal control provide reasonable assurance that we are in compliance with 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 (FFMIA) and OMB guidance. These are objectives that we set for ourselves even though, as part of the legislative branch of the federal government, we are not legally required to do so.



Gene L. Dodaro
Comptroller General
of the United States



Cheryl B. Whitaker
Acting Chief Administrative Officer/
Chief Financial Officer



Patricia A. Dalton
Chief Operating Officer



William L. Anderson
Controller



Susan A. Poling
General Counsel



Source: GAO.

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, GPR, and the Federal Financial Management Improvement Act of 1996 (FFMIA) and the Federal Information Security Management Act (FISMA).¹ Accordingly, this performance and accountability report for fiscal year 2013 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.

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—performance audits—which include

- evaluations of federal policies, programs, and the performance of agencies;
- oversight of government operations to determine whether public funds are spent efficiently, effectively, and in accordance with applicable laws; and
- policy analyses to assess needed actions and the implications of proposed actions.

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 provide objective and reliable information and analysis to the Congress, to federal agencies, and to the public,

¹FMFIA requires ongoing evaluations and annual reports on the adequacy of internal accounting and administrative control systems of each agency. GPR seeks to improve public confidence in federal agency performance by requiring that federally funded agencies develop and implement accountability systems based on performance measurement that include goals and objectives and measure progress toward them. The GPR Modernization Act of 2010 incorporates additional requirements for reporting and transparency. FFMIA emphasizes the need to improve federal financial management by requiring federal agencies to 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. FISMA requires federal agencies to implement policies and procedures to cost-effectively reduce information technology risks.

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.

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

Each strategic goal is composed of strategic objectives, for which there are specific strategies taking the form of performance goals, each of which has a set of key efforts. [Figure 1](#) illustrates this hierarchy and the text box on the right provides an example of structure of one of our strategic goals. Our audit, strategic goals, 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. 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.

An Example of Our Strategic Planning Elements

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 Objective: Protect and Secure the Homeland from Threats and Disasters

Performance Goal: Assess efforts to strengthen the sharing of terrorism-related information

Key Efforts:

- Evaluate federal efforts to implement the information-sharing environment.
- Assess whether agencies' information-sharing roles and responsibilities have been clearly defined to help ensure effectiveness and minimize overlap or duplication.
- Determine federal, state, local, and tribal agencies' progress in sharing terrorism and law enforcement information, including technology innovations.
- Assess how federal, state, local, and tribal agencies balance sharing terrorism information with protecting privacy and civil liberties.

Figure 1: GAO's Strategic Planning Hierarchy



Source: GAO.

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

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

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

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

Figure 2: How GAO Assisted the Nation • Fiscal Year 2013

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

- Identified \$7 billion in savings in a foreclosure mitigation program that had much lower than expected participation rates potentially making these funds available for other federal programs
- Prompted the Congress to improve food safety in school lunches by requiring the U.S. Department of Agriculture to communicate directly with schools for emergency food recalls
- Analyzed the effects of the U.S. Postal Service's proposed health plan reforms to inform the Congress as it considers legislation to help restore the agency's financial viability
- Led the Health Resources and Services Administration to revise its guidance to help ensure equitable access of certain restricted drugs to providers at discounted prices
- Prompted the Congress to reduce Medicare bundled payment rates for certain injectable drugs to reflect the most recent data, which show a decrease in utilization rates for these drugs
- Led the Federal Aviation Administration to develop a roadmap for ensuring that unmanned aircraft systems are safely integrated into the national airspace

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

- Improved the acquisition practices used by the Department of Defense (DOD) to manage its \$1.6 trillion weapon system portfolio
- Led the Department of Homeland Security to improve its efforts to detect and prevent the smuggling of radiological and nuclear materials into the United States
- Identified steps the Congress could take to strengthen the financial stability of the National Flood Insurance program, such as limiting eligibility for subsidized premium rates
- Led DOD to reconsider its mission requirements and permanent force structure in Europe to reduce costs, yielding \$2.3 billion in savings by removing two brigade combat teams
- Identified risks to DOD's acquisition of the Joint Strike Fighter that resulted in a decreased procurement strategy of 103 aircraft and \$8.72 billion in financial savings for 2013
- Led DOD to develop department-level guidance to help ensure consistency and accountability for sexual assault investigations
- Identified \$1.1 billion in savings resulting from growing unobligated balances in the State Department's Diplomatic and Consular Programs accounts
- Led the State Department to develop a plan to expand its required security training to include a growing number of overseas diplomatic posts where U.S. personnel face increasing threats
- Prompted the State Department to provide more accessible emergency contact information on its diplomatic post websites for U.S. citizens who are abroad
- Led to an examination of border security data and better oversight of the Border Patrol's measures related to its border security efforts
- Identified risks to the Navy's Next Generation Enterprise Network acquisition strategy that led to revisions in the strategy and reductions in programs costs by about \$2.6 billion
- Led DOD to take actions to eliminate duplication in its counter-improvised explosive device efforts leading to costs savings of \$313 million

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

- As in prior years, helped promote a more complete and accurate financial reporting governmentwide through our financial audit of the U.S. Government's Consolidated Financial Statements
- Identified \$1.29 billion in potentially improper payments in the Social Security Disability Insurance program and recommended action to improve related enforcement operations
- Issued an exposure draft of proposed revisions to the Standards for Internal Control in the Federal Government
- Contributed to U.S. tax code changes requiring banks and others to report to the Internal Revenue Service income on payment card transactions that merchants receive through credit cards or third-party networks like PayPal, resulting in \$1.29 billion in financial benefits
- Identified opportunities for significant cost savings in federal procurement, which led to the Office of Management and Budget(OMB) directing the increased use of strategic sourcing programs by federal agencies

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

- Continued to reduce the physical footprint in our field offices to achieve lease and security cost savings and enhance work-life balance opportunities for employees
- Developed a new Engagement Management System (EMS) to replace outdated, stand-alone systems and eliminate redundant data entry
- Streamlined our engagement process and related electronic guidance and tools—positioning GAO to pilot this new engagement process and EMS prior to agencywide rollout in 2014
- Published GAO's Diversity and Inclusion Strategy for 2012-2016 and launched several new courses on diversity issues
- Chartered a permanent GAO Workplace Financial Literacy Leadership Committee comprised of GAO executives to provide vision, direction, visibility, oversight, and monitoring of GAO's financial literacy program

Source: GAO.

Note: Additional information on accomplishments by goal is highlighted in [Part II](#) of this 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 12th consecutive year its Certificate of Excellence in Accountability Reporting for outstanding accountability reporting for our fiscal year 2012 performance and accountability 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>	<p>Health care needs</p> <p>Lifelong learning</p> <p>Benefits and protections for workers, families, and children</p> <p>Financial security</p> <p>Effective system of justice</p>	<p>Viable communities</p> <p>Stable financial system and consumer protection</p> <p>Stewardship of natural resources and the environment</p> <p>Infrastructure</p>
<p>...Respond to Changing Security Threats and the Challenges of Global Interdependence involving...</p>	<p>Homeland security</p> <p>Military capabilities and readiness</p>	<p>U.S. foreign policy interests</p> <p>Global market forces</p>
<p>Help Transform the Federal Government to Address National Challenges by assessing...</p>	<p>Government's fiscal position and options for closing gap</p> <p>Fraud, waste, and abuse</p>	<p>Major management challenges and program risks</p>
<p>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency in the areas of...</p>	<p>Efficiency, effectiveness, and quality</p> <p>Diverse and inclusive work environment</p>	<p>Professional networks and collaboration</p> <p>Institutional stewardship and resource management</p>

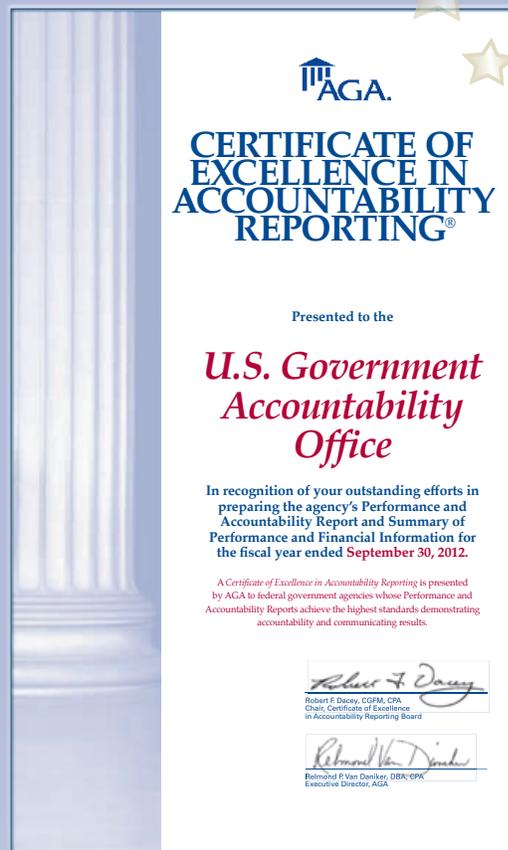
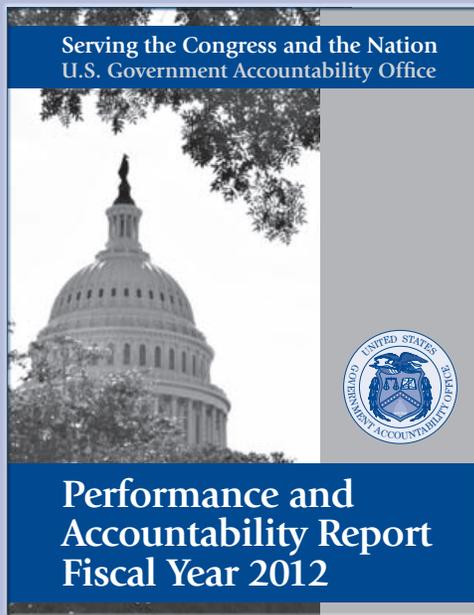
CORE VALUES

Accountability
Integrity
Reliability

Source: GAO.

Figure 4: GAO's Performance and Accountability Report Awards

2012 Certificate of Excellence in Accountability Reporting



Source: GAO.

Organizational Structure

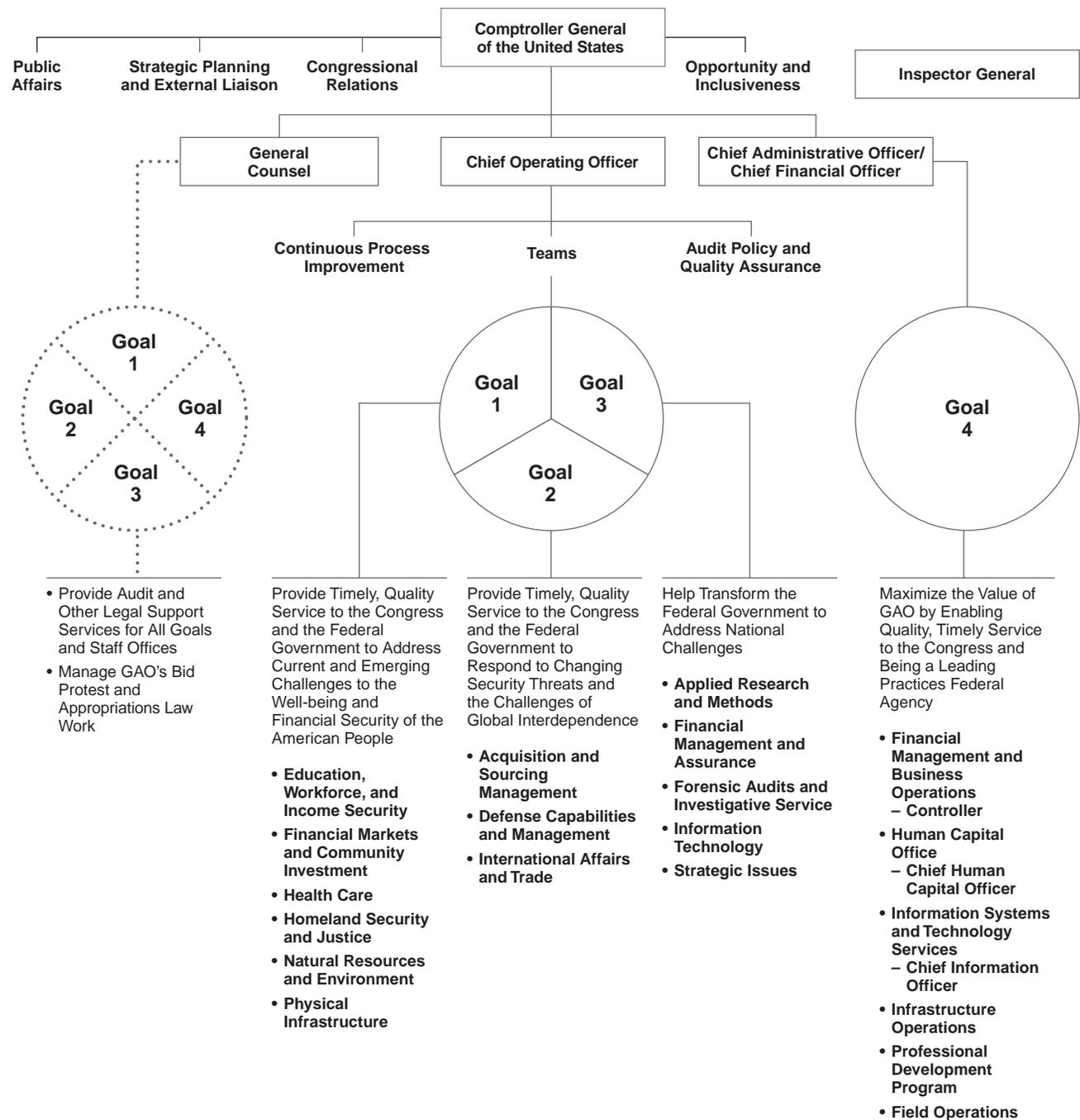
As the Comptroller General of the United States, Gene L. Dodaro is the head of GAO. On December 22, 2010, he was confirmed as Comptroller General after serving as the Acting Comptroller General since March 2008. Prior to that, Mr. Dodaro served as GAO's Chief Operating Officer for 9 years. Three other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

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

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

As described below, our General Counsel's office supports the work of all of our teams. In addition, the Applied Research and Methods team assists the other teams on matters requiring expertise in areas such as economics, research design, statistical analysis, and science and technology. Staff in many offices, such as Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, 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.

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

Our mission teams often do work that falls outside of their primary goal assignment. For example, work conducted by the Homeland Security and Justice team frequently falls under goal 2 when it conducts work related to responding to changing national security threats.

The Office of the General Counsel is structured to facilitate the delivery of legal services to the teams and staff offices that support our four strategic goals. This structure allows General Counsel to (1) provide legal support to our staff offices and audit teams concerning all matters related to their work and (2) produce legal decisions and opinions for the Comptroller General. Specifically, the goal 1, goal 2, and goal 3 groups are organized to provide each of the audit teams with a corresponding team of attorneys dedicated to supporting each team's needs for legal services. In addition, these groups prepare advisory opinions to committees and members of the Congress on agency adherence to laws applicable to their programs and activities. The Legal Services group provides in-house support to our management on a wide array of human capital matters and initiatives and on information management and acquisition matters and defends the agency in administrative and judicial forums. Finally, attorneys in the Procurement Law and the Budget and Appropriations Law groups prepare administrative decisions and opinions adjudicating protests to the award of government contracts or opining on the availability and use of appropriated funds.

For strategic goal 4, our only internal strategic goal, staff in our Chief Administrative Office take the lead. Our Office of Continuous Process Improvement, established in fiscal year 2012, continued to lead the agency's efforts to improve efficiency and effectiveness of the work conducted by our mission and mission support operations. Other teams and goal 4 offices including the Applied Research and Methods team and the Office of Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, and Public Affairs assist in achieving specific key efforts. In addition, attorneys in the General Counsel's office, primarily in the Legal Services group, provide legal support for goal 4.

We maintain a workforce with training in many disciplines, including accounting, law, engineering, public and business administration, economics, and the social and physical sciences. About 71 percent of our 2,869 employees are based at our headquarters in Washington, D.C.; the rest are deployed in 11 field offices across the country (see [fig. 6](#)). Staff in these field offices are aligned with our research, audit, investigative, and evaluation teams and perform work in tandem with our headquarters staff in support of our external strategic goals.

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

Figure 6: GAO's Office Locations

Source: See Image Sources.

Strategies for Achieving Our Goals

GPRa directs agencies to articulate not just goals but also strategies for achieving those goals. As detailed in [Part I](#) of this report, we emphasize two overarching strategies for achieving our goals: (1) providing information from our work to the Congress and the public in a variety of forms and (2) continuing to strengthen our human capital and internal operations. Specifically, our strategies emphasize the importance of working with other organizations on crosscutting issues and effectively addressing the challenges to achieving our agency's goals and recognizing the internal and external factors that could impair our performance. Through these strategies, which have proved 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 and 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 accurate, 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 2013, we devoted 96 percent of our engagement resources to work requested or mandated by the Congress. We devoted the remaining 4 percent of the engagement resources to work initiated under the Comptroller General's authority.² Much of this work addressed various challenges that are of broad-based interest to the Congress, such as the war in Afghanistan; follow-up on our 2012 duplication, overlap and fragmentation report; and the federal, state, and local government fiscal outlook.³ 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. Over the past 5 years, we have issued around 900 products each year, primarily in an electronic format.⁴ In addition, we publish about 300 to 400 legal decisions and opinions each year. Our products include:

- 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.⁵ Our publication, *Principles of Federal Appropriations Law*, is viewed both within and outside of the government as the primary resource on federal case law related to the availability, use, and control of federal funds. In addition, we maintain the government's repository of reports on Antideficiency Act violations and make available on our website information extracted from those reports. Collectively, our products contain

²In fiscal year 2013 the work performed under the Comptroller General's Authority represented 4 percent of our engagement resources.

³GAO, *The Federal Government's Long-Term Fiscal Outlook: Spring 2013 Update*, [GAO-13-481SP](#) (Washington, D.C.: Apr. 11, 2013).

⁴In fiscal year 2013 the number of products that we issued was down to 791.

⁵GAO, *Bid Protest Annual Report to the Congress for Fiscal Year 2011*, [GAO-12-199SP](#) (Washington, D.C.: Nov. 15, 2011); and GAO, *Principles of Federal Appropriations Law: Annual Update of the Third Edition*, [GAO-12-413SP](#) (Washington, D.C.: Mar. 8, 2012).

information and often conclusions and recommendations that allow us to achieve our external strategic goals.

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

Similarly, our biennial high-risk report, updated in February 2013, provides a status report on major government operations that we consider high risk because they are vulnerable to fraud, waste, abuse, and mismanagement or are in need of broad-based transformation (see [p.40](#)). Such special publications are valuable planning tools because they help us to identify areas of 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 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 benefits, recommendations implemented, and percentage of new products with recommendations. Financial benefits and other benefits provide quantitative and qualitative information, respectively, on the outcomes or results that have been achieved from our work. They often represent outcomes that occurred 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 other (nonfinancial and nonquantifiable) benefits. For financial benefits and other benefits, we first set targets for the agency as a whole, and then we set targets for each of the external goals (1, 2, and 3) to reach the agencywide targets. For past recommendations implemented and percentage of products with recommendations, we set targets and report performance for the agency as a whole because we want to encourage consistent performance across goals. Internally, we track our performance by strategic goal in order to understand why we meet or do not meet the agencywide target. We also use this information to provide feedback to our teams on the extent to which they are contributing to the overall target and to help them identify areas for improvement.

- **Client.** To measure how well we are serving our client, we capture the number of congressional hearings where we are asked to present expert testimony and our timeliness in delivering products to the Congress. We use an electronic client feedback form to collect data on the services we are providing to our congressional clients. We set a target at the agencywide level for the number of hearings and then assign a portion of these hearings as a target for each of the external goals (1, 2, and 3) based on that 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 where 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.** GAO's ability to carry out its mission and retain a skilled and talented workforce is supported by our administrative services, including information management, infrastructure operations, human capital, and financial management. Through an internal customer satisfaction survey, we gather information on three areas of interest: (1) how well our internal operations help employees get their jobs done, (2) how our internal operations improve employees' quality of work life, and (3) how satisfied employees are with our IT tools. Examples of surveyed services include information security, pay and benefits, building security and maintenance, and telework/mobility tools. We set targets for these measures at the agencywide level.

Setting Performance Targets

To establish targets for all of our measures, we consider our past performance, including recent patterns and 4-year rolling averages, as well as known upcoming events for most of our results measures (see [p.128](#)) and the external factors that influence our work (see [p.60](#)). Based on this information, the teams and offices that are directly engaged in the work discuss with our top executives their views of what we have planned to accomplish in

the strategic plan and what they believe they can accomplish in the upcoming fiscal year. Members of our Executive Committee then establish targets for the performance measures.

Once approved by the Comptroller General, the targets become final and are presented in our annual performance plan and budget.⁶ We may adjust these targets after they are initially published when our expected future work or level of funding 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 V, 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 2013 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.

⁶Our most current plan is available at <http://www.gao.gov/products/GAO-12-463SP>

This page intentionally left blank

Serving the Congress and the Nation



Part I

Management's Discussion and Analysis

Assisting the Congress and Benefiting the Nation during Challenging Times

In fiscal year 2013, demand for our work was high with 868 congressional requests and new mandates. Our work in key areas helped inform the Congress and the administration on issues relevant to all Americans. These included issues related to duplication, overlap, and opportunities for cost saving in government programs, for which we identified 45 areas where programs may be able to achieve greater efficiencies or become more effective in providing government services; the Dodd-Frank Wall Street Reform and Consumer Protection Act; the Patient Protection and Affordable Care Act; and our continued oversight of high-risk and other critical areas.

This work also allowed us to achieve many of our performance goals, and we monitored how well we performed and supported our staff using 16 annual performance measures. The results of our efforts are reflected in our solid performance in fiscal year 2013 for which data are available (see [table 1](#)). Specifically, we met or exceeded all but two of the performance targets we set for our client and people measures. We exceeded our targets for our two priority measures—financial and other benefits. We achieved \$51.5 billion in financial benefits, exceeding our target of \$44 billion by \$7.5 billion.⁷ This represents about \$100 return on every dollar the Congress invested in us. We recorded 1,314 other benefits, exceeding our target of 1,200 by 114 benefits. We fell just short of meeting our target of 80 percent for past recommendations implemented, finishing the fiscal year at 79 percent. We exceeded our target for new products with recommendations by 3 percentage points. We did not meet our target of 170 hearings at which we were asked to testify, due to fewer-than-anticipated hearings in a range of subject areas. We exceeded our target for delivering our products and testimonies to our clients in a timely manner. We also met or exceeded our annual targets for our people measures, including staff development, staff utilization, effective leadership by supervisors, and organizational climate. In addition, we met our annual targets for retention rates (with and without retirements), but fell short of our hiring goal by 29 percentage points. The delay in receiving our final appropriations until mid-year impacted our ability to approve critical hires and fill entry-level positions by year-end. As a result, our staffing level for fiscal year 2013 remained below 3,000 and we ended the year at our lowest level since 1935.

For our three internal operations measures, we use an internal customer satisfaction survey to assess how well our administrative services (e.g., computer support, student loan repayment program, building maintenance, etc.) help employees get their jobs done and improve quality of work life, and how satisfied employees are with IT tools. These measures are directly related to our efforts under goal 4 of our strategic plan which focuses on enabling quality, timely service to the Congress and being a leading practices federal agency. The survey asks staff to indicate their satisfaction with each service, or to indicate if they did not use it. Our satisfaction scores from the 2013 survey were 82 percent for services that “help get the job done,” 77.9 percent for services that “improve the quality of work life,” and 67.6 percent for satisfaction with “IT Tools.” We are working to improve the services that did not meet our target of 80 percent.

⁷A financial benefit is an estimate of the federal cost reduction of agency or congressional actions.

Table 1: Agencywide Summary of Annual Measures and Targets

Performance measure	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target actual	Met/ not met	2014 target	
Results									
Financial benefits (dollars in billions)	\$58.1	\$43.0	\$49.9	\$45.7	\$55.8	\$44.0 \$51.5	Met	\$45.0	
Other benefits	1,398	1,315	1,361	1,318	1,440	1,200 1,314	Met	1,200	
Past recommendations implemented	83%	80%	82%	80%	80%	80% 79%	Not Met	80%	
New products with recommendations	66%	68%	61%	68%	67%	60% 63%	Met	60%	
Client									
Testimonies	298	203	192	174	159	170 114	Not Met	130	
Timeliness ^a	95%	95%	95%	95%	95%	90% 94%	Met	90%	
People									
New hire rate	96%	99%	95%	84%	76%	95% 66%	Not Met	75%	
Retention rate									
With retirements	90%	94%	94%	92%	93%	90% 93%	Met	90%	
Without retirements	93%	96%	96%	96%	96%	94% 96%	Met	94%	
Staff development ^b	77%	79%	79%	79%	80%	76% 80%	Met	80%	
Staff utilization ^{b,c}	75%	78%	77%	78%	76%	75% 75%	Met	76%	
Effective leadership by supervisors ^d	81%	83%	83%	83%	82%	80% 83%	Met	82%	
Organizational climate	77%	79%	79%	80%	78%	75% 77%	Met	76%	
Internal operations^{e,f}									
Help get job done	4.0	4.03	3.94	80% (3.98)	N/A	80% 82%	Met	80%	
Quality of work life	4.01	4.01	3.94	80% (3.99)	N/A	80% 78%	Not Met	80%	
IT Tools ^g	N/A	N/A	N/A	N/A	N/A	80% 68%	Not Met	80%	

Source: GAO.

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

^aThe timeliness measure is based on one question on a form sent out to selected clients. The response rate for the form in fiscal year 2013 was 24.5 percent and 98 percent of the clients who responded answered this question. The percentage shown in the table represents the percentage of respondents who answered favorably to this question on the form.

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

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

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

^eFor our internal operations measures, we ask staff to rate 38 internal services available to them, indicating their satisfaction with each service from “very dissatisfied” to “very satisfied” or if they did not use the service. For 2008 – 2011, data was reported as a mean on a 5-point scale. For the purposes of comparison, starting in 2011 and going forward, we will calculate

level of satisfaction as percent satisfied, ranging from 0 to 100 percent. These measures are described in more detail on page 135-136 of this report.

^fNo survey was conducted in calendar year 2012, which is indicated by N/A. The most recent surveys were conducted in December 2011 and April 2013.

^gFor 2013, we created a new IT Tools performance measure to better measure and track satisfaction with GAO's IT services. In prior year surveys, IT services were covered under one of the other performance measures.

Our fiscal year 2014 targets for 9 of 15 of our performance measures are the same as those targets we reported in our fiscal year 2013 performance plan issued in March 2012. The remaining 6 targets have been revised to what we believe are challenging yet realistic targets for our staff given constrained resources.

We use 4-year rolling averages for key performance measures to help us examine trends over time, including financial benefits, other benefits, new products with recommendations, and testimonies. We use 4-year rolling averages for these measures because our performance has fluctuated from year to year and this calculation minimizes the effect of an atypical result in any given year. We consider this calculation, along with other factors, when we set our performance targets. Table 2 shows that our averages for financial benefits increased slightly from 2008 to 2009, remained fairly stable from 2009 to 2011, decreased in 2012, and rose again in 2013. The average number of other benefits we recorded decreased slightly from 2008 to 2009, increased slightly from 2009 to 2010, declined in 2011, increased in 2012, and held steady in 2013. New products with recommendations have been very stable from 2009 through 2013.

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

Performance measure	2008	2009	2010	2011	2012	2013
Results						
Financial benefits (billions)	\$48.7	\$49.5	\$49.2	\$49.2	\$48.6	\$50.7
Other benefits	1,376	1,352	1,357	1,348	1,359	1,358
New products with recommendations	65%	66%	65%	66%	66%	65%
Client						
Testimonies	248	254	242	217	182	160

Source: GAO.

We use several factors to set our annual testimonies target—the number of hearings at which we expect our senior executives to testify. These factors include the cyclical nature of the congressional calendar, our 4-year rolling averages, and our past performance. Our experience has shown that during the fiscal year in which an election occurs, the Congress generally holds fewer hearings. In the months after an election, the members usually only meet for a short session, and then they reorganize in the following months, providing fewer opportunities for us to testify. For the past 4 years, our testimonies have been lower than anticipated because of a congressional focus on a few key policy areas that did not encompass as many hearings on our broad scope of work as in recent years. We therefore have set a lower target for congressional testimonies in 2014.

Accomplishing our mission requires us to focus on the outcomes of our work and the efficiency of the processes we use to deliver results. The following four annual measures—financial benefits, other benefits, past recommendations implemented, and new products

containing recommendations—indicate the extent to which we have fulfilled our mission and benefited the nation.

