United States General Accounting Office

GAO

Testimony

Before the Subcommittee on the Legislative Branch, Committee on Appropriations, U.S. Senate

For Release on Delivery
Expected at 11:00 a.m. EST
Thursday, March 4, 2004

FISCAL YEAR 2005 BUDGET REQUEST

U.S. General Accounting Office

Statement of David M. Walker,
Comptroller General of the United States

G A O
Accountability * Integrity * Reliability

GAO-04-474T

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before the subcommittee today, having recently completed my fifth year as the Comptroller General of the United States and head of the U.S. General Accounting Office. 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. In the years ahead, our support to the Congress will likely prove even more critical because of the pressures created by our nation's large and growing long-term fiscal imbalance, which is driven primarily by known demographic and rising health care trends. These pressures will require the Congress to make tough choices regarding what the government does, how it does business, and who will do the government's business in the future. GAO's work covers virtually every area in which the federal government is or may become involved, anywhere in the world. Perhaps just as importantly, our work sometimes leads us to sound the alarm over problems looming just beyond the horizon—such as our nation's enormous long-term fiscal challenges—and help policymakers address these challenges in a timely and informed manner.

My testimony today will focus on GAO's progress during my first five years as Comptroller General. I will highlight our (1) fiscal year 2003 performance and results; (2) efforts to maximize our effectiveness, responsiveness, and value; and (3) budget request for fiscal year 2005 to support the Congress and serve the American people. Following is a summary:

- The funding we received in fiscal year 2003 allowed us to conduct work that addressed many of the difficult issues confronting the nation, including diverse and diffuse security threats, selected government transformation challenges, and the nation's long-term fiscal imbalance. Perhaps the foremost challenge facing government decision makers this year was ensuring the security of the American people. By providing professional, objective, and nonpartisan information and analyses, we helped inform the Congress and the executive branch agencies on key security issues, such as the nature and scope of threats confronting the nation's nuclear weapons facilities, its information systems, and all areas of its transportation infrastructure, as well as the challenges involved in creating the Department of Homeland Security. Our work was also driven by changing demographic trends, which led us to focus on such areas as the quality of care in the nation's nursing homes and the risks to the government's single-employer pension

insurance program. Our work in these and other areas covered programs that involve billions of dollars and touch millions of lives. Importantly, in fiscal year 2003, GAO generated a $78 return for each $1 appropriated to our agency.

- With the Congress's support, we have demonstrated that becoming world class does not require a substantial increase in the number of staff authorized, but rather maximizing the efficient and effective use of the resources available to us. We have worked with you to obtain targeted funding for areas critical to GAO such as information technology, security, and human capital management. We are grateful to the Congress for supporting our efforts through pending legislation that, if passed, would give us additional human capital flexibilities. During tight budget times, these flexibilities would allow us, among other things, more options to deal with mandatory pay and related costs.

- In keeping with my belief that the federal government needs to exercise a greater degree of fiscal discipline, we have kept our request to $486 million, an increase of only 4.9 percent over fiscal year 2004. I also applaud the Congress's request that all legislative branch agencies examine how they could work toward a more transparent budget presentation. In keeping with the Congress's intent, we are continuing our efforts to revamp our budget presentation to make the linkages between funding and program areas more clear. I hope that in the future the Congress will be able to use such performance information to make tough choices on funding, thereby enabling it to avoid across-the-board reductions that penalize agencies that exercise fiscal discipline and generate high returns on investment and real results.

Fiscal Year 2003 Performance and Results

GAO is a key source of professional and objective information and analysis and, as such, plays a crucial role in supporting congressional decision making. For example, in fiscal year 2003, as in other years, the challenges that most urgently engaged the attention of the Congress helped define our priorities. Our work on issues such as the nation's ongoing battle against terrorism, Social Security and Medicare reform, the implementation of major education legislation, human capital transformations at selected federal agencies, and the security of key government information systems all helped congressional members and their staffs to develop new federal policies and programs and oversee ongoing ones. Moreover, the Congress and the executive agencies took a wide range of actions in fiscal year 2003 to improve government operations, reduce costs, or better target budget authority based on GAO's

analyses and recommendations. In fiscal year 2003, GAO served the Congress and the American people by helping to

- identify steps to reduce improper payments and credit card fraud in government programs;
- restructure government and improve its processes and systems to maximize homeland security;
- prepare the financial markets to continue operations if terrorism recurs;
- update and strengthen government auditing standards;
- improve the administration of Medicare as it undergoes reform;
- encourage and help guide federal agency transformations;
- contribute to congressional oversight of the federal income tax system;
- identify human capital reforms needed at the Department of Defense, the Department of Homeland Security, and other federal agencies;
- raise the visibility of long-term financial commitments and imbalances in the federal budget;
- reduce security risks to information systems supporting the nation's critical infrastructures;
- oversee programs to protect the health and safety of today's workers;
- ensure the accountability of federal agencies through audits and performance evaluations; and
- serve as a model for other federal agencies by modernizing our approaches to managing and compensating our people.

To ensure that we are well positioned to meet the Congress's future needs, we update our 6-year strategic plan every 2 years, consulting extensively during the update with our clients in the Congress and with other experts (see app. I for our strategic plan framework).

The following table summarizes selected performance measures and targets for fiscal years 1999 through 2005. Highlights of our fiscal year 2003

accomplishments and their impact on the American public are shown in the following sections.

Table 1: Selected Annual Measures and Targets for Fiscal Years 1999-2005

Dollars in billions

Performance measure	Fiscal year 1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2003 Actual	2004 Target	2005 Target
Financial benefits	$20.1	$23.2	$26.4	$37.7[a]	$32.5	$35.4	$35.0	$36.0
Other benefits	607	788	799	906	800	1,043	900[b]	900
Past recommendations implemented	70%	78%	79%	79%	77%	82%	79%[b]	79%
New recommendations made	940	1,224	1,563	1,950	1,250	2,175	1,500[b]	1,500
Testimonies	229	263	151	216	180	189	190 [b]	180
Timeliness	96%	96%	95%	96%	98%	97%	98%	98%

Source: GAO.

[a]Changes GAO made to its methodology for tabulating financial benefits in part caused our results to increase beginning with the fiscal year 2002 results.

[b]On the basis of past performance and expected future work, we revised these targets after we issued our fiscal year 2004 performance plan. The original targets were 820 for other benefits, 77 percent for past recommendations implemented, 1,250 for new recommendations made, and 200 for testimonies.

Benefits Reported

Many of the benefits produced by our work can be quantified as dollar savings for the federal government (financial benefits), while others cannot (other benefits). Both types of benefits resulted from our efforts to provide information to the Congress that helped (1) improve services to the public, (2) provide information that resulted in statutory or regulatory changes, and (3) improve core business processes and advance governmentwide management reforms.

In fiscal year 2003, our work generated $35.4 billion in financial benefits—a $78 return on every dollar appropriated to GAO. The funds made available in response to our work may be used to reduce government expenditures or reallocated by the Congress to other priority areas. Nine accomplishments accounted for nearly $27.4 billion, or 77 percent, of our total financial benefits for fiscal year 2003. Six of these accomplishments totaled $25.1 billion. Table 2 lists selected major financial benefits in fiscal year 2003 and describes the work contributing to financial benefits over $500 million.

Table 2: GAO's Selected Major Financial Benefits for Fiscal Year 2003

Dollars in millions

Description	Amount
Financial benefits exceeding $1 billion	
Updated the Consumer Price Index (CPI): Recommended that the Bureau of Labor Statistics periodically update the expenditure weights of its market basket of goods and services used to calculate the CPI to make it more timely and representative of consumer expenditures. The Bureau agreed to do this every 2 years, and the CPI for January 2002 reflected the new weights. The adjustments have resulted in, among other things, lower federal expenditures on programs like Social Security that use the CPI to calculate benefits.	$9,200
Eliminated Medicaid's upper payment limit loophole: Identified a weakness in Medicaid's upper payment limit methodology that allowed states to make excessive payments to local, government-owned nursing facilities and then have the facilities return the payments to the states, creating the illusion that they made large Medicaid payments in order to generate federal matching payments. Closing the loophole prevented the federal government from making significant federal matching payments to states above those intended by Medicaid.	5,900
Made funds available for lighter-weight weapons systems: Identified the Crusader artillery system as a duplicative weapons system that was inconsistent with the Department of the Army's plans to transform itself into a lightweight combat force. The Department of Defense (DOD) terminated the Crusader program, resulting in costs avoided.	3,900
Reduced the cost of federal housing programs: Improved management of the Department of Housing and Urban Development's unexpended balances resulting in the recapture of unobligated funds.	3,400
Reduced the cost of DOD's services acquisition process: Examined the acquisition practices of leading commercial companies and recommended a more strategic approach for acquiring services at DOD, which was implemented.	1,700
Avoided costs associated with an increase in the skilled nursing facilities rate: Determined that the Congress's increase in the nursing component of Medicare's daily rate for skilled nursing facilities had little effect on increasing the ratios of nursing staff to patients in these facilities. The nursing component increase expired on October 1, 2002, and despite arguments from the nursing facility industry, the nursing component increase has not been reinstated.	1,000
Selected financial benefits between $500 million and $1 billion	
Recovered Supplemental Security Income (SSI) overpayments: Identified weaknesses in the Social Security Administration's (SSA) efforts to recover SSI overpayments that led to the development of SSA's automated reconciliation process.	990
Reduced DOD's implementation risks and purchase costs for the Navy-Marine Corps intranet: Highlighted the need for various management controls related to the acquisition and implementation of the Navy-Marine Corps intranet. As a result, DOD modified the Navy-Marine Corps intranet contract and reduced contract amounts in fiscal year 2002 and fiscal year 2003, reduced program risks, and increased the likelihood that the program will be acquired and implemented successfully.	780
Ensured Defense Emergency Response funds are better targeted: Identified millions of dollars in unobligated DOD Emergency Response funding, a portion of which the Congress rescinded or directed DOD to reallocate for other fund purposes.	517

Source: GAO.

Many of the benefits that flow to the American people from our work cannot be measured in dollar terms. During fiscal year 2003, we recorded a total of 1,043 other benefits—up from 607 in fiscal year 1999. As shown in appendix II, we documented instances where information we provided to the Congress resulted in statutory or regulatory changes, where federal agencies improved services to the public and where agencies improved core business processes or governmentwide reforms were advanced.

These actions spanned the full spectrum of national issues, from securing information technology systems to improving the performance of state child welfare agencies. We helped improve services to the public by

- Strengthening the U.S. visa process as an antiterrorism tool. Our analysis of the U.S. visa-issuing process showed that the Department of State's visa operations were more focused on preventing illegal immigrants from obtaining nonimmigrant visas than on detecting potential terrorists. We recommended that State reassess its policies, consular staffing procedures, and training program. State has taken steps to adjust its policies and regulations concerning the screening of visa applicants and its staffing and training for consular officers.