Financial Benefits and Other Benefits

We generally describe the positive outcomes resulting from our work as either financial or other benefits. In many cases, the benefits we claimed in fiscal year 2013 are based on work we did in past years because it often takes the Congress and agencies time to implement our recommendations or to act on our findings.

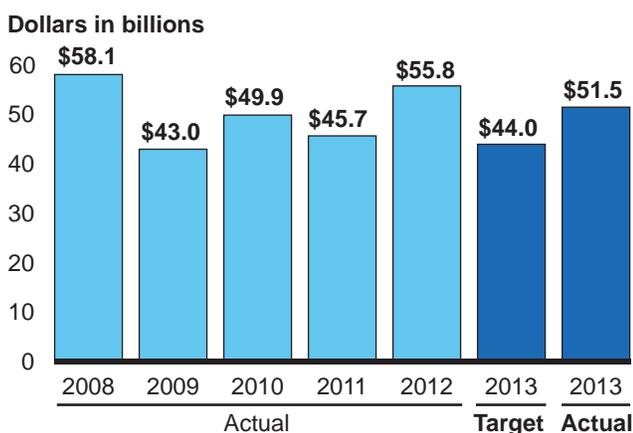
To claim either type of benefit, our staff must document the connection between the benefits reported and the work that we performed. We can claim benefits within 2 years of when the Congress or an agency takes action on our recommendations. Our methodology for determining financial benefits can be found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

Financial Benefits

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

In fiscal year 2013, our work generated about \$51.5 billion in financial benefits (see [fig. 7](#)). We exceeded our target by almost 17 percent because of several unexpectedly large accomplishments. [Part II](#) of this report provides more information on these accomplishments by goal. (See [fig. 8](#).) In light of ongoing resource constraints that may affect our ability to follow up on actions taken, we have set our fiscal year 2014 target for financial benefits at \$45 billion. This is above the fiscal year 2013 target but below our actual performance.

Figure 7: Financial Benefits GAO Recorded



Source: GAO.

The financial benefits that we report 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.

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

Figure 8: GAO’s Selected Major Financial Benefits Reported in Fiscal Year 2013



Source: See Image Sources.

Description	Amount (Dollars in billions)
<p>Reduction in Procurement Quantities of Joint Strike Fighter. From 2005 through 2012 we made numerous recommendations to DOD aimed at reducing procurements of the F-35 Joint Strike Fighter—its most expensive aircraft acquisition. Specifically, we cited the program’s very aggressive and risky acquisition strategy, including substantial concurrency or overlap among development, testing, and production activities. These factors combined with a management environment that was slow to acknowledge and address problems, were prime contributors to the relatively poor cost, schedule, and performance outcomes experienced by this program. Consistent with our findings and recommendations, DOD decreased near-term procurement quantities in three successive budget submissions to lessen concurrency and the associated cost risks. Procurement quantities were reduced by 103 aircraft for fiscal years 2013 and 2014 at a budgeted cost reduction of about \$8.72 billion (in net present value). (GAO-09-303, GAO-10-382, GAO-11-325)</p>	\$8.7
<p>Treasury Reduced TARP Obligation to FHA Short Refinance Program for Foreclosure Mitigation. We reported on foreclosure mitigation efforts across the federal government in 2012. Specifically, we found that the Department of the Treasury had not reassessed its need for the \$8 billion letter of credit facility for the Federal Housing Administration’s refinancing program to help borrowers in negative equity positions, despite much lower than expected participation rates. Based on updated participation estimates, Treasury amended the purchase agreement for the line-of-credit facility in March 2013 by reducing the amount from \$8 billion to \$1 billion—deobligating approximately \$7.1 billion dollars and returning that amount to the general fund during fiscal year 2013 potentially making this funding available for other federal programs. (GAO-12-296)</p>	\$7.1

<p>Revised Approach for the Navy’s Next Generation Enterprise Network (NGEN) Acquisition. In 2011, we found that the Navy’s acquisition decisions for the Next Generation Enterprise Network (NGEN) had not always been performance- and risk-based because the program was allowed to proceed despite significant performance shortfalls and risks. For example, the Navy had not sufficiently analyzed NGEN acquisition alternatives. As a result, it was pursuing an approach that was riskier and potentially costlier than the other alternatives identified due to a higher number of contractual relationships. Our recommendations led the Navy to revise its acquisition strategy—reducing the program’s costs between 2013 and 2017 by about \$2.6 billion (net present value). (GAO-11-150, GAO-12-956)</p>	\$2.6
<p>Elimination of Seller-funded Payment Assistance for FHA-insured Mortgages. We reported in 2006, that FHA-insured mortgages purchased using down payment assistance from property sellers (seller-funded down payment assistance) had grown from 6 percent in 2000 to 30 percent in 2004. In addition, we found that mortgages that used seller-funded payment assistance had substantially higher delinquency and insurance claim rates than similar loans without such assistance. Moreover, the losses associated with these loans were contributing to FHA’s deteriorating financial performance. Citing our findings, The Department of Housing and Urban Development (HUD) and the Congress took steps in 2007 and 2008 to prohibit seller-funded down payment assistance and this prohibition became law with passage of the Housing and Economic Recovery Act of 2008 (HERA). The passage of the act has continued to result in annual cost reductions to the federal government and for fiscal year 2013 this amount was approximately \$2.5 billion. (GAO-06-24)</p>	\$2.5
<p>Consolidation of U.S. Forces Stationed in Europe. Since 2010, we have reported on the significant costs related to maintaining permanent Army forces in Europe and recommended that DOD identify alternatives that may lead to savings, analyze strategic documents to identify mission requirements, and better align permanent forces to address those requirements. In 2012, partly in response to our work, DOD announced that it was removing two brigade combat teams and support units from Europe, allowing it to further consolidate and close facilities. According to the Army, DOD can expect to reduce its costs about \$2.3 billion through fiscal year 2017. (GAO-10-745R, GAO-11-131, GAO-12-711)</p>	\$2.3
<p>Reduction in Unobligated Balances for State Department Operations in Iraq. Our review of the State Department’s 2013 budget request for funding Diplomatic and Consular Programs in Iraq identified growing unobligated balances, despite the planned reductions in the U.S. civilian-led presence there. Given the growing unobligated balance in the Diplomatic and Consular Programs account and State’s request for \$2.7 billion, we projected that the Iraq Operations budget would have an unobligated balance of between \$1.7 billion and about \$2.3 billion by the end of fiscal year 2013. Our work led to the Congress rescinding \$1.1 billion from this State Department account. (GAO-12-856T)</p>	\$1.1

Source: GAO.

Notes: 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. 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.

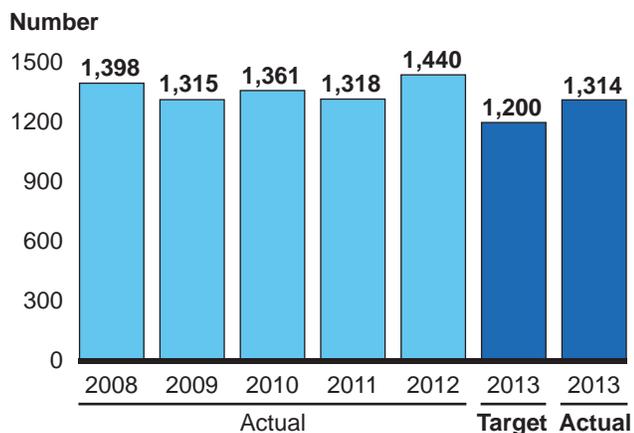
Additional examples of fiscal year 2013 financial benefits can be found in [Part II](#) of this report.

Other Benefits

Many of the benefits that result from our work cannot be measured in dollar terms, which we refer to as other benefits. During fiscal year 2013, we recorded a total of 1,314 other benefits (see [fig. 9](#)). We exceeded our target by about 10 percent largely because

of a number of accomplishments we documented for information technology, acquisition management, and public safety and security issues. We have set our 2014 target for these other benefits at 1,200 again given ongoing resource constraints.

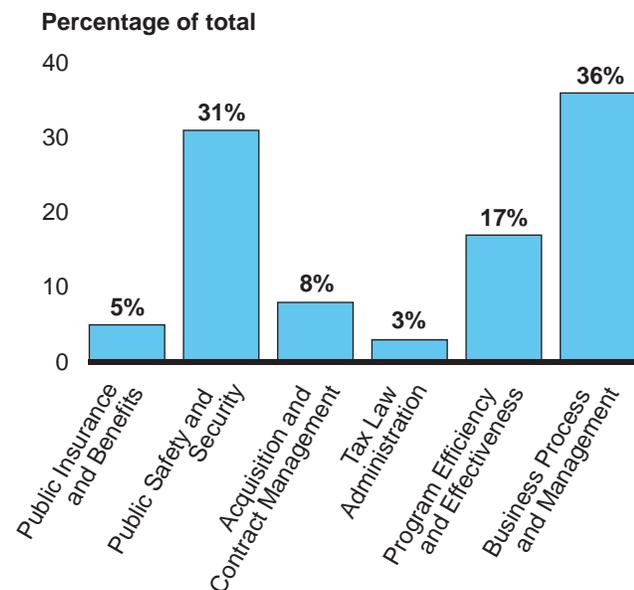
Figure 9: Other benefits



Source: GAO.

In fiscal year 2013 we documented actions taken across federal programs—about 31 percent resulted from improvements in public safety and security, including programs such as homeland security and justice programs and critical technologies. About 36 percent of the total other benefits were in the area of business process and management, including programs such as federal information systems, business systems modernization, and financial management. (See figure 10.) In figure 11, we provide examples of other benefits we claimed as accomplishments in fiscal year 2013. Additional examples of other benefits can be found in Part II of this report.

Figure 10: Types of Fiscal Year 2013 Other benefits



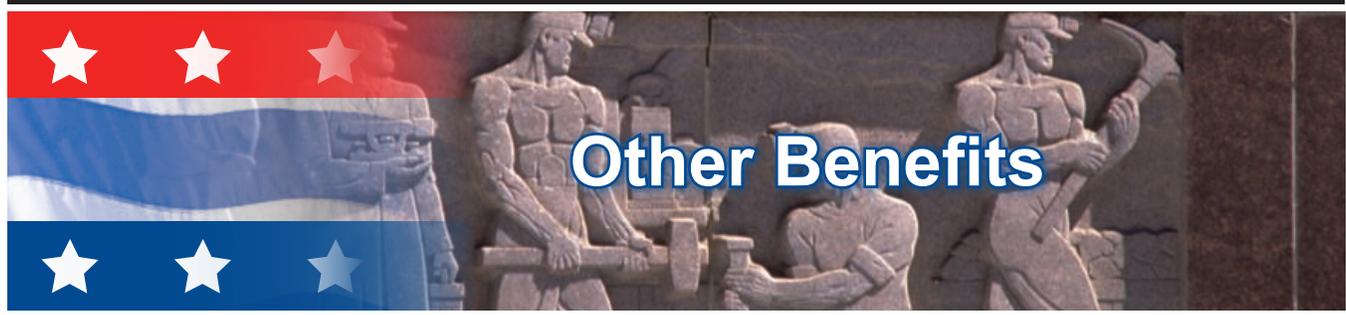
Source: GAO.

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

Examples of programs included in categories:

- **Public insurance and benefits.** Medicare, Medicaid, Department of Veterans Affairs and DOD health care, disability programs, national flood insurance, federal deposit insurance, and other insurance programs.
- **Public safety and security.** Homeland security and justice programs; critical infrastructure, including information security; critical technologies; food safety; transportation safety; telecommunications safety; international food assistance; public health; consumer protection; environmental issues; national defense; foreign policy; and international trade.
- **Acquisition and contract management.** DOD weapon system acquisition, National Aeronautics and Space Administration acquisition management, and all federal agency and interagency contract management.
- **Tax Law Administration.** Internal Revenue Service (IRS) business systems modernization, tax policy, and enforcement of tax laws.
- **Program efficiency and effectiveness.** Fraud, waste, and abuse; U.S. financial regulatory system; federal oil and gas resources; U.S. Postal Service; transportation funding; and telecommunications funding.
- **Business Process and Management.** Federal agency financial audits, federal information systems, federal real property, human capital management, DOD business transformation, business systems modernization, financial management, support infrastructure management, and supply chain management.

Figure 11: GAO’s Selected Other Benefits Reported in Fiscal Year 2013



Source: GAO.

Program	Description
<p>Public Insurance and Benefits</p>	<p>Our review of the Health Resources and Services Administration’s (HRSA) 340B Drug Pricing Program in 2011, which gives certain providers access to discounted prices on restricted outpatient drugs, found that HRSA’s guidance was not specific in how manufacturers should ensure equitable distribution of restricted drugs. In response to our recommendation, HRSA issued guidance requesting submission of distribution plans for restricted drugs by manufacturers in advance of their implementation. Through this newly instituted process, HRSA is now better able to ensure that providers do not face challenges accessing restricted drugs at discounted 340B program prices. (GAO-11-836)</p>
<p>Public Safety and Security</p>	<p>We recommended in 2010 that the National Oceanic and Atmospheric Administration (NOAA) develop a transition plan for tsunami research to address its non-compliance with the Tsunami Warning and Education Act, and incorporate lessons learned from the delays it experienced during the transition of a new tsunami forecasting system from research to application. In response, NOAA established a tsunami research-to-operations policy. The policy applies to all Tsunami Program research and development and outlines the processes, roles, and responsibilities for transitioning tsunami research into operations at tsunami warning centers. (GAO-10-490)</p>

Acquisition and Contract Management	We reported that the Federal Emergency Management Agency's (FEMA) procedures for monitoring contracts related to the National Flood Insurance Program (NFIP) lacked basic, important information. For example, we noted that the majority of the 145 monthly monitoring reports we reviewed did not specify the performance areas to which they were related and the majority were missing submission dates. Given FEMA's extensive use of contractors to implement the NFIP, it is vital that FEMA maintain internal controls. As a result, we recommended in June 2008 that the Secretary of Homeland Security ensure that FEMA staff clearly monitor each performance standard that the contractor is required to meet in the time frames required by contract and that FEMA staff clearly link monitoring reports and performance areas. In response, FEMA issued updated policies in August 2011, among other steps, to reduce the likelihood that contractor performance problems would go unnoticed, and negatively affect NFIP operations. (GAO-08-347R)
Tax Law Administration	In 2013, we used newly available IRS data for tax year 2010 to estimate that profitable large U.S. corporations paid income taxes amounting to about 17 percent of the financial statement income that they reported on their federal tax returns. This effective tax rate, which includes taxes paid out of that reported financial statement income to the federal, state and local, and foreign governments, was well below the 35 percent federal statutory tax rate. The results of our work have demonstrated the need for congressional action that may include the potential for comprehensive tax reform. (GAO-13-520)
Program Efficiency and Effectiveness	In 2012, we recommended that the Army and Veterans Affairs expand their interagency collaboration to improve management of military cemeteries. The departments have established a joint working group to identify improvements, share lessons learned, avoid potential duplication, and find solutions to common problems. The Army National Military Cemeteries also developed a strategic plan and workforce plan to better link missions, goals, resources, and business processes—steps that should improve overall management and help eliminate burial errors and other past problems. (GAO-12-105)
Business Process and Management	In July 2009, we reported that HUD had established policies and procedures for creating portfolios of information technology (IT) investments but lacked related practices to effectively control them, such as procedures and criteria for assessing portfolio performance on a continual basis. Accordingly, we recommended that the department develop and implement a plan to address the IT portfolio investment management weaknesses identified. In January 2013, HUD provided a plan for implementing practices to control the performance of its IT investment portfolio. For example, the plan identified the process, timeline, and criteria for evaluating the performance of HUD's IT investment portfolio. As a result of these actions, HUD has improved its ability to control the risks and achieve the benefits associated with the department's IT investment portfolios. (GAO-09-675)

Source: GAO.

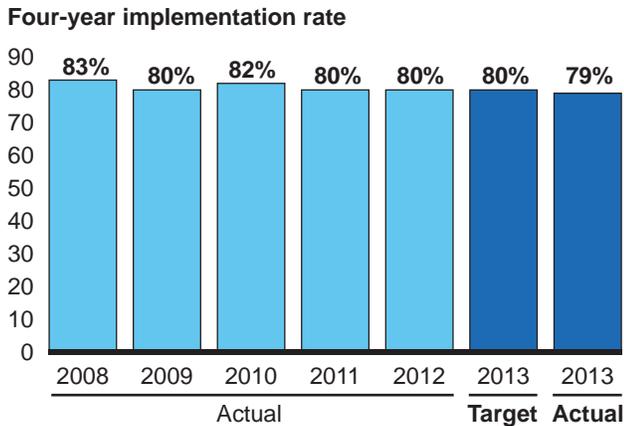
Notes: One way we measure our effect on improving the government's accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. We assess recommendations implemented after 4 years based on our experience that recommendations remaining open after that period of time are generally not implemented in subsequent years.

Additional examples of other benefits for the fiscal year can be found in [Part II](#) of this report.

Past Recommendations Implemented

One way we measure our effect on improving the government’s accountability, operations, and services is by tracking the percentage of recommendations that we made 4 years ago that have since been implemented. At the end of fiscal year 2013, 79 percent of the recommendations we made in fiscal year 2009 had been implemented (see [fig. 12](#)), primarily by executive branch agencies. Putting these recommendations into practice generates tangible benefits for the nation.

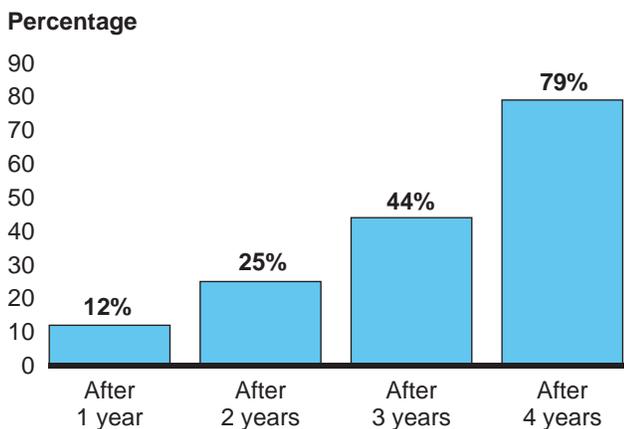
Figure 12: Percentage of Past Recommendations Implemented



Source: GAO.

The 79 percent implementation rate for fiscal year 2013 fell just short of our target of 80 percent for the year. As [figure 13](#) indicates, agencies need time to act on recommendations. We assess recommendations implemented after 4 years based on our experience that recommendations remaining open after that period of time are generally not implemented in subsequent years.

Figure 13: Cumulative Implementation Rate for Recommendations Made in Fiscal Year 2009



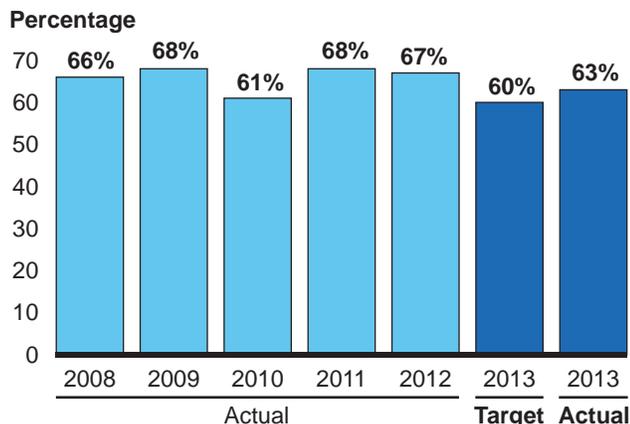
Source: GAO.

New Products Containing Recommendations

In fiscal year 2013, about 63 percent of the 575 written products we issued contained recommendations (see [fig. 14](#)). We track the percentage of new products with recommendations because we want to focus on developing recommendations that, when

implemented by the Congress and agencies, produce financial and other benefits for the nation. We exceeded our target of 60 percent by 3 percentage points. However, we are maintaining the 60 percent target for 2014 because we recognize that including recommendations in our products is not always warranted, and the Congress and agencies often find informational reports as useful as those that contain recommendations. Our informational reports have the same analytical rigor and meet the same quality standards as those with recommendations and, similarly, can help to bring about substantial financial and other key benefits. Hence, this measure allows us some flexibility in responding to requests that result in reports without recommendations.

Figure 14: Percentage of New Products with Recommendations



Source: GAO.

Focusing on Our Client

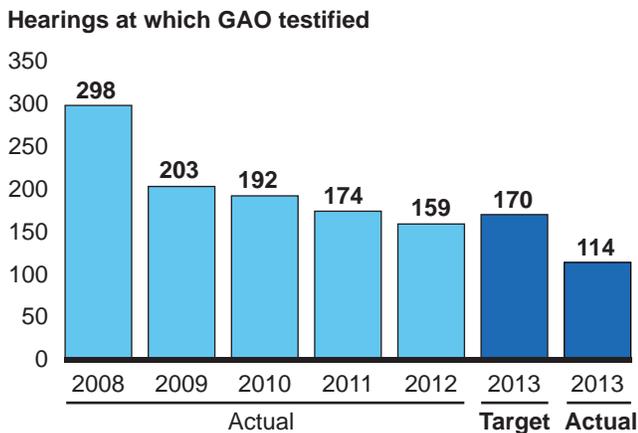
To fulfill the Congress's information needs, we plan to deliver the results of our work orally as well as in writing at a time agreed upon with our client. Our performance this year indicates that we assisted the Congress well, by striving to respond to all congressional requests for testimony and delivering almost all of our products on time based on the feedback from our clients. We issued 791 products and completed work for 143 clients.

Testimonies

Our clients often invite us to testify on our current and past work as it relates to issues that committees are examining through the congressional hearing process. During fiscal year 2013, experts from our staff testified at 114 congressional hearings covering a wide range of complex issues.⁸ We did not meet our target of 170 hearings (see [fig. 15](#)). This measure is client-driven based on invitations to testify; therefore we cannot always anticipate clients' specific subject area interests. Our experience has also shown that during the fiscal year in which an election occurs, the Congress generally holds fewer hearings. The 114 hearings at which the Congress asked our executives to testify in fiscal year 2013 covered the scope of our mission areas. (See [fig. 17](#)) for selected topics we testified on by strategic goal in fiscal year 2012.) Thirty-one percent of the hearings at which our senior executives testified were related to high-risk areas and programs, which are listed on [page 41](#) of this report.

⁸Senior GAO officials testified 114 times during fiscal year 2013: Goal 1 (60), Goal 2 (30), Goal 3 (22), and Goal 4 (2 Comptroller General testimonies).

Figure 15: Testimonies



Source: GAO.

We have set our fiscal year 2014 target of testimonies at 130 hearings and believe this should be a reasonable estimate given recent trends and the Congress’s continuing interest in such matters as national and homeland security, health care, information security, public safety, and natural resources.

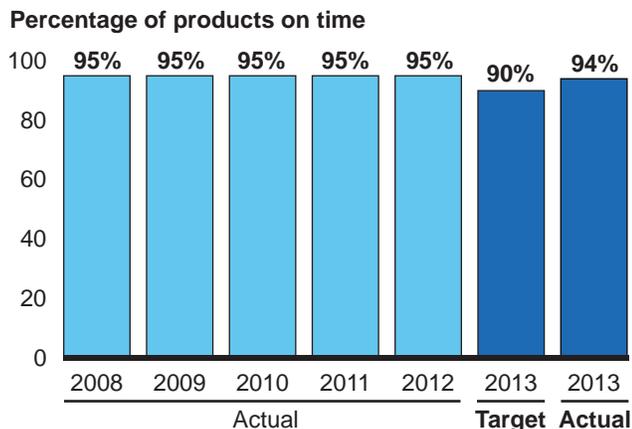
Timeliness

To be useful to the Congress, our products must be available when our clients need them. In fiscal year 2013, we exceeded our timeliness target of 90 percent by four percentage points. (See [fig. 16](#).) We outreach directly to our clients through several means, including an electronic feedback form. We use the results of our client feedback form as a primary source and barometer for whether we are getting our products to our congressional clients when they need the information. To calculate this result, we tally responses from the client survey 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 management⁹ and those expected to reach 500 staff days or more), which represented about 35 percent of the congressionally requested written products we issued in fiscal year 2013. 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 2013, of the forms returned to us, 98 percent of the congressional staff responding answered the question on timeliness. Overall, the response rate to our entire form was 24.5 percent, though we received feedback on 47 percent of the products for which we sent forms.

We have consistently set a high target for timeliness because it is important for us to meet congressional needs when they occur. We have set our fiscal year 2014 target at 90 percent because of resource constraints that may affect our on-time delivery.

⁹As part of our risk-based engagement management process, we identify a new engagement as high interest if the work we need to perform will likely require a large investment of our resources, involve a complex methodology, or examine controversial or sensitive issues.

Figure 16: Timeliness



Source: GAO.

Focusing on Our People

Our highly professional, multidisciplinary, and diverse staff were critical to the level of performance we demonstrated in fiscal year 2013. 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 6 fiscal years, we have refined our processes for measuring how well we manage our human capital. In fiscal year 2013, we met or exceeded six of seven of our people measures. These measures are directly linked to our goal 4 strategic objective of being a leading practices federal agency. For more information about our people measures, see [Table 19](#) on [page 128](#) 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. GAO's annual workforce planning process helps to identify the human capital resource requirements needed to accomplish its mission. It is the key tool to put strategic goals into human capital actions that are needed to respond to changing work environments. The workforce plan takes into account strategic goals, projected workload requirements, and other changes, such as retirements, attrition, promotions, and skill gaps. It specifies the number of planned hires for the upcoming year. Adjustments to the plan are made throughout the year, if necessary, to respond immediately on the most pressing issues for congressional oversight and decision making. In fiscal year 2013, our new hire rate was 66 percent. We did not meet the target of 95 percent. We planned to hire about 177 new staff, but only filled 117 by year-end. The remaining 60 positions will be carried over to fiscal year 2014 since recruitment activities were not completed prior to the end of fiscal year 2013. The delay in receiving our final appropriations until mid-year, impacted our ability to approve critical hires and fill entry-level positions by year-end.

Figure 17: Selected Testimony Topics • Fiscal Year 2013

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

- Processing Veterans’ Disability Benefits
- Science, Technology, Engineering, and Mathematics Education
- Social Security Administration Management
- School Lunch Nutrition Standards
- Private Pensions Multiemployer Plans and PBGC
- Community Bank Failures: Causes and Consequences
- Export-Import Bank Management and Reporting
- Veteran-owned Small Businesses
- Patient Protection and Affordable Care Act
- Medicare Highest-Expenditure Part B Drugs
- Medicare and Medicaid High Risk Update
- Federal Real Property Management
- Transportation Issues and Management
- U.S. Postal Service Financial Viability
- California High Speed Passenger Rail
- Chemical Regulation
- Water Infrastructure
- Federal Courthouse Construction

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

- Intellectual Property: Effect of Counterfeited and Pirated Goods on U.S. Economy
- State Department: Diplomatic Security Challenges
- Trade Adjustment Assistance for Manufacturers and Service Firms
- Personnel Security Clearances
- DOD Security Cooperation and Capacity Building
- Border Security Goals, Measures, and Resources
- TSA Oversight of Alleged Misconduct
- DHS at 10 Years: Progress and Remaining Work
- DOD’s POW/MIA Mission and Challenges
- Missile Defense Acquisition Management
- Strategic Sourcing Potential Savings
- Naval Acquisition Risks: Littoral Combat Ship
- DOD Acquisition Risks: F-35 Joint Strike Fighter
- Modernizing the Nuclear Security Enterprise
- DHS’s Overstay Enforcement Efforts

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

- Need for Federal IT Efficiency Implementation Initiatives
- Need to Improve National Cybersecurity Strategy
- Weaknesses in OPM IT Management and Incremental Improvements
- Financial Performance and Management Challenges
- GAO’s 2013 High-Risk Series Update
- VA and DOD Sharing of Electronic Health Records
- Need to Eliminate Duplicative IT Investments
- Improved Mitigation Strategies Needed for Environmental Satellite Coverage Gaps
- Unknown Extent of Refund Fraud Using Stolen Identities
- Progress Made by DHS in Addressing High-Risk Issues

Source: GAO.

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

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

Performance measure	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual
People							
New hire rate	96%	99%	95%	84%	76%	95%	66%

Source: GAO.

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. [Table 4](#) shows that in fiscal year 2013, we exceeded our target rate of 90 percent for retention with retirements by 3 percentage points at 93 percent. We also exceeded our retention rate of 94 percent without retirements by 2 percentage points at 96 percent.

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

Performance measures	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual
People							
Retention rate							
With retirements	90%	94%	94%	92%	93%	90%	93%
Without retirements	93%	96%	96%	96%	96%	94%	96%

Source: GAO.

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

One way that we measure how well we are supporting our staff and providing an environment for professional growth is through our annual employee feedback survey. This web-based survey is administered to all of our employees once a year. To ensure the confidentiality of every respondent, we use an outside contractor to administer the survey and to analyze the responses. Through the survey, we encourage our staff to indicate what they think about our overall operations, work environment, and organizational culture and how they rate their immediate supervisors on key aspects of their leadership styles.

The survey consists of over 100 questions. From the staff who expressed an opinion, we calculated the percentage of those who selected favorable responses to the related survey questions. Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including these responses in the calculation would result in

a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions. (See [Part V of this report on pp. 128-136](#) for additional information about these measures.) This fiscal year, about 72.5 percent of our employees completed the survey, and we met or exceeded all four targets (see [table 5](#)). Our fiscal year 2013 performance on all of these measures has been fairly consistent for the past few years. Our performance on the staff development exceeded our target by 4 percentage points. We met our target for staff utilization, exceeded our target for organizational climate by 2 percentage points, and exceeded our target for leadership by 3 percentage points. Given our performance on these measures in recent years, we have decided to adjust each of these targets for fiscal year 2014 (see [table 1](#)).

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

Performance measures ^a	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual
People							
Staff development	77%	79%	79%	79%	80%	76%	80%
Staff utilization	75%	78%	77%	78%	76%	75%	75%
Effective leadership by supervisors ^b	81%	83%	83%	83%	82%	80%	83%
Organizational climate	77%	79%	79%	80%	78%	75%	77%

Source: GAO.

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

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

Focusing on Our Internal Operations

Our mission and people are supported by our administrative services, including information management, infrastructure operations, human capital, and financial management. To assess our performance and set targets related to how well our administrative services help employees get their jobs done and improve quality of work life, and employee satisfaction with IT tools, we use information from our annual customer satisfaction survey. The results are shown in [table 6](#). We asked staff to rate 38 internal services available to them, indicating their satisfaction with each service from “very dissatisfied” to “very satisfied,” or to indicate that they did not use the service. Our internal operations measures are directly related to our efforts under goal 4 of our strategic plan to enable quality, timely service to the Congress and be a leading practices federal agency.

The first measure encompasses 14 services that help employees get their jobs done, such as information security, desktop computer equipment, travel services, and report production. The second measure encompasses another 17 services that affect quality of work life, such as assistance related to pay and benefits, building security and

maintenance, and internal communications. The third measure encompasses seven IT tools, such as our internal engagement management system, telework tools, and the intranet.

Using survey responses, we calculate a composite score for each service category. Our scores of 82 percent for the services under “help get the job done” and 78 percent for the services under “quality of work life” from the May 2013 survey show that staff were generally or very satisfied with the services they receive. We are working to improve employees’ satisfaction with IT tools, which was rated about 68 percent.

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

Performance measures	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual
Internal operations							
Help get job done	4.00	4.03	3.94	80% 3.98	N/A	80%	82%
Quality of work life	4.01	4.01	3.94	80% 3.99	N/A	80%	78%
IT tools	N/A	N/A	N/A	N/A	N/A	80%	68%

Source: GAO.

Notes: For our internal operations measures, we ask staff to rate 38 internal services available to them, indicating their satisfaction with each service from “very dissatisfied” to “very satisfied” or if they did not use the service. For 2008 – 2011, data were reported as a mean on a 5-point scale with 5 being the highest. For the purposes of comparison, starting in 2011 and going forward, we will calculate level of satisfaction as percent age satisfied, ranging from 0 to 100 percent. These measures are described in more detail on page 135-136 of this report.

N/A for fiscal year 2012 indicates that the survey was not conducted in this year and N/A for fiscal years 2008 through 2011 indicates that the question on IT tools was not asked.

GAO’s High-Risk Program

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

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

Our 2013 high-risk area work:

- 164 reports
- 35 testimonies
- \$17 billion in financial benefits
- 411 other benefits

Table 7: GAO’s High-Risk List as of September 30, 2013

High-risk area	Year designated
Strengthening the Foundation for Efficiency and Effectiveness	
■ Limiting the Federal Government’s Fiscal Exposure by Better Managing Climate Change Risks (new)	2013
■ Management of Federal Oil and Gas Resources	2011
■ Modernizing the U.S. Financial Regulatory System and Federal Role in Housing Finance	2009
■ Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	2009
■ Funding the Nation’s Surface Transportation System	2007
■ Managing Federal Real Property	2003
■ Strategic Human Capital Management	2001
Transforming DOD Program Management	
■ DOD Approach to Business Transformation	2005
■ DOD Business Systems Modernization	1995
■ DOD Support Infrastructure Management	1997
■ DOD Financial Management	1995
■ DOD Supply Chain Management	1990
■ DOD Weapon Systems Acquisition	1990
Ensuring Public Safety and Security	
■ Mitigating Gaps in Weather Satellite Data (new)	2013
■ Strengthening Department of Homeland Security Management Functions	2003
■ Establishing Effective Mechanisms for Sharing and Managing Terrorism-related Information to Protect the Homeland	2005
■ Protecting the Federal Government’s Information Systems and the Nation’s Cyber Critical Infrastructures	1997
■ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	2007
■ Revamping Federal Oversight of Food Safety	2007
■ Protecting Public Health through Enhanced Oversight of Medical Products	2009
■ Transforming EPA’s Processes for Assessing and Controlling Toxic Chemicals	2009
Managing Federal Contracting More Effectively	
■ DOD Contract Management	1992
■ DOE’s Contract Management for the National Nuclear Security Administration and Office of Environmental Management	1990
■ NASA Acquisition Management	1990
Assessing the Efficiency and Effectiveness of Tax Law Administration	
■ Enforcement of Tax Laws	1990
Modernizing and Safeguarding Insurance and Benefit Programs	
■ Improving and Modernizing Federal Disability Programs	2003
■ Pension Benefit Guaranty Corporation Insurance Programs	2003
■ Medicare Program	1990
■ Medicaid Program	2003
■ National Flood Insurance Program	2006

Source: GAO.

critical services to the public. Since 1990, we have designated over 50 areas as high risk and subsequently removed over one-third of the areas based on progress made. As of the end of fiscal year 2013, our high-risk list highlighted 30 troubled areas across government. [Table 7](#) lists each current high-risk area and the year it was added to the list.

In our February 2013 high-risk update, we reported that sufficient progress had been made to remove the high-risk designation from two areas: the Management of Interagency and IRS Business Systems Modernization ([GAO-13-283](#)).

Management of Interagency Contracting. We removed this area from the high-risk list based on (1) continued progress made by agencies in addressing previously identified deficiencies, (2) establishment of additional management controls, (3) creation of a policy framework for establishing new interagency contracts, and (4) steps taken to address the need for better data on these contracts.

IRS Business Systems Modernization. We removed IRS Business Systems Modernization from the high-risk list as IRS has made progress in addressing significant weaknesses in information technology and financial management capabilities. IRS delivered the initial phase of its cornerstone tax processing project and began the daily processing and posting of individual taxpayer accounts in January 2012. This enhanced tax administration and improved service by enabling faster refunds for more taxpayers, allowing more timely account updates, and faster issuance of taxpayer notices. In addition, IRS has put in place close to 80 percent of the practices needed for an effective investment management process, including all of the processes needed for effective project oversight.

While these two areas have been removed from the high-risk list, we will continue to monitor them.

In 2013, we added the following two areas to our high-risk list.

Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks. Climate related risks create significant financial challenges for the federal government, which owns extensive infrastructure, such as defense installations; insures property through the National Flood Insurance Program; and provides emergency aid in response to natural disasters. The federal government is not well positioned to address the fiscal exposure presented by climate change, and needs a governmentwide strategic approach with strong leadership to manage related risks.

Mitigating Gaps in Weather Satellite Data. Potential gaps in environmental satellite data beginning as early as 2014 and lasting as long as 53 months have led to concerns that future weather forecasts and warnings—including warnings of extreme events such as hurricanes, storm surges, and floods—will be less accurate and timely. A number of decisions are needed to ensure contingency and continuity plans can be implemented effectively.

In the past 2 years notable progress has been made in the vast majority of areas that remain on GAO's high-risk list. This progress is due to the combined efforts of the Congress through oversight and legislation, the OMB through its leadership and coordination, and the agencies through their efforts to take corrective actions to address longstanding problems and implement related GAO recommendations. Our next biennial high-risk update is planned for January 2015. The update will report on progress made and what remains to be done to address each of the high-risk areas. Our experience over the past 23 years has shown that the key elements needed to make progress in high-risk areas are congressional action, high-

level administration initiatives, and agency efforts targeted to address the risk. We have met with top OMB and agency leaders in a series of regular meetings to discuss progress and actions needed for the high-risk areas. Our commitment to helping agencies address high risk areas is also reflected in the reports, testimonies, and other work we completed in 2013.

In fiscal year 2013, we issued 164 reports, delivered 35 testimonies to the Congress, and prepared several other products, such as briefings and presentations, related to our high-risk work. These reviews span a wide range of issues such as the financial regulatory system, food safety, acquisition management, tax laws, and Medicare and Medicaid programs. In addition, we documented over \$17 billion in financial benefits and 411 other benefits related to high-risk areas. The high-risk areas with the largest amount of financial benefits were Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures, DOD Weapon Systems Acquisition, Medicaid Program, and Enforcement of Tax Laws. More information on the high-risk series is available on our website at <http://www.gao.gov/highrisk>.

Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue

In April 2013, we issued our third annual report ([GAO-13-279SP](#)) to the Congress in response to a statutory requirement that called for us to identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities and report annually to the Congress on our findings, as well as actions to reduce such duplication.¹⁰ This body of work can help to inform government policymakers as they address the fiscal pressures facing our national government. We also continued to maintain a content area on our website titled “Improving Efficiency and Effectiveness” (<http://www.gao.gov/duplication>) to make our multiple reports and testimonies on this topic more easily accessible to the Congress and the public.

Our 2013 annual duplication report identifies 31 new areas where agencies may be able to achieve greater efficiency or effectiveness. Seventeen areas involve fragmentation, overlap, or duplication. For example, we reported that the DOD could realize up to \$82 million in cost savings and ensure equivalent levels of performance and protection by taking action to address its fragmented approach to developing and acquiring combat uniforms. Additionally, we reported that a total of 31 federal departments and agencies collect, maintain, and use geospatial information. Better planning and implementation could help reduce duplicative investments and save millions of dollars.

The report also identifies 14 additional areas where opportunities exist to achieve cost savings or enhance revenue collections. For example, we suggested that Department of Health and Human Services cancel the Medicare Advantage Quality Bonus Payment Demonstration. We found most of the bonuses will be paid to plans with average performance and that the demonstration's design precludes a credible evaluation of its effectiveness. Canceling the demonstration for 2014 would have saved about \$2 billion. We also noted opportunities to save billions more in areas such as expanding strategic sourcing, providing greater oversight for Medicaid supplemental payments, and reducing subsidies for crop insurance. Additionally, we pointed out opportunities for enhancing revenues by

¹⁰Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

reducing the net tax gap of \$385 billion, reviewing prices of radioactive isotopes sold by the government, and providing more equity in tobacco taxes for similar types of products.

The executive branch and the Congress have made some progress in addressing the areas that we identified in our 2011 and 2012 annual reports. Specifically, we identified approximately 300 actions among 131 overall areas that the executive branch and the Congress could take to reduce or eliminate fragmentation, overlap, or duplication or achieve other potential financial benefits. As of March 6, 2013, the date we completed our progress update audit work, about 12 percent of the areas were addressed, 66 percent were partially addressed, and 21 percent were not addressed. More recently, both the administration and the Congress have taken additional steps, including proposals in the President's April Fiscal Year 2014 Budget submission.

Addressing fragmentation, overlap, and duplication will require continued attention by the executive branch agencies and targeted oversight by the Congress. In many cases, executive branch agencies have the authority to address the actions that we identified. In other cases, such as those involving the elimination or consolidation of programs, Congress will need to take legislative action. Moreover, sustained congressional oversight will be needed in concert with the administration's efforts to address the identified actions by improving planning, measuring performance, and increasing collaboration. Effective implementation of the GPRA Modernization Act of 2010 also could help the executive branch and the Congress as they work to address these issues over time.

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

The Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010, to address regulatory gaps and oversight failures in the U.S. mortgage, securities, and financial markets. The act requires significant rule making by regulatory agencies and includes mandates that we conduct over 40 studies on a broad array of issues. During fiscal years 2011 and 2012, we reported our findings on over two-thirds of these studies. We continued to conduct the required studies in fiscal year 2013 and issued nine reports on a range of issues, such as investor protection and the operations of the Securities and Exchange Commission (SEC), and made 11 recommendations to various financial regulators.

We studied several issues related to investor protection. We examined alternative criteria for qualifying as an accredited investor and recommended that SEC consider alternative criteria to help determine an individual's ability to bear and understand the risks associated with investing in private placements ([GAO-13-640](#)). In our study on the small company exemption from a requirement that companies obtain an auditor's attestation to management's internal controls over financial reporting, we recommended that SEC consider requiring companies to explicitly state whether they had obtained an auditor attestation to increase transparency and aid investors in their investment decisions ([GAO-13-582](#)). We also studied the requirements and costs of SEC's custody rule ([GAO-13-569](#)).

In our work on SEC's operations, we examined SEC's personnel management challenges and its efforts to address them and made seven recommendations to improve SEC's personnel management ([GAO-13-621](#)). We also assessed SEC's internal supervisory controls for staff performing examinations, reviews of corporate financial securities filings, and investigations. We recommended that SEC ensure that existing internal supervisory controls and any

developed in the future have clearly defined activities and clear and readily available documentation demonstrating that the activities have taken place ([GAO-13-314](#)).

We explored other issues as well, including the advantages and disadvantages of proposals to make the bankruptcy code more effective in resolving failed financial companies. We recommended that the Financial Stability Oversight Council consider the implications for U.S. financial stability of changing the role of regulators and the treatment of qualified financial contracts in financial company bankruptcies ([GAO-13-622](#)). Further, we reviewed factors that could impact the effectiveness of SEC's rule on conflict minerals ([GAO-13-689](#)). Finally, we audited the financial statements of SEC ([GAO-13-125R](#)) and the Bureau of Consumer Financial Protection ([GAO-13-122R](#)).

The Patient Protection and Affordable Care Act

The Congress passed the Patient Protection and Affordable Care Act (PPACA) in 2010¹¹ to increase the accessibility and affordability of health coverage for Americans. PPACA includes a wide range of provisions that affect individual and employer-sponsored health insurance markets as well as public health insurance programs. In fiscal year 2013 we issued nine related products, including:

- **HHS's Process for Awarding and Overseeing Exchange and Rate Review Grants to States.** PPACA required the establishment of health insurance exchanges and a process for the annual review of unreasonable increases in insurance premiums charged by issuers of health coverage in each state. To assist states in establishing exchanges and in enhancing their ability to review issuers' premium rate increases, the law established new grant programs under which HHS is authorized to award grants to states through 2014. The law appropriated an unspecified amount of funds for exchange grants, and appropriated \$250 million to HHS for rate review grants. GAO was asked to provide information on HHS's processes to award and oversee these grants. In this report, GAO describes (1) the process HHS uses to award exchange and rate review grants to states; (2) the amounts of grants and key activities states funded through the grants; and (3) HHS's process for overseeing states' use of the grants. ([GAO-13-543](#))
- **Status of CMS Efforts to Establish Federally Facilitated Health Care Exchanges and the Federal Data Services Hub: The Centers for Medicare & Medicaid Services (CMS)** will operate a health insurance exchange in the 34 states that will not operate a state-based exchange for 2014. Further, to support consumer-eligibility determinations, CMS developed a data hub to provide electronic access to federal data, as well as provide access to state and third party data sources needed to verify consumer eligibility. GAO was asked to report on the status of the implementation of these federally facilitated exchanges and the data hub prior to October 1, 2013, when the exchanges opened for enrollment for coverage beginning as of January 1, 2014. GAO's progress report identified CMS's progress in completing activities necessary to establish federally facilitated exchanges as well as identifying activities that remained to be completed as of June 2013 in the core functional areas of eligibility and enrollment, plan management, and consumer assistance. ([GAO-13-601](#))

¹¹Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010).

The Troubled Asset Relief Program

The Congress created the Troubled Asset Relief Program (TARP) in October 2008 under the Emergency Economic Stabilization Act (EESA) to help restore liquidity and stability to the U.S. financial system. Specifically, the act authorized the Department of the Treasury (Treasury) to purchase or guarantee up to \$700 billion in troubled assets and to reduce the growing number of foreclosures. The \$700 billion ceiling was never reached, and in July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act reduced the amount to \$475 billion. Five of TARP's 10 nonmortgage programs had closed as of year-end 2012, and the other programs continue to wind down as Treasury works to divest itself of the assets that it purchased.

EESA also provided us with a statutory oversight role that included broad monitoring and reporting responsibilities and established a requirement that we submit a report on our work at least every 60 days. We have issued 65 reports since 2008. In fiscal year 2013, we issued six reports related to TARP that

- examined the condition and the status of TARP programs and Treasury's efforts to better ensure that mortgage servicers were implementing as intended two new requirements designed to improve interactions with borrowers ([GAO-13-192](#));
- analyzed the financial health of banks remaining in the Capital Purchase Program (CPP), which Treasury used to provide capital to banks during the financial crisis ([GAO-13-458](#));
- reviewed Treasury's use of auctions to sell its CPP investments ([GAO-13-630](#));
- monitored the status of our TARP recommendations to Treasury ([GAO-13-324R](#)); and
- provided a summary of our oversight of TARP ([GAO-13-840R](#)).

In addition, we completed our annual financial statement audit for Treasury's Office of Financial Stability, the entity established to implement TARP ([GAO-13-126R](#)).

The American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) mandated several studies for GAO, including conducting bimonthly reviews on the uses of Recovery Act funds in selected states and localities and commenting on the estimates of jobs created or retained as reported by recipients of Recovery Act funds. We are seeking repeal of the recurring bimonthly review reporting requirement as the vast majority of Recovery Act funds have been spent, and, as a result, our reviews are providing diminishing returns for the Congress. In fiscal year 2013, our reviews included:

- Employment and Training: Labor's efforts to support "Green Jobs" for emerging industries and the challenges it faces ([GAO-13-555](#))
- Recovery Act: DOE cleanup projects and the need for better project management guidance ([GAO-13-23](#))
- Education: Race To The Top states implementation of teacher and principal evaluation systems ([GAO-13-777](#))
- Federal Data Transparency: Opportunities to incorporate lessons learned from the Recovery Act ([GAO-13-871T](#))

We continue to maintain a separate page on our external website devoted to our Recovery Act work (<http://www.gao.gov/recovery>), where the public can find information on the Recovery Act, access our bimonthly reviews on the use of funds, learn about related work, and find out how to report allegations of abuse of Recovery Act funds.

General Counsel Decisions and Other Legal Work

In addition to benefiting from our audit and evaluation work, which reflects considerable legal input, the Congress and the public also benefited from the legal products and activities undertaken by our Office of General Counsel in fiscal year 2013. The following exemplify some of our key contributions.

The Office of General Counsel handled more than 2,400 bid protests during the course of fiscal year 2013.¹² The bid protest process was authorized by the Congress, as part of the Competition in Contracting Act of 1984, to provide companies with an administrative forum to challenge the award, or solicitation for the award, of a federal contract. The statute requires that GAO resolve protest disputes in no more than 100 calendar days, and, in most cases, requires agencies to stop work on a contract until the protest is resolved. The Congress adopted this stop work approach to preserve the possibility for meaningful relief upon completion of the protest.

Many of our fiscal year 2013 protests were resolved without a written decision on the merits because the federal agency involved voluntarily took corrective action to address the protest. The remaining protests were either decided on the merits, resolved using Alternative Dispute Resolution procedures, or dismissed for procedural deficiencies. In fiscal year 2013, we issued more than 500 decisions on the merits, which are accessible on GAO's Legal Decisions & Bid Protest web pages at <http://www.gao.gov/legal/index.html>. These decisions addressed a wide range of issues involving compliance with, and the interpretation of, procurement statutes and regulations. Certain of these protests involved highly visible government programs and received extensive media coverage. As required by the Competition in Contracting Act of 1984, 31 U.S.C. § 3554(e)(2) (2000), the Comptroller General reports annually to the Congress on federal agencies that do not fully implement a recommendation made by GAO in connection with a bid protest decided in the prior fiscal year.

Within the Office of General Counsel, eight attorneys appointed by the General Counsel also serve on our Contract Appeals Board, established by the Congress in 2007 to hear appeals from contracting officer decisions with respect to any contract entered into by a legislative branch agency. In addition to using alternative dispute resolution procedures to resolve contract disputes, the board published two formal decisions in fiscal year 2013 (one based on a three-week hearing), which appear on our website at <http://www.gao.gov/legal/contract/decisions.html>. As of the end of the fiscal year, the board had kept pace with the number of new filings received, with 12 pending appeals on its docket at the end of fiscal year 2013 compared to 11 appeals pending at the end of fiscal year 2012.

In fiscal year 2013, we published 13 appropriations law decisions, opinions, and letters on a variety of appropriations law issues, including sequestration and continuing resolutions. One of our most highly visible opinions was issued in March 2013 to the House Committee on

¹²The number of protests in the last 3 years has been relatively stable: There were 2,475 filings in fiscal year 2012, and 2,351 filings in fiscal year 2011.

Oversight and Government Reform,¹³ in which we concluded that the Continuing Appropriations Resolution, 2013, continued the applicability of a provision enacted in a fiscal year 2012 appropriations act because absent specific legislative language, a continuing resolution maintains the status quo regarding government funding and operations. In July 2013, we issued an opinion to the House Budget Committee, concluding that the President's March 1, 2013, sequestration order and the OMB's accompanying report complied with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended.¹⁴

Attorneys from General Counsel also provided ongoing informal technical appropriations law assistance to various congressional committees and executive agency officials on sequestration and other appropriations law matters. We helped committees navigate the mechanics of sequestration and the provisions of BBEDCA, which was significantly amended by the Budget Control Act in August 2011 and the American Taxpayer Relief Act of 2012. We also provided significant informal assistance to the Congress on a number of other matters, including the Antideficiency Act and reprogramming notification requirements.

The third edition of *Principles of Federal Appropriations Law*, commonly known as the *Red Book*, continues to be a primary resource for appropriations law guidance in the federal community. In fiscal year 2013, the Red Book was downloaded thousands of times as attorneys, budget analysts, financial managers, project managers, contracting officers, and accountable officers from all three branches of government accessed it to research questions about budget and appropriations law. We also issued our *Annual Update of the Third Edition of the Red Book* ([GAO-13-273SP](#)).

Attorneys from General Counsel continued to teach a 2 ½ day course on appropriations law. Presenting a framework for understanding and properly applying provisions of appropriations law, the course helps ensure that agencies use public money as the Congress directed. We held 19 classes for 8 agencies, as well as for staff from the Senate and House Committees on Appropriations. In addition, appropriations lawyers taught 1-day seminars on specialized appropriations law topics for two agencies and spoke on our appropriations law work at conferences and training hosted by five agencies and professional organizations. To enhance communication within the appropriations law community across all agencies, including legislative and judicial branch agencies, we hosted our ninth annual Appropriations Law Forum in March 2013. Attorneys from 80 government agencies and 27 Inspector General offices participated.

For fiscal year 2013, we received 10 Antideficiency Act reports and made summary information from these reports available on our website. Since Congress amended the Antideficiency Act in 2004 requiring agencies to send us a copy of any report of an Antideficiency Act violation, we have received 171 reports and maintain an official repository of Antideficiency Act reports.

We continued to report under the Congressional Review Act (CRA) on major rules proposed by federal agencies to the standing committees of jurisdiction of both Houses of the Congress. For fiscal year 2013, we issued 68 reports. To improve compliance with the CRA, we tracked executive branch rules that were published in the *Federal Register* and cross checked to ensure that they were submitted to us.

¹³B-324481, March 21, 2013 (concluding that the Continuing Appropriations Resolution, 2013, required the U.S. Postal Service to maintain 6-day delivery and rural delivery at not less than the 1983 level).

¹⁴B-324723, July 31, 2013.

We also continued to fulfill our responsibilities under the Federal Vacancies Reform Act (FVRA). FVRA requires executive departments and agencies to immediately report to the Congress and the Comptroller General certain vacancies that require presidential appointment and Senate confirmation. It requires the Comptroller General to report to the Congress, the President, and the Office of Personnel Management if the Comptroller General determines that an acting official is serving longer than the 210-day period (including applicable extensions) established by the act.

General Counsel was involved in the analysis of a wide range of labor relations and federal employment issues, as well as privacy and document disclosure matters, during the course of the year. General Counsel represented GAO and its officials in various ongoing civil litigation matters pending before federal courts and administrative boards. Attorneys also continued to provide training for managers on employment and other human capital responsibilities. General Counsel was an active stakeholder in ensuring that GAO's acquisition practices and procedures comply with best practices.

Managing Our Resources

Resources Used to Achieve Our Fiscal Year 2013 Performance Goals

Our financial statements for the fiscal year ending September 30, 2013, were audited by an independent auditor, CliftonLarsonAllen, LLP, and received an unqualified opinion. The auditor found our internal controls to be effective—which means that no material weaknesses or significant deficiencies were identified—and reported that we substantially complied with the applicable requirements for financial systems in FFMA. In addition, the auditor found no instances of noncompliance with the laws or regulations in the areas tested. In the opinion of the independent auditor, our financial statements are presented fairly in all material respects and are in accordance with accounting principles generally accepted in U.S. The auditor's report, along with the statements and their accompanying notes, begins on [page 99](#) in this report.¹⁵

[Table 8](#) summarizes key data.

¹⁵[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.

Table 8: GAO's Financial Highlights: Resource Information:

	Fiscal year 2013	Fiscal year 2012
Total budgetary resources	\$546.7	\$574.8
Total outlays	\$529.7	\$538.7
Net cost of operations		
Goal 1: Well-being / Financial Security of American People	\$215.2	\$215.6
Goal 2: Changing Security Threats / Challenges of Global Interdependence	137.3	132.6
Goal 3: Transforming the Federal Government's Role	131.8	140.2
Goal 4: Maximize the Value of GAO	14.4	18.6
Other Costs in Support of the Congress	27.2	24.4
Reimbursable services not attributable to above cost categories	(10.9)	(7.3)
Total Net Cost of Operations	\$515.0	\$524.1
Actual full-time equivalents (FTE)	2,849	2,997

Source: GAO.

Compared with the statements of large and complex departments 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 2013, our budgetary resources included new direct appropriations, net of sequester reduction and rescission, of \$479.5 million, and \$25.7 million in spending authority from offsetting collections, primarily from the lease of space in our headquarters building and certain audits of agency financial statements. In addition, we received \$419 thousand for our OIG to carry out its responsibilities as the Inspector General of the U.S. Commission on Civil Rights. Our total budgetary resources in fiscal year 2013 were \$546.7 million, a five percent reduction from fiscal year 2012.

Total assets were \$94.7 million, consisting mostly of funds with the U.S. Treasury and property and equipment (including the headquarters building, land and improvements, and computer equipment and software), which is \$27.7 million less than fiscal year 2012. Fund Balance with Treasury decreased \$18.1 million from fiscal year 2012 due primarily to reduced funding under sequestration and the rescission. The reduction in property and equipment of \$4.7million is the result of depreciation expense (net of additions).

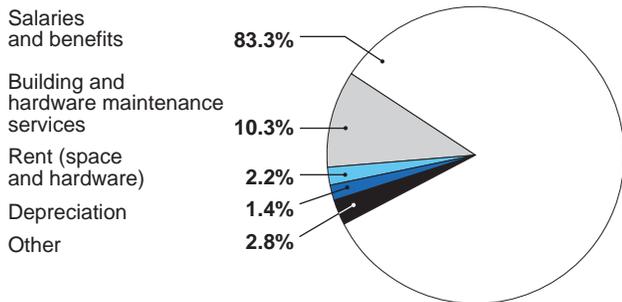
Total liabilities were \$77.7 million, composed largely of employees' accrued annual leave, employees' salaries and benefits, amounts owed to other government agencies, and nongovernmental accounts payable. The reduction in the balance of total liabilities is due primarily to fewer days accrued (worked but not yet paid to employees) for salary and benefits at the end of fiscal year 2013 of 6 days, compared with 15 days accrued at the end of fiscal year 2012.

Overall, our net cost of operations in fiscal year 2013 is approximately \$9.1 million below the fiscal year 2012 level largely as a result of a reduced current year appropriations. Budget constraints once again limited our ability to replace all of our staff departures from retirements and attrition. Goal 3 (Transforming the Federal Government’s Role) had the largest reduction in net costs from the prior year of \$8.4 million mostly from Financial Management and Assurance (FMA). Additionally, Applied Research Methods (ARM) team reduced their work in goal 3 as part of a change in how we are accounting for resources to better align resources with strategic goals.