- Enhancing quality of care in nursing homes. In a series of reports and testimonies since 1998, we found that, too often, residents of nursing homes were being harmed and that programs to oversee nursing home quality of care at the Centers for Medicare and Medicaid Services were not fully effective in identifying and reducing such problems. In 2003, we found a decline in the proportion of nursing homes that harmed residents but made additional recommendations to further improve care.

- Making key contributions to homeland security. Drawing on an extensive body of completed and ongoing work, we identified specific vulnerabilities and areas for improvement to protect aviation and surface transportation, chemical facilities, sea and land ports, financial markets, and radioactive sealed sources. In response to our recommendations, the Congress and cognizant agencies have undertaken specific steps to improve infrastructure security and improve the assessment of vulnerabilities.

- Improving compliance with seafood safety regulations. We reported that when Food and Drug Administration (FDA) inspectors identified serious violations at seafood processing firms, it took FDA 73 days on average, well above its 15-day target. Based on our recommendations, FDA now issues warning letters in about 20 days.

We helped to change laws in the following ways:

- We highlighted the National Smallpox Vaccination program volunteers' concerns about losing income if they sustained injuries from an inoculation. As a result, the Smallpox Emergency Personnel Protection Act of 2003 (Pub. L. No. 108-20) provides benefits and other

compensation to covered individuals injured in this way.

- We performed analyses that culminated in the enactment of the Postal Civil Service Retirement System Funding Reform Act of 2003 (Pub. L. No. 108-18), which reduced USPS's pension costs by an average of $3 billion per year over the next 5 years. The Congress directed that the first 3 years of savings be used to reduce USPS's debt and hold postage rates steady until fiscal 2006.

We also helped to promote sound agency and governmentwide management by

- Encouraging and helping guide agency transformations. We highlighted federal entities whose missions and ways of doing business require modernized approaches, including the Postal Service and the Coast Guard. Among congressional actions taken to deal with modernization issues, the House Committee on Government Reform established a special panel on postal reform and oversight to work with the President's Commission on the Postal Service on recommendations for comprehensive postal reform. Our recommendations to the Coast Guard led to better reporting by the Coast Guard and laid the foundation for key revisions the agency intended to make to its strategic plan.

- Helping to advance major information technology modernizations. Our work has helped to strengthen the management of the complex multibillion-dollar information technology modernization program at the Internal Revenue Service (IRS) to improve operations, promote better service, and reduce costs. For example, IRS implemented several of our recommendations to improve software acquisition, enterprise architecture definition and implementation, and risk management and to better balance the pace and scope of the program with IRS's capacity to effectively manage it.

- Supporting controls over DOD's credit cards. In a series of reports and testimonies beginning in 2001, we highlighted pervasive weaknesses in DOD's overall credit card control environment, including the proliferation of credit cards and the lack of specific controls over its multibillion-dollar purchase and travel card programs. DOD has taken many actions to reduce its vulnerabilities in this area.

Benefits to State and Local Governments

While our primary focus is on improving government operations at the federal level, sometimes our work has an impact at the state and local levels. To the extent feasible, in conducting our audits and evaluations, we

cooperate with state and local officials. At times, our work results will have local applications, and local officials will take advantage of our efforts. We are conducting a pilot to determine the feasibility of measuring the impact of our work on state and local governments. The following are examples we have collected during our pilot where our work is relevant for state and local government operations:

- Identity theft. Effective October 30, 1998, the Congress enacted the "Identity Theft and Assumption Deterrence Act of 1998" prohibiting the unlawful use of personal identifying information, such as names, Social Security numbers, and credit card numbers. GAO report GGD-98-100BR is mentioned prominently in the act's legislative history. Subsequently, a majority of states have enacted identity theft laws. Sponsors of some of these state enactments—Alaska, Florida, Illinois, Michigan, Pennsylvania, and Texas—mentioned the federal law and/or our report. For example, in 1999, Texas enacted SB 46, which is modeled after the federal law. Justice officials said that enactment of state identity theft laws has multijurisdictional benefits to all levels of law enforcement—federal, state, and local.

- Pipeline safety. Our report GAO-RCED-00-128, *Pipeline Safety: The Office of Pipeline Safety Is Changing How It Oversees the Pipeline Industry*, found that the Department of Transportation's Office of Pipeline Safety was reducing its reliance on states to help oversee the safety of interstate pipelines. The report stated that allowing states to participate in this oversight could improve pipeline safety. As a result, the Office of Pipeline Safety modified its Interstate Pipeline Oversight Program for 2001-2002 to allow greater opportunities for state participation.

- Temporary Assistance for Needy Families Grant Program. We reported on key national and state labor market statistics and changes in the levels of cash assistance and employment activities in five selected states. We also highlighted the fact that the five states had faced severe fiscal challenges and had used reserve funds to augment their spending above the amount of their annual Temporary Assistance for Needy Families block grant from the federal government.

GAO's High-Risk Program

Issued to coincide with the start of each new Congress, our high-risk update lists government programs and functions in need of special attention or transformation to ensure that the federal government functions in the most economical, efficient, and effective manner possible. This is especially important in light of the nation's large and growing long-term fiscal imbalance. Our latest report, released in January 2003,

spotlights more than 20 troubled areas across government.[1] Many of these areas involve essential government services, such as Medicare, housing programs, and postal service operations that directly affect the lives and well-being of the American people.

Our high-risk program, which we began in 1990, includes five high-risk areas added in 2003:

- implementing and transforming the new Department of Homeland Security,
- modernizing federal disability programs,
- federal real property,
- Medicaid program, and
- Pension Benefit Guaranty Corporation's (PBGC) single-employer pension insurance program.[2]

In fiscal year 2003, we also removed the high-risk designation from two programs:

- the Social Security Administration's Supplemental Security Income program, and
- Asset Forfeiture programs administered by the U.S. Departments of Justice and the Treasury.