Figure 18 shows how our fiscal year 2013 costs break down by category.

Figure 18: Use of Fiscal Year 2013 Funds by Category

Percentage of total net costs

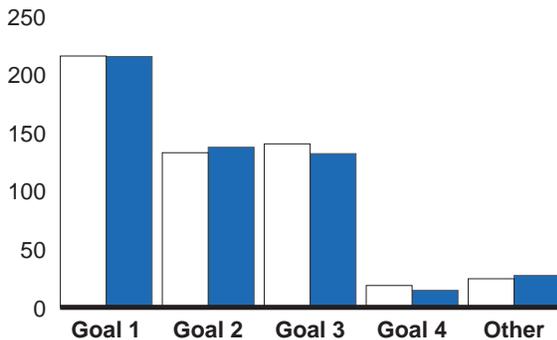


Source: GAO.

Figure 19 shows our net costs by goal for fiscal years 2012 and 2013.

Figure 19: Net Cost by Goal

Dollars in millions



	2012	2013
Goal 1	215.6	215.2
Goal 2	132.6	137.3
Goal 3	140.2	131.8
Goal 4	18.6	14.4
Other	24.4	27.2

Source: GAO.

Note: Totals are not adjusted for inflation.

Summary of Financial Systems Strategies and Financial Management System Framework

Our financial management system is an off-the-shelf system that meets OMB's Office of Federal Financial Management's Federal Financial Management System Requirements and is hosted by an OMB-designated shared service provider, the Department of Transportation, Enterprise Services Center (ESC). The major financial system in use at ESC is Delphi/Oracle Federal Financials (Delphi), supplemented by a number of supporting systems including: Compusearch's PRISM, a contract and procurement system; U.S. Bank's purchase card system for small purchases; Northrop Grumman's GovTrip system for travel; and Kofax's Markview, a document workflow system to process vendor invoices.

These commercial-off-the-shelf systems are continuously updated by the respective system developers and by periodically upgrading to new versions; therefore, our systems remain current. Additionally, these systems ensure that we can produce timely, useful, and reliable financial information and maintain strong internal controls. In fiscal year 2013, ESC began testing for a technical upgrade to Oracle Release 12. Production implementation for this upgrade is scheduled to occur in fiscal year 2014.

Financial Systems and Internal Controls

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

We complied with the spirit of OMB Circular No. A-123, Management's Responsibility for Internal Control, which provides guidance for agencies' assessments of internal control over financial reporting. We performed a risk-based assessment by identifying, analyzing, and testing internal controls for key business processes. Based on the results of the assessment, we have reasonable assurance that internal control over financial reporting, as of September 30, 2013, 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; 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,

2013. We made this assessment based on criteria established under FFMA and guidance issued by OMB.

The Improper Payments Elimination and Recovery Act of 2010 requires that agencies (1) periodically review activities susceptible to significant improper payments; (2) estimate the amount of improper payments; (3) implement a plan to reduce improper payments; and (4) report the estimated amount of improper payments and the progress to reduce them. We have implemented and maintained internal control procedures that help monitor disbursement of federal funds for valid obligations. These controls are tested annually. Based on the results of our tests, we made no improper payments in fiscal year 2013.

Our Inspector General (IG) independently conducts audits and investigations of GAO programs and operations. During fiscal year 2013, the IG evaluated the effectiveness of our information security program and practices for fiscal year 2012 as prescribed by the [Federal Information Security Management Act of 2002 \(FISMA\)](#) and evaluated the extent to which [GAO has established effective policies and procedures \(controls\) to review and validate top secret security clearance requirements](#).

In addition, the IG operated an internal hotline for use by our employees and contractors to report potentially serious problems in our operations. IG investigations typically originate from hotline complaints and are intended to strengthen our programs and operations by identifying and investigating allegations of fraud, waste, and abuse and misconduct of our government property, assets, and resources, including the possible violation of any law or regulation that may lead to criminal, civil, and administrative penalties and recoveries.

The results of the IG's work and actions taken by us to address IG recommendations are highlighted in the [IG's semiannual reports to the Congress](#). In November 2011, our IG was also designated the IG of the United States Commission on Civil Rights by the Consolidated and Further Continuing Appropriations Act, 2012.

Furthermore, 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. For fiscal year 2013 the members of the committee were:

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

The committee's report appears in Part III of this report on [page 98](#).

Limitation on Financial Statements:

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

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

Planned Resources to Achieve Our Fiscal Year 2014 Performance Goals

As of December 16, 2013 (the date of this report), we are operating under a continuing resolution appropriation at the post-sequestration fiscal year 2013 funding levels, pending enactment of the final fiscal year 2014 appropriation bills (source - H.R. 2775 - fiscal year 2014 Continuing Appropriations Act - <http://www.gpo.gov/fdsys/pkg/BILLS-113hr2775enr/pdf/BILLS-113hr2775enr.pdf>). Final congressional action on our fiscal year 2014 request of \$505.4 million - an increase of 5.4 percent over our fiscal year 2013 appropriation amount - is still pending (source, FY 2014 Budget Request, Senate Testimony [GAO-13-617T](#)). On July 23, 2013, the House of Representatives approved direct appropriations of \$486.2 million, an increase of 1.4 percent over our fiscal year 2013 appropriation level of \$479.5 million (H.R.2792). On July 11, 2013, the Senate approved \$505.4 million, an increase of 5.4 percent over our fiscal year 2013 appropriation level (S.1283). Both the House and Senate Committees on Appropriations approved new authority for us to spend \$32.4 million in collections derived from reimbursements for conducting financial audits and rental of office space in our headquarters building H.R.2792 and S.1283). In addition, both the House and Senate Committees on Appropriations continue to emphasize that the legislative branch will lead by example by tightening its belt wherever possible, employing best practices, finding efficiencies, and continuing to improve business practices.

Because of the reductions noted above we have been unable to rebuild our staffing capacity to help enable us to optimize the benefits we yield for the Congress and the nation. Our ability to implement our hiring plans in fiscal year 2014 is contingent on the outcome of our full year fiscal year appropriation. We have been actively working to reduce costs for more than 3 years, and we are continuing to explore opportunities to enhance workforce and budget flexibilities, increase our effectiveness and efficiency, and further reduce our operating costs. For example, our ongoing enhanced office sharing and hoteling pilot is projected to continue to reduce infrastructure costs in fiscal year 2014. These actions will help ensure that we have the capacity to provide accurate, objective, nonpartisan, and constructive information to the Congress to help it conduct effective oversight, produce results for the American people, and help enable us to meet the performance goals outlined in our strategic plan through fiscal year 2015.

Strategic Planning and Partnerships

As noted in our current strategic plan, we are operating in a dynamic, fiscally constrained environment where the challenges we face span national borders; the public, private, and nonprofit sectors; and multiple levels of government. Achieving our strategic goals and objectives requires us to coordinate and collaborate with international and intergovernmental organizations with similar or complementary missions. In particular, we use advisory panels and other bodies to inform our strategic and annual work planning and maintain strategic working relationships with other domestic and international government accountability and professional organizations, including the federal inspectors general, state and local audit organizations, and other countries' national audit offices. Advisory boards and panels helped us to identify key trends, opportunities and challenges, and lessons learned that we should factor into our work and operations. During fiscal year 2013, we continued to work with our domestic and international counterparts in the audit and accountability community to, among other things, develop standards and build audit capacity through ongoing communication and collaboration. (See [Part II, Goal 4](#) for additional information).

Networks, Collaborations, and Partnerships

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

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

Federal, State, and Local Collaboration

On the domestic front in 2013, we continued to support the domestic audit and accountability community at the federal, state, and local levels. For example, we formed a task team to review the business model for supporting intergovernmental audit forms and will provide GAO's Executive Committee and Office of Strategic Planning and External Liaison with recommendations. These intergovernmental audit forums provide a venue for local, state, and federal communities to learn about current and emerging issues related to the audit profession and to share best practices and lessons learned in conducting their work. At the federal level, we continued to coordinate with our federal partners, including co-sponsoring a forum on Data Analytics for Oversight and Law Enforcement with

the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the Recovery Accountability and Transparency Board, as well as participating on a GAO-IG Coordination panel at CIGIE's annual meeting. In addition, we continued to expand our collaboration with other legislative branch agencies to share information on topics such as how to implement the spirit of the GPRA Modernization in the legislative branch.

INTOSAI

For over 3 decades, we have been a member of the International Organization of Supreme Audit Institutions (INTOSAI), an association of over 190 national audit offices—our counterparts around the world. This network has positioned us well to address a more interdependent world where domestic challenges (e.g., regulation of financial markets, prescription drugs, and consumer products; homeland security; and rebuilding our infrastructure) often have global dimensions. Through our active participation in INTOSAI's Professional Standards Committee and subcommittees, we stayed abreast of changes in international accounting, auditing, and reporting standards and shared the U.S. perspective in shaping the standards. The U.S. Government Auditing Standards developed by the Comptroller General of the United States and the GAO policies that we apply in conducting our audits are consistent with the Fundamental Auditing Principles of the International Standards of Supreme Audit Institutions. This is especially important given the increased focus in recent years on the development and adoption of international accounting and auditing standards.

By participating in INTOSAI knowledge-sharing working groups and task forces (e.g., Public Debt, Information Technology, Environmental Auditing, Program Evaluation, Fight Against International Money Laundering and Corruption, Value of Supreme Audit Institutions (SAI), and Key National Indicators), we acquire knowledge and network with experts in other countries. For example, our participation in the Working Group on Public Debt and our leadership of the Task Force on the Global Financial Crisis: Challenges to SAIs involves some 25 countries and has provided us with insight into the causes and the continuing international response to the global financial crisis. In fiscal year 2013, we transformed the INTOSAI Global Financial Crisis Task Force into a standing Working Group on Financial Modernization and Regulatory Reform, which GAO leads to enhance knowledge sharing across national boundaries.

We continued to help strengthen INTOSAI's strategic planning capacity by participating in a task force focused on continuous improvement, strategic foresight, emerging issues, and resource allocation. We also developed new approaches to the *INTOSAI Journal* operations to reduce costs while continuing to provide this important publication to our international SAI partners.

Capacity Building

In support of the federal government's interest in promoting good governance and ensuring that federal funds for programs abroad are spent effectively and efficiently, we continued to advance SAI capacity-building efforts and the INTOSAI-Donor Cooperation initiative. We worked actively with the INTOSAI-Donor Cooperation initiative, which achieved the milestone of 2 additional donors signing on to bring total signatories to 20.

In fiscal year 2013, 20 participants from 15 countries completed our 4-month International Auditor Fellowship Program for mid- to senior-level staff from other countries. They brought the total number of participants during the program's 34-year history to more than 520. Through this program, our instructors, mentors, and sponsors become part of a growing international community of good government professionals and experts. The goodwill engendered supports our country's image abroad and facilitates our staff's access to foreign officials, which is often essential to our international audit work.

We also facilitated information sharing in fiscal year 2013 by helping to organize GAO's first international meeting (with the SAI of Russia) using WebEx technology, thereby eliminating the need for international travel or expensive VTC services.

Collaboration

We helped guide the creation of the INTOSAI Task Force on Financial Foresight and helped develop and review its recommendations for the sustainable future financing of INTOSAI.

Internal Management Challenges

The Comptroller General, the Executive Committee, and other senior executives identify management challenges through the agency's strategic planning, management, internal controls, and budgetary processes. Under strategic goal 4, several performance goals and underlying key efforts focus attention on each of our management challenges. We monitor our progress in addressing these challenges through our annual performance and accountability process. Each year we also ask our IG to examine management's assessment of these challenges.

For fiscal year 2014, we will continue focusing high-level management attention on human capital issues and on the challenge related to improving the efficiency of our engagements and delivery of timely and quality information to the Congress.

Human Capital Challenge

GAO depends on a talented, diverse, high-performing, knowledge-based workforce to carry out its mission in support of the Congress. To maintain this workforce, we need to address several human capital challenges and do so in a budget-constrained environment. These challenges include preparing for the retirement of many senior executives and senior staff through staff development, training and hiring efforts, maintaining a performance-based and inclusive culture that helps to motivate and retain our talented and diverse workforce, and implementing policies and programs to address a range of work environment and work-life balance issues. In fiscal year 2013, we took several steps to address these challenges and achieved some notable accomplishments. Specifically, we

- identified candidates for our executive development program,
- hired new staff to fill critical skills gaps,
- completed a learning needs analysis for analysts,

- launched a new performance management system and ratified use of a new performance based compensation system in FY 2014 for the 2013 appraisal cycle, and
- published our first Diversity and Inclusion Strategic Plan.

Although we have made progress, the key human capital issue that we continue to face is ensuring that we support the mission of the agency with the right resources, where and when they are needed, while providing meaningful rewards and implementing programs that help retain our highly skilled and diverse workforce. We will continue to address several of the same human capital issues in fiscal year 2014 as we did last year.

- **Succession planning.** Succession planning remains a critical issue. Our succession planning efforts will focus on developing staff through training, and implementing a phased retirement program. We will continue to realign training for our employees based on our learning needs analysis, work demands from the Congress, and the emerging areas of emphasis identified in our strategic plan. To supplement this effort we will continue to enhance our learning delivery methods by using available technologies, including distance learning and online courses for our expanding telework populations. In addition, to help ensure that critical knowledge and expertise are not lost when our executives and senior leaders retire, we will implement the phased retirement program authorized by the Office of Personnel Management for the federal government. This program incentivizes participants with valuable experience to phase into retirement and provide agencies with a tool to implement succession planning through mentoring and strengthened knowledge transfer.
- **Hiring.** We will continue to focus on hiring employees to the extent that our budget will support. We will develop plans to recruit and hire entry-level staff to help us build our pipeline for the longer term. In addition, our plans will include steps to hire experienced employees to address critical skills gaps. We will continue to maintain relationships with colleges, universities, and professional organizations to help us attract talented, diverse candidates.
- **Performance-based compensation.** We are implementing a new performance-based compensation (PBC) system to reward and recognize our high-performing staff and help to motivate and retain them. This system is aligned with our new performance management system and linked with organizational outcomes. Based on the agreement reached with our union partners, we will implement the new PBC system in fiscal year 2014 for the 2013 appraisal cycle.

We will continue to work with our union partners to implement human capital programs in a manner that helps us meet the needs of an ever-changing workforce in a fair, equitable, and inclusive manner and helps to motivate and retain our talented and diverse workforce. Given the budget environment, we will also look for ways to refine our processes and further leverage technology to improve the efficiency of our operations and make the best use of our resources.

Engagement Efficiency Management Challenge

In 2011, we identified improving the efficiency of our engagements as a new management challenge and reported on our progress in last year's *Fiscal Year 2012 Performance and Accountability Report*. Now in the second year of our focus on this challenge, we continued

work on a large number of projects and expanded our outreach to employees, providing them opportunities to learn about and give feedback on process improvement activities. We made significant progress on three major multiyear projects:

- **Engagement process changes.** With active involvement from GAO’s managing directors, we identified changes to key steps and decision points in our engagement process and now have a revised engagement process that we will begin implementing on a pilot basis in January 2014. The revised process addresses opportunities for improvement in managing resources and cycle time, and eliminating rework. We have developed training on the new process and revised engagement guidance to provide to the pilot teams.
- **Engagement Management System.** Inextricably linked to the improvements being made in our engagement process is a major systems development project, the Engagement Management System (EMS), which will also be implemented on a pilot basis in 2014. EMS will ultimately allow GAO to retire costly legacy systems, reduce rework, and substantially improve systems support and management information. In 2013, we formed two groups—a business rules working group and an EMS reporting working group—that provided, respectively, discrete required data elements and management reporting capabilities that are being built into EMS for the pilot.
- **New Blue.** Another major systems project underway, New Blue, will dramatically improve the efficiency of our content creation and management processes by standardizing, automating, and streamlining the currently cumbersome and manually-intensive processes for creating, fact-checking, and publishing GAO products. In 2013, we completed market research and determined that technology exists that could meet our needs. GAO senior leadership approved a vision for New Blue and we expect to issue a Request for Proposal for acquisition of this technical solution in fiscal year 2014.

To ensure employees had an opportunity to learn about process improvement activities and to provide feedback, we

- conducted a large number of agency-wide meetings and unit briefings to promote awareness and understanding of process improvement projects and published several formal outreach pieces and newsletters on CPI activities;
- continued to engage a large number of GAO staff and managers in CPI projects—more than 10 percent of GAO employees have been engaged in a project or other CPI activity in the past year;
- utilized short-term details of GAO staff from other units to provide technical and programmatic experience and expertise; and
- implemented our first “pulse” survey to determine awareness, understanding, and enthusiasm for CPI projects.

Other project work includes

- piloting and revising a tool for agencywide dissemination in fall 2013 to help teams better estimate expected staff days required for engagements;
- providing new guidance and job aids for handling delays getting access to officials or data from agencies;

- standardizing many different versions of agency notification letters into just a few in order to reduce confusion and unnecessary administrative burden for analysts; and
- providing just-in-time training materials for the changes that had been implemented to date for engagement leaders and delivering briefings with similar content for agency management.

In addition to continuing work on our major projects and initiatives discussed above, in fiscal year 2014, we will focus on introducing diagnostic indicators to help us better understand how our engagement processes are working and to target leading practices as well as other areas for improvement. We will also be working to strengthen the alignment of individual mission team work with GAO's Strategic Plan by instituting a process to assess work queue and client needs, and to emphasize focus on highest priorities.

Mitigating External Factors

In addition to the resource constraints and uncertainty of the budget for fiscal year 2014, which directly affect our internal management challenges, other external factors that could affect our performance and progress toward our goals include shifts in congressional interests, the ability of other agencies to make improvements needed to implement our recommendations in a constrained budget environment, and access to agency information. We mitigate these factors in several ways.

Demand for our work is very high, with 868 congressional requests and new mandates in fiscal year 2013. To be prepared to address timely and relevant issues, we use the eight broad trends identified in our strategic plan to guide our work plans. We also communicate frequently with our congressional clients to stay abreast of their interests as unanticipated shifts in congressional priorities can change the mix of work we are asked to perform. In addition, each year we conduct some evaluations annually under the Comptroller General's authority to address priority issues we identify. We 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 crosscutting mandates we have used multidisciplinary teams composed of staff from across the agency. We devoted 35 percent of our audit resources to mandates in fiscal year 2013. We completed a third year of multiyear mandates to report on duplication in government programs, and health insurance and financial regulatory reform issues. We are also working with the Congress to revise or eliminate mandates that have outlived their usefulness. Moreover, the 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. 41](#) for more information about our high-risk list areas and programs).

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

While we generally receive very good cooperation, over time we have experienced access issues at certain departments and agencies. We actively pursue access issues as they arise, and we are engaged in discussions and efforts with the executive branch to enhance our access to information. In FY 2013, there was continued progress on the access front relating to these discussions and efforts. As we reported in the Fiscal Year 2012 Performance and Accountability Report, the Department of Justice (DOJ) instituted new protocols in March 2012 that were designed to improve the department's timeliness in responding to our requests for information, and to improve communication between DOJ and GAO. The protocols include target time frames for DOJ production of documents and for the scheduling of interviews with agency officials, as well as the designation by DOJ of senior component officials for our reviews. As these procedures continue to be utilized, we hope to see additional improvements in certain components' and offices' timeliness in responding to our requests for information.

Another issue relating to our access to information is in the context of intelligence. As we reported last year, the Director of National Intelligence, in consultation with the Comptroller General, issued a written directive in 2011 governing our access to information in the possession of an element of the intelligence community, Intelligence Community Directive (ICD) 114. The directive was designed to address the historic challenges that we have experienced in gaining access to information in the Intelligence Community, and it contains a number of provisions promoting constructive interaction between us and elements of the Intelligence Community, such as establishing a presumption of cooperation with us. However, we have had concerns with how several terms in the directive could be interpreted, since they are framed as areas where information would generally not be available to us for certain audits or reviews. It is crucial that these terms and the overall directive be carefully implemented and monitored to ensure that we are able to obtain the information we need to assist the Congress in our oversight responsibilities, including responding to requests from the committees on armed services, justice, homeland security, foreign affairs, and appropriations, as well as the congressional intelligence committees. In FY 2013, we worked through a number of issues with various elements of the Intelligence Community related to challenges in obtaining information we requested, and we will continue to monitor the implementation of ICD 114 moving forward.

We have experienced other access issues at certain agencies due to long-standing and erroneous interpretations of our access authority, even when 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. One example includes an interpretation by the Food and Drug Administration (FDA) with respect to a provision of the Federal Food, Drug, and Cosmetic Act. Legislation that passed in the House this session (H.R. 1162) and that is currently pending in the Senate would confirm our access rights, refuting agency interpretations that restrict our access in this 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.

This page intentionally left blank

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 2013 performance results. For goals 1, 2, and 3—our external goals—we present performance results for the three annual measures that we assess at the goal level as well as accomplishments under the strategic objectives for these goals. Most teams and units also contributed toward meeting the targets for the agencywide measures that were discussed in [part I](#) of this report. For goal 4—our internal goal—we present selected work and accomplishments for that goal’s strategic objectives. There was no change in our strategic goals or measures during fiscal year 2013.



Source: See Image Sources.

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

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

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives was performed primarily by headquarters and field office staff in the following teams: Education, Workforce, and Income Security; Financial Markets and Community Investment; Health Care; Homeland Security and Justice; Natural Resources and Environment; and Physical Infrastructure. In line with our performance goals and key efforts, goal 1 staff reviewed a variety of programs affecting the nation's health providers and patients, students and educators, employees and workplaces, and social service providers and recipients. In addition, goal 1 staff performed work for our congressional clients related to improving the nation's law enforcement systems and federal agencies' ability to prevent and respond to terrorism and other major crimes.

Example of Work under Goal 1

Our work found that child welfare agencies, which monitor the education of children in foster care, find it difficult to obtain education records under the Family Educational Rights and Privacy Act of 1974 (FERPA), hindering their ability to make timely decisions for them. We suggested that the Congress consider amending amend FERPA to ensure timely and appropriate access by adding state and local child welfare agencies to the list of parties to whom schools may disclose records without first obtaining parental consent. The Congress subsequently passed the Uninterrupted Scholars Act in January 2013, which amends FERPA in the manner we suggested. ([GAO-13-106](#))

To accomplish our work under these strategic objectives in fiscal year 2013, we conducted engagements, audits, analyses, and evaluations of programs at major federal agencies, such as the Department of Energy, Health and Human Services, Housing and Urban Development, the Interior, Justice, and Transportation, and developed reports and testimonies on the efficacy and soundness of the programs they administer.

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

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

Performance measure	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual	Met/not met	2014 target ^a
Financial benefits (dollars in billions)	\$19.3	\$12.1	\$17.8	\$12.6	\$25.7	\$11.5	\$22	Met	13
Other benefits	226	224	233	243	275	231	271	Met	231
Testimonies	123	85	86	84	61	70	60	Not Met	64

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target as we have left a portion of the financial benefits target unassigned in 2014. Experience leads us to believe that we can meet the agencywide target but we cannot predict under which goals because of governmentwide resource constraints

^aOur fiscal year 2013 targets for all three performance measures differ from those we reported in our fiscal year 2013 performance plan in February 2012. Specifically, we have increased the financial benefits target from \$9.7 billion to \$11.5 billion and the other benefits from 225 to 231, and decreased the testimony target from 85 to 70.

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 below in [table 10](#). This table indicates that the 4-year average for goal 1 financial benefits gradually declined from fiscal year 2008 through fiscal year 2010. This decline was mostly because of some large financial benefits from earlier years that are reflected in the averages. Financial benefits were stable from fiscal year 2010 to 2011 and increased in fiscal year 2012 and 2013. Goal 1's other benefits peaked in fiscal year 2008 and declined until 2010 and then increased from 2011 through 2013. The average number of hearings at which we testified remained fairly stable from 2008 through 2010, declining in 2011 through 2013.

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

Performance measure	2008	2009	2010	2011	2012	2013
Financial benefits (dollars in billions)	\$17.5	\$16.6	\$15.5	\$15.5	\$17.1	\$19.5
Other benefits	252	239	230	232	244	256
Testimonies	108	108	105	95	79	73

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 2014.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2013 totaled \$22 billion, exceeding the target we set by over \$10 billion. Among these accomplishments are large financial savings from our work that resulted in a reduction in the level of mortgage assistance funding available for TARP and fiscal year 2013 savings from eliminating the ethanol tax credit for corn.

Because we expect to have constrained resources, we have set the target for fiscal year 2014 at \$13 billion based on discussions with the goal 1 teams about the level of benefits they believe they can achieve.

Example of Goal 1's Financial Benefits

We found that a federal ethanol tax credit was duplicative with a federal renewable fuel standard that requires U.S. transportation fuels to contain certain volumes of biofuels, such as ethanol. In 2011, along with the fuel standard, the Congress supported domestic ethanol production through a \$5.7 billion tax credit program, which provided a 45-cent-per-gallon federal tax credit to fuel blenders that purchase and blend ethanol with gasoline. We advised the Congress to consider allowing the tax credit to expire. The Congress took no action to extend the tax credit, which had been active in various forms since 1979, and it expired at the end of 2011. In fiscal year 2013, the tax expenditure savings totaled \$6.1 billion. ([GAO-11-318SP](#), [GAO-09-446](#))

Other Benefits

Other benefits reported for goal 1 in fiscal year 2013 totaled 271, exceeding our target of 231 by 40 benefits, or 17 percent. The majority of goal 1's other benefits were in the areas of public safety and security, including programs in the areas of public health, food safety, transportation safety, consumer protection, environmental safety, and in the area of program efficiency and effectiveness, including the U.S. financial regulatory system, federal oil and gas resources, the U.S. Postal Service, and transportation and telecommunications funding. For fiscal year 2014, we kept our target at 231 for these other benefits based on our recent experience.

Example of Goal 1's Nonfinancial Benefits

In 2009 we reported on weaknesses in the transfer of DOD medical records to the Social Security Administration (SSA). SSA uses the records to help determine wounded warrior eligibility for SSA disability benefits. The paper-based records took a long time to deliver, prolonging SSA's disability determination process. Following our recommendation that the two agencies coordinate to ensure more timely delivery of military medical records, they implemented a nationwide plan in 2012 using electronic transfer of records. SSA reports a reduction in the time it takes to receive DOD medical records from about 5 weeks to about 2 days. ([GAO-09-762](#))

Testimonies

Our witnesses testified at 60 congressional hearings related to strategic goal 1, which fell short of the fiscal year 2013 target of 70 by 10 testimonies, or 14 percent. Among the topics on which we testified were efforts to establish federally facilitated Health Care Exchanges and the Federal Data Services Hub under the Patient Protection and Affordable Care Act, urgent challenges faced by selected private pension programs, and causes and consequences of recent community bank failures. (See [fig. 17](#) for selected testimony topics by goal.) We set our fiscal year 2014 target at 64 testimonies on goal 1 issues based on our experience over the past few years.

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

Example of Goal 1's Testimonies

Since 1990, GAO has designated Medicare as a high-risk program due to its complexity and susceptibility to payment errors from various causes. These factors, when added to its size, have made it vulnerable to fraud. In recently completed work, we found that hospitals and medical facilities (such as medical centers, clinics, and practices) were the most frequent subject of civil health care fraud cases that resulted in judgments or settlements. According to 2010 data, about one-quarter of the 7,848 subjects investigated in criminal health care fraud cases were medical facilities or were affiliated with these facilities. The Centers for Medicare & Medicaid Services (CMS) has made progress in implementing strategies to prevent fraud, and recent legislation provided it with enhanced authority. However, CMS could do more to strengthen some of the key strategies we identified in our prior work to help it address challenges it faces in preventing fraud. Among others, these strategies include strengthening provider enrollment processes and standards, improving pre- and post-payment claims review, and developing a robust process for addressing identified vulnerabilities. ([GAO-13-213T](#))

Table 11: Goal 1 Accomplishments and Contributions

Health Care Needs and Financing	
Reducing Hospital Payment Allotments	Our 2009 review of states' Medicaid Disproportionate Share Hospital (DSH) payments—funded by federal and state governments and designed to help offset hospitals' uncompensated costs for serving Medicaid and uninsured low-income individuals—found problems such as some state payments not commensurate with the hospital's share of care and in some cases exceeding uncompensated care costs. The Patient Protection and Affordable Care Act required improved allocations of federal DSH funds based on levels of uncompensated care, and reduced the federal DSH limit for spending. Reductions for fiscal years 2014 and 2015 totaled about \$1.1 billion. (GAO-10-69)
Reducing Medicare Bundled Payments to Reflect Decrease in Drug Utilization	Medicare Part B covers dialysis—the treatment of end-stage renal disease (ESRD)—and pays a bundled rate for its treatment and related services. In 2008, the Congress expanded the bundle to include injectable drugs. The expansion was implemented in 2011, based on drug utilization in 2007. Our work showed that drug utilization in 2011 was about 23 percent lower than in 2007, suggesting that the 2011 rate was excessive. We asked the Congress to consider rebasing the payment rate, using the most recent data. In the American Taxpayer Relief Act of 2012, the Congress revised the Medicare ESRD bundled payment to reflect the findings in our report. Once this provision is implemented, the total cost savings is expected to be more than \$4 billion. (GAO-07-77 , GAO-07-266T , GAO-11-126R)

Improving Oversight of Veterans Affairs' Medical Equipment and Supply Purchasing As part of our 2011 review of the Department of Veterans Affairs' (VA) purchasing and tracking of expendable medical supplies and reusable medical equipment, we found that VA generally does not oversee VA medical centers' (VAMC) compliance with the purchasing requirements that we selected for review. Consistent with our recommendation to develop an approach to oversee compliance, VA began requiring Veterans Integrated Service Networks (VISN) and VAMCs to oversee compliance with purchasing and tracking requirements. VA headquarters provided VISNs and VAMCs with a standardized assessment tool and required VAMCs to document corrective actions taken. ([GAO-11-391](#))

Encouraging the Collection of Reliable Data on Pediatric Medical Devices As part of our 2012 report on pediatric medical device development, which lags years behind the development of devices for adults, we recommended that the Food and Drug Administration (FDA) collect reliable data related to pediatric medical devices. In July 2013, FDA officials reported that in response to our recommendation they had created a corrective action plan to support standardized data collection requirements associated with pediatric device applications, such as creating an internal checklist to track pediatric application information and developing procedures to support the standardized analysis of the information. ([GAO-12-225](#))

Lifelong Learning

Improving Indian Education In our work on the Bureau of Indian Education (BIE)—which receives more than \$850 million in federal funds annually—we determined that students in BIE-funded schools perform consistently lower than Indian students attending public schools, and that management challenges continue to undermine efforts to improve Indian education. We testified on our findings before BIE's House Appropriators in February 2013, and they subsequently took actions to increase their oversight of BIE. Our subsequent report recommended steps that BIE should take to improve school operations and student performance. ([GAO-13-774](#), [GAO-13-342T](#))

Ensuring Equal Opportunities in Athletics for Students with Disabilities In 2010 we reported that among the schools we visited, we found that students with disabilities participated in athletics at consistently lower rates than students without disabilities due, in part, to the lack of clarity in schools' responsibilities. We recommended that the Department of Education better clarify and communicate its guidance. In 2013, the department issued new guidance clarifying schools' responsibilities to provide qualified students with disabilities equal opportunity to participate in nonacademic and extracurricular athletics. It included an overview of legal requirements and cautioned schools against making decisions based on presumptions and stereotypes. ([GAO-10-519](#))

Benefits and Protection for Workers, Families, and Children

Improving Food Safety in School Lunches Our work on food safety in the National School Lunch Program prompted the Congress to require the U.S. Department of Agriculture (USDA) to establish a notification system in 2013 to communicate directly with schools for emergency food recalls. USDA also developed a standard set of guidelines for commodity complaints related to food safety and worked with other agencies to establish new protocols and improve coordination and communication, as we recommended. We also identified challenges schools have faced in implementing new nutrition standards in school meals, and recommended ways to facilitate these changes. ([GAO-09-649](#))

Financial Security for an Aging Population

Targeting Funds to Older Americans

Under the Older Americans Act, federal funds supporting services to older Americans are distributed to states through a funding formula generally based on the size of a state's share of the elderly population. We determined that the formula could better target the greatest economic and social needs for services, and presented options to revise it, including ways to moderate the impact of such changes. In response to congressional interest, we presented these findings in a public briefing and provided ongoing technical assistance and modeling to inform congressional deliberations on reauthorizing the act. ([GAO-13-74](#), [GAO-11-237](#))

Responsive, Fair, and Effective System of Justice

Protecting the Public from Sex Offenders

In 2013, we reported on weaknesses in federal agencies' efforts to track sex offenders in U.S. communities and abroad. We recommended that Immigration and Customs Enforcement develop a mechanism to notify relevant jurisdictions when offenders are removed from the United States and that federal law enforcement agencies better share information to track sex offenders' international travel. We also found that 16 states and 3 territories had substantially implemented federal laws governing sex offenders. Our work informed the Congress about barriers states faced in implementing these laws and federal assistance that could help address the barriers. ([GAO-13-200](#), [GAO-13-211](#))

Identifying Potentially Improper Payments in the Social Security Disability Program

In August 2013, we reported on potentially improper payments in the Social Security Disability Insurance program. We estimated that SSA made \$1.29 billion in cash benefit payments that were potentially improper to beneficiaries with earnings beyond program limits. We also identified a systemic limitation in SSA's enforcement operation that allows potentially disqualifying work activity to remain undetected. We recommended that SSA evaluate the costs and feasibility of establishing a mechanism to detect potentially disqualifying earnings that the agency's enforcement operation does not currently detect, and SSA agreed to do so. ([GAO-13-635](#))

Viable Communities

Reducing Abandoned Foreclosures and Information Gaps About Vacant Properties

In 2010, we identified practices that might contribute to servicers' abandoning properties that were in foreclosure and that, left vacant, could cause blight. We found that servicers were not updating property values to determine if foreclosures were financially prudent or notifying borrowers and localities about abandoned foreclosures. We recommended that the Office of the Comptroller of the Currency and the Federal Reserve require servicers to take both these actions. In response, regulators in 2011 and 2012 issued guidance with these requirements that should result in fewer abandoned foreclosures and help communities address problems associated with them. ([GAO-11-93](#))

Enhancing Guidance and Assistance to Affirmatively Further Fair Housing

Jurisdictions that receive federal grants must develop plans for addressing impediments to fair housing access, such as restrictive zoning or segregated housing. We found that many such plans were outdated or missing or that HUD had not reviewed them. We recommended that HUD complete its new regulations to improve these plans and their oversight. In July 2013, HUD proposed a rule that would require these plans to have consistent content and formats, including completion time frames, and require HUD staff to review them, potentially enhancing HUD’s ability to oversee grantees’ efforts to further fair housing goals. (GAO-10-905)

Stewardship of Natural Resources and the Environment

Reducing Risks from Genetically Engineered Crops

We examined federal oversight of genetically engineered (GE) crops after unauthorized releases of GE crops into the food supply led trading partners to cancel purchases worth hundreds of millions of dollars. To improve oversight, we recommended that the USDA and the FDA formally agree to share information about GE crops with traits that could harm human health or lead to financial loss for farmers. In response, the agencies, along with the Environmental Protection Agency, in 2011, agreed to create a process for sharing confidential business information about the GE crops and foods they regulate. (GAO-08-104)

Improving Oversight of Coal Technologies

We found that the Department of Energy (DOE) did not assess the maturity of technologies to reduce carbon dioxide from coal power plants as part of its research and development program in this area, and we recommended that DOE develop a set of benchmarks to describe these technologies and report to the Congress on their maturity. In 2012, DOE developed a set of technology readiness levels and used these to prepare a status report on the maturity of technologies that reduce carbon dioxide emissions from coal power plants, and DOE announced plans to issue similar reports twice a year in the future. (GAO-10-675)

Viable National Infrastructure

Assessing the Quality of Estimates for the California High Speed Rail Project

The federal government has obligated \$3.5 billion to California’s High Speed Rail project, but another \$39 billion in federal funds are needed to complete this \$70 billion project. In 2013, we reported that while the state’s revenue and ridership estimates are reasonable, further refinements to the process used to generate these estimates could decrease uncertainty in future funding decisions. Also, the Federal Railroad Administration (FRA) has issued limited guidance on preparing cost estimates. We recommended that FRA improve its cost estimating guidance for states. Our work helped the state to take steps to improve its cost estimates. (GAO-13-163T)

Improving Priorities for New Federal Courthouses	For years, we have reported planning and oversight problems with the multibillion-dollar federal courthouse construction program. In 2013, we found that the federal judiciary had improved its planning process, but its one-page plan did not provide the Congress with the information needed to decide on proposed construction projects. Also, most of those projects were not evaluated under the new planning process. We recommended that the judiciary provide more project details to the Congress and impose a moratorium on the proposed projects until they are evaluated under the new process. Our work led to a 2013 House bill to reform courthouse construction. (GAO-13-523T , GAO-13-263)
Ensuring Unmanned Aircraft Systems Are Safely Integrated into the National Airspace	In 2012, we reported that the Federal Aviation Administration (FAA) had missed many of the deadlines and requirements set forth in the 2012 FAA Modernization and Reform Act to safely accelerate the integration of unmanned aircraft systems (UAS) into the national airspace. We also found that unresolved privacy concerns could further delay integration. In response to our recommendations, FAA is developing a roadmap with milestones to keep stakeholders informed on the progress of UAS integration. FAA is also developing regulations regarding government and commercial collection and use of UAS surveillance data to address privacy concerns. (GAO-12-981 , GAO-13-346T)
Addressing Overreliance on Costly Leasing of Real Property	Our work on high-value General Service Administration (GSA) leases—leases with a net annual rent above \$2.79 million, for which GSA submits proposals to the Congress—showed that many represent space needs over 20 years, for which ownership would be more cost-effective. While GSA has taken steps to reduce leasing costs, its capital planning approach lacks transparency and strategic focus that could reduce overspending on long-term space needs by supporting informed decision making. We made recommendations in 2013 to help GSA address these challenges. In providing a way forward on this long-standing issue, our work has refocused attention on GSA’s capital planning practices. (GAO-13-744 , GAO-11-879T)
Improving Transit Governance	Washington Metropolitan Area Transit Authority’s (WMATA) rail system has experienced challenges that include costs, service reliability, and safety. We reported in 2011 that WMATA’s board has, at times, focused on management’s responsibilities, rather than its responsibilities to provide oversight and strategic planning. This lack of strategic focus raised concerns about WMATA’s ability to confront its challenges. In response to our recommendations, the board issued bylaws to clearly delineate its responsibilities and is engaged in developing a strategic plan for WMATA to better equip the agency to provide safe and reliable transit service. (GAO-11-660)

Source: GAO.

Note: 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. 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.



Source: See Image Sources.

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

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

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

Example of Work under Goal 2

DOD's investment portfolio in weapon systems exceeds \$1.6 trillion. We have reported for many years on the systemic reasons why problems, such as cost overruns, persist and reduce the buying power of these investments. Similarly, we have recommended many remedies for those problems. In 2009, the Congress passed the Weapon Systems Acquisition Reform Act, which codified several of our recommended actions. The act and other initiatives instituted in recent years aim to ensure programs are more affordable. In 2013, we reported on DOD's progress in implementing the act, and determined that by implementing key provisions of the act DOD had improved its buying power for the weapons systems portfolio. ([GAO-13-103](#))

To accomplish our work in fiscal year 2013 under these strategic objectives, we conducted engagements and audits that involved fieldwork related to international and domestic programs that took us across multiple continents. As in the past, we developed reports, testimonies, and briefings on our work.

As shown in [table 12](#), we exceeded our fiscal year 2013 performance targets for financial and other benefits and testimonies.

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

Performance measure	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual	Met/ not met	2014 target ^a
Financial benefits (dollars in billions)	\$15.4	\$12.4	\$20.5	\$25.9	\$13.4	\$12.7	\$21.4	Met	\$12.8
Other benefits	468	457	444	447	513	338	488	Met	343
Testimonies	93	67	58	48	54	45	30	Not Met	38

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target for 2014 as we have left a portion of the financial benefits target unassigned. Experience leads us to believe that we can meet the agencywide target, but we cannot predict under which goals because of governmentwide resource constraints.

^aOur fiscal year 2013 targets for all three performance measures differ from those we reported in our fiscal year 2013 performance budget in February 2012. Specifically, we increased financial benefits from \$11.4 billion to 12.7 billion, decreased other benefits from 450 to 338, and decreased testimonies from 50 to 45.

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 below in [table 13](#). This table indicates that over the past 6 years goal 2 financial benefits remained fairly stable in 2008 and 2009, grew in 2010 and 2011, fell slightly in 2012, and reached their highest level in 2013. Average other benefits increased from 2008 to 2009, declined in 2010 and 2011, and increased again in 2012 and 2013. Testimonies also increased from 2008 to 2009 and have declined steadily from 2010 through 2013.

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

Performance measure	2008	2009	2010	2011	2012	2013
Financial benefits (dollars in billions)	\$12.7	\$12.5	\$14.7	\$18.6	\$18.1	\$20.3
Other benefits	438	461	459	454	465	473
Testimonies	67	75	73	67	57	48

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 2013.

Financial Benefits

The financial benefits reported for this goal in fiscal year 2013 totaled \$21.4 billion, which exceeded our target by \$8.7 billion, or about 68 percent. This was the result of one large financial benefit of \$8.7 billion for DOD's revised approach to procuring the Joint Strike Fighter—its most expensive aircraft acquisition—to reduce risks and associated costs.

Other Benefits

The other benefits reported for goal 2 in fiscal year 2013 totaled 488 and exceeded our target by 150 benefits, or 44 percent. The majority of goal 2's other accomplishments were in the areas of public safety and security for programs including homeland security and justice, international trade, national defense and foreign policy, and in acquisition and contract management, DOD weapon system acquisition, and National Aeronautics and Space Administration and Department of Homeland Security acquisition management. We set our fiscal year 2014 target at 343 to rise only slightly above our fiscal year 2013 target of 338 rather than the high volume experienced in fiscal year 2013.

Testimonies

Our witnesses testified at 30 congressional hearings related to this strategic goal in fiscal year 2013, falling short of our target of 45 hearings by 15, or 33 percent. Goal 2 testimony topics included unknowns about the capabilities, use, and cost of the Navy's acquisition of the Littoral Combat Ship; shortfalls in DOD's capacity and capability to account for missing persons (POW/MIA mission); efforts to modernize the nuclear security enterprise; and the potential for improved and expanded use of strategic sourcing to yield procurement savings. (See [fig. 17](#) for selected testimony topics by goal.) We have set our fiscal year 2014 target at 38 for presenting testimony based on our recent experience.

Example of Goal 2's Financial Benefits

GAO's budget justification review of DOD's Fiscal 2012 Operations and Maintenance Accounts (Active and Reserve subaccounts) identified unobligated balances for fiscal years 2006 through 2010 for the active and reserve components and defense-wide agencies, organizations, and programs. Based, in part, on our resulting budget justification issue papers for these years and our analyses of active and reserve execution trends for fiscal years 2009 and 2010, the Congress reduced DOD's 2012 Operation and Maintenance appropriation by about \$1.05 billion (in present value terms).

Example of Goal 2's Other Benefits

In 2011, we recommended that the DOD Inspector General, in conjunction with the military services, develop and implement a policy that specifies procedures for conducting sexual assault investigations. To address our recommendation, on January 25, 2013, DOD's Inspector General established policy, assigned responsibilities, and provided procedures for investigating sexual assault incidents involving adults. As a result, the military services' criminal investigative organizations have department-level guidance to help ensure consistency and accountability for sexual assault investigations. ([GAO-11-579](#), [GAO-12-571R](#), [GAO-13-182](#))

Example of Goal 2's Testimonies

The Department of State's Diplomatic Security mission has faced several policy and operational challenges, including dangerous environments, staffing shortages, and other operational limitations. Although some planning initiatives have been undertaken, Diplomatic Security's growth and approach to achieving its mission have been more reactive than strategic. In 2009 we recommended that the Secretary of State conduct a strategic review of the Bureau of Diplomatic Security to ensure that its mission and activities address State's priority needs and address key human capital and operational challenges faced by this mission. Although State agreed with our recommendations, we subsequently learned that it has not yet conducted the strategic review as we recommended and still maintain is warranted. ([GAO-13-191T](#))

Table 14 provides examples of goal 2 accomplishments and contributions.

Table 14: Goal 2 Accomplishments and Contributions

Protect and Secure the Homeland	
Disaster Relief Costs	In September 2012, we reported that the FEMA’s per capita damage indicator—the primary indicator for recommending whether to declare a major disaster—was artificially low because it did not fully reflect the rise in personal income or inflation since it was created in 1986. If the indicator had been adjusted for personal income or inflation since 1986, 44 percent and 25 percent of declarations in fiscal years 2004 through 2011 would not have been eligible for funding. This could have saved the federal government \$3.6 billion and \$1.9 billion, respectively. Based on our work, FEMA is considering how to improve its declarations criteria. (GAO-12-838)
Strengthening Efforts to Address Overstays	In July 2013, we reported on DHS’s efforts to address overstays—foreign nationals who stay in the country beyond their authorized period—assisting Congress in overseeing DHS’s enforcement activities. We reported that DHS took steps to better identify potential overstays but had not assessed improvements in the reliability of overstay data. Further, DHS had not developed a framework for assessing implementation options for a biometric exit capability to collect biometric data, such as fingerprints. We recommended that DHS assess improvements in overstay data and set time frames for a biometric air exit evaluation framework. (GAO-13-683 , GAO-13-602T)
Examining Border Patrol Data and Measures on Border Security	Border Patrol data for fiscal years 2006-2011 indicated that apprehensions and estimated known illegal entries across the southwest border declined; however, Border Patrol had not established performance goals and measures to determine how these data related to changes in border security. To increase oversight and accountability, we recommended that Border Patrol set time frames and milestones for developing border security goals and measures. Our work highlighting changes in border security data informed oversight of Border Patrol’s security efforts and congressional consideration of immigration reform proposals. (GAO-13-25 , GAO-13-653T , GAO-13-330T , GAO-13-414T)
Improving Coordination Among Field-based Information-sharing Entities	DOJ, DHS, and the Office of National Drug Control Policy fund and depend on field-based information-sharing entities (e.g., centers) to identify terrorist-related and other threats. In March 2013, we found 123 instances of overlap in analytical or investigative support activities at 37 selected entities, which could burden state and local partners with redundant information. We recommended that the three agencies hold the entities accountable for better coordination and look for additional opportunities to coordinate nationwide to help reduce any inefficiencies and potentially leverage resources. (GAO-13-471)
Enhancing Transportation Security Administration’s Monitoring of Employee Misconduct	In July 2013, we reported on procedural weaknesses in the Transportation Security Administration’s (TSA) monitoring of the investigation and adjudication of employee misconduct cases. We recommended, among other things, that TSA establish a process to verify that TSA airport staff comply with policies for adjudicating employee misconduct, issue guidance for recording all misconduct case outcomes in a centralized database, and develop procedures to identify allegations of employee misconduct not previously addressed through adjudication. Our work informed Congress, and TSA has begun taking steps to improve monitoring of employee misconduct. (GAO-13-624)

Military Capabilities and Readiness

Improving Management of National Cemeteries	As we recommended, the Army and VA expanded their interagency collaboration to improve management of military cemeteries. The departments have established a joint working group to identify improvements, share lessons learned, avoid potential duplication, and find solutions to common problems. The Army National Military Cemeteries also developed a strategic plan and work force plan to better link missions, goals, resources, and business processes—steps that should improve overall management and help eliminate burial errors and other past problems. (GAO-12-436T , GAO-12-374T , GAO-12-99)
Developing a Policy for Conducting DOD Sexual Assault Investigations	In 2011, we recommended that the DOD Inspector General, in conjunction with the military services, develop and implement a policy that specifies procedures for conducting sexual assault investigations. To address our recommendation, on January 25, 2013, DOD’s Inspector General established a policy, assigned responsibilities, and provided procedures for investigating sexual assault incidents involving adults. As a result, the military services’ criminal investigative organizations have department-level guidance to help ensure consistency and accountability for sexual assault investigations. (GAO-11-579 , GAO-12-571R)
Reducing Excess DOD Spare Parts Inventory	Since 2008, we have reported that DOD held significantly more spare parts inventory than needed. As mandated by the Congress, and as we recommended, DOD implemented an inventory management improvement plan that in part was aimed at reducing purchase of items likely to be excess because of changing needs. Also, DOD increased the number of participating sites across the military services in a program that redistributes excess items to sites that need an item, which prevents an unnecessary procurement. As a result of these actions, DOD avoided approximately \$351 million of costs for spare parts in fiscal year 2011. In fiscal years 2012 and 2013, DOD made progress implementing a statutory mandated corrective action plan for inventory management, which focuses on reducing excess inventory. DOD plans to fully implement this plan by fiscal year 2015.
Eliminating Duplication in Counter-IED Initiatives	We reported in 2012 that DOD did not have full visibility over its billion-dollar counter-improvised explosive device (IED) efforts, risking unneeded duplication. In response to our recommendation, DOD implemented a process to establish and continually update a comprehensive database of DOD-wide counter-IED efforts and to annually review its portfolio to identify and reduce duplication, overlap, and fragmentation among those efforts. DOD’s Deputy Chief Management Officer reported to the Congress in July 2013 that DOD had realized \$313 million in counter-IED initiative cost savings as a result. (GAO-12-280 , GAO-12-861R)

U.S. Foreign Policy Interests

Emergency Contact Information More Accessible for U.S. Citizens Abroad	Through its diplomatic posts, the Department of State provides services to U.S. citizens abroad who are crime victims or face other emergencies. However, we reported in 2009 that State’s data on these services were unreliable, making evaluation and resource allocation difficult. In response, State began developing a new system for gathering data. We also found that many post websites did not prominently display an emergency phone number. State responded in 2013 by requiring posts to use a website template that prominently displays emergency contact information and to periodically test the information. (GAO-09-989)
---	---

Improving the President's Emergency Plan for AIDS Relief	Our series of reports on the President's Emergency Plan for AIDS Relief (PEPFAR) found that it has helped expand HIV treatment programs worldwide and increased their efficiency and effectiveness. We also found that better information management is crucial to help partner countries further improve and expand these programs to meet the needs of the estimated 16 million people who still lack needed treatment. Our reports included recommendations to the Department of State relating to treatment cost and quality and the supply chains for antiretroviral drugs. State generally agreed with our recommendations and has begun implementing some. (GAO-13-345 , GAO-13-460 , GAO-13-483 , GAO-13-688)
Policy Oversight for High-Containment Laboratories	In our 2009 report on high-containment laboratories (HCL), we found a governmentwide strategy for oversight of all HCLs was missing. No single agency knew about the ongoing expansion, no one agency could determine whether the national laboratory capacity need was met, and there are no national standards for biosafety, so we concluded that an oversight entity could address expansion, capacity needs and biosafety issues. We recommended that the National Security Advisor identify a single entity, in consultation with appropriate agencies across the government, charged with periodic governmentwide strategic evaluation of HCLs that will address the laboratories needed to effectively meet national goals to counter biothreats; what the existing capacity is within the United States; and the type oversight needed, among other things. A cabinet-level workgroup was created to address these issues, in part, due to our recommendations. (GAO-09-574)

U.S Foreign Policy Relations

Improving Quality of Local and Regional Food Procurement	USDA and the U.S. Agency for International Development (USAID) oversee funds for local and regional procurement (LRP) programs, in which donors purchase food in or near countries facing shortages. In 2009, we reported concerns about LRP food quality and potential effects on local economies, and we made program improvement recommendations. In response, in 2012, USDA reported a pilot project tracking quality standards and specifications of LRP food, and USAID made food quality reports available. Also, a third-party evaluation of USDA's project found that LRP interventions had not caused market effects. (GAO-09-570)
--	--

Global Market Forces

Improving Export-Import Bank Reporting and Forecasting	The 2007-2009 financial crisis increased demand for the Export-Import Bank's (Ex-Im) services and led to rapid growth in Ex-Im's portfolio. In a series of reports from 2007 to 2013, we found problems with Ex-Im's risk and impact assessments and the transparency of its reporting. For example, Ex-Im had not reassessed its exposure forecast model and assumptions in response to the financial crisis. We also found that Ex-Im's procedures for assessing its economic impact, as well as definitions of environmentally beneficial exports were unclear. Ex-Im has taken steps to rectify these issues. (GAO-07-1071 , GAO-10-682 , GAO-13-620 , GAO-11-460)
--	--

Source: GAO.

Note: 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. 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.



Source: See Image Sources.

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

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

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

Example of Work under Goal 3

Our work identified information reporting as a powerful tool to reduce the tax gap, discussed its costs and benefits, and recommended action to improve compliance with tax laws. Our work contributed to legislation requiring banks and others to report to Internal Revenue Service (IRS) income that merchants receive through, for instance, credit cards or third-party networks like PayPal. IRS compares the information to what merchants report on their income tax returns to help verify compliance with tax laws. The new requirement is estimated to raise a total of about \$1.29 billion through improved tax compliance in the provision's first 3 fiscal years after a December 31, 2010, effective date. ([GAO-08-266](#), [GAO-07-1014](#), [GAO-07-488T](#))

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

As shown in [table 15](#), we exceeded our fiscal year 2013 performance targets for this goal’s financial and other benefits, but did not meet our target for testimonies.

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

Performance measure	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 target	2013 actual	Met/ not met	2014 target ^a
Financial benefits (dollars in billions)	\$23.4	\$18.5	\$11.6	\$7.2	\$16.7	\$5.75	\$8.1	Met	\$5.45
Other benefits	704	634	684	628	652	520	555	Met	475
Testimonies	76	49	45	39	41	29	22	Not Met	22

Source: GAO.

Note: Financial benefits for goals 1 through 3 do not sum to the total agencywide target for 2014 as we have left a portion of the financial benefits target unassigned. Experience leads us to believe that we can meet the agencywide target, but we cannot predict under which goals because of governmentwide resource constraints.

^aOur fiscal year 2013 targets for all three performance measures differ from those we reported in our fiscal year 2013 performance budget in February 2012. Specifically, we decreased financial benefits from \$7.8 billion to \$5.75 billion, other benefits from 525 to 520, and testimonies from 40 to 29.

To help us examine trends for these measures over time, we look at their 4-year averages—shown in [table 16](#)—which minimize the effect of an unusual level of performance in any single year. [Table 16](#) indicates that over the 6-year period from 2008 through 2013, financial benefits increased from 2008 through 2009 and have decreased each year from 2010 through 2013. Other benefits declined from 2008 to 2009 and declined from 2009 through 2013. The trend in the average number of hearings during which our senior executives testified on goal 3 issues also remained stable from 2008 to 2009, and declined in 2010 and again in 2012 and 2013.

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

Performance measure	2008	2009	2010	2011	2012	2013
Financial benefits (dollars in billions)	\$18.6	\$20.4	\$19.1	\$15.2	\$13.5	\$10.9
Other benefits	686	653	668	663	650	630
Testimonies	68	68	52	52	44	37

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 2014.

Financial Benefits

The financial benefits reported for this goal in fiscal 2013 totaled \$8.1 billion, exceeding our target of \$5.75 billion by \$2.35 billion. Among these accomplishments are financial benefits from Navy's revised approach for acquiring its Next Generation Enterprise Network (NGEN) and our work involving the U.S. tax code. We have set our 2014 target at \$5.45 billion because we do not expect the high level of fiscal year 2013 benefits to continue. We have also left a portion of our agencywide target unallocated rather than increasing the target for each goal. Our experience leads us to believe that we can meet the target, but we are uncertain under which goals.

Example of Goal 3's Financial Benefits

Our work identified information reporting as a powerful tool to reduce the tax gap, discussed its costs and benefits, and recommended action to improve compliance with tax laws. Our work contributed to legislation requiring banks and others to report to IRS income that merchants receive through, for instance, credit cards or third-party networks like PayPal. IRS compares the information to what merchants report on their income tax returns to help verify compliance with tax laws. The new requirement is estimated to raise a total of about \$1.29 billion through improved tax compliance in the provision's first 3 fiscal years after a December 31, 2010, effective date. ([GAO-08-266](#), [GAO-07-1014](#), [GAO-07-488T](#))

Other Benefits

Other benefits reported for goal 3 in fiscal year 2013 totaled 555, exceeding our target by 35 benefits, or about 6 percent. The majority of goal 3's benefits were in the area of public safety and security; tax law administration; program efficiency and effectiveness; business process and improvement; including federal agency financial audits; federal information technology; business systems modernization; and human capital. We have set our 2014 target at 475 benefits. While we recognize that this target is lower than our fiscal year 2013 actual performance and 4-year average for this measure, we believe it is a realistic estimate based on our projected goal 3 work.

Example of Goal 3's Other Benefits

In 2010, we reported that some state Low-Income Home Energy Assistance Programs (LIHEAP) were at risk of fraud and improper payments because they did not verify applicants' identities before awarding benefits. We recommended that state LIHEAP programs require applicants to provide social security numbers in order to receive these benefits. As we recommended, in 2011 and 2012, several state LIHEAP programs began requiring applicants to provide documentation of their social security numbers to verify their identities before receiving benefits—a step that will help prevent fraud and improper benefit payments in the LIHEAP program, and ensure that only those applicants who are eligible for the program receive benefits.