In fiscal 2003, we issued 208 reports and delivered 112 testimonies related to high-risk areas, and our related work resulted in financial benefits totaling almost $21 billion. Our sustained focus on high-risk problems also has helped the Congress enact a series of governmentwide reforms to strengthen financial management, improve information technology, and create a more results-oriented and accountable federal government. The President's Management Agenda for reforming the federal government mirrors many of the management challenges and program risks that we

[1]U.S. General Accounting Office, *High Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

[2]We added this issue in July 2003 after we published the January 2003 update.

have reported on in our performance and accountability series and high-risk updates, including a governmentwide initiative to focus on strategic management of human capital.

Following GAO's designation of federal real property as a high-risk issue, the Office of Management and Budget (OMB) has indicated its plans to add federal real property as a new program initiative under the President's Management Agenda. OMB recently issued an executive order on federal real property that addresses many of GAO's concerns, including the need to better emphasize the importance of government property to effective management. We have an ongoing dialog with OMB regarding the high-risk areas, and OMB is working with agency officials to address many of our high-risk areas. Some of these high-risk areas may require additional authorizing legislation as one element of addressing the problems.

Our fiscal year 2003 high-risk list is shown in table 3.

Table 3: GAO's 2003 High-Risk List

High-risk area	Year designated high-risk
Addressing challenges in broad-based transformations	
Strategic human capital management[a]	2001
U.S. Postal Service transformation efforts and long-term outlook[a]	2001
Protecting information systems supporting the federal government and the nation's critical infrastructures	1997
Implementing and transforming the new Department of Homeland Security	2003
Modernizing federal disability programs[a]	2003
Federal real property[a]	2003
Ensuring major technology investments improve services	
Federal Aviation Administration (FAA) air traffic control modernization	1995
IRS business systems modernization	1995
DOD systems modernization	1995
Providing basic financial accountability	
DOD financial management	1995
Forest Service financial management	1999
FAA financial management	1999
IRS financial management	1995
Reducing inordinate program management risks	
Medicare program[a]	1990
Medicaid program[a]	2003
Earned income credit noncompliance	1995
Collection of unpaid taxes	1990
DOD support infrastructure management	1997
DOD inventory management	1990
HUD single-family mortgage insurance and rental assistance programs	1994
Student financial aid programs	1990
Pension Benefit Guaranty Corporation's (PBGC) single-employer pension insurance program	2003

High-risk area	Year designated high-risk
Managing large procurement operations more efficiently	
DOD weapon systems acquisition	1990
DOD contract management	1992
Department of Energy contract management	1990
NASA contract management	1990

Source: GAO.

[a]Additional authorizing legislation is likely to be required as one element of addressing this high-risk area.

Testimonies

During fiscal year 2003 GAO executives testified at 189 congressional hearings—sometimes with very short notice—covering a wide range of complex issues. Testimony is one of our most important forms of communication with the Congress; the number of hearings at which we testify reflects, in part, the importance and value of our expertise and experience in various program areas and our assistance with congressional decision making. The following figure highlights, by GAO's three external strategic goals for serving the Congress, examples of issues on which we testified during fiscal year 2003.

Figure 1: Selected Issues on Which GAO Testified during Fiscal 2003

While the vast majority of our products—97 percent—were completed on time for our congressional clients and customers in fiscal year 2003, we slightly missed our target of providing 98 percent of them on the promised day. We track the percentage of our products that are delivered on the day we agreed to with our clients because it is critical that our work be done on time for it to be used by policymakers. Though our 97 percent timeliness rate was a percentage point improvement over our fiscal year 2002 result, it was still a percentage point below our goal. As a result, we are taking steps to improve our performance in the future by encouraging matrix management practices among the teams supporting various strategic goals and identifying early those teams that need additional resources to ensure the timely delivery of their products to our clients.

Maximizing GAO's Effectiveness, Responsiveness, and Value

The results of our work were possible, in part, because of the changes we have made to maximize the value of GAO. With the Congress's support, we have demonstrated that becoming world class does not require substantial staffing increases, but rather maximizing the efficient and effective use of the resources available to us. Since I came to GAO, we have developed a strategic plan, realigned our organizational structure and resources, and increased our outreach and service to our congressional clients. We have developed and revised a set of congressional protocols, developed agency and international protocols, and better refined our strategic and annual planning and reporting processes. We have worked with you to make changes in areas where we were facing longer-term challenges when I came to GAO, such as in the critical human capital, information technology, and physical security areas. We are grateful to the Congress for supporting our efforts through pending legislation that, if passed, would give us additional human capital flexibilities that will allow us, among other things, to move to an even more performance-based compensation system and help to better position GAO for the future. As part of our ongoing effort to ensure the quality of our work, this year a team of international auditors will perform a peer review of GAO's performance audit work issued in calendar year 2004.

Making GAO's Work Accessible to the American People

We continued our policy of proactive outreach to our congressional clients, the press, and the public to enhance the visibility of our products. On a daily basis we compile and publish a list of our current reports. This feature has more than 18,000 subscribers, up 3,000 from last year. We also produced an update of our video on GAO, "Impact 2003." Our external Web site continues to grow in popularity, having increased the number of hits in fiscal year 2003 to an average of 3.4 million per month, 1 million

more per month than in fiscal year 2002. In addition, visitors to the site are downloading an average of 1.1 million files per month. As a result, demand for printed copies of our reports has dramatically declined, allowing us to phase out our internal printing capability.