Testimonies

Our witnesses testified at 22 congressional hearings related to this strategic goal in fiscal year 2013, missing the target of 29 by 24 percent. Among the goal 3 testimony topics covered were an update of GAO’s governmentwide high-risk series, an urgent need for improvements to federal financial and performance management, and the need for improvements to the national strategy on cybersecurity to address persistent challenges. (See [fig. 17](#) for selected testimony topics by goal.) For fiscal year 2014, we have set a target of testifying at 22 hearings as we do not expect goal 3 hearings to increase to a number greater than what actually occurred in 2013.

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

Example of Goal 3’s Testimonies

The federal government reportedly plans to spend at least \$82 billion on IT in fiscal year 2014. Given the scale of such planned outlays and the criticality of many of these systems to the health, economy, and security of the nation, it is important that OMB and federal agencies provide appropriate oversight and adequate transparency into these programs. GAO has issued a number of key reports on the federal government’s efforts to efficiently acquire and manage IT. While OMB and federal agencies have taken steps to address underperforming IT projects and more effectively manage IT through a number of major initiatives, additional actions are needed. For example, OMB has taken significant steps to enhance the oversight and accountability of federal investments by creating the IT Dashboard, an OMB public website which provides detailed information on federal agencies’ major investments. However, GAO previously found there were issues with the accuracy and reliability of cost and schedule data in the Dashboard and recommended steps that OMB and agencies should take to improve these data—this is important since the Dashboard currently reports 154 investments totaling almost \$10.4 billion being at risk. OMB agreed with the recommendations. ([GAO-13-796T](#))

Table 17: Goal 3 Accomplishments and Contributions

Analyze Government’s Fiscal Position	
Improving Federal Financial Reporting	Our agency financial audit work furthered significant financial reporting and internal control improvements at SEC and the IRS. SEC’s improvements resolved three significant prior-year internal control deficiencies. IRS’s improvements reduced the dollar amount of duplicate manual refunds disbursed by a net present value of \$328 million for fiscal years 2010-2012. Moreover, our financial audit of the U.S. Government’s Consolidated Financial Statements helped promote more complete and accurate financial reporting governmentwide in such key areas as contingencies and social insurance. (GAO-13-274R , GAO-13-122R , GAO-12-219 , GAO-13-420R , GAO-13-120)
Improving Capital Gains Tax Compliance in Securities Transactions	In our work on capital gains tax compliance, we found that many taxpayers misreported their gains or losses from securities sales, often because they failed to accurately report the cost, or basis, of the securities they sold. We suggested that the Congress require brokers to report to both taxpayers and IRS the adjusted basis of securities that taxpayers sell. The Congress subsequently enacted this requirement, which is estimated to raise about \$306 million in revenue during fiscal years 2012 and 2013. (GAO-11-747T)

Restructuring Customs User Fees	In 2007 and 2008, we found that although all arriving international air passengers are subject to customs, immigration, and agriculture inspections, those arriving from certain locations were exempt from the customs fee. Other passengers' fees and direct appropriations subsidized inspections for exempt passengers. We recommended that the Congress align the customs fee exemptions with those of other fees. Our work informed the Congress's decision to lift the customs exemptions in the United States-Colombia Trade Promotion Agreement Implementation Act in October 2011, freeing up an estimated \$194 million for other needs in fiscal years 2012 and 2013. (GAO-07-1131 , GAO-08-386SP)
IRS Testing of Security Controls	In fiscal year 2010, we reported that IRS did not comprehensively test security controls over the mainframe environment supporting its general ledger for tax-related activities and tax processing applications. For example, the test was limited to a portion of the operating environment and, therefore, did not test all of the relevant controls. We recommended that IRS perform comprehensive testing of security controls over the mainframe environment to include all portions of the operating environment. In calendar year 2012, we verified that IRS, in response to our recommendation, performed comprehensive testing of security controls over the mainframe environment to include all portions of the operating environment. This action reduces the risk that IRS may not be fully aware of vulnerabilities that could adversely affect critical application and data. (GAO-13-350 , GAO-12-393 , GAO-11-308)
Prevent Fraud, Waste, and Abuse	
Improving Oversight of Psychotropic Drug Prescriptions for Children in Foster Care	We reported that in 2011 some state Medicaid monitoring programs for psychotropic drugs provided to foster children fell short of best principles published by the American Academy of Child and Adolescent Psychiatry. In response to our report, several states took actions to improve their oversight of psychotropic drug prescriptions for children in foster care, such as assessing the appropriateness of certain psychotropic medications and enacting age restrictions on certain prescriptions. These actions will improve oversight of psychotropic drug prescriptions for children in foster care and other children in those states. (GAO-13-15 , GAO-12-270T , GAO-12-201)
Improving Federal Agency Search Capabilities for Suspended or Disbarred Contractors	We reported in 2009 on improper contracts and payments that we attributed to insufficient search capabilities in GSA's Excluded Parties List System (EPLS), which agencies use to identify suspended and disbarred companies or individuals prior to approving contract awards or payments. In response to our recommendation, in 2011 GSA strengthened the EPLS's search capabilities in an advanced search link on the EPLS website. These enhanced search capabilities will help federal agencies detect companies or individuals who have been disbarred or suspended from contract awards and payments and help ensure that they are not awarded future government contracts or receive payments. (GAO-09-174)

Convening a Forum on Data Analytics for Oversight and Law Enforcement

In January 2013, GAO, the Council of the Inspectors General on Integrity and Efficiency, and the Recovery Accountability and Transparency Board convened a forum to explore how oversight and law enforcement agencies use data analytics to assist in the prevention and detection of fraud, waste, and abuse. Participants identified challenges and opportunities associated with data analytics, such as legislative barriers to sharing data across federal, state, and local agencies. Participants also identified next steps that the sponsoring organizations agreed to implement, including developing a community of practice on data-sharing challenges. ([GAO-13-680SP](#))

Major Management Challenges and Program Risks

Leveraging Federal Buying Power

We identified a number of opportunities for significant cost savings and improved management of federal procurements through two reports on strategic sourcing in 2012 and 2013. We highlighted ways to better leverage the federal government's buying power by applying leading commercial practices, and defined a framework federal agencies can use to tailor their buying tactics. As a result of our work, OMB directed all federal agencies to increase use of strategic sourcing, and departments such as DOD improved their strategic sourcing programs. Moreover, this work resulted in proposed bipartisan legislative reforms. ([GAO-13-765T](#), [GAO-13-417](#))

Improving Congressional Insight into Contractor Compensation Caps

Federal law caps the amount of compensation contractors can charge to federal contracts. In 2013, we found that reducing the current cap from \$763,029 to the salary of the President (\$400,000) or Vice President (\$230,700) would substantially increase the number of contractor employees whose compensation exceeded those caps, and in turn, the amount of compensation no longer chargeable to federal contracts. Our work was instrumental in assisting congressional committees and members in drafting legislation to modify the compensation cap. ([GAO-13-566](#))

Encouraging DOD to Analyze Risks and Prioritize Action Plans for Audit Readiness

We assisted the Congress in overseeing DOD's financial accountability in the context of federal budget constraints, focusing on DOD's efforts toward audit readiness of its Statement of Budgetary Resources by 2014. We identified process and internal control deficiencies that threaten DOD's efforts to achieve this goal, including the lack of an effective process for managing department-level risks associated with achieving auditable financial statements. Our recommendations from this report and other reports are directed at helping DOD achieve its financial management and auditability goals. ([GAO-13-123](#))

Releasing Undisbursed Balances in Agencies' Expired Grant Accounts

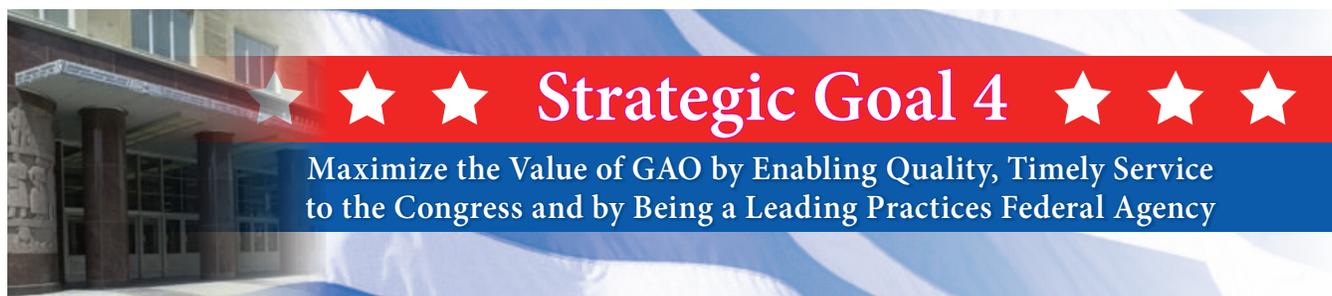
We found that significant amounts of funding remained in expired grant accounts—accounts more than 3 months past the grant end date and with no activity for 9 months—in the Payment Management System, the largest civilian payment system for grants. We recommended in 2008 and again in 2012 that OMB instruct agencies to track and report on the disposition of these funds. In response to our report and others, the Department of HHS released more than \$116 million and the National Science Foundation more than \$119 million in expired grant funds to meet other obligations or go back to Treasury. ([GAO-12-704T](#), [GAO-12-360](#))

Improving DOD's Oversight of Contractor Pension Costs

In response to growing pension costs for contractors serving DOD, our 2013 report assessed the steps taken by the department to ensure that such costs are appropriate. Our work identified changes needed to assess the reasonableness of contractor pension plans and successfully manage the cost challenges posed by recent rule changes, and DOD agreed with our recommendations. Industry experts praised the report as a “must read” for its educational value, and the clarity and fairness with which it explained a highly technical and complex topic. ([GAO-13-158](#))

Source: GAO.

Note: 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. 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.



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 two internal management challenges—human capital and engagement efficiency. 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.

Examples of Work under Goal 4

Physical footprint. Continuing the momentum started in fiscal year 2012 to reduce the physical footprint in our field offices to achieve lease and security cost savings and enhance work-life balance opportunities for employees, we expanded our enhanced telework pilot to include six more work sites, bringing the total to eight offices. In fiscal year 2013, we achieved a cost savings of \$1.2 million; these savings are projected to cumulatively exceed \$1.8 million in fiscal year 2014. We also completed the renovation of about 49,000 square feet of our headquarters space for occupancy by DOJ Executive Office for United States Trustees, which will yield about \$2 million in rental income for GAO in fiscal year 2014.

Travel costs. To maximize GAO's travel budget through greater flexibility in booking less costly airfares, we piloted and then implemented agencywide the use of noncontract airfares when certain criteria are met. Since the inception of the pilot and subsequent agency roll-out, GAO staff who have purchased noncontract fares have saved approximately 23 percent on the cost of airplane tickets.

Financial literacy. To continue raising awareness, empowering staff, and improving access to information on personal financial matters, we chartered a permanent GAO Workplace Financial Literacy Leadership Committee composed of GAO executives to provide vision, direction, visibility, oversight, and monitoring of GAO's financial literacy program, and a working group of employees from across the agency to implement the program elements. To facilitate access to the information contained in our financial literacy website, we rearranged content thematically, and brought in an outside financial planning speaker; more than 500 employees attended the event and expressed very positive feedback.

These objectives, along with the performance goals and key efforts that support them, are discussed fully in our strategic plan, which is available on our website at <http://www.gao.gov/sp.html>. The work supporting these objectives is performed under the direction of the Acting Chief Administrative Officer through the following offices: the Controller and Financial Management and Business Operations, Human Capital, Information Systems and Technology Services, Infrastructure Operations, the Professional Development Program, and Field Operations. Assistance on specific key efforts is provided by the Applied Research and Methods team, and other offices, including Strategic Planning and External Liaison, Congressional Relations, Opportunity and Inclusiveness, Audit Policy and Quality Assurance, 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 40](#), our internal operations for services and functions that help employees get their jobs done and improve the quality of their work life were rated by our staff with scores of 82 percent and 77.9 percent respectively. In 2013, we created a new IT Tools performance measure that was rated by our staff with a score of 67.6 percent. In prior year surveys, IT Tools was covered under one of the other performance measures. [Table 18](#) provides examples of goal 4 accomplishments and contributions and additional examples are included throughout this report.

Table 18: Goal 4 Accomplishments and Contributions

Improve Efficiency and Effectiveness	
Enhancing Support for Conducting, Managing, and Reporting on Our Work	<p>Improved communication and outreach. Fiscal year 2013 was a very productive year in the expansion of our digital and social media presence. We created a new mobile application for Android users, created two GAO news widgets that allow users to automatically share up-to-date GAO reports and legal decisions on their own web pages, created the agency’s first official LinkedIn page as a way to share work, and planned the implementation of an agency blog in fiscal year 2014. We continued to focus on improving the usability of GAO.gov, and have made improvements to several large areas of the website, including the Key Issues section and pages centered around our work on duplication, overlap, and fragmentation; high risk; and technology assessments. We also streamlined the homepage to better integrate our social media platforms, and are working to add visual content to our online summary pages. We taught four webinars on how GAO uses web analytics and social media to continuously improve our public outreach, reaching more than a thousand federal and state participants. We also updated the agency logo, which is now consistently legible in a range of sizes from extremely small social media icons through large-scale posters.</p> <p>We expanded our efforts in fiscal year 2013 to identify client needs and continue to promote an understanding of our work. Through our “Voice of the Client” project, we interviewed majority and minority congressional staff from 12 high-use House and Senate Committees and Subcommittees and conducted a content analysis of the interviews to identify staff’s information needs. We are using the results of this survey to inform current and ongoing efforts to improve how we explain our processes to Hill staff and respond to requests for new work. Other outreach efforts included the launch of a redesigned Watchdog website, available exclusively to Members and Congressional staff, that provides clearer instructions on how to request new work, a simple user interface to explore GAO’s ongoing work, a more prominent focus on the wide range of GAO products, and easier ways to contact GAO personnel. We developed a training program for congressional staff which was incorporated in the House Learning Center curriculum to provide information about GAO’s mission and services.</p> <p>Process improvement. We continued our commitment to improving and streamlining our engagement processes in fiscal year 2013 through a number of initiatives, including the rollout of project management guidance and training to engagement leaders and preparing to pilot our newest version of our Engagement Management System (EMS) to replace outdated, stand-alone systems that eliminate redundant data entry. We also updated our engagement process and related electronic guidance and tools to prepare for a FY 2014 pilot of this new process and EMS prior to agency wide rollout. We are on track to acquire and begin testing New Blue, a system that will enable analysts to draft, revise, index, reference, and ultimately publish final reports to multiple formats—all in one place—greatly expediting the content creation process and reducing the potential</p>

for introducing errors at critical stages of the writing and review process. We also created two communications boards as formal mechanisms to establish guidance and standards on GAO's written and visual communications and launched the Visuals@Work website to provide engagement teams with an authoritative source of information on visual production standards.

Workflow management. To further enhance support for our analysts in performing audits efficiently and effectively, we implemented several measures to improve their ability to manage and report on our work. To ensure that we receive timely access to agency officials, information, and data during GAO audits, we issued new guidance to assist analysts in determining when and how to elevate access issues, and identified and communicated strategies for mitigating access issues prior to elevation. To facilitate notification to agencies of a GAO audit, we adopted a standard notification letter for use agencywide.

To help expedite review of draft products and better support GAO's growing mobile workforce, the Audit Policy and Quality Assurance office adopted a new process, building on a successful pilot, to accept draft products electronically for Second Partner review. To reduce the administrative and environmental burden associated with producing and delivering final review paper report packages prior to issuance, we instituted an option for electronically routing products for a final quality check. To reinforce employees' understanding of GAO's protocols and guidance for disclosing engagement-related information to the Hill, media, and general public, we rolled out an agencywide multimedia briefing to all employees who work on or support engagements highlighting the importance of protecting engagement data; key disclosure-related policies, requirements, and responsibilities; and the implications of improper disclosure. To prepare for the upcoming peer review, we developed and delivered all hands training for analyst staff, managers, and Senior Executives (SES) and developed an independence refresher course for delivery in fiscal year 2014.

Enhance Recruitment, Development, Retention, and Rewards

Strengthening Hiring Strategies to Ensure a Pipeline for the Future

We again identified our critical hiring, promotion, and succession planning needs through our annual workforce planning analysis. Working within very constrained resources, we effectively recruited and hired staff to fill key critical positions and took proactive steps, such as reinstating our intern program, to help re-establish a pipeline to fill future hiring needs. We also implemented a new program to attract, recruit, and hire recent graduates to fill entry-level analyst positions, which is essential to maintaining our analyst workforce. These new employees will begin working at GAO in early 2014. Additionally, we sparingly used recruitment incentives to attract staff to fill key specialist positions. Finally, to enhance our recruiting efforts, we convened a well-attended meeting with our partners from colleges, universities, and key organizations, and discussed trends related to recruitment, hiring, development, and retention of a diverse, talented, dedicated, and results-oriented workforce.

Retention and succession planning. To encourage retention during this period of very limited hiring, we leveraged our Voluntary Transfer Program by approving geographic transfers for the largest number of staff in nearly a decade. This program allowed us to retain staff that, because of personal life situations such as spousal employment or family medical issues, likely would have otherwise separated from GAO. To retain staff with specialized skills, knowledge, and expertise, we prudently and effectively used retention incentives. These incentive payments enabled us to keep staff who were likely to leave GAO since they either had other job offers or had taken steps to retire. To support succession planning at our highest ranks and bolster our senior executive pool, we selected 13 candidates to participate in this year's Executive Candidate Assessment and Development Program and appointed 12 graduates from this program to SES positions.

<p>Improving Our Performance Management and Compensation Systems</p>	<p>In fiscal year 2013, GAO implemented a new performance management system based on the results of a multiyear initiative involving staff at all levels, designed to improve the fairness, consistency, and accuracy with which we evaluate staff. This effort culminated in a renewed emphasis on ongoing, timely, year-round performance management and a streamlined appraisal system with more clearly defined competencies, work activities, and performance standards targeted specifically to each major occupation. During this year’s implementation, we conducted agencywide briefings and training sessions on the new system, with sessions designed specifically for supervisors. We also revamped our performance-based compensation system to more accurately reflect GAO’s highly talented workforce as well as administer a less complex system that recognizes the highest performers. In doing so, we worked with our Union colleagues to ratify this system for use in fiscal year 2014 for the 2013 appraisal cycle.</p>
<p>Enhancing Efforts to Develop the Workforce</p>	<p>Professional development. To continue to develop and support staff in the field and those who regularly telework, we further expanded the number of courses we offer virtually, including the first-ever virtual course on indexing and referencing. To continually assess our field administrative and professional support services training curricula, a multilevel, geographically dispersed task team identified the changing skill sets needed for this critical segment of our staff, resulting in ongoing professional development opportunities. We held an extremely successful training seminar for support staff in the field during 2013, with plans to continue this effort in the future.</p> <p>Work-life balance. To enhance the services our Counseling Center provides to employees in the field, we initiated virtual seminars to inform employees about a variety of work-related and personal challenges and established virtual support groups on parenting and eldercare. For our headquarters employees, we also sponsored monthly support groups and expanded the number of seminars offered on a wide range of topics. For employees choosing to participate in our enhanced telework program, benefits include improved work-life balance by eliminating commuting time. We also made use of our short-term telework authority to help staff balance short-term family needs while continuing to work.</p>
<p>Supporting an Unbiased Environment That Values Opportunity and Inclusiveness</p>	<p>We continued to emphasize our commitment to diversity and inclusiveness through delivery of a new, required course for GAO’s leaders on open-mindedness and mindfulness. We made available for all employees 97 offerings of 3 new elective diversity courses – Hot Buttons, Navigating the Unwritten Rules, and Diversity and Inclusion: Continuing Forward. Finally, we facilitated an agencywide discussion session on race based on the PBS documentary, <i>Race: The Power of an Illusion</i>, with more than 200 employees participating. We also issued the agency’s first Diversity and Inclusion Strategic plan: The plan’s three goals are workforce diversity, workplace inclusion, and sustainability, with related components and performance indicators. We will assess these indicators annually and plan to achieve the goals by 2016.</p>

Expand Networks, Collaborations, and Partnerships

Enhancing Professional Accounting and Auditing Standards

Training. We continued to leverage our investment in the National Intergovernmental Audit Forum annual meeting and the 19th Biennial Forum of Government Auditors by sharing online videos of the sessions with GAO staff and the broader intergovernmental audit community, thereby giving these entities the opportunity to grant no-cost CPEs.

Outreach. We significantly influenced the development and quality of several newly established standards promulgated by INTOSAI and used by over 190 countries. These standards articulate the proper functioning and conduct for government auditors worldwide and increase quality, professionalism, and credibility of audit institutions. To obtain input on revisions to the Federal Standards for Internal Control, we stood up a new Green Book Advisory Council.

Enhancing Information Sharing and Collaboration with Others to Expand Audit Knowledge

Information sharing. We helped organize GAO's first international meeting (with the Supreme Audit Institution of Russia) using WebEx technology, thereby eliminating the need for international travel or expensive VTC services. We developed new approaches to the *INTOSAI Journal* operations to reduce costs to GAO.

Collaboration. We helped guide the creation of the INTOSAI Task Force on Financial Foresight and helped develop and review its recommendations for the sustainable future financing of INTOSAI. We worked actively with the INTOSAI-Donor Cooperation initiative, which achieved the milestone of 2 additional donors signing on to bring total signatories to 20. We collaborated with the National Academies to convene a Comptroller General Forum on Nanomanufacturing. We helped transform the INTOSAI Global Financial Crisis Task Force into a standing Working Group on Financial Modernization and Regulatory Reform, which GAO leads.

Human, Information, Fiscal, Technological, and Physical Resources

Proactively Protecting Physical and Information Security

Physical infrastructure. To replace an antiquated, stand-alone security system in our field locations, we rolled out an integrated electronic security system to 10 of our 11 field offices, thereby providing a standard security footprint and consolidating security maintenance contracts. This 24-hour security monitoring system provides GAO senior leaders and first-responders the assessment capabilities required to make real-time, critical, immediate decisions in the event of an incident affecting one or all of these locations, and eliminates the need for an outside party to alert GAO to an incident by directly alerting the GAO headquarter's security operations center with an alarm and a visual of that field office. In consolidating the maintenance contract for this system, we benefit from enhanced preventive and reactive maintenance response times for both catastrophic failures and routine maintenance calls, and the ability to deploy a standardized set of equipment for expeditious component replacement. In fiscal year 2013, the Defense Information Systems Agency inspected our Huntsville and Denver field offices for classified sites, and both earned an "Outstanding" rating (the highest rating possible) on their SIPRNET classified facilities. To maintain our headquarters building in peak condition and reduce energy usage, we began replacing eight air-handling units that are about 60 years old with 5 new, high-efficiency, state-of-the-art units. Two units have been installed and are operational; the remaining units will be installed in 2014.

Information security. To reduce travel time to the Pentagon and other sites where classified engagement work is being conducted, we launched a new secure video teleconferencing capability for our headquarters staff to meet via a secure video feed. We entered into an agreement with OPM to utilize the e-Delivery process to obtain completed reports

of investigations on GAO personnel and contractor support staff in a more expedited time frame, resulting in decreased paperwork, enhanced protection and storage of personally identifiable information, and increased timeliness in reviewing background investigations in support of employment suitability.

Leveraging Technology to Achieve Business Process Improvement and Efficiency Gains

Workplace tools. After deploying and stabilizing HR Connect in fiscal year 2012, we launched an effort in 2013 to correct long-standing human capital data issues, including resolution of data mismatches between HR Connect and National Finance Center (NFC) systems. Scheduled for completion in early 2014, this effort includes a long-term strategy to ensure data integrity and the adoption of HRConnect as GAO's definitive source for all human capital data, and lays the foundation for significant improvements in the timeliness and availability of human capital data in all the systems GAO uses to derive such data. In conjunction with HR Connect, we expanded use of our business intelligence tool to seamlessly integrate human capital, engagement, and cost data from disparate systems to provide management more robust, timely information on the cost of GAO products, major programs and functions, and information on how staff are utilized. In addition, we leveraged the business intelligence tool to strengthen workforce planning reporting capabilities by including analysis on full-time equivalent (FTE) actual data, and particularly on actual field office data—previously not feasible—and analyses by various payroll resource combinations. Lastly, to conserve staff time, we developed and launched a tool that automates the preparation of GAO's quarterly financial statements and runs edit checks to reduce errors.

Video-conferencing. As part of our ongoing effort to provide employees technology tools that further promote collaboration and enhance communication across locations, we expanded the rollout of, and training on, our online video-conferencing software to all GAO staff, and have deployed approximately 1,500 webcams to both field- and headquarters-based staff. Employees can now quickly initiate, lead, and join video conferences with multiple participants from the office and remotely, improving their ability to share ideas; work on documents virtually, in real-time; and maintain a team-based focus.

Intranet. To improve access to, and the administration of, internal videos, we deployed a new intranet video platform with full search capability and multiple live streaming channels, expanding employee access to live events and training opportunities. To assist analysts in effectively using visual elements to communicate a report's message, and to ensure consistency in the way visual elements are created agency-wide, we developed and launched a new intranet website, Visuals@Work, with detailed information on GAO's visual standards and technical guidance. In addition, we created and launched a new privacy website on GAO's intranet to provide staff with information on how GAO protects personal privacy and to give employees the right to review and request corrections to their personally identifiable information in a timely, secure fashion.

Travel. We authored, coordinated, and facilitated the implementation of a memorandum of understanding (MOU) with the GSA that will allow GAO to access critical data to aid in long-range travel budget planning and decision making. The newly signed MOU is expected to help GAO calculate the best and most cost-effective locations for hosting conferences and provide analysis on trends for possible travel-related cost reductions.

Internal communications. Recognizing the importance of keeping employees informed about significant, agencywide issues and responding to employee feedback for more robust communication, we rolled out a variety of new internal communications initiatives, including a highly visible box on the intranet homepage with important and timely updates from GAO's executive leadership; held regular informal meetings with the Comptroller General and interested

employees; and conducted two agencywide meetings broadcast to our field offices and employees working remotely that focused on updates from GAO executives and responded to employee questions. Other internal initiatives included detailed briefings given by our Chief Information Officer to staff on key IT initiatives planned over the next few years, and significant outreach by our Continuous Process Improvement (CPI) office, including 5 agencywide town hall meetings, 12 mission team briefings, and 8 executive-level lunches, to keep employees abreast of ongoing improvement projects and their status, and to glean buy-in and generate enthusiasm.

Shutdown planning. To ensure a smooth yet rapid shutdown of GAO work and operations in the event of a government-wide shutdown, we updated and expanded upon critical planning documents that were developed during prior shutdown activities, including legal guidance and a framework for operations; utilized a central focal point and a central library of resource materials; and communicated often with key stakeholders and all employees ensuring that everyone was aware of responsibilities and time frames.

Customer Satisfaction. To make the results of our annual internal customer satisfaction survey more meaningful and actionable for managers and staff charged with improving GAO's administrative services, we added questions to better identify and target field-specific problem areas, created a new IT Tools measure to more specifically gauge and track satisfaction with IT tools, and began calculating and reporting satisfaction with internal administrative services as a percentage of satisfaction rather than the mean on a 5-point scale; this reporting methodology is now consistent with how we report other internal survey metrics and is more easily interpreted.

Improving Management of Key Administrative Processes

Training. Building on the success of the three-tier Contracting Officer Representative (COR) training that we launched in fiscal year 2012, we required all CORs to complete three additional training sessions in fiscal year 2013—Appropriations Law, Contractor Performance Assessment Reporting System, and Procurement Ethics—further ensuring consistent and accurate contract oversight agencywide.

Human capital. To improve human capital programs, workforce planning, and decision making on staff retention, we enhanced the formal Exit Survey we administer to departing employees by adding demographic measures such as race, ethnicity, band level, pay plan, and location to better assess reasons why employees leave GAO and to apply that knowledge to our retention strategies. To independently track various types of telework and improve our notification and data tracking capabilities, we launched an upgraded version of our time and attendance system. To improve the efficiency of the SES appraisal process and provide real-time reporting capability to the Executive Committee, we implemented a new database for managing this information.

Process improvement. Continuing the efforts started in fiscal year 2012 by our CPI office, we focused on formalizing and expanding CPI's activities through the development of a number of foundational documents, a strategic plan, and the leadership board's charter. To ensure we use a common, repeatable approach to our process improvement projects, we finalized a formal governance framework for conducting all initiatives under our purview.