Promoting Sound Financial Management and Improving Strategic Management

For the 17th consecutive year, GAO's financial statements have received an unqualified opinion from our independent auditors. We prepared our financial statements for fiscal year 2003 and the audit was completed a month earlier than last year and a year ahead of the accelerated schedule mandated by OMB. For a second year in a row, the Association of Government Accountants awarded us a certificate of excellence; this year the award was for the fiscal year 2002 annual performance and accountability report.

Aligning GAO's Workforce and Mission Needs

Given our role as a key provider of information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. Because we spend about 80 percent of our resources on our people, we need excellent human capital management to meet the expectations of the Congress and the nation. Accordingly, in the past few years, we have expanded our college recruiting and hiring program and focused our overall hiring efforts on selected skill needs identified during our workforce planning effort and to meet succession planning needs. For example, we identified and reached prospective graduates with the required skill sets and focused our intern program on attracting those students with the skill sets needed for our analyst positions. Our efforts in this area were recognized by *Washingtonian* magazine, which listed GAO as one of the "Great Places to Work" in its November 2003 issue. Continuing our efforts to promote the retention of staff with critical skills, we offered qualifying employees in their early years at GAO student loan repayments in exchange for their signed agreements to continue working at GAO for 3 years.

We also have begun to better link compensation, performance, and results. In fiscal year 2002 and 2003, we implemented a new performance appraisal system for our analyst, attorney, and specialist staff that links performance to established competencies and results. We evaluated this system in fiscal year 2003 and identified and implemented several improvements, including conducting mandatory training for staff and managers on how to better understand and apply the performance standards, and determining appropriate compensation. We will implement a new competency based

appraisal system, pay banding and a pay for performance system for our administrative professional and support services staff this fiscal year.

To train our staff to meet the new competencies, we developed an outline for a new competency-based and role- and task-driven learning and development curriculum that identified needed core and elective courses and other learning resources. We also completed several key steps to improve the structure of our learning organization, including hiring a Chief Learning Officer and establishing a GAO Learning Board to guide our learning policy, to set specific learning priorities, and to oversee the implementation of a new training and development curriculum.

We also drafted our first formal and comprehensive strategic plan for human capital to communicate both internally and externally our strategy for enhancing our standing as a model professional services organization, including how we plan to attract, retain, motivate, and reward a high-performing and top-quality workforce. We expect to publish the final plan this fiscal year. Our Employee Advisory Council is now a fully democratically elected body that advises GAO's senior executives on matters of interest to our staff. We also established a Human Capital Partnership Board to gather opinions of a cross section of our employees about upcoming initiatives and ongoing programs. The 15-member board will assist our Human Capital Office in hearing and understanding the perspectives of its customers—our staff.

In addition, we will continue efforts to be ready to implement the new human capital authorities included in legislation currently pending before the Senate. This legislation, if passed, would give us more flexibility to deal with mandatory pay and related costs during tight budgetary times.

Managing Our Information Technology Resources

Our resourceful management of information technology was recognized when we were named one of the "CIO (Chief Information Officer) 100" by CIO Magazine, recognizing excellence in managing our information technology (IT) resources through "creativity combined with a commitment to wring the most value from every IT dollar." We were one of three federal agencies named, selected from over 400 applicants, largely representing private sector firms. In particular, we were cited for excellence in asset management, staffing and sourcing, and building partnerships, and for implementing a "best practice"—staffing new projects through internal "help wanted" ads.

We have expanded and enhanced the IT Enterprise Architecture program we began in fiscal year 2002. We formally established an Enterprise Architecture oversight group and steering committee to prioritize our IT business needs, provide strategic direction, and ensure linkage between our IT Enterprise Architecture and our capital investment process. We implemented a number of user friendly Web-based systems to improve our ability to obtain feedback from our congressional clients, facilitate access to our information for the external customer, and enhance productivity for the internal customer. Among the new and enhanced Web-based systems were

- an application to track and access General Counsel work by goal, team, and attorney;
- a Web site on emerging trends and issues to provide information for our teams and offices as they consult with the Congress; and
- an automated tracking application for our staff to monitor the status of products to be published.

In addition, we developed and released a system to automate an existing data collection and analysis process, greatly expanding our annual capacity to review DOD weapons systems programs. As a result, we were able to increase staff productivity and efficiency and enhance the information and services provided to the Congress. In the past, we were able to complete a review annually of eight DOD weapons systems programs. In fiscal year 2003 we reviewed 30 programs and reported on 26. Within the next year, that number will grow to 80 per year.

Increasing Information Security

We recognize the ongoing, ever present threat to our shared IT systems and information assets and continue to promote awareness of this threat, maintain vigilance, and develop practices that protect information assets, systems, and services. As part of our continuing emergency preparedness plan, we upgraded the level of telecommunications services between our disaster recovery site and headquarters, expanded our remote connectivity capability, and improved our response time and transmission speed. To further protect our data and resources, we drafted an update to our information systems security policy, issued network user policy statements, hardened our internal network security, expanded our intrusion detection capability, and addressed concerns raised during the most recent network vulnerability assessment.

We plan to continue initiatives to ensure a secure environment, detect intruders in our systems, and recover in the event of a disaster. We are also continuing to make the investments necessary to enhance the safety and security of our staff, facilities, and other assets for the mutual benefit of GAO and the Congress. In addition, we plan to continue initiatives designed to further increase employees' productivity, facilitate knowledge sharing, and maximize the use of technology through tools available at the desktop and by reengineering the systems that support our business processes.

Providing a Safe and Secure Workplace

On the basis of recommendations resulting from our physical security evaluation and threat assessment, we continue to implement initiatives to improve the security and safety of our building and personnel. In terms of the physical plant improvements, we upgraded the headquarters fire alarm system and installed a parallel emergency notification system. We completed a study of personal protective equipment, and based on the resulting decision paper, we have distributed escape hoods to GAO staff. We have also made a concerted effort to secure the perimeter and access to our building. Several security enhancements will be installed in fiscal year 2004, such as vehicle restraints at the garage ramps; ballistic-rated security guard booths; vehicle surveillance equipment at the garage entrances; and state-of-the-art electronic security comprising intrusion detection, access control, and closed-circuit surveillance systems.

Preparing for Peer Review

A team of international auditors, led by the Office of the Auditor General of Canada, will conduct a peer review for calendar year 2004 of our performance audit work. This entails reviewing our policies and internal controls to assess the compliance of GAO's work with government audit standards. The review team will provide GAO with management suggestions to improve our quality control systems and procedures. Peer reviews will be conducted every 3 years.

GAO's Fiscal Year 2005 Request to Support the Congress

GAO is requesting budget authority of $486 million for fiscal year 2005. The requested funding level will allow us to maintain our base authorized level of 3,269 full-time equivalent (FTE) staff to serve the Congress, maintain operational support at fiscal year 2004 levels, and continue efforts to enhance our business processes and systems. This fiscal year 2005 budget request represents a modest increase of 4.9 percent over our fiscal year 2004 projected operating level, primarily to fund mandatory pay and related costs and estimated inflationary increases. The requested

increase reflects an offset of almost $5 million from nonrecurring fiscal year 2004 initiatives, including closure of our internal print plant, and $1 million in anticipated reimbursements from a planned audit of the Securities and Exchange Commission's (SEC) financial statements. Our requested fiscal year 2005 budget authority includes about $480 million in direct appropriations and authority to use $6 million in estimated revenue from reimbursable audit work and rental income.

To achieve our strategic goals and objectives for serving the Congress, we must ensure that we have the appropriate human capital, fiscal, and other resources to carry out our responsibilities. Our fiscal year 2005 request would enable us to sustain needed investments to maximize the productivity of our workforce and to continue addressing key management challenges: human capital, and information and physical security. We will continue to take steps to "lead by example" within the federal government in these and other critical management areas.

If the Congress wishes for GAO to conduct technology assessments, we are also requesting $545,000 to obtain four additional FTEs and contract assistance and expertise to establish a baseline technology assessment capability. This funding level would allow us to conduct one assessment annually and avoid an adverse impact on other high priority congressional work.

A summary of the requested changes between our fiscal year 2004 and 2005 budget is reflected in table 4:

Table 4: Summary of Requested Changes for Fiscal Year 2005 Budget

Budget category	FTEs	Amount	Cumulative percentage change
FY 2004 resources[a]			
Appropriation		$457,606	
Estimated revenue (offsetting collections)		5,971	
Total FY 2004 resources	**3,269**	**$463,577**	
FY 2005 requested changes			
Mandatory pay and related costs		$21,821	4.7
Costs to maintain current operating levels		4,007	5.5
Nonrecurring FY 2004 costs		(4,499)	
New financial audit responsibility for SEC		(1,000)	
Continuing improvements/new initiatives		2,203	
Subtotal–increased funding required to support GAO operations		**$22,532**	**4.9**
FY 2005 budget authority required to support GAO operations	**3,269**	**$486,109**	
Less: Estimated revenue (offsetting collections)	3,269	(6,119)	
FY 2005 appropriation		**$479,990**	
Establish a baseline technology assessment capability	**4**	**$545**	
Total FY 2005 appropriation	**3,273**	**$480,535**	

Source: GAO.

[a]Includes recision of 0.59 percent ($2,751).