Budget. We achieved a 99.9 percent budget utilization rate for GAO's 2013 direct appropriations in a fiscally constrained and sequester-imposed year, and, unlike many federal agencies, avoided furloughs and provided staff opportunities through promotions and increased performance-based compensation. We oversaw several new contract awards that are projected to save GAO \$1.5 million to \$1.75 million a year. We also recommended a change to GAO's host accounting system

configuration to eliminate Treasury edit check variances; this recommendation is being implemented at the Enterprise Services Center as a baseline configuration change for all 20 of their federal client agencies. Moreover, we developed several reporting tools to allow more timely and accurate financial reporting; one resulting report, through automatic comparisons, identifies and highlights potential issues that likely need action, allowing our budget and accounting staff to more efficiently monitor financial performance. Lastly, we implemented processes to provide us a more robust view of our reimbursable programs within our financial management system.

Enhancing Information Sharing and Collaboration with Internal Employee Organizations

We engaged with the employee organization, IFPTE Local 1921, and members of the Diversity Advisory Council and Employee Advisory Council to implement expansion of our telework program to reduce our office space needs and other ways to improve the management of our physical infrastructure in Boston, San Francisco, Seattle, and Los Angeles. In fiscal year 2012, we welcomed the establishment of a new bargaining unit with IFPTE Local 1921, for our administrative professional and support staff, and in fiscal year 2013, negotiated a grievance/arbitration procedure for this employee group. We are prepared to begin negotiations for an interim Collective Bargaining Agreement (CBA) for this unit, upon request by the union, and to begin planning for negotiations for a master CBA. We updated the Memorandum of Agreement (MOA) between GAO and Tiny Findings (TFI), GAO's child care provider, to reflect current processes and organizational commitments, and created a new operational manual to accompany the MOA that lays out the operational responsibilities and procedures that GAO and Tiny Findings have agreed to follow and review on an annual basis.

Source: GAO.

Data Quality

Verifying and Validating Performance Data

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

This page intentionally left blank

Serving the Congress and the Nation



Part III

Financial Information



Source: GAO.

December 16, 2013

The Performance and Accountability Report (PAR) is the primary mechanism for us to report on our financial operations and provide transparency and accountability to the American people. The financial statements included in the PAR demonstrate our sound stewardship for the taxpayers' dollars entrusted to us.

I am pleased to report that we received an unmodified "clean" opinion on our fiscal year 2013 consolidated financial statements for the 27th consecutive year. Our independent auditors found that GAO maintained, in all material aspects, effective internal controls over financial reporting, and our financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996. The financial statements that follow were prepared, audited, and made publicly available as an integral part of this PAR. Their issuance was delayed 30 days due to the government-wide shutdown in October. Our fiscal year 2012 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, and a Best in Class Award for providing the "Most Comprehensive and Candid Presentation of Forward Looking Information."

In fiscal year 2013, GAO's operations were strained by the fiscal challenges facing the nation, with significant reductions in our funding level for the third consecutive year. We continued to address succession planning and critical skill gaps, optimize our processes, leverage technology to enhance efficiency and effectiveness, and ensure effective resource utilization. This year's accomplishments included, but were not limited to, efforts to further optimize our field office space which has generated significant rent savings. We also continued to rollout our enhanced telework/workspace sharing program; improve our mobile technology, such as Webex and videoconferencing; and implemented agency-wide use of non-contract airfares when certain criteria are met.

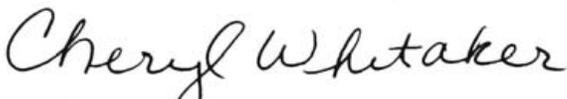
For example, we expanded our enhanced Telework/workspace sharing pilots to six additional field locations, bringing the total to eight field offices. This year, we achieved a cost savings of \$1.2 million and these savings are projected to cumulatively exceed \$1.8 million in FY 2014. In addition, our renovation of about 49,000 square feet of our headquarters space for occupancy by the Department of Justice Executive Office for United States Trustees, will yield about \$2 million in rental income in FY 2014. We expect all of these initiatives to generate long-term financial and efficiency benefits for us.

We also expanded and optimized GAO's human resources system, HR Connect, by deploying both the Manager Self Service and Employee Self Service components of the system. In FY 2014, HR Connect will serve as the single integrated system that supports virtually all of the human capital functions and processes. This human capital data architecture will enable the timeliness and accuracy of personnel actions and management decision making.

Our financial management system continues to be centered on Oracle Federal Financials, hosted, operated and supported by the Enterprise Services Center (ESC) at the Department of Transportation. ESC maintains the accounting system and performs our daily transaction processing. In 2013 we succeeded in leveraging some additional services provided by the ESC, such as moving the Travel Help Desk operations to ESC which reduced contractor support costs. We continue to look at other economies to transition to ESC in support of GAO operations such as reconciliation activities in an effort to continue to reduce overhead costs and allow staff to shift focus to analytics.

Our Financial Management Office continues to work in coordination with ESC while ESC upgrades Oracle Federal Financials to the version R12. Oracle R12 is scheduled to become operational in May 2014. Additionally, in collaboration with ESC, GAO continues to plan the implementation of the latest eGov Travel System. The new contract for eGov Travel Services was awarded by the General Services Administration late in 2012. These system changes and upgrades are expected to provide us with improved operational and reporting capabilities. In the area of internal controls, we continued performing testing that is consistent with the Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, for key business cycles such as financial reporting and payroll. To ensure the integrity of financial data and the appropriate levels of authorization, we continued testing the life-cycle of transactions from initial request and procurement, through the receipt of goods and services to payment. These tests validate compliance, effectiveness and efficiency, and proper financial reporting. We also reviewed the independent auditors' reports of 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 favorable opinion on the effectiveness of our internal controls again this year. Going forward, we will continue to implement important initiatives throughout the agency to improve the performance of our operations and the accountability of our employees. By focusing on measurable results we can further our ability to meet the highest priority needs of the Congress and maintain the quality, timeliness and usefulness of our reports, testimonies, briefings and other products and services.



Cheryl B. Whitaker
Acting Chief Administrative Officer/
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, its Inspector General, and its 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 Inspector General 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 these sessions, the Committee met with the Inspector General 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, the Committee recommends that GAO's audited statements and footnotes be included in the 2013 Performance and Accountability Report.



Michael A. Nemeroff
Chair
Audit Advisory Committee

Independent Auditor's Report



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Comptroller General of the United States

In our audits of the fiscal years (FY) 2013 and 2012 financial statements of the United States Government Accountability Office (GAO), we found:

- The financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S.);
- 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); and
- No reportable noncompliance with certain provisions of applicable laws, regulations, contracts, and grant agreements tested.

The following sections discuss in more detail (1) these conclusions, (2) Management's Discussion and Analysis (MD&A) and other information included with the financial statements, (3) management's responsibilities, and (4) our responsibilities.

Report on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying financial statements of GAO, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost and changes in net position, the statements of budgetary resources for the years then ended, and the related notes to the financial statements. We have also audited GAO's internal control over financial reporting as of September 30, 2013.

Management's Responsibilities

GAO management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S., (2) preparation, measurement, and presentation of the required supplementary information (RSI) in accordance with the accounting principles generally accepted in the U.S., (3) preparation and presentation of other information in documents containing the audited financial statements and auditors' report, and consistency of that information with the audited financial statements and the RSI, (4) maintenance of effective internal control over financial reporting, including the

INDEPENDENT AUDITORS' REPORT (Continued)

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and (5) evaluation of the effectiveness of internal control over financial reporting based on the criteria established under the Federal Managers' Financial Integrity Act (FMFIA). GAO management evaluated the effectiveness of GAO's internal control over financial reporting as of September 30, 2013, based on criteria established under FMFIA. GAO management's assertion based on its evaluation is included in the Introduction section of the Performance and Accountability Report (PAR).

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements and an opinion on GAO's internal control over financial reporting. We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the U.S.; and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to audits of internal control contained in *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures with respect to the RSI and all other accompanying information included with the financial statements. We conducted our audits in accordance with Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02).

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and testing relevant internal control over financial reporting. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on

INDEPENDENT AUDITORS' REPORT (Continued)

the effectiveness of internal control over financial reporting and may not be sufficient for other purposes.

Definition of Internal Control and Inherent Limitations

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 U.S., (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (3) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on the financial statements.

Because of inherent limitations, internal control may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GAO as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Opinion on Internal Control over Financial Reporting

In our opinion, GAO maintained, in all material respects, effective internal control over financial reporting as of September 30, 2013, 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 on internal control is based on criteria established under 31 U.S.C. 3512 (c), (d), commonly known as the FMFIA.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the U.S. require that GAO's MD&A, also regarded as RSI, included as Part I of the PAR, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (Continued)Other Information

Other information included in the PAR, other than the basic financial statements, MD&A, and the auditors' report, contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for additional analysis and is not a required part of the basic financial statements or RSI. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Systems' Compliance with FFMA and Compliance with Laws, Regulations, Contracts, and Grant Agreements Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards****Report on Systems' Compliance with FFMA Requirements***

We have audited GAO's financial management systems' compliance with FFMA requirements as of September 30, 2013. The objective of our audit was to express an opinion on whether GAO's financial management systems substantially complied with the requirements in section 803a of FFMA as outlined in the following areas: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the United States Government Standard General Ledger (USSGL) at the transaction level.

Management's Responsibility

Management is responsible for implementing and maintaining financial management systems that comply substantially with FFMA requirements.

Auditor's responsibility

Our responsibility is to express an opinion on GAO's financial management systems' compliance with the three FFMA requirements based on our audit.

We conducted our audit of GAO's compliance with FFMA requirements in accordance with auditing standards generally accepted in the U.S.; and the standards applicable to the financial audits contained in *Government Auditing Standards*. Under those standards, we planned and performed the audit to obtain reasonable assurance about whether the financial management systems substantially complied with the three requirements of FFMA. A compliance audit includes examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as we consider necessary in the circumstance. Our audit does not provide a legal determination of GAO's compliance.

We believe that our audit provides a reasonable basis for our opinion.

Opinion on Systems' Compliance with FFMA

In our opinion, GAO's financial management systems substantially complied with the applicable requirements of FFMA. Our opinion is based on criteria established under FFMA for federal financial management systems.

INDEPENDENT AUDITORS' REPORT (Continued)***Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements***

In connection with our audits of the financial statements, we performed tests of GAO's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our tests, and accordingly, we do not express such an opinion. We performed our tests of compliance in accordance with *Government Auditing Standards*.

Management's Responsibility

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to GAO.

Auditors' Responsibility

We are responsible for testing compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to GAO that have a direct effect on the determination of material amounts and disclosures in the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and for performing certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to GAO. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Results of Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for the year ended September 30, 2013 that are required to be reported in accordance with *Government Auditing Standards*.

Purpose of the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements section of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on GAO's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GAO's compliance. Accordingly, this report is not suitable for any other purpose.



Calverton, Maryland
December 12, 2013

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, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Assets		
Intragovernmental		
Funds with the U.S. Treasury (Note 3)	\$67,267	\$85,341
Accounts receivable	285	5,138
Total Intragovernmental	<u>67,552</u>	<u>90,479</u>
Property and equipment, net (Note 4)	26,679	31,388
Other	437	578
Total Assets	<u>\$94,668</u>	<u>\$122,445</u>
Liabilities		
Intragovernmental		
Accounts payable	\$4,485	\$5,619
Advances from others (Note 8)	-	2,233
Employee benefits (Note 6)	1,734	4,380
Workers' compensation (Note 7)	2,595	2,637
Total Intragovernmental	<u>8,814</u>	<u>14,869</u>
Accounts payable and other	10,896	10,836
Salaries and benefits (Note 6)	10,032	22,288
Accrued annual leave (Note 5)	31,284	31,067
Actuarial FECA liability (Note 7)	16,714	15,959
Note payable (Note 5)	-	2,198
Total Liabilities	<u>77,740</u>	<u>97,217</u>
Net Position		
Unexpended appropriations	26,616	31,496
Cumulative results of operations	(9,688)	(6,268)
Total Net Position (Note 13)	<u>16,928</u>	<u>25,228</u>
Total Liabilities and Net Position	<u>\$94,668</u>	<u>\$122,445</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, 2013 and 2012
(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Net Costs by Goal (Note 2)		
Goal 1: Well-being/Financial Security of American People	\$216,248	\$216,771
Less: reimbursable services	<u>(1,002)</u>	<u>(1,169)</u>
Net goal costs	215,246	215,602
Goal 2: Changing Security Threats/Challenges of Global Interdependence	137,333	132,581
Less: reimbursable services	<u>-</u>	<u>-</u>
Net goal costs	137,333	132,581
Goal 3: Transforming the Federal Government's Role	147,127	161,839
Less: reimbursable services	<u>(15,343)</u>	<u>(21,659)</u>
Net goal costs	131,784	140,180
Goal 4: Maximize the Value of GAO	14,429	18,555
Less: reimbursable services	<u>-</u>	<u>-</u>
Net goal costs	14,429	18,555
Other Costs in Support of the Congress	28,527	25,672
Less: reimbursable services	<u>(1,287)</u>	<u>(1,252)</u>
Net costs	27,240	24,420
Less: reimbursable services not attributable to above cost categories	<u>(10,953)</u>	<u>(7,206)</u>
Net Cost of Operations (Note 10)	<u>\$515,079</u>	<u>\$524,132</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, 2013 and 2012
(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Cumulative Results of Operations, Beginning of fiscal year	(\$6,268)	(\$12,853)
Budgetary Financing Sources - Appropriations used	484,847	505,633
Other Financing Sources		
Federal employee retirement benefit costs paid by OPM and imputed to GAO (Note 6)	26,874	25,084
Transfers Out	(62)	-
Total Financing Sources	511,659	530,717
Net Cost of Operations	515,079	524,132
Net Change	(3,420)	6,585
Cumulative Results of Operations, End of fiscal year	(9,688)	(6,268)
Unexpended Appropriations, Beginning of fiscal year	31,496	29,701
Budgetary Financing Sources and Uses		
Current year appropriations	506,282	511,296
Appropriations transferred in (Note 11)	419	250
Appropriations permanently not available	(26,734)	(4,118)
Appropriations used	(484,847)	(505,633)
Total Unexpended Appropriations, End of fiscal year	26,616	31,496
Net Position	<u>\$16,928</u>	<u>\$25,228</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, 2013 and 2012
(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Budgetary Resources (Note 11)		
Unobligated balance, brought forward October 1	\$31,994	\$18,894
Adjustment of Unobligated balance, brought forward October 1	-	-
Unobligated balance, brought forward October 1, as adjusted	31,994	18,894
Recoveries of prior year unpaid obligations	9,067	10,509
Other changes in unobligated balances (+ or -)	-	(4,118)
Unobligated balance from prior year budget authority, net	41,061	25,285
Appropriations	479,967	511,546
Spending authority from offsetting collections	25,718	37,967
Total Budgetary Resources	<u>\$546,746</u>	<u>\$574,798</u>
Status of Budgetary Resources		
Obligations Incurred	\$524,641	\$542,804
Unobligated balance, end of year:		
Apportioned	4,689	9,737
Unapportioned	17,416	22,257
Unobligated balance, end of year	22,105	31,994
Total Status of Budgetary Resources	<u>\$546,746</u>	<u>\$574,798</u>
Change in Obligated Balances		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	\$67,413	\$73,783
Obligations incurred	524,641	542,804
Gross outlays	(529,741)	(538,665)
Recoveries of prior-year unpaid obligations	(9,067)	(10,509)
Unpaid obligations, end of year	\$53,246	\$67,413
Uncollected Payments:		
Uncollected customer payments from Federal sources, brought forward, October 1	(\$14,063)	(\$8,413)
Change in uncollected customer payments from Federal sources	5,981	(5,650)
Uncollected customer payments from Federal sources, end of year	(\$8,082)	(\$14,063)
Obligated balance, start of year	\$53,350	\$65,370
Obligated balance, end of year	\$45,164	\$53,350
Budget Authority and Outlays, Net		
Budget authority, gross	\$505,685	\$549,513
Actual offsetting collections	(31,699)	(32,317)
Change in uncollected customer payments from Federal sources	5,981	(5,650)
Budget authority, net	<u>\$479,967</u>	<u>\$511,546</u>
Outlays, gross	\$529,741	\$538,665
Actual offsetting collections	(31,699)	(32,317)
Outlays, net	<u>\$498,042</u>	<u>\$506,348</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of the United States Government Accountability Office (GAO). GAO, an agency in the legislative branch of the federal government, supports the Congress in carrying out its constitutional responsibilities. GAO carries out its mission primarily by conducting audits, evaluations, analyses, research, and investigations and providing the information from that work to the Congress and the public in a variety of forms. The financial activity presented relates primarily to the execution of GAO's congressionally approved budget. GAO's budget consists of an annual appropriation covering salaries and expenses as well as revenue from reimbursable audit services and rental income. The revenue from audit services and rental income is presented on the statements of net cost as "reimbursable services" and included as part of "spending authority from offsetting collections" 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 accordance with OMB Circular A-136, *Financial Reporting Requirements*, as amended.

Assets

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

Funds with the U.S. Treasury

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

Accounts Receivable

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

Property and Equipment

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

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

Liabilities

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

Accounts Payable

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

Federal Employee Benefits

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

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

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

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

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

Annual, Sick, and Other Leave

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

Contingencies

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

Estimates

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

Reclassifications

Certain prior year amounts in the financial statements and footnotes have been reclassified to conform to the current year presentation.

Change in Methodology

During fiscal year 2013, GAO changed its methodology for calculating upward/downward adjustments of prior year obligations that have been adjusted in the current year (from a monthly calculation to a quarterly calculation). These adjustments are reflected on the Statement of Budgetary Resources as "Recoveries of prior year unpaid obligations" and "Obligations Incurred." We changed methodologies to be consistent with the timing of quarterly accruals.

Note 2. Intragovernmental and Public Costs and Revenue

Intragovernmental transactions arise from transactions made between two reporting entities within the federal government in contrast with public transactions, which arise from transactions made with a nonfederal entity. Intragovernmental and public costs and earned revenue for the periods ended September 30, 2013, and September 30, 2012, are as follows:

Dollars in thousands

	2013	2012
Goal 1: Well-being/Financial Security of American People		
Intragovernmental costs	\$55,611	\$52,140
Public costs	<u>160,637</u>	<u>164,631</u>
Total goal 1 costs	<u>216,248</u>	<u>216,771</u>
Goal 1 intragovernmental earned revenue	<u>(1,002)</u>	<u>(1,169)</u>
Net goal 1 costs	<u>215,246</u>	<u>215,602</u>
Goal 2: Changing Security Threats/Challenges of Global Interdependence		
Intragovernmental costs	35,758	31,896
Public costs	<u>101,575</u>	<u>100,685</u>
Total goal 2 costs	<u>137,333</u>	<u>132,581</u>
Goal 3: Transforming the Federal Government's Role		
Intragovernmental costs	36,838	43,266
Public costs	<u>110,289</u>	<u>118,573</u>
Total goal 3 costs	<u>147,127</u>	<u>161,839</u>
Intragovernmental earned revenue	<u>(15,343)</u>	<u>(21,659)</u>
Net goal 3 costs	<u>131,784</u>	<u>140,180</u>
Goal 4: Maximize the Value of GAO		
Intragovernmental costs	3,443	3,516
Public costs	<u>10,986</u>	<u>15,039</u>
Total goal 4 costs	<u>14,429</u>	<u>18,555</u>
Other Costs in Support of the Congress		
Intragovernmental costs	10,811	9,756
Public costs	<u>17,716</u>	<u>15,916</u>
Total other costs	<u>28,527</u>	<u>25,672</u>
Related intragovernmental earned revenue	<u>(1,287)</u>	<u>(1,252)</u>
Net other costs	<u>27,240</u>	<u>24,420</u>
Earned revenue not attributable to above cost categories		
Intragovernmental	(10,812)	(6,976)
Public	<u>(141)</u>	<u>(230)</u>
Total earned revenue not attributable to goals	<u>(\$10,953)</u>	<u>(\$7,206)</u>

Goals 2 and 4 have no associated intragovernmental revenues and all public earned revenue collected is not attributable to Goals or Other Costs.

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, 2013, and September 30, 2012, is as follows:

Dollars in thousands

	2013	2012
Unobligated balance		
Available	\$4,689	\$9,737
Unavailable	17,414	22,254
Obligated balances not yet disbursed	45,164	53,350
Total funds with U.S. Treasury	<u>\$67,267</u>	<u>\$85,341</u>

Note 4. Property and Equipment, Net

The composition of property and equipment as of September 30, 2013, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Land	\$1,191	–	\$1,191
Building and Improvements	125,649	\$106,676	18,973
Computer and other equipment and software	58,646	52,362	6,284
Leasehold improvements	<u>3,650</u>	<u>3,419</u>	<u>231</u>
Total property and equipment	<u>\$189,136</u>	<u>\$162,457</u>	<u>\$26,679</u>

Depreciation expense for property and equipment for fiscal year 2013: \$7,369,000. During fiscal year 2013 a review of building improvements carried on the books was performed and, as a result, capitalized improvements, which for the most part were fully depreciated, of approximately \$17,300,000 gross value, and \$30,000 net book value, were removed from property and equipment balances.

The composition of property and equipment as of September 30, 2012, is as follows:

Dollars in thousands

Classes of property and equipment	Acquisition value	Accumulated depreciation	Book value
Land	\$1,191	–	\$1,191
Building and Improvements	141,000	\$119,754	21,246
Computer and other equipment and software	62,686	53,799	8,887
Leasehold improvements	<u>4,345</u>	<u>4,281</u>	<u>64</u>
Total property and equipment	<u>\$209,222</u>	<u>\$177,834</u>	<u>\$31,388</u>

Depreciation expense for property and equipment for fiscal year 2012: \$8,419,000.

Note 5. Liabilities Not Covered by Budgetary Resources

The liabilities on GAO's balance sheets 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, 2013, and September 30, 2012, is as follows:

Dollars in thousands

	2013	2012
Intragovernmental liabilities—Workers' compensation	\$2,595	\$2,637
Salaries and benefits—Comptrollers' General retirement plan*	1,324	1,386
Accrued annual leave	31,284	31,067
Workers' compensation**	16,714	15,959
Note payable	-	2,198
Total liabilities not covered by budgetary resources	<u>\$51,917</u>	<u>\$53,247</u>

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

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

In fiscal year 2011 GAO entered into an agreement to finance the replacement of the building's hot water boilers under the Federal Energy Management Program following Section 201(a)(3) of the Federal Property Act. Financing guidance under this program allows participating agencies to obligate only the annual payments. The balance of this note payable of \$2,198,000 was paid in fiscal year 2013.

Note 6. Federal Employee Benefits

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

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

Amounts owed to OPM and Treasury as of September 30, 2013, and September 30, 2012, are \$1,734,000 and \$4,380,000, 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, 2013, and September 30, 2012, are as follows:

Dollars in thousands

Federal employee benefits costs	2013	2012
Federal employee retirement benefit costs paid by OPM and imputed to GAO:		
Estimated future pension costs (CSRS/FERS)	\$13,648	\$9,519
Estimated future postretirement health and life insurance (FEHBP/FEGLI)	<u>13,226</u>	<u>15,565</u>
Total	<u>\$26,874</u>	<u>\$25,084</u>
Pension expenses (CSRS/FERS)	\$35,697	\$36,538
Health and life insurance expenses (FEHBP/FEGLI)	\$20,562	\$20,434
FICA and Medicare payments made by GAO	\$19,800	\$19,788
Thrift Savings Plan – matching contribution by GAO	\$12,871	\$12,937

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 \$1,324,000 as of September 30, 2013, and \$1,386,000 as of September 30, 2012, 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, 2012	\$1,386
Expense:	
Interest on the liability balance	50
Actuarial loss:	
From experience	44
From assumption changes	<u>15</u>
Total expense	109
Less benefits paid	<u>(171)</u>
Actuarial liability as of September 30, 2013	<u>\$1,324</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, 2013, and September 30, 2012, which is expected to be paid in future periods. This estimated liability of \$16,714,000 and \$15,959,000 as of September 30, 2013, and September 30, 2012, respectively, is reported on GAO's balance sheets. GAO also recorded a liability for amounts paid to claimants by DOL as of September 30, 2013, and September 30, 2012, of \$2,595,000 and \$2,637,000, respectively, but not yet reimbursed to DOL by GAO. The amount owed to DOL is reported on GAO's balance sheets as an intragovernmental liability.

Note 8. Building Lease Revenue

In fiscal year 2011 GAO entered into a 10-year lease agreement with U.S. Army Corps of Engineers (USACE) to continue to lease the entire third floor, and part of the sixth floor, of the GAO building. The period of this agreement began in 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.

In fiscal year 2012 GAO entered into a 10-year lease with the Department of Justice (DOJ) to lease part of the first and sixth floors of the GAO headquarters building. The period of this lease began in fiscal year 2012 with an option to renew each year through fiscal 2022. In fiscal year 2012, GAO received \$2,175,000 from DOJ as advance payment for construction which was completed in January 2013 when DOJ occupied the space. The balance sheet reflects this payment as the majority of the intragovernmental liability line "Advances from Others" in fiscal year 2012.

Rental revenue from space leased at GAO headquarters for fiscal years 2013 and 2012 was \$8,561,099 (USACE full fiscal year and DOJ from January through September 2013) and \$6,928,000 (USACE full fiscal year), respectively. These amounts are shown on the statements of net cost as "Reimbursable services not attributable to above cost categories." Total rental revenue for the future periods from both USACE and DOJ is as follows:

Dollars in thousands

Fiscal year ending September 30	Total projected receipts*
2014	\$9,178
2015	9,286
2016	9,395
2017	9,509
2018	9,626
2019 - 2022	24,019
Total	\$71,013

*If option years are exercised.

Note 9. Leases

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 2013 and fiscal year 2012 amounted to approximately \$11,452,000 and \$12,670,000, respectively. Leases for equipment under operating leases are generally for less than 1 year; therefore there are no associated future minimum lease payments. Annual lease costs under the operating leases are included as components of net cost in the statements of net cost. Estimated future minimum lease payments for field office space under the current terms of the leases, which range from 1 to 10 years, are presented in the table below.

Dollars in thousands

Fiscal year ending September 30	Total
2014	\$7,143
2015	4,502
2016	3,010
2017	3,044
2018	1,553
2019 and thereafter	2,529
Total estimated future lease payments	\$21,781

Note 10. Net Cost of Operations

Expenses for salaries and related benefits, net of reimbursable collections, for fiscal year 2013 and fiscal year 2012 amounted to \$428,826,000 and \$426,429,000, respectively, about 83 percent and 81 percent of GAO's net cost of operations for fiscal years 2013 and 2012, respectively. Included in the net cost of operations are federal employee benefit costs paid by OPM and imputed to GAO of \$26,874,000 in fiscal year 2013 and \$25,084,000 in fiscal year 2012.

Revenues from reimbursable services are shown as an offset against the full cost to arrive at net cost. Earned revenues that are insignificant or cannot be associated with a major goal or other cost category 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 2013 and fiscal year 2012 amounted to \$28,585,000 and \$31,286,000, 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.

“Other costs in support of the Congress” represents costs of work which directly supports Congress and which represents GAO’s fulfillment of its statutory responsibilities but which is not engagement specific. Examples of this work include support of the Federal Accounting Standards Advisory Board, General Counsel statutory bid protest decision writing function, recommendation follow up work, and other direct support to Congress.

Note 11. Budgetary Resources

Budgetary resources available to GAO during fiscal year 2013 include current year appropriations, prior years’ unobligated balances, reimbursements earned by GAO from providing goods and services to other federal entities for a price (reimbursable services), and cost-sharing arrangements with other federal entities.

Earned reimbursements consist primarily of rent collected from USACE and DOJ for lease of space and related services in the GAO headquarters building as well as certain program and financial audits of federal entities, including components of the Department of the Treasury, Securities and Exchange Commission, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, and Federal Housing Finance Agency. Earned revenue from rent is available indefinitely, subject to annual obligation ceilings, and must be used to offset the cost of operating and maintaining the GAO headquarters building. Reimbursements from program and financial audits are available without limitations on their use and may be subject to annual obligation ceilings. GAO’s pricing policy for reimbursable services is to seek reimbursement for actual costs incurred, including overhead costs where allowed by law. The decrease in “Accounts Receivable-intragovernmental” on the Balance Sheet from fiscal year 2012 to 2013 is due to the improved timeliness of billing and collections for interagency agreements.

Fiscal year 2013 budgetary resources include \$419,000 of budget authority transferred to GAO’s Inspector General Office to carry out the duties of the Inspector General of the Commission on Civil Rights. During fiscal year 2012 the corresponding amount was \$250,000.