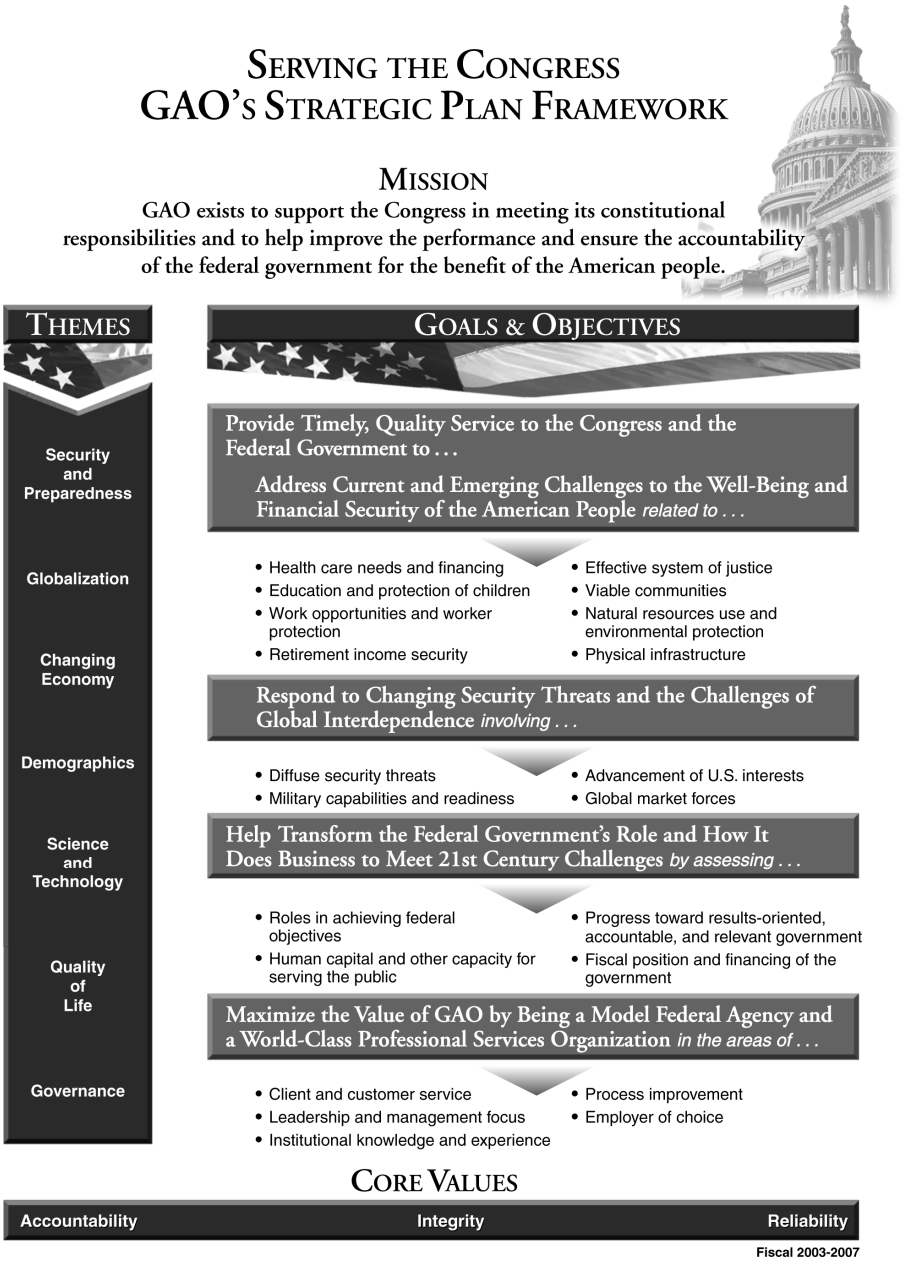
Concluding Remarks

We are grateful to the Congress for providing support and resources that have helped us in our quest to be a world class professional services organization. The funding we received in fiscal year 2004 is allowing us to conduct work that addressed many difficult issues confronting the nation. By providing professional, objective, and nonpartisan information and analyses, we help inform the Congress and executive branch agencies on key issues, and covered programs that continue to involve billions of dollars and touch millions of lives.

I am proud of the outstanding contributions made by GAO employees as they work to serve the Congress and the American people. In keeping with my strong belief that the federal government needs to exercise fiscal discipline, our budget request for fiscal year 2005 is modest, but would maintain our ability to provide first class, effective, and efficient support to the Congress and the nation to meet 21st century challenges in these critical times.

This concludes my statement. I would be pleased to answer any questions the Members of the Subcommittee may have.

Appendix I: Serving the Congress—GAO's Strategic Plan Framework



Source: GAO.

Appendix II: GAO Accomplishments That Helped Change Laws, Improve Services, or Promote Sound Management

GAO Efforts That Helped to Change Laws and/or Regulations
Consolidated Appropriations Resolution, 2003, Public Law 108-7. The law includes GAO's recommended language that the administration's competitive sourcing targets be based on considered research and sound analysis.
Smallpox Emergency Personnel Protection Act of 2003, Public Law 108-20. GAO's report on the National Smallpox Vaccination program highlighted volunteers' concerns about losing income if they sustained injuries from an inoculation. This statute provides benefits and other compensation to covered individuals injured in this way.
Postal Civil Service Retirement System Funding Reform Act of 2003, Public Law 108-18. Analyses performed by GAO and OPM culminated in the enactment of this law that reduces USPS's pension costs by an average of $3 billion per year over the next 5 years. The Congress directed that the first 3 years of savings be used to reduce USPS's debt and hold postage rates steady until fiscal 2006.
Accountability of Tax Dollars Act of 2002, Public Law 107-289. A GAO survey of selected non-CFO Act agencies demonstrated the significance of audited financial statements in that community. GAO provided legislative language that requires 70 additional executive branch agencies to prepare and submit audited annual financial statements.
Emergency Wartime Supplemental Appropriations Act, 2003, Public Law 108-11. GAO assisted congressional staff with drafting a provision that made available up to $64 million to the Corporation for National and Community Service to liquidate previously incurred obligations, provided that the Corporation reports overobligations in accordance with the requirements of the Antideficiency Act.
Intelligence Authorization Act for Fiscal Year 2003, Public Law 107-306. GAO recommended that the Director of Central Intelligence report annually on foreign entities that may be using U. S. capital markets to finance the proliferation of weapons, including weapons of mass destruction, and this statute instituted a requirement to produce the report.
GAO Efforts That Helped to Improve Services to the Public
Strengthening the U.S. Visa Process as an Antiterrorism Tool. Our analysis of the U.S. visa-issuing process showed that the Department of State's visa operations were more focused on preventing illegal immigrants from obtaining nonimmigrant visas than on detecting potential terrorists. We recommended that State reassess its policies, consular staffing procedures, and training program. State has taken steps to adjust its policies and regulations concerning the screening of visa applicants and its staffing and training for consular officers.
Enhancing Quality of Care in Nursing Homes. In a series of reports and testimonies since 1998, we found that, too often, residents of nursing homes were being harmed and that programs to oversee nursing home quality of care at the Centers for Medicare and Medicaid Services were not fully effective in identifying and reducing such problems. In 2003, we found a decline in the proportion of nursing homes that harmed residents but made additional recommendations to further improve care.
Making Key Contributions to Homeland Security. Drawing upon an extensive body of completed and ongoing work, we identified specific vulnerabilities and areas for improvement to protect aviation and surface transportation, chemical facilities, sea and land ports, financial markets, and radioactive sealed sources. In response to our recommendations, the Congress and cognizant agencies have undertaken specific steps to improve infrastructure security and improve the assessment of vulnerabilities.
Improving Compliance with Seafood Safety Regulations. We reported that when Food and Drug Administration (FDA) inspectors identified serious violations at seafood processing firms, it took FDA 73 days on average, well above its 15-day target. Based on our recommendations, FDA now issues warning letters in about 20 days.
Strengthening Labor's Management of the Special Minimum Wage Program. Our review of this program resulted in more accurate measurement of program participation and noncompliance by employees and prevented inappropriate payment of wages below the minimum wage to workers with disabilities.
Reducing National Security Risks Related to Sales of Excess DOD Property. We reported that DOD did not have systems and procedures in place to maintain visibility and control over 1.2 million chemical and biological protective suits and certain equipment that could be used to produce crude forms of anthrax. Unused suits (some of which were defective) and equipment were declared excess and sold over the Internet. DOD has taken steps to notify state and local responders who may have purchased defective suits. Also, DOD has taken action to restrict chemical-biological suits to DOD use only—an action that should eliminate the national security risk associated with sales of these sensitive military items. Lastly, DOD has suspended sales of the equipment in question pending the results of a risk assessment.

GAO Efforts That Helped to Change Laws and/or Regulations
Protecting the Retirement Security of Workers. We alerted the Congress to potential dangers threatening the pensions of millions of American workers and retirees. The pension insurance program's ability to protect workers' benefits is increasingly being threatened by long-term, structural weaknesses in the private-defined, pension benefit system. A comprehensive approach is needed to mitigate or eliminate the risks.
Improving Mutual Fund Disclosures. To improve investor awareness of mutual fund fees and to increase price competition among funds, we identified alternatives for regulators to increase the usefulness of fee information disclosed to investors. Early in fiscal year 2003, the Securities and Exchange Commission issued proposed rules to enhance mutual fund fee disclosures using one of our recommended alternatives.
GAO Efforts That Helped to Promote Sound Agency and Governmentwide Management
Encouraging and Helping Guide Agency Transformations. We highlighted federal entities whose missions and ways of doing business require modernized approaches, including the Postal Service, and the Coast Guard. Among congressional actions taken to deal with modernization issues, the House Committee on Government Reform established a special panel on postal reform and oversight to work with the President's Commission on the Postal Service on recommendations for comprehensive postal reform. We also reported this year on the Coast Guard's ability to effectively carry out critical elements of its mission, including its homeland security responsibilities. We recommended that the Coast Guard develop a blueprint for targeting its resources to its various mission responsibilities and a better reporting mechanism for informing the Congress on its effectiveness. Our recommendations led to better reporting by the Coast Guard and laid the foundation for key revisions the agency intended to make to its strategic plan.
Helping DOD Recognize and Address Business Modernization Challenges. Several times we have reported and testified on the challenges DOD faces in trying to successfully modernize about 2,300 business systems, and we made a series of recommendations aimed at establishing the modernization management capabilities needed to be successful in transforming the department. DOD has implemented some key architecture management capabilities, such as assigning a chief architect and creating a program office, as well as issuing the first version of its business enterprise architecture in May 2003. In addition, DOD has revised its system acquisition guidance. By implementing our recommendations, DOD is increasing the likelihood that its systems investments will support effective and efficient business operations and provide for timely and reliable information for decision making.
Helping to Advance Major Information Technology Modernizations. Our work has helped to strengthen the management of the complex, multibillion-dollar information technology modernization program at the Internal Revenue Service (IRS) to improve operations, promote better service, and reduce costs. For example, IRS implemented several of our recommendations to improve software acquisition, enterprise architecture definition and implementation, and risk management and to better balance the pace and scope of the program with its capacity to effectively manage it.
Improving Internal Controls and Accountability over Agency Purchases. Our work examining purchasing and property management practices at FAA identified several weaknesses in the specific controls and overall control environment that allowed millions of dollars of improper and wasteful purchases to occur. Such weaknesses also contributed to many instances of property items not being recorded in FAA's property management system, which allowed hundreds of lost or missing property items to go undetected. Acting on our findings, FAA established key positions to improve management oversight of certain purchasing and monitoring functions, revised its guidance to strengthen areas of weakness and to limit the allowability of certain expenditures, and recorded assets into its property management system that we identified as unrecorded.
Strengthening Government Auditing Standards. Our publication of the Government Auditing Standards in June 2003 provides a framework for audits of federal programs and monies. This comes at a time of urgent need for integrity in the auditing profession and for transparency and accountability in the management of scarce resources in the government sector. The new revision of the standards strengthens audit requirements for identifying fraud, illegal acts, and noncompliance, and gives clear guidance to auditors as they contribute to a government that is efficient, effective, and accountable to the people.
Supporting Controls over DOD's Credit Cards. In a series of reports and testimonies beginning in 2001, we highlighted pervasive weaknesses in DOD's overall credit card control environment, including the proliferation of credit cards and the lack of specific controls over its multibillion dollar purchase and travel card programs. We identified numerous cases of fraud, waste, and abuse and made 174 recommendations to improve DOD's credit card operations. DOD has taken many actions to reduce its vulnerabilities in this area.

Source: GAO.

This is a work of the U.S. government and is not subject to copyright protection in the United States. It 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.

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to e-mail alerts" under the "Order GAO Products" heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are $2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone:	Voice:	(202) 512-6000
	TDD:	(202) 512-2537
	Fax:	(202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

PRINTED ON RECYCLED PAPER