Comparison of GAO’s fiscal year 2012 statement of budgetary resources with the corresponding information presented in the 2014 President’s Budget is as follows:

Dollars in thousands

	Budgetary resources	Obligations incurred
Fiscal year 2012 statement of budgetary resources	\$574,798	\$542,804
Unobligated balances, beginning of year – (funds activity, expired accounts)	(9,140)	-
Recovery of prior year unpaid obligations	(10,509)	-
Permanently not available –(funds activity, expired accounts)	4,118	-
Spending authority from offsetting collections (funds activity, expired accounts)	(88)	-
Other – rounding in President’s Budget	821	196
2014 President’s Budget – fiscal year 2012, actual	<u>\$560,000</u>	<u>\$543,000</u>

As the fiscal year 2015 President’s Budget will not be published until February 2014, a comparison between the fiscal year 2013 data reflected on the statement of budgetary resources and fiscal year 2013 data in the President’s Budget cannot be performed, though we expect similar differences will exist. The fiscal year 2015 President’s Budget will be available on the OMB’s website and directly from the Government Printing Office.

Budgetary resources obligated for undelivered orders at the end of fiscal year 2013 and the end of fiscal year 2012 totaled \$29,788,000 and \$25,682,000, respectively. GAO’s apportionments fall under Category A, quarterly apportionment. Apportionment categories of obligations incurred for fiscal years 2013 and 2012 are as follows:

Dollars in thousands

Fiscal year ending September 30	2013	2012
Direct – Category A	\$488,294	\$521,026
Reimbursable – Category A	<u>36,347</u>	<u>21,778</u>
Total obligations incurred	<u>\$524,641</u>	<u>\$542,804</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, 2013 and 2012 are as follows:

Dollars in thousands

Fiscal year ending September 30	2013	2012
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	\$524,641	\$542,804
Less: spending authority from offsetting collections and recoveries	(34,785)	(48,476)
Obligations net of offsetting collections and recoveries	<u>489,856</u>	<u>494,328</u>
Other resources		
Transfers out without reimbursement	(62)	-
Federal employee retirement benefit costs paid by OPM imputed to GAO	26,874	25,084
Net other resources used to finance activities	<u>26,812</u>	<u>25,084</u>
Total resources used to finance activities	<u>516,668</u>	<u>519,412</u>
Resources used to finance items not part of the net cost of operations		
Change in undelivered orders and unfilled customer orders	(5,118)	1,560
Net decrease in lease liability and other	(2,188)	(754)
Assets capitalized	(2,740)	(3,268)
Net decrease in receivables not generating resources until collected and other adjustments	145	119
Total resources used to fund items not part of the net cost of operations	<u>(9,901)</u>	<u>(2,343)</u>
Total resources used to finance net cost of operations	<u>506,767</u>	<u>517,069</u>
Components of net costs that will not require or generate resources in the current period		
Increase/(decrease) in workers' compensation	714	(139)
Increase/(decrease) in accrued annual leave	217	(1,173)
Decrease in other liabilities	(63)	(45)
Total components of net costs that will not require or (generate) resources in the current period	<u>868</u>	<u>(1,357)</u>
Costs that do not require resources		
Depreciation and other	<u>7,444</u>	<u>8,420</u>
Net cost of operations	<u>\$ 515,079</u>	<u>\$ 524,132</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 difference between financing sources and expenses since inception. Details of the components of GAO's cumulative results of operations for the fiscal years ended September 30, 2013, and 2012, are as follows:

Dollars in thousands

	2013	2012
Investment in property and equipment, net	\$26,679	\$31,388
Net reimbursable funds activity	15,259	15,093
Other – supplies inventory and accounts receivable from public	291	498
Liabilities not covered by budgetary resources	<u>(51,917)</u>	<u>(53,247)</u>
Cumulative results of operations	<u>(\$9,688)</u>	<u>(\$6,268)</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 – Separately Audited

GAO is responsible for administering for the federal government the trust function of the Davis-Bacon Act revenue and costs related to beneficiary payments and prepares separate, audited financial schedules for this fund. GAO maintains this fund to pay claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Under these acts, DOL investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If DOL concludes that a violation has occurred, GAO collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the claimant. GAO is accountable to the Congress and to the public for the proper administration of the assets held in the trust. Trust assets and liabilities under GAO's administration as of September 30, 2013 and 2012, totaled approximately \$5,804,000 and \$4,726,000, 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 \$6,294,000 in fiscal year 2013 and \$806,000 in fiscal year 2012. These numbers vary from year to year based on cases settled and distributions made during the year.

On November 21, 2013, GAO's responsibility to pay claims for violations of the Davis-Bacon Act and the Contract Work Hours and Safety Standards Act was transferred to the Secretary of the Department of Labor.

Other Information

Consistent with OMB Circular No. A-136 requirements, we are including an unaudited, comparative [Schedule of Spending](#) (Schedule) in Other Information for the years ended September 30, 2013 and September 30, 2012 following our audited financial statement and notes. The [Schedule](#) presents an overview of how we are spending money on a budgetary basis and is not meant to agree to the cost information on the [Statement of Net Cost](#), which presents accrual based proprietary information. The data used to populate the schedule is the same underlying data used to populate the [Statement of Budgetary Resources](#). The amounts in the Schedule agree with the budgetary resources and obligations incurred reported in the [Statement of Budgetary Resources](#).

U.S. Government Accountability Office**Schedules of Spending for the Fiscal Years Ended September 30, 2013 and 2012**

(Dollars in thousands)

UNAUDITED		
	<u>2013</u>	<u>2012</u>
What Money Is Available to Spend?		
Appropriations	\$479,967	\$511,546
Spending Authority from Offsetting Collections	25,718	37,967
Recoveries and Other Changes in Prior Year Unobligated Balances	41,061	25,285
Total Resources	546,746	574,798
Less Amount Available but Not Agreed to be Spent	(4,689)	(9,737)
Less Amount Not Available to be Spent	<u>(17,416)</u>	<u>(22,257)</u>
Total Amounts Agreed to be Spent	<u>\$524,641</u>	<u>\$542,804</u>
How Was the Money Spent?		
Direct Funds		
Personnel		
Salaries and Benefits	\$396,505	\$413,691
Training	2,604	3,328
Operations		
IT Services and Equipment	48,419	50,591
Buildings and Equipment	17,061	23,586
Travel	6,392	7,288
Contractual Services (non-IT)	17,313	22,542
Total Direct Funds Spending	<u>\$488,294</u>	<u>\$521,026</u>
Reimbursable Funds		
Personnel		
Salaries and Benefits	\$22,306	\$13,554
Operations		
Buildings and Equipment	8,571	7,468
Travel	389	513
Contractual Services (non-IT)	5,081	243
Total Reimbursable Funds Spending	<u>\$36,347</u>	<u>\$21,778</u>
Total Amounts Agreed to Be Spent	<u>\$524,641</u>	<u>\$542,804</u>

This page intentionally left blank

Serving the Congress and the Nation



Part VI

Inspector General's View of GAO's Management Challenges

Inspector General's View of GAO's Management Challenges



United States Government Accountability Office

Memorandum

Date: December 9, 2013
To: Comptroller General Gene L. Dodaro
From: Inspector General Adam R. Trzeciak *A.R. Trzeciak*
Subject: GAO Management Challenges

Based on our work and institutional knowledge, we agree that GAO faces challenges in (1) ensuring that the agency maintains a diverse, high-performing and knowledge-based workforce; and (2) improving engagement efficiency.

In fiscal year 2013, our office performed one audit that included human capital issues. We evaluated the extent to which GAO has established effective policies and procedures to review and validate top secret security clearance requirements for its workforce. We found that requests to grant or renew top secret clearances in fiscal year 2012 were, for the most part, made without written justification to support employees' needs for access to top secret information.¹ We have not assessed GAO's engagement efficiency efforts.

¹GAO, Office of Inspector General, *Security Clearances: Actions Needed to Strengthen Controls over Top Secret Security Clearance Requirements*, [OIG-13-3](#) (Washington, D.C.: Sep. 27, 2013).

Serving the Congress and the Nation



Part V

Appendix on Data Quality

Data Quality

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

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

Verification and Validation	<p>Our policies and procedures require us to use the Accomplishment Reporting System to record the financial benefits that result from our work. They also provide guidance on estimating those financial benefits. The team identifies when a financial benefit has occurred as a result of our work. The team develops estimates based on non-GAO sources, such as the agency that acted on our work, a congressional committee, or the Congressional Budget Office, and files accomplishment reports based on those estimates. When non-GAO estimates are not readily available, GAO estimates—developed in consultation with our experts, such as the Chief Economist, Chief Actuary or Director for the Center for Economics, and corroborated with a knowledgeable program official from the executive agency involved. The estimates are reduced by significant identifiable offsetting costs. The team develops documentation to support accomplishments with evidence that meets our evidence standard, supervisors review the documentation, and an independent person within GAO reviews the accomplishment report. For all financial accomplishment reports, the managing director prepares a memorandum addressed to the Chief Quality Officer attesting that the accomplishment report meets our standards for accomplishment reporting. The memorandum specifically (1) addresses how linkage to GAO is established and (2) attests that the financial benefits are claimed in accordance with our procedures. Beginning in fiscal year 2010, teams are also required to consult with our Center for Economics on the calculation for financial benefits of \$500 million or more. For each of the financial accomplishment reports, an economist reviews and approves the methodology for calculating the proposed financial benefit. The assessment results are 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 APQA, which reviews all accomplishment reports and approves accomplishment reports claiming benefits of \$100 million or more. In fiscal year 2013, APQA approved accomplishment reports covering over 97 percent of the dollar value of financial benefits we reported.</p> <p>In fiscal year 2013, accomplishments of \$500 million or more were also reviewed by independent second and third reviewers (reemployed GAO annuitants), who have substantial experience and knowledge of our accomplishment reporting policies and procedures. Our total fiscal year 2013 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>
Other 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 other benefits can result in better services to the public, changes to statutes or regulations, or improved government business operations.</p> <p>Other benefits generally result from past work that we completed. Other benefits are linked to specific recommendations or other work that we completed over several years. To claim that other benefits have been achieved, staff must file an accomplishment report that documents that (1) the actions taken as a result of our work have been completed or substantially completed, (2) the actions generally were taken within the past 2 fiscal years of filing the accomplishment report, and (3) a cause-and-effect relationship exists between the benefits reported and our recommendation or work performed.</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 APQA for its review. Once accomplishment reports are approved, they are entered into ERS, which is the official reporting system.</p>

Verification and validation	<p>We use the Accomplishment Reporting System to record the other benefits that result from our findings and recommendations. Staff in the team file accomplishment reports to claim benefits resulting from our work. The team develops documentation to support accomplishments with evidence that meets our standards. Supervisors review the documentation; an independent staff person checks the facts of the accomplishment report; and the team’s managing director, director, or both approve the accomplishment report to ensure its appropriateness, including attribution to our work.</p> <p>The team forwards the report to APQA, where it is reviewed for appropriateness. APQA provides summary data on other benefits to team managers, who check the data on a regular basis to make sure that approved accomplishments from their staff have been accurately recorded.</p>
Data limitations	<p>The data may be underreported because we cannot always document a direct cause-and-effect relationship between our work and the resulting benefits. Therefore, the data represent a conservative measure of our overall contribution toward improving government.</p>
Percentage of products with recommendations	
Definition and background	<p>We measure the percentage of our written reports and numbered correspondence issued in the fiscal year that included at least one recommendation. We make recommendations that specify actions that can be taken to improve federal operations or programs. We strive to ensure that recommendations are directed at resolving the cause of identified problems; that are addressed to parties who have the authority to act; and are specific, feasible, and cost-effective. Some of our products are informational and do not contain recommendations.</p> <p>We track the percentage of our written products that are issued during the fiscal year and contain recommendations. This indicator recognizes that our products do not always include recommendations.</p>
Data sources	<p>Our Publications Database incorporates recommendations from products as they are issued. The database is updated daily.</p>
Verification and validation	<p>Our Information Management team enters data on recommendations into a “staging” system where they are reviewed for accuracy and completeness. Once reviewed, the data are posted to the Publications Database. We provide our managers with reports on the recommendations being tracked to help ensure that all recommendations have been captured and that each recommendation has been completely and accurately stated.</p>
Data limitations	<p>This measure is a conservative estimate of the extent to which we assist the Congress and federal agencies because not all products and services we provide lead to recommendations. For example, the Congress may request information on federal programs that is purely descriptive or analytical and does not lend itself to recommendations.</p>
Past recommendations implemented	
Definition and background	<p>We make recommendations designed to improve the operations of the federal government. For our work to produce financial or other 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 2013 implementation rate is the percentage of recommendations made in fiscal year 2009 products that were implemented by the end of fiscal year 2013). Our experience has shown that if a recommendation has not been implemented within 4 years, it is not likely to be implemented.</p>
Data sources	<p>Our Publications Database incorporates recommendations as products are issued. The database is updated daily. As our staff monitor implementation of recommendations, they submit updated information to the database.</p>

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

Data sources	To identify the products that meet our criteria (testimonies and other products that are high interest or expected to reach 500 staff days or more), we run a query against our Publications Database, which is maintained by a contractor. To identify appropriate recipients of the form for products meeting our criteria, we ask the engagement teams to provide in our Product Numbering Database e-mail addresses for congressional staff serving as contacts on a product. Relevant information from both of these databases is fed into another database that is managed by APQA. This database then combines product, form recipient, and data from our Congressional Relations staff and creates an e-mail message with a web link to the form. (Congressional Relations staff serve as the contacts for form recipients.) The e-mail message also contains an embedded client password and unique client identifier to ensure that a recipient is linked with the appropriate form. Our Client Feedback Database creates a record with the product title and number and captures the responses to every form sent back to us electronically.
Verification and validation	APQA staff review released GAO products to check the accuracy of the addressee information in the APQA database. APQA staff also check the congressional staff directory to ensure that form recipients listed in the APQA 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, APQA staff correct the errors and resend the e-mail message.
Data limitations	Testimonies and written products that met our criteria for this measure were sent a client survey form, representing about 35 percent of the congressionally requested written products we issued during fiscal year 2013. We exclude from our timeliness measure low and medium-interest reports expected to take fewer than 500 staff days when completed, reports addressed to agency heads or commissions, some reports mandated by the Congress, classified reports, and reports completed under the Comptroller General's authority. Also, if a requester indicates that he or she does not want to complete a form, we will not send one to this person again, even though a product subsequently requested meets our criteria. The response rate for the form is 25 percent, and 98 percent of those who responded answered the timeliness question. We received responses from one or more people for about 47 percent of the products for which we sent a form in fiscal year 2013.

People measures

New hire rate

Definition and background	This performance measure is the ratio of the number of people hired to the number we planned to hire. Annually, we develop a workforce plan that takes into account our strategic goals; projected workload changes; and other changes such as retirements, other attrition, promotions, and skill gaps. The workforce plan for the upcoming year specifies the number of planned hires. The Chief Operating Officer, Chief Administrative Officer, Deputy Chief Administrative Officer, Chief Human Capital Officer, and Controller meet monthly to monitor progress toward achieving the workforce plan. Adjustments to the workforce plan are made throughout the year, if necessary, to reflect changing needs and conditions.
----------------------------------	--

Data sources	The Executive Committee approves the workforce plan. The workforce plan is coordinated and maintained by the Chief Administrative Officer. Data on accessions—that is, new hires coming on board—is taken from a database that contains employee data from the Department of Agriculture's National Finance Center (NFC) database, which handles payroll and personnel data for us and other agencies.
---------------------	--

Verification and validation	The Chief Administrative Officer (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 enter workforce information supporting this measure into the CAO database. While the database is updated on a daily basis, CAO staff provide monthly reports to the Chief Operating Officer and the CAO that allow them to monitor progress by unit in achieving workforce plan hiring targets. The CAO continually monitors and reviews accessions maintained in the NFC database against its database to ensure consistency and to resolve discrepancies.
------------------------------------	--

Data limitations	There is a lag of one to two pay periods (up to 4 weeks) before the NFC database reflects actual data. We generally allow sufficient time before requesting data for this measure to ensure that we get accurate results.
Retention rate	
Definition and background	We continuously strive to make GAO a place where people want to work. Once we have made an investment in hiring and training people, we would like to retain them. This measure is one indicator that we are attaining that objective and is the complement of attrition. We calculate this measure by taking 100 percent minus the attrition rate, where attrition rate is defined as the number of separations divided by the average onboard strength. We calculate this measure with and without retirements.
Data sources	Data on retention—that is, people who are on board at the beginning of the fiscal year and people on board at the end of the fiscal year—are taken from a CAO database that contains some data from the NFC database, which handles payroll and personnel data for us and other agencies.
Verification and validation	CAO staff continually monitor and review accessions and attritions against their database that contains NFC data and follow up on any discrepancies. In fiscal year 2009, we developed standard operating procedures, which are still in effect, to document how we calculate and ensure quality control over data relevant to this measure.
Data limitations	See New hire rate , Data limitations .
Staff development	
Definition and background	<p>One way that we measure how well we are doing and identify areas for improvement is through our annual employee feedback survey. This Web-based survey, which is conducted by an outside contractor to ensure the confidentiality of every respondent, is administered to all of our employees once a year. Through the survey, we encourage our staff to indicate what they think about GAO’s overall operations, work environment, and organizational culture and how they rate our managers—from the immediate supervisor to the Executive Committee—on key aspects of their leadership styles. The survey consists of over 100 questions. To further ensure confidentiality, in fiscal year 2013 the contractor also analyzed the data.</p> <p>This measure is based on staff’s favorable responses to three of the six questions related to staff development on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to three questions on a five-point scale or choose “no basis to judge/not applicable” or “no answer.”</p>
Data sources	The survey questions we used for this measure ask staff how much positive or negative impact (1) external training and conferences and (2) on-the-job training had on their ability to do their jobs during the last 12 months. From the staff who expressed an opinion, we calculated the percentage of staff selecting the two categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were either “very positive impact” or “generally positive impact.” In addition, the survey question asked how useful and relevant to your work did you find internal (Learning Center) training courses. From staff who expressed an opinion, we calculated the percentage of staff selecting the three categories that indicate satisfaction with or a favorable response to the question. For this measure, the favorable responses were “very greatly useful and relevant,” “greatly useful and relevant,” and “moderately useful and relevant.” Responses of “no basis to judge/not applicable” or “no answer” were excluded from the calculation. While including “no basis to judge/not applicable” or “no answer” in the calculation would result in a different percentage, our method of calculation is an acceptable survey practice, and we believe it produces a better and more valid measure because it represents only those employees who have an opinion on the questions.

Verification and validation	The employee feedback survey gathers staff opinions on a variety of topics. The survey is password protected, and only the outside contractor has access to passwords. In addition, when the survey instrument was developed, extensive focus groups and pretests were undertaken to refine the questions and provide definitions as needed. In fiscal year 2013, our response rate to this survey was about 72 percent, which indicates that its results are largely representative of the GAO population. In addition, many teams and work units conduct follow-on work to gain a better understanding of the information from the survey.
Data limitations	<p>The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. Accordingly, there is no way to further validate those expressions of opinion.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result from, for example, respondents misinterpreting a question or data entry staff incorrectly entering data into a database used to analyze the survey responses. Such errors can introduce unwanted variability into the survey results. We took steps in the development of the survey to minimize nonsampling errors. Specifically, when we developed the survey instrument we held extensive focus groups and pretests to refine the questions and define terms used to decrease the chances that respondents would misunderstand the questions. We also limited the chances of introducing nonsampling errors by creating a web-based survey for which respondents entered their answers directly into an electronic questionnaire rather than entering the data into a database, thus eliminating a potential source of error.</p>
Staff utilization	
Definition and background	This measure is based on staff's favorable responses to three of the six questions related to staff utilization on our annual employee survey. We correlated each question with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to these three questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." (For background information about our entire employee feedback survey, see Staff development .)
Data sources	These data come from our staff's responses to an annual web-based survey. The survey questions we used for this measure ask staff how often the following occurred in the last 12 months: (1) my job made good use of my skills; (2) GAO provided me with opportunities to do challenging work; and (3) in general, I was utilized effectively. See also Staff development , Data sources .
Verification and validation	See Staff development , Verification and validation .
Data limitations	See Staff development , Data limitations .
Effective leadership by supervisors	
Definition and background	This measure is based on staff's favorable responses to 10 of 20 questions related to six areas of supervisory leadership on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Specifically, our calculation included responses to 1 of 4 questions related to empowerment, 2 of 4 questions related to trust, all 3 questions related to recognition, 1 of 3 questions related to decisiveness, 2 of 3 questions related to leading by example, and 1 of 3 questions related to work life. Staff were asked to respond to these 10 questions on a five-point scale or choose "no basis to judge/not applicable" or "no answer." In fiscal year 2009, we changed the name of this measure from "Leadership" to its current nomenclature to clarify that the measure reflects employee satisfaction with the immediate supervisor's leadership.

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

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

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

Organizational climate

Definition and background This measure is based on staff’s favorable responses to 5 of the 13 questions related to organizational climate on our annual employee survey. We correlated each of the questions with job satisfaction and selected those questions with the highest correlation. Staff were asked to respond to these 5 questions on a five-point scale or choose “no basis to judge” or “no answer.”

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

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

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

Internal operations measures

Help get job done and quality of work life

Definition and background To measure how well we are doing at delivering internal administrative services to our employees and identify areas for improvement, we conduct a web-based customer satisfaction survey on administrative services annually. All employees were administered this survey and were encouraged to indicate how satisfied they are with 14 services that help them get their jobs done, 17 services that affect their quality of work life and seven IT tools.

We asked staff to rate the 38 internal services available to them, indicating on a scale from “very dissatisfied” to “very satisfied” -- or to indicate if they did not use a service in the past year -- and to 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.

In prior years our measure was the average score on the 5-point scale, so that the calculation would range from 1 to 5. To be consistent with how we report our People Measures from our employee feedback survey, this year we calculated our satisfaction with internal administrative surveys using the percentage satisfied, thus the calculation would range from 0 to 100%. We also feel a percentage would more easily be interpreted.

Data sources	<p>These data come from our staff's responses to an annual web-based survey. To determine how satisfied our employees are with internal administrative services, we calculate composite scores for three measures. This calculation is made by adding all of the generally and very satisfied ratings across all of the relevant services and dividing it by the number of respondents who provided any satisfaction rating. Of the three composite scores that we calculate, one measure reflects the satisfaction with the 14 services that help employees get their jobs done. These services include records management, information technology customer support, mail services, and travel support services. The second measure reflects satisfaction with another 17 services that affect quality of work life. These services include assistance related to pay and benefits, building maintenance and security, and internal communications. The third measure was for seven IT tools, including our internal engagement management system, telework tools and the intranet. Employees were asked to rate only their satisfaction with services used during the past year, or to indicate if they did not use a service.</p>
Verification and validation	<p>The survey was administered by GAO's Web Product Development Group in the Applied Research and Methods (ARM) team. While the two managers of this unit could access individual responses, they complied with the privacy statement that was posted on the website to only provide aggregated data to GAO management that could not be used to identify responses of any individual. Our survey response rate was 67 percent in 2013. We analyzed responses by demographic representation (unit, tenure, location). Each unit responsible for administrative services conducts follow-on work, including analyzing written comments to gain a better understanding of the information from the survey.</p>
Data limitations	<p>The information contained in the survey is the self-reported opinions of staff expressed under conditions of confidentiality. We do not plan any actions to remedy this limitation because we feel it would violate the pledge of confidentiality that we make to our staff regarding the survey responses.</p> <p>The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. These errors could result, for example, from respondents misinterpreting a question or entering their data incorrectly. Such errors can introduce unwanted variability into the survey results. We limit the chances of introducing nonsampling errors by using a web-based survey for which respondents enter their answers directly into an electronic questionnaire. This eliminates the need to have the data entered into a database by someone other than the respondent, thus minimizing a potential source of error.</p> <p>While we asked respondents to indicate whether or not they used a service and then for the services they used to provide their satisfaction rating, we found that some respondents did not follow this logic and did not indicate whether or not they used a service. Consequently, we did not calculate how many people used a service. We only analyzed the level of satisfaction from those reporting a response on the satisfaction question.</p>

Source: GAO.

Image Sources

This section contains credit and copyright information for images and graphics in this product, as appropriate, when that information was not listed adjacent to the image or graphic.

Front cover: GAO (Capitol and flag)

Inside front cover: GAO (GAO building)

Page i: Photodisc (columns), GAO (flag)

Pages 1, 23, 63, 95, 125, and 127: GAO (Capitol and flag)

Page 2: GAO (flag)

Page 7: GAO (GAO seal and flag)

Page 17: Map Resources (map)

Page 28: Brand X Pictures (maze of money), GAO (flag)

Page 31: GAO (relief and flag)

Page 65: PhotoDisc (children), GAO (flag)

Page 73: Comstock (eagle and flag), GAO (flag)

Page 79: GAO (relief and flag)

Page 86: GAO (GAO building and flag)

Page 96: GAO (flag)

Inside back cover: GAO (Capitol)

Providing Comments on This Report

To provide comments for improving this report, please contact our Chief Quality Officer, who can be reached at (202) 512-6100, at qci@gao.gov, or at the following address:

U.S. Government Accountability Office
441 G Street NW, Room 6K17Q
Washington, D.C. 20548

Obtaining Copies of GAO Documents

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

However, you can also order GAO documents by phone. The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

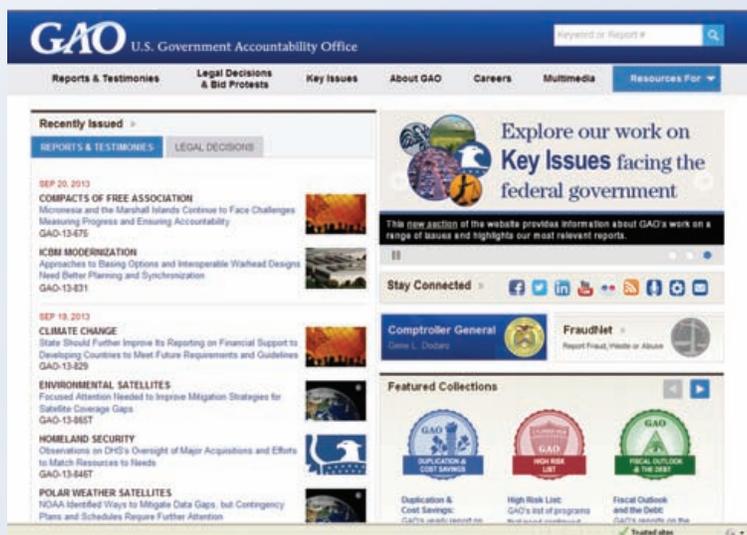
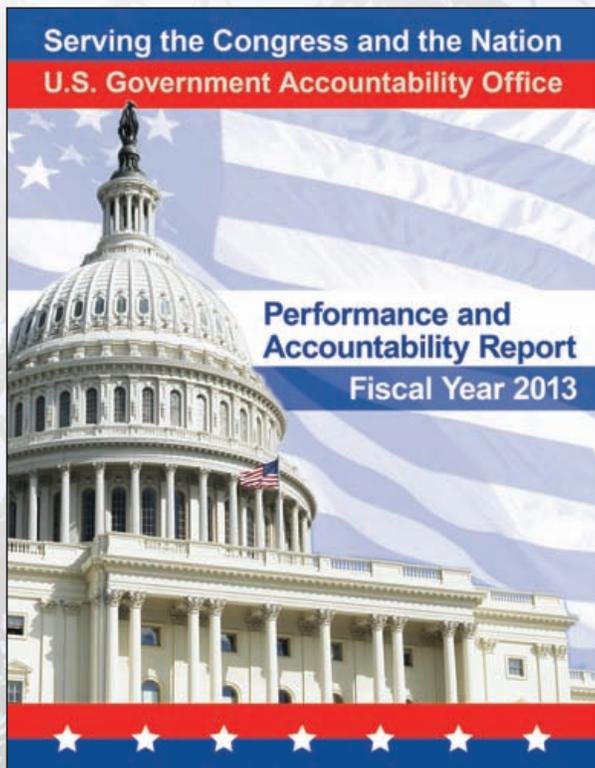
Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at www.gao.gov.

This report and a summary version of it will be available through our website at <http://www.gao.gov/sp.html>. Also linked to that page are our strategic plan and our past performance and accountability publications.



Other web pages of possible interest

Legal products

Download legal decisions and opinions about appropriations, bid protests, and major federal agency rules

<http://www.gao.gov/legal.htm>

E-mail alerts

Get automatic updates on new GAO products

<http://www.gao.gov/subscribe/index.php>

Careers at GAO

Review current job openings, apply online, and learn about GAO's teams and offices

<http://www.gao.gov/jobopp.htm>

FraudNet

Report allegations of fraud, waste, abuse, or mismanagement of federal funds

<http://www.gao.gov/fraudnet/fraudnet.htm>



Accountability ★ Integrity ★ Reliability

<http://www.gao.gov/products/GAO-14-2SP